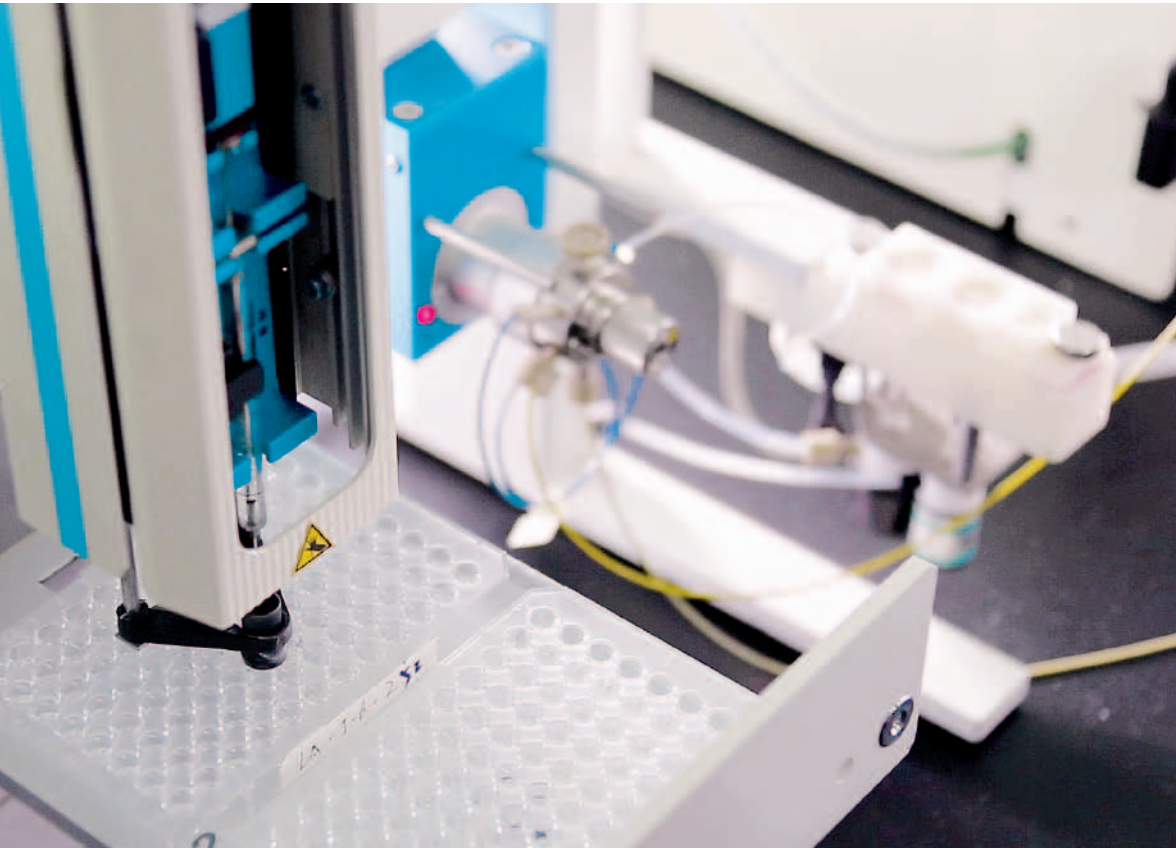


BBI Life Sciences Corporation BBI 生命科學有限公司

(incorporated in the Cayman Islands with limited liability)
STOCK CODE: 1035



GLOBAL OFFERING

Sole Sponsor



Haitong International Capital Limited

Sole Global Coordinator,
Sole Bookrunner and Sole Lead Manager



Haitong International Securities Company Limited

IMPORTANT

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

BBI Life Sciences Corporation BBI生命科學有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

**Number of Offer Shares under the : 131,166,000 Shares (subject to adjustment and
Global Offering the Over-allotment Option)**
Number of Hong Kong Public Offer Shares : 13,119,000 Shares (subject to adjustment)
**Number of International Offer Shares : 118,047,000 Shares (subject to adjustment and
the Over-allotment Option)**
**Maximum Offer Price : HK\$2.21 per Offer Share (payable in full on
application, plus a brokerage of 1.0%, an SFC
transaction levy of 0.0027% and a Hong Kong
Stock Exchange trading fee of 0.005% and
subject to refund) and expected to be
not less than HK\$1.56 per Offer Share**
Nominal value : HK\$0.01 per Share
Stock code : 1035

Sole Sponsor



Haitong International Capital Limited

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



Haitong International Securities Company Limited

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" in Appendix V 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 as to the contents of this prospectus or any other documents referred to above.

Our Company is incorporated in the Cayman Islands and a substantial part of our businesses is located in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the Cayman Islands, the PRC and Hong Kong and that there are different risk factors relating to the investment in our Company. Potential investors should also be aware that the regulatory frameworks in the Cayman Islands and the PRC are different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our Shares. Such differences and risk factors are set out in the sections headed "Risk Factors" and "Regulations."

The Offer Price is expected to be determined by agreement between our Company and the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 19 December 2014 or such later time as may be agreed by our Company and the Sole Global Coordinator (on behalf of the Underwriters), but in any event no later than Wednesday, 24 December 2014.

The Offer Price will be not more than HK\$2.21 per Offer Share and is currently expected to be not less than HK\$1.56 per Offer Share. Investors applying for Hong Kong Public Offer Shares must pay, on application, the maximum Offer Price of HK\$2.21 per Offer Share, unless otherwise announced, together with a brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.56. The Sole Global Coordinator (on behalf of the Underwriters), with the consent of our Company, may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or of the indicative offer price range will be published in The Standard (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at <http://www.bbi-lifesciences.com> not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters) on or before Wednesday, 24 December 2014, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Pursuant to the termination provisions contained in the Underwriting Agreements in respect of the Offer Shares, the Sole Global Coordinator, for itself and on behalf of the Underwriters, has the right in certain circumstances, in the sole discretion of the Sole Global Coordinator, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the date when dealings in our Shares first commence on The Hong Kong Stock Exchange of Hong Kong Limited (such first dealing date is currently expected to be on Tuesday, 30 December 2014). Further details of the terms of the termination provisions are set out in the paragraph headed "Grounds for termination of the Hong Kong Underwriting Agreement" under the section headed "Underwriting" 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 of the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer Shares may only be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S under U.S. Securities Act.

16 December 2014

EXPECTED TIMETABLE⁽¹⁾

We will issue an announcement in Hong Kong to be published in The Standard (in English) and Hong Kong Economic Times (in Chinese) if there is any change in the following expected timetable of the Hong Kong Public Offering.

Latest time to complete electronic applications under the White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Friday, 19 December 2014
Application lists open ⁽³⁾	11:45 a.m. on Friday, 19 December 2014
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Friday, 19 December 2014
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Friday, 19 December 2014
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 Friday, 19 December 2014
Application lists close ⁽³⁾	12:00 noon on Friday, 19 December 2014
Expected Price Determination Date ⁽⁵⁾	Friday, 19 December 2014
Announcement of:	
(i) the Offer Price;	
(ii) the level of indication of interest in the International Offering;	
(iii) the level of applications in the Hong Kong Public Offering; and	
(iv) the basis of allotment of the Hong Kong Public Offering (with successful applicants' identification document numbers, where applicable) to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) and on our website at http://www.bbi-lifesciences.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk on or before	
Monday, 29 December 2014	
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 as described in the section headed "How to Apply for Hong Kong Public Offer Shares — Publication of Results" from	
Monday, 29 December 2014	

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk , with a “search by ID” function from	Monday, 29 December 2014
Despatch of Share certificates in respect of wholly or partially successful applications on or before ⁽⁶⁾	Monday, 29 December 2014
Despatch of refund cheques or White Form e-Refund payment instructions in respect of wholly or partially unsuccessful applications on or before ⁽⁷⁾⁽⁸⁾	Monday, 29 December 2014
Dealings in Shares on the Hong Kong Stock Exchange to commence on.....	Tuesday, 30 December 2014

Notes:

- (1) All times refer to Hong Kong local time, except otherwise stated. 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 **White Form eIPO** Service 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 a payment 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 in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 19 December 2014, the application lists will not open and close on that day. Further information is set out in the section headed “How to Apply for Hong Kong Public Offer Shares — Effect of Bad Weather Conditions on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Friday, 19 December 2014, the dates mentioned in this section may be affected. We will make a press announcement in such event.
- (4) Applicants who apply for Hong Kong Public Offering by giving **electronic application instructions** to HKSCC should see the section headed “How to Apply for Hong Kong Public Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Friday, 19 December 2014, and in any event will not be later than Wednesday, 24 December 2014. If, for any reason, the Offer Price is not agreed on or before Wednesday, 24 December 2014, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.
- (6) Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Monday, 29 December 2014 but will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects, and (ii) the Underwriting Agreements have not been terminated in accordance with their terms. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, we will make an announcement as soon as possible. Investors who trade the Hong Kong Public Offer Shares on the basis of publicly available allocation details before the receipt of their Share certificates or before the Share certificate becoming valid certificates of title do so entirely at their own risk.

EXPECTED TIMETABLE⁽¹⁾

- (7) Applicants who have applied on **WHITE** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more and have provided all required information may collect refund cheques (if applicable) and Share certificates (if applicable) in person from the Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 29 December 2014, Identification and (where applicable) authorisation documents acceptable to the Share Registrar must be produced at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more may collect their refund cheques (if applicable) in person but may not collect in person their Share certificates which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied through the **White Form eIPO** service by paying the application monies through a single bank account may have e-Refund payment instructions (if any) despatched to their application payment bank account on Monday, 29 December 2014. Applicants who have applied through the **White Form eIPO** service by paying the application monies through multiple bank accounts may have refund cheque(s) sent to the address specified in their application instructions through the **White Form eIPO** Service, on Monday, 29 December 2014, by ordinary post and at their own risk.

Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to Apply for Hong Kong Public Offer Shares — Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

- (8) Refund cheques will be issued (if applicable) and e-Refund payment instructions will be despatched (where applicable) in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable on application.

For further details in relation to the Hong Kong Public Offering, see the sections headed "How to Apply for Hong Kong Public Offer Shares" and "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 Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy, any security other than the Hong Kong Public Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell, or a solicitation of an offer to subscribe for or buy, any security 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. The distribution of this prospectus and the offering and sale 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 pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Information contained in our websites, located at <http://www.bbi-lifesciences.com>, <http://www.sangon.com> and <http://www.biobasic.com> does not form part of this prospectus.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in the prospectus. Any information or representation not made in the prospectus must not be relied on by you as having been authorised by our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Lead Manager, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person involved in the Global Offering.

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SUMMARY

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 and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus (including the appendices hereto, which constitute an integral part of this 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 this section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a well-recognised provider with a comprehensive portfolio coverage in the life sciences research product and service industry in China in 2013, according to the Frost & Sullivan Report. Life sciences research products and services are specialised research consumable products and professional outsourcing services. They are widely used in the basic research in various disciplines, including biology, medicine, pharmacy, environmental science, biotechnology and bioengineering. We offer DNA synthesis products, genetic engineering services, life sciences research consumables, and protein and antibody related products and services which are used to facilitate the studies of life sciences including animal and plant, disease, medical diagnosis, drug development, food industry and agriculture. With the assistance of life sciences research products and services, researchers and scientists have achieved technological breakthroughs in biological research. We are the largest provider of DNA synthesis products in China in terms of revenue in 2013, according to the Frost & Sullivan Report. With our extensive direct sales network across China, we efficiently deliver quality products and services to our customers. We have also entered into the broader market of Asia, North America, South America, Europe, and Africa primarily introducing our DNA synthesis products and life sciences research consumables.

Our major customers include colleges, universities and research institutes which accounted for a total of approximately 51.8% of our revenue for the six months ended 30 June 2014. Our other customers include hospitals, pharmaceutical and biotech companies, government testing and diagnostic centres, as well as distribution companies in China and overseas. According to the Frost & Sullivan Report, in 2013, we ranked first among DNA synthesis products providers in terms of revenue with a market share of approximately 17.4% in China. We also ranked first among oligonucleotide synthesis product providers as a sub-segment of DNA synthesis products in terms of revenue with a market share of approximately 26.0%. In addition, we ranked sixth in the DNA sequencing service market as a sub-segment of genetic engineering services in terms of revenue.

Our core competitive edge is our comprehensive product and service portfolio that satisfies daily laboratory requirements for performing life sciences research with an extensive range of applications. According to the Frost & Sullivan Report, life sciences research requires a vast array of products and services, which generally consist of the following four segments. We were a well-recognised supplier in China that had provided products and services in all of these four segments as at the Latest Practicable Date. The segments are interrelated. For example, DNA synthesis drives the growth of genetic engineering services, and in turn genetic engineering services drive the demand for DNA synthesis products.

- a. *DNA synthesis products*, comprising oligonucleotide synthesis and gene synthesis. DNA synthesis is a process by which nucleic acid molecules with specific sequences are artificially made. DNA synthesis is needed for the vast majority of life sciences research projects, from basic molecular biology research to even broader areas such as animal and plant studies, disease research, medical diagnosis, drug development, food industry and agriculture;
- b. *Genetic engineering services*, comprising DNA sequencing, next-generation sequencing, and molecular biology services. Genetic engineering services are services related to the manipulation and analysis of the genes of organisms. DNA sequencing is the process of the determination of DNA sequence, which provides the basis for the vast majority of DNA analysis. Molecular biology services include most types of molecular biology experiments such as gene cloning, genotyping, gene expression analysis, and real-time PCR. Genetic engineering services have wide applicability in agriculture, in the study of diseases using animal models, and in the detection, diagnosis, and prognosis of diseases;

SUMMARY

- c. *Life sciences research consumables* refer to experimental materials (biochemical reagents and research kits) and consumable parts (labware) that are used by researchers in experiments. Life sciences research consumables are needed by life sciences research laboratories to carry out research projects; and
- d. *Protein and antibody related products and services*, comprising protein related products and services, including polypeptide, are primarily used for protein production and analysis such as proteomics studies. Antibody related products and services are primarily used for immunology experiments.

BUSINESS MODEL

Suppliers

Vertically, we source raw materials, equipment, and instruments from suppliers in the upstream market primarily in China and in the United States. For instance, we procure raw materials such as monomers for DNA synthesis, special reagents for DNA sequencing, enzymes for gene synthesis, biochemical reagents for research kits, and plastic particles for labware from our suppliers. Special instruments for life sciences research products and services include DNA synthesizer for oligonucleotide synthesis, PCR machines (thermal cyclers) for gene synthesis, DNA analyzer for sequencing, atomic absorption spectrophotometer and gas chromatography for quality control for biochemical reagents, injection moulding machine for labware production, and protein purification system for protein production. Please see the section headed “Business — Suppliers, Raw Materials and Inventory” on page 214 of this prospectus for further details.

For the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, purchases from our five largest suppliers together accounted for approximately 32.7%, 34.4%, 24.5%, and 26.9% of our total purchases, respectively and our single largest supplier accounted for approximately 9.5%, 10.4%, 6.2% and 7.2% of our total purchases, respectively, during the same periods. As at 30 June 2014, we had maintained business relationships with these suppliers for over five years on average.

Production

We are headquartered in Shanghai where our principal production facility is located. Our principal production facility produces and provides products and services in all of our four business segments. It also procures raw materials for and provides technical support to our Beijing branch that primarily provides oligonucleotide synthesis products and DNA sequencing services, and to our Wuhan and Guangzhou branches that primarily provide DNA sequencing services. We are also in the early stage of establishing another branch in Beijing for the production and delivery of our products and services. We have another production facility in Canada that primarily serves the needs of the customers in North America by offering DNA sequencing services and life sciences research consumables. For the six months ended 30 June 2014, the utilisation rate of our production facilities for the production of DNA synthesis products, genetic engineering services, and life sciences research consumables had reached almost or over 90%, while the utilisation rate of our production facilities for the production of protein and antibody related products and services had increased from 19.7% to 43.3% during the Track Record Period. Please see “Business — Production Facilities and Equipment” for a discussion on the designed annual production capacity, production volume, and utilisation rates in respect of each of our four business segments during the Track Record Period on page 211 of this prospectus.

While we produce and provide the majority of our products and services at our production facility and laboratories, we also outsource ancillary production steps to sub-contractors in order to achieve cost efficiency. This includes certain steps of next-generation sequencing services. In addition, to expand and diversify our product offering, we procure some of our life sciences research consumables such as biochemical reagents. They are trading products produced by suppliers. We carry out quality control tests and repackaging to meet the various needs of scientific researchers. Please see the section headed “Business — Production Process” on page 196 of this prospectus for further details.

Customers

We believe that our product and service portfolio satisfies daily laboratory requirements in life sciences research, empowers our customers to accelerate their research progress and to solve complex life sciences problems, enhances their productivity, and enables them to achieve efficiency and cost effectiveness. Our major customers include colleges, universities and research institutes which

SUMMARY

accounted for a total of approximately 51.8% of our revenue for the six months ended 30 June 2014. Our other customers include hospitals, pharmaceutical and biotech companies, government testing and diagnostic centres, as well as distribution companies in China and overseas, which accounted for approximately 7.1%, 33.9%, 0.6%, and 6.6%, respectively, during the same period.

During the Track Record Period, researchers and scientists (the “**Individuals**”) based in colleges, universities, and research institutes in the PRC (the “**Institutions**”) were the parties who placed purchase orders directly with our Group. We directly delivered our products and services to the Individuals. According to our PRC legal adviser, King & Wood Mallesons, while the Individuals enjoyed a high degree of autonomy in making purchase decisions related to their research activities, including price negotiation, ordering, delivery, and acceptance of products and services, the Institutions possessed a supervisory authority over the use of research fund. This included the duty to ensure the reasonable use of the funding by the Individuals within the scope of relevant project proposals, contracts, and relevant laws and regulations. Please see the section headed “Regulations” for details of the relevant laws and regulations governing the use of government research fund.

Invoices were sent by our Group to the Institutions through the Individuals, and to the best of our knowledge, the Institutions would not settle the invoices unless they have been confirmed by the Individuals and that the products and services set out in the invoices were within the scope of the relevant proposals and contracts. Actual payment to our Group was made by the Institutions. According to the Frost & Sullivan Report, it is the common practice in the PRC life sciences research product and service industry for Individuals to place orders with entities, such as our Group, and for invoices to be sent to and paid by the Institutions.

Based on the aforesaid, we consider that the Institutions as our customers given that (i) the right of use and operation of such products and services purchased with the research funds belongs to the Institutions; (ii) the Institutions have supervisory authority over the use of all research fund; and (iii) the Institutions are responsible for making the payment directly to our Group according to common industry practice. During the Track Record Period, there had been no dispute from the Institutions in relation to the settlements of sales to the Individuals, nor were there any actual bad debts on balances owing by either the Institutions or the Individuals. Please see the section headed “Business — Customers” on page 187 of this prospectus for further details.

During the Track Record Period, the five largest customers together accounted for approximately 8.1%, 6.4%, 8.2%, and 8.4% of the percentage of turnover for each of the years ended 31 December 2011, 2012, and 2013, and the six months ended 30 June 2014, respectively. As at 30 June 2014, our five largest customers during the Track Record Period had maintained a working relationship with us for over seven years on average.

Multi-channel sales and marketing through our strong direct sales capabilities and distribution network across China and overseas

We are headquartered in Shanghai, China. According to the Frost & Sullivan Report, we have established one of the most extensive direct sales network with broad geographical reach in our primary market of China. As at 30 June 2014, our direct sales network comprised three branches in Beijing, Wuhan, and Guangzhou and 38 sales points across China. The sales points refer to cities at which we have sales representatives stationed to carry out day-to-day sales and marketing activities by visiting customers’ offices, notwithstanding that we have not established any offices or branches at these sales points. We have also established two subsidiaries outside China, namely, Bio Basic (Canada) and Bio Basic (US), to expand into the North American market. As at 30 June 2014, our branches and sales points in China and overseas were represented by a team of over 230 sales representatives.

By adopting a direct sales business model, our life sciences research products and services are offered at competitive prices absent of multi-level commissions in a typical distributorship business model. We can ensure that all selling effort is devoted to our products and services. Moreover, through face-to-face interaction with customers about our products and services on a frequent basis, we are better informed of customers’ current and evolving needs and are allowed to own customer relationships.

In addition to our direct sales team, as at 30 June 2014, we had over 90 third-party distributors primarily selling our DNA synthesis products and life sciences research consumables in China and overseas. Our distribution network extended to over 18, 2, 4, 15, and 3 countries and territories in Asia, North America, South America, Europe, and others, respectively, as at 30 June 2014. To the best of our knowledge, the majority of our distributors are biotech trading companies which procure our products to supplement their product portfolio for onward selling.

SUMMARY

By adopting a distribution model, we effectively tapped into market potential and increased business volume. We believe that our multi-channel sales and marketing through a blend of direct sales and distribution network ensures greater market penetration and development of our Sangon and BBI brands. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our direct sales accounted for 91.3%, 92.9%, 92.7% and 93.4% of our total revenue, respectively. For the same periods, our sales to distributors accounted for 8.7%, 7.1%, 7.3% and 6.6% of our total revenue, respectively.

OUR COMPETITIVE STRENGTHS

Our core strengths are set out below:

- market leadership with strong brand recognition;
- comprehensive product and service portfolio for life sciences research;
- proven research and development capabilities, robust product and service pipeline, and a growing intellectual property portfolio;
- multi-channel sales and marketing through our strong direct sales capabilities and distribution network across China and overseas; and
- seasoned and dedicated management team.

OUR STRATEGIES

Our business strategies and development direction are set out below:

- deepen and broaden our product and service portfolio to serve a wider customer base;
- raise automation level of our production process and further enhance our information technology capability;
- gradual expansion of our direct sales network by establishing new branches and sales points and production facilities; and
- strengthen our online sales platform and cultivate an online customer base.

COMPETITIVE LANDSCAPE

The PRC DNA Synthesis Product Market

According to the Frost & Sullivan Report, the PRC DNA synthesis product market is relatively concentrated in terms of revenue in 2013 primarily due to high entry barriers to the market. Leading players with strong reputation have established competitive advantages of direct sales network and supporting facilities in the Chinese mega cities where research and development investments are concentrated. According to the Frost & Sullivan Report, the top two players dominate the PRC oligonucleotide synthesis market segment in terms of revenue in 2013. Similarly, the top one player dominates the PRC gene synthesis market and each of the other top five players held a small market share, in terms of revenue in 2013. According to the Frost & Sullivan Report, we are the largest provider of DNA synthesis products and oligonucleotide synthesis products (as a sub-segment of DNA synthesis products) in China in terms of revenue in 2013, with market share of 17.4% and 26.0%, respectively. In the gene synthesis market, we ranked sixth in terms of revenue in 2013 with a 3.8% market share.

The PRC Genetic Engineering Service Market

According to the Frost & Sullivan Report, the top one player dominates the PRC DNA sequencing service market and each of the other top eight players held a small market share, in terms of revenue in 2013. The entry barriers to the next-generation sequencing market segment in the Chinese mega cities are relatively high. According to the Frost & Sullivan Report, we ranked sixth in the DNA sequencing service market in terms of revenue in 2013 with a 3.4% market share, while our next-generation sequencing business segment is in its relatively early stage of development.

The PRC Life Sciences Research Consumable Market

According to the Frost & Sullivan Report, the PRC life sciences research consumable market is highly fragmented with thousands of suppliers due to a relatively low technological barrier and a wide range of product offerings. There are a wide variety of life sciences research consumables and a

SUMMARY

leading supplier is generally required to adopt a wide range of production technologies and offer a comprehensive product portfolio. As a result, only a few suppliers have established their strong presence in the market. According to the Frost & Sullivan Report, we had a market share of approximately 1.4% in this market in terms of revenue in 2013.

The PRC Protein and Antibody related Product and Service Market

According to the Frost & Sullivan Report, the protein and antibody related product and service market is fragmented with many small suppliers. We had a 3.3% market share in this market in terms of revenue in 2013, according to the Frost & Sullivan Report.

Please refer to “Industry Overview” for further details of the competitive landscape of each business segment beginning on page 92 of this prospectus.

OUR SHAREHOLDERS

Immediately after the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and that no Shares have been issued pursuant to the exercise of any option which have been or may be granted under the Share Option Schemes), LJ Peace and LJ Venture are expected to hold 35.10% and 22.50% of the enlarged issued share capital of our Company respectively.

LJ Peace is an investment holding company incorporated under the Canada Business Corporations Act (Canada) on 26 June 2013. As at the Latest Practicable Date, it was owned as to 51.15% and 48.85% respectively by Wang J Family Trust of which the trustee is Ms. Wang Luoia, and Wang L Family Trust of which the trustee is Ms. Wang Jin, both of which are irrevocable discretionary trusts set up by Mr. Wang Qisong under the laws of the Province of Ontario. The beneficiaries of Wang J Family Trust are Ms. Wang Jin and her children and the beneficiaries of Wang L Family Trust are Ms. Wang Luoia and her children. LJ Venture is an investment holding company incorporated under the Business Corporations Act (Ontario) on 21 September 2009. As at the Latest Practicable Date, it was owned by Ms. Wang Luoia as trustee of Wang J Family Trust and Ms. Wang Jin as trustee of Wang L Family Trust, as to 50% each. Ms. Wang Luoia and Ms. Wang Jin are also our executive Directors.

Mr. Wang Qisong, our founder, executive Director and chairman of our Company, is the father of Ms. Wang Luoia and Ms. Wang Jin and is also considered one of the Controlling Shareholders of our Company by virtue of the Acting in Concert Deed with Ms. Wang Luoia and Ms. Wang Jin.

For more details, please see the sections headed “Relationship with Controlling Shareholders” and “Directors, Senior Management and Employees” in this prospectus.

PRE-IPO SHARE OPTION

We have granted options to 164 persons (the “**Grantees**” and each a “**Grantee**”) to subscribe for 3,269,000 Shares. However, as two of the Grantees, none of them is our Director, our senior management or connected person of our Company, have left our Group in October 2014 and November 2014, respectively, the options granted to them lapsed according to the terms of the Pre-IPO Share Option Schemes. Accordingly, the total number of Shares to be subject to the Pre-IPO Share Option Schemes, after deducting the two resigned employees’ right to subscribe for 12,471 Shares pursuant to the options granted to them, shall be 3,256,529 Shares, representing approximately 7.5% of the issued share capital of our Company immediately before completion of the Capitalisation Issue and the Global Offering. The adjusted total number of Shares to be subjected to the Pre-IPO Share Option Schemes (the “**Adjusted Shares**”) shall be 29,460,249 Shares, representing approximately 5.6% of the issued share capital of our Company immediately upon completion of the Capitalisation Issue and the Global Offering and taking no account of any shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which have been or may be granted under Share Option Schemes, on the terms set out in “8. Pre-IPO Share Option Schemes” in Appendix IV to this prospectus. Among the 162 Grantees (excluding two Grantees who are resigned employees), two of them are executive Directors, nine of them are members of the senior management of our Group, three of them are connected persons of our Company (not including our executive Directors and members of senior management), and 148 of them are employees of our Group, 12 of which have the right to subscribe for 30,000 Shares or more or 271,395 Adjusted Shares or more under the Pre-IPO Share Option Schemes and the remaining 136 Grantees have the rights to subscribe for less than 30,000 Shares or 271,395 Adjusted Shares upon completion of the Capitalisation issue and the Global Offering. Assuming all outstanding options as at Latest Practicable Date were exercised as at 1 January 2014 prior to the Capitalisation Issue and the Global Offering, this would have a dilutive effect on the shareholdings of our Shareholders of approximately 7.5% and, as a result of the adjustment in share-based compensation expenses for the six months ended 30 June 2014, an anti-dilutive effect of approximately 2.4% on our earnings per Share for the six months ended 30 June 2014.

SUMMARY

For more details, please refer to the Note 20 of Accountant's Report as set out in Appendix I and paragraphs headed "8. Pre-IPO Share Option Schemes" and "9. Post-IPO Share Option Scheme" under the section headed "Statutory and General Information" in Appendix IV of this prospectus.

PRE-IPO INVESTMENT

On 24 May 2010, the registered capital of Sangon Biotech was increased from approximately US\$9.37 million (equivalent to RMB71,864,180 (based on the exchange rate between US\$ and RMB at that time)) by RMB17,966,045 to RMB89,830,225 by way of Qiming Excel (which was then held as to 90.73%, 7.95% and 1.32% by Qiming Venture Partners II, L. P., Qiming Venture Partners II-C, L. P. and Qiming Managing Directors Fund II, L. P. respectively) injecting RMB17,966,045 and RMB24,033,955 into the registered capital and capital reserve of Sangon Biotech respectively. Upon the completion of such increase in registered capital, the registered capital of Sangon Biotech was owned as to 51%, 24%, 20% and 5% by BBI China, BBI Asia, Qiming Excel and Shanghai Shengjie respectively. For more details, please see the section headed "History and Reorganisation — Pre-IPO Investment" in this prospectus.

SUMMARY OF OUR FINANCIAL INFORMATION

Our consolidated financial information has been prepared in accordance with HKFRS. Selected items of our consolidated financial statements are set out below.

Information on our consolidated income statements

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>(RMB in thousands, except percentage)</i> <i>(unaudited)</i>				
DNA synthesis products					
Revenue	70,082	81,187	91,117	42,610	48,649
Percentage of revenue	43.8%	43.6%	41.5%	41.9%	40.6%
Gross profit	50,163	53,821	49,891	22,880	28,694
Gross profit margin	71.6%	66.3%	54.8%	53.7%	59.0%
Genetic engineering services					
Revenue	23,263	31,603	41,872	18,574	22,330
Percentage of revenue	14.5%	17.0%	19.0%	18.3%	18.6%
Gross profit	13,613	14,516	20,211	9,374	11,499
Gross profit margin	58.5%	45.9%	48.3%	50.5%	51.5%
Life sciences research consumables					
Revenue	58,761	61,768	70,838	32,984	36,647
Percentage of revenue	36.7%	33.1%	32.2%	32.5%	30.5%
Gross profit	24,478	30,326	35,657	14,948	17,799
Gross profit margin	41.7%	49.1%	50.3%	45.3%	48.6%
Protein and antibody related products and services					
Revenue	8,010	11,799	16,161	7,421	12,360
Percentage of revenue	5.0%	6.3%	7.3%	7.3%	10.3%
Gross profit	4,121	3,857	5,331	3,356	5,321
Gross profit margin	51.4%	32.7%	33.0%	45.2%	43.1%
Total					
Revenue	160,116	186,357	219,988	101,589	119,986
Gross profit	92,375	102,520	111,090	50,558	63,313
Gross profit margin	57.7%	55.0%	50.5%	49.8%	52.8%
Profit for the year/period	34,802	35,314	42,347	16,856	42,799

Our revenue increased from 2011 to 2013 at a CAGR of 17.2%, primarily attributable to increases in revenues from our DNA synthesis product, genetic engineering service and life sciences research consumable businesses. Our revenue increased by RMB18.4 million, or 18.1%, from RMB101.6 million for the six months ended 30 June 2013 to RMB120.0 million for the six months ended 30 June 2014, primarily attributable to increases in revenues from all our business segments. During the Track Record Period, revenues from our four business segments increased, respectively, due to the following factors:

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- **DNA synthesis products:** (i) an increase in revenue from the sale of our oligonucleotide synthesis products as we have implemented our online oligonucleotide order system, developed automated oligonucleotide production line with fast delivery of products and provided our customers with 100% mass spectrum quality control reports for all oligonucleotide synthesis products; (ii) an increase in revenue from the sale of our gene synthesis products as our self-developed software provides automated optimisation, analysis and design of gene sequences and also enables us to reduce our service delivery time; and (iii) the expansion of our DNA synthesis product portfolio as we have provided the HPLC purification method for oligonucleotides in addition to traditional DNA purification methods and have also offered more varieties of modified oligonucleotides which have higher sales growth potential.
- **Genetic engineering services:** (i) increases in revenue from rendering of our DNA sequencing and molecular biology services as we have adopted new methods to purify DNA sequencing samples, provided online download services and established more sequencing facilities which provide technical support and fast delivery to customers; (ii) an increase in revenue from rendering of our next-generation sequencing services after we commenced to provide customised services to meet the individualised demands of our customers in 2012; (iii) the expansion of our DNA sequencing service portfolio as we have offered more types of molecular biology services which have higher sales growth potential and hired more trained technicians who provide technical support to meet customer requirements; and (iv) an increasing demand from our existing customers of DNA synthesis products for our genetic engineering services as a result of the synergistic effect of our broad product and service portfolio.
- **Life sciences research consumables:** (i) increases in revenues from the sale of our biochemical reagents, research kits and labware as we have continuously offered new types of biochemical reagents, research kits and labware for life sciences research; and (ii) an increasing demand from our existing customers of DNA synthesis products for our life sciences research consumable products as a result of the synergistic effect of our broad product and service portfolio.
- **Protein and antibody related products and services:** (i) an increase in revenue from the sale of our protein related products and services and an increase in revenue from the sale of our polypeptide synthesis as we have developed and launched new kinds of protein research kits and polypeptide and provided new types of protein services to meet customer demands; (ii) an increase in revenue from the sale of our antibody related services as we have developed and provided new types of antibody services (such as customised antibody production and immunology experiments) to customers; and (iii) an increase in revenue from the sale of our antibody products as we have developed and launched over 3,500 new types of monoclonal and polyclonal antibodies for life sciences research since 2011.

Our overall gross profit margin decreased from 2011 to 2013 primarily attributable to a decrease in the gross profit margin for our DNA synthesis product business mainly as a result of a slight decrease in the selling prices of our DNA synthesis products as the competition among suppliers increased and we carried out promotional and marketing strategies to strengthen our market position. Our gross profit margin increased from 49.8% for the six months ended 30 June 2013 to 52.8% for the six months ended 30 June 2014, primarily attributable to an increase in the gross profit margin for our DNA synthesis product business mainly as a result of a decrease in cost of raw materials as we developed automated DNA synthesis systems and improved the production efficiency. Our profit for the period increased by RMB25.9 million, or by 153.3%, from RMB16.9 million for the six months ended 30 June 2013 to RMB42.8 million for the six months ended 30 June 2014, primarily attributable to increased gross profits across all our business segments, as well as gains of RMB26.4 million on our disposal of equity interest in the associate company, PrimeGene, in April 2014. Please see the subsection headed “Financial Information — Description of Certain Consolidated Income Statement Items” starting on page 283 of this prospectus for further discussion.

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The following table sets forth a breakdown of our revenue by sales region for the periods indicated. Please see the subsection headed “Business — Customers — Sales by Region” starting on page 192 of this prospectus for further discussion.

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i> <i>(unaudited)</i>	%	<i>RMB'000</i>	%
PRC	122,015	76.2	139,445	74.8	165,164	75.1	73,303	72.2	87,946	73.3
America	17,406	10.9	33,556	18.0	27,155	12.3	14,037	13.8	16,720	13.9
Europe	6,065	3.8	5,949	3.2	13,561	6.2	7,647	7.5	7,202	6.0
Asia (excluding the PRC)	8,750	5.4	6,120	3.3	11,343	5.2	5,152	5.1	6,847	5.7
Other countries	5,880	3.7	1,287	0.7	2,765	1.2	1,450	1.4	1,271	1.1
TOTAL	160,116	100.0	186,357	100.0	219,988	100.0	101,589	100.0	119,986	100.0

Information on our consolidated balance sheets

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	128,754	163,673	169,483	164,024
Current assets	190,126	158,751	204,143	268,332
Non-current liabilities	876	3,081	4,928	5,306
Current liabilities	160,436	126,232	66,945	79,194
Total equity	157,568	193,111	301,753	347,856

As at 31 December 2011, 2012, and 2013, and 30 June 2014, we recorded net current assets of RMB29.7 million, RMB32.5 million, RMB137.2 million, and RMB189.1 million. Please see the section headed “Financial Information — Discussion of Selected Item from the Consolidated Balance Sheets” starting on page 318 of this prospectus for further discussion.

Extract of consolidated statements of cash flows

The following table sets forth selected cash flow data from our consolidated cash flow statements for the periods indicated. For more information, see Appendix I — “Accountant’s Report” to this prospectus.

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents and bank overdrafts at beginning of year/period	130,184	84,832	55,249	55,249	109,556
Net cash flows from operating activities	31,306	32,055	61,046	13,822	6,451
Net cash (outflow)/inflow from investing activities	(79,255)	(44,333)	2,822	(24,347)	(16,710)

SUMMARY

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash inflow/(outflow) from financing activities	3,970	(17,266)	(9,684)	(7,000)	—
Cash and cash equivalents and bank overdrafts at end of the year/period	<u>84,832</u>	<u>55,249</u>	<u>109,556</u>	<u>38,268</u>	<u>99,910</u>

Key financial ratios

The following table sets forth certain key financial ratios as at the dates or for the periods indicated. Please see the section headed “Financial Information — Key Financial Ratios” starting on page 343 of this prospectus for descriptions of the calculations and the relevant analysis of the ratios below.

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	Current ratio	118.5%	125.8%	304.9%

	For the years ended 31 December			For the six months ended 30 June	
	2011	2012	2013	2013	2014
				<i>(unaudited)</i>	<i>(adjusted)⁽¹⁾</i>
Gross profit margin (%)	57.7	55.0	50.5	49.8	52.8
Net profit margin (%)	21.7	18.9	19.2	16.6	35.7
Effective tax rate (%)	16.1	16.1	14.6	16.3	19.5
Return on equity (%)	25.8	20.1	17.1	N/A	26.4
Return on total assets (%)	11.8	11.0	12.2	N/A	21.2
EBITDA margin (%)	30.1	27.7	27.7	25.9	49.2
Interest coverage	231.3	118.2	149.0	63.8	N/A

Note:

⁽¹⁾ The calculation of key financial ratios for the six months ended 30 June 2014 excludes gains on disposal of our equity interests in the associate company, PrimeGene, in the amount of RMB26.4 million.

DIVIDEND POLICY

Subject to the Companies Law and our Memorandum and Articles of Association, through a general meeting, we may declare dividends in any currency but no dividend may be declared in excess of the amount recommended by our Directors. Our Directors may from time to time also declare interim dividends as appear to our Directors to be justified by our profits. The amount of any dividends to be declared or paid in the future will depend on, among other things, our results of operations, cash flows, financial condition, operating and capital requirements, future prospects and other factors that our Directors deem relevant. We cannot guarantee then, if and in what form dividends will be paid in the future. During the Track Record Period, we have not declared and/or paid any dividends to our Shareholders.

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SUMMARY OF MATERIAL RISK FACTORS

There are a number of risk factors involved in our business operations, including:

- Our revenue and results of operations depend on our customers' research and development efforts and their ability to obtain funding for these efforts.
- Our business is subject to intense competition, which may reduce demand for our products and services and adversely affect our results of operations and prospects.
- If we are unable to successfully develop new products and services or expand our product and service lines, our business, financial condition, results of operations and prospects may be materially and adversely affected.
- Our products and services may be subject to decreasing pricing trends and reduced margins.
- We may not be able to successfully claim against the Institutions in the event of a breach of contract or non-payment by the Institutions, which could adversely affect our business, financial condition, results of operation and prospects.
- Increased labour costs could slow our growth and affect our revenue and profitability.
- An increase in the market price of our raw materials and components may materially and adversely affect our gross margins and profitability.

A detailed discussion of the risk factors is set forth in "Risk Factors" on page 31 of this prospectus.

NON-COMPLIANCE INCIDENTS

During the Track Record Period, we had certain systemic non-compliance incidents in relation to the (i) non-contribution of housing provident for our employees with rural household in respect of Sangon Biotech prior to July 2014, (ii) failure to apply for acceptance check of our environmental protection facilities prior to the commencement of operation in respect of our Wuhan branch, (iii) failure to submit an environmental impact assessment report for approval prior to the commencement of operation in respect of our Guangzhou branch, and (iv) failure to lay audited financial statements at annual general meetings in respect of our two non-operational Hong Kong subsidiaries. Please see the section headed "Business — Historical Non-compliance Incidents" for further details on page 234 of this prospectus. All such non-compliance incidents have not resulted, and are not expected to result, in any material impact on our financial and operational aspects.

BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

We have had product sales in connection with certain of the Sanctioned Countries, namely, Iran, Lebanon, Sudan and Iraq. The amount of total revenue generated from sales to these Sanctioned Countries for each of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 represented approximately 0.29%, 0.21%, 0.33% and 0.28% of our total revenue for the same periods, respectively. As advised by DLA Piper Hong Kong, our legal adviser as to International Sanctions laws, our Group's historical sales in Iran, Lebanon, Sudan and Iraq during the Track Record Period do not implicate the applicability of the relevant sanctions laws on our Group, or any person or entity, including the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors. Please see the section headed "Business — Business Activities in Sanctioned Countries" on page 193 of this prospectus for details of our operations and business activities in those countries.

We confirm that, save as disclosed in the section headed "Business" in this prospectus, our Group had not had during the Track Record Period and up to the Latest Practicable Date, any business activities in connection with any countries, governments, entities or individuals sanctioned by the U.S., the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC administered sanctions.

In relation to our sales to customers in the Sanctioned Countries during the Track Record Period, we have not been notified that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Persons List maintained

SUMMARY

by the OFAC or other restricted parties lists maintained by the European Union, the United Nations or Australia and therefore would not be deemed as sanctioned targets. Our such sales do not involve industries or sectors that are currently subject to specific sanctions by the U.S., the European Union, the United Nations or Australia and therefore are not deemed to be prohibited activities under the relevant sanctions laws and regulations. Our Directors expect to eliminate our Group's sales to Sanctioned Countries before Listing.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business model, revenue structure and cost structure remained unchanged since 30 June 2014. Our business maintains a stable growth and the contribution by each business segment is in line with the historical record.

In recent years in the PRC life sciences research products and services market, according to the Frost & Sullivan Report, demand for DNA synthesis products remains on a steady growth path with emphasis on gene function analysis driving more rapid expansion in the gene synthesis sector. Wider adoption of RNA interference technology is expected to become the new growth engine for DNA synthesis product market. Suppliers providing sequencing services started to purchase new next-generation sequencers to deliver affordable human genome sequencing and further increasing affordability will continue to promote the application of next-generation sequencing. Custom recombinant protein production service is becoming increasingly popular driven by its more important role in biopharmaceutical field and maturity of protein expression platform.

Based on our unaudited consolidated financial information for the ten months ended 31 October 2014, our revenue amounted to approximately RMB204.4 million, representing a 15.7% increase compared to that for the ten months ended 31 October 2013. The increase in revenue was primarily attributable to increased sales of our products and services across all our business segments mainly as a result of the increased sales volume of our DNA synthesis products in 2014 after our prior promotional activities, our expanded offering of protein research kits and polypeptide, and the synergistic effect of our broad product and service portfolio. Our gross profit margin for the ten months ended 31 October 2014 was 52.1%, representing a 2.1% increase compared to that for the ten months ended 31 October 2013, primarily attributable to decreases in costs of raw materials mainly as a result of our automated DNA synthesis systems for higher production efficiency, our adjustment of supplier mix for genetic engineering services, and our economies of scale production of life sciences research consumables. Our overall gross profit margin for the ten months ended 31 October 2014 remained relatively stable as compared to that for the six months ended 30 June 2014. The financial information disclosed above is derived from the Company's unaudited condensed consolidated interim financial information for the ten months ended 31 October 2014, which has been reviewed by our Reporting Accountant in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

For the six months ended 30 June 2014 and the ten months ended 31 October 2014, we had incurred expenses of share-based payment in the amount of RMB4.3 million and RMB8.4 million in relation to the Pre-IPO Share Option Schemes, respectively. We expect to incur additional expenses of share-based payment to approximately RMB10.8 million in relation to the Pre-IPO Share Option Schemes for the year ending 31 December 2014.

As far as we are aware, there was no material change in the general economic, market and regulatory conditions in our industry that had materially and adversely affected our business operations or financial conditions since 30 June 2014 and up to the Latest Practicable Date. Our Directors confirm that, save as the expenses incurred in connection with the Listing (the "**Listing Expenses**") and expenses of share-based payment, up to the date of this prospectus, there has been no other material adverse change in our financial or trading position or prospects since 30 June 2014, being the date to which our latest audited financial statements were prepared.

LISTING EXPENSES

We had not incurred any Listing Expenses during the Track Record Period. We expect to incur Listing Expenses and underwriting commissions of approximately RMB34.7 million, of which RMB23.8 million will be recognised as administrative expenses in the six months ending 31 December 2014 and RMB10.9 million will be charged against equity.

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GLOBAL OFFERING STATISTICS

All statistics in the following table are based on the assumptions that: (i) completion of the Capitalisation Issue; (ii) the Global Offering has been completed and 131,166,000 Shares are newly issued in the Global Offering; (iii) 524,663,100 Shares are issued and outstanding following completion of the Global Offering; and (iv) the Over-allotment Option is not exercised.

	Based on an Offer Price of HK\$1.56 per Share	Based on an Offer Price of HK\$2.21 per Share
Market capitalisation of our Shares upon completion of the Global Offering ⁽¹⁾	HK\$818 million	HK\$1,160 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽²⁾	HK\$1.10	HK\$1.26

Note:

- (1) Taking no account of any shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the options granted or to be granted under the Pre-IPO Share Option Schemes or the Post-IPO Share Option Scheme and any shares which may be issued or repurchased by the Company pursuant to the General Mandate to Issue Shares and General Mandate to Purchase Shares.
- (2) The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to in Appendix II to this prospectus and based on 524,663,100 Shares which are expected to be in issue immediately after completion of the Global Offering and the Capitalisation Issue and taking into no account of any Shares which may be issued pursuant to the Over-allotment Option, the options which have been or may be granted under the Share Option Schemes and any Shares which may be issued or repurchased by the Company pursuant to the General Mandate to Issue Shares and General Mandate to Purchase Shares. Please refer to Appendix II to this prospectus for further details regarding the assumptions and calculation method.

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\$1.88 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus) will be approximately HK\$201.7 million. We currently intend to apply such net proceeds for the following purposes. Please see the section headed “Future Plans and Use of Proceeds” on pages 352 of this prospectus for details.

Amount of net proceeds	Intended application	Intended year of application
• approximately 30.5%, or HK\$61.5 million	• deepening our product and service portfolio	• 2016
• approximately 18.6%, or HK\$37.5 million	• broadening our product and service portfolio	• 2016
• approximately 36.2%, or HK\$73.0 million	• constructing a new factory	• 2015
• approximately 4.5%, or HK\$9.1 million	• enhancing our information technology capability	• 2015
• approximately 7.2%, or HK\$14.5 million	• expanding our direct sales network	• 2015
• approximately 3.0%, or HK\$6.1 million	• strengthening our online sales platform	• 2015

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings. Certain other terms are explained in the section headed “Glossary of Technical Terms”.

“Acting in Concert Deed”	a deed of confirmation dated 4 November 2014 executed by Mr. Wang Qisong, Ms. Wang Luoia and Ms. Wang Jin, whereby they confirmed the existence of their acting in concert arrangements. A summary of the Acting in Concert Deed is set out in the section headed “Relationship with Controlling Shareholders” in this prospectus
“Application Forms(s)”	WHITE Application form(s) and 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” or “Articles of Association”	the articles of association conditionally adopted by our Company on 8 December 2014, to become effective upon the Listing, and as amended or supplemented from time to time, a summary of which is set out in Appendix III of this prospectus
“associate(s)”	has the same meaning ascribed thereto under the Hong Kong Listing Rules
“BBI Asia”	BBI Asia Limited, a corporation incorporated on 20 October 2009 under the laws of Hong Kong and is a direct wholly-owned subsidiary of our Company. The name was changed from LJ Accelerate Limited on 27 February 2014
“BBI China”	Shanghai Qisong Investment Consulting Company Limited* (上海啟松投資諮詢有限公司), a limited liability company established in the PRC on 17 November 2009, an indirect wholly-owned subsidiary of our Company
“BBI International”	BBI International Limited, a corporation incorporated on 31 December 2007 under the laws of Hong Kong and is a direct wholly-owned subsidiary of our Company. The name was changed from Qiming Excel (HK) Limited on 26 February 2014
“Bio Basic (Canada)”	Bio Basic Canada Inc., a corporation incorporated on 22 November 2010 under the laws of the Province of Ontario and is wholly-owned by Sangon Biotech and an indirect wholly-owned subsidiary of our Company

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“Bio Basic (US)”	Bio Basic, Inc., a corporation incorporated on 14 December 2010 under the laws of the State of New York and is wholly-owned by Sangon Biotech and an indirect wholly-owned subsidiary of our Company
“Board of Directors” or “Board”	the board of directors of our Company
“Business Day(s)”	any day (excluding a Saturday, or a Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAD” or “CA\$”	Canadian dollars, the lawful currency of Canada
“CAGR”	compound annual growth rate, a measurement to assess the growth rate of value over time
“Capitalisation Issue”	the issuance of 350,000,000 Shares to be made upon the capitalisation of sums standing to the credit of the share premium account of our Company referred to in Appendix IV “Statutory and General Information — Further Information about our Company — Written Resolutions of our Shareholders Passed on 8 December 2014” of this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS at a direct clearing participant or a 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 or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or the “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of China and Taiwan
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Law” or “Cayman Companies Law”	The Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands

DEFINITIONS

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into effect on 3 March 2014 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”, “our Company”, “our”, “we” or “us”	BBI Life Sciences Corporation (BBI生命科學有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 10 July 2013
“connected person(s)”	has the same meaning ascribed thereto under the Hong Kong Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company immediately after the Global Offering, being, Wang Qisong, Wang Jin, Wang Luoia, LJ Peace and LJ Venture or any of them. Please see the section headed “Relationship with Controlling Shareholders” in this prospectus for further details
“Corporate Governance Code”	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Hong Kong Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 8 December 2014 executed by our Controlling Shareholders in favour of our Group in respect of taxation and other indemnities referred to in the section headed “Statutory and General Information — 10. Other Information — D. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 8 December 2014 executed by Mr. Wang Qisong and the Controlling Shareholders in favour of our Group containing certain non-competition undertakings to our Group referred to in the section headed “Relationship with Controlling Shareholders — Deed of Non-competition” in this prospectus
“Director(s)”	the director(s) of our Company

DEFINITIONS

“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) passed by the National People’s Congress of the PRC on 16 March 2007 and taking effect on 1 January 2008, as amended, supplemented and otherwise modified from time to time
“Enterprise Income Tax” or “EIT”	enterprise income tax of the PRC
“FOB”	free on board, a shipping term requiring the seller to deliver goods on board a vessel designated by the buyer. The seller fulfils its obligations to deliver when the goods have passed over the ship’s rail
“Foreign Investors”	investors from Hong Kong, Macau, Taiwan or any country or territory outside the PRC
“Frost & Sullivan”	an independent market research and consulting company which prepared the Frost & Sullivan Report
“Frost & Sullivan Report”	a market research prepared by Frost & Sullivan on life sciences research products and services in China and the relevant PRC markets, which was commissioned by us
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“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 Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require) or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HKD” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited

DEFINITIONS

“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 Hong Kong Stock Exchange (as amended from time to time)
“Hong Kong Public Offer Shares”	the 13,119,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the issue and offer for subscription of the Hong Kong Public Offer Shares to the public in Hong Kong for cash (subject to adjustment as described in the section headed “Structure of the Global Offering”) at the Offer Price (plus brokerage, SFC transaction levies, and Hong Kong Stock Exchange trading fees), subject to and in accordance with the terms and conditions described in this prospectus and the Application Forms as further described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriter”	the underwriter of the Hong Kong Public Offering as listed in the section headed “Underwriting — Hong Kong Underwriter” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 15 December 2014 relating to the Hong Kong Public Offering entered into by, among others, our Company and the Hong Kong Underwriter, as further described in the section headed “Underwriting” in this prospectus
“Independent Non-executive Director(s)”	the Independent Non-executive Director(s) of our Company
“Independent Third Party(ies)”	a person(s) or company(ies) who/ which is or are independent of and not connected with our Company and our connected persons (as defined in the Listing Rules)

DEFINITIONS

“International Offer Shares”	the 118,047,000 Shares initially being offered by us for subscription under the International Offering together, where relevant, with any Shares that may be issued by us pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in “Structure of the Global Offering” in this prospectus
“International Offering”	the conditional placing of the International Offer Shares by the International Underwriter with professional, institutional, corporate and/or other investors at the Offer Price, as further described in “Structure of the Global Offering” in this prospectus
“International Sanctions”	sanction-related laws and regulations in the U.S., other countries, the United Nations and other authorities
“International Underwriter”	the underwriter of the International Offering
“International Underwriting Agreement”	the international underwriting agreement expected to be dated on or about the Price Determination Date relating to the International Offering expected to be entered into by, among others, the International Underwriter and our Company, as further described in “Underwriting” in this prospectus
“Latest Practicable Date”	8 December 2014, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Listing”	the listing of the Shares on the main board of the Hong Kong Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about 30 December 2014, on which the Shares are listed on the Hong Kong Stock Exchange and from which dealing in the Shares are permitted to take place on the first commences on the Main Board
“LJ Peace”	LJ Peace Ltd., a corporation incorporated under the Canada Business Corporations Act (Canada) on 26 June 2013, one of our Controlling Shareholders and is held by Wang Luojia (as trustee of Wang J Family Trust) and Wang Jin (as trustee of Wang L Family Trust), both executive Directors and Controlling Shareholders, as to 51.15% and 48.85%, respectively

DEFINITIONS

“LJ Venture”	LJ Venture Ltd., a corporation incorporated under the Business Corporations Act (Ontario) on 21 September 2009, one of our Controlling Shareholders and is held by Wang Jin (as trustee of Wang L Family Trust) and Wang LuoJia (as trustee of Wang J Family Trust), both executive Directors and Controlling Shareholders, as to 50% each
“Main Board”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel to the Growth Enterprise Market of the Hong Kong Stock Exchange
“Memorandum”	the memorandum of association of our Company, and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“MNC”	multinational corporation
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“NT\$”	New Taiwan dollars, the lawful currency of Taiwan
“OFAC”	the United States Department of Treasury’s Office of Foreign Assets Control
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of a brokerage fee of 1.0% an SFC transaction levy of 0.0027% and a Hong Kong Stock Exchange trading fee of 0.005%) of not more than HKD2.21 and expected to be not less than HKD1.56, such price to be agreed upon by our Company and the Sole Global Coordinator (on behalf of the Underwriters) on or before the Price Determination Date
“Offer Shares”	the Hong Kong Public Offer Shares and the International Offer Shares
“Over-allotment Option”	the option to be granted by our Company to the International Underwriter, exercisable by the Sole Global Coordinator on behalf of the International Underwriter, pursuant to which our Company is required to allot and issue up to an aggregate of 19,674,900 Shares (representing in aggregate 15% of the Shares initially being offered under the Global Offering) at the Offer Price to cover over-allotment in the International Offering, details of which are described in the section headed “Structure of the Global Offering” in this prospectus

DEFINITIONS

“PBOC”	The People’s Bank of China (中國人民銀行), the central bank of the PRC
“Post-IPO Share Option Scheme”	the share option scheme conditionally adopted by our Company pursuant to a resolution passed by our Shareholders on 8 December 2014 as described in the section headed “Statutory and General Information — 9. Post-IPO Share Option Scheme” in Appendix IV to this prospectus
“PRC government”	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context requires, any of them
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Pre-IPO Investment(s)”	the pre-IPO investments in our Group as set out in the section headed “History and Reorganisation — Pre-IPO Investment” in this prospectus
“Pre-IPO Share Option Schemes”	the First 2014 Employee Stock Option Plan A and First 2014 Employee Stock Option Plan B adopted by our Company pursuant to a resolution of the Board on 4 September 2014 as described in the section headed “Statutory and General Information — 8. Pre-IPO Share Option Schemes” in Appendix IV to this prospectus
“Price Determination Date”	the date, expected to be on or about 19 December 2014, on which the Offer Price is determined for the purposes of the Global Offering, and in any event no later than 24 December 2014, or such other date as agreed between the relevant parties
“PrimeGene”	Shanghai PrimeGene Bio-Tech Co., Ltd.* (上海普欣生物技術有限公司), a limited liability company established in the PRC on 31 March 2006
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“province”	a province or, where the context requires, a provincial level autonomous region or municipality under the direct administration of the central government of the PRC
“Regulation S”	Regulation S under the Securities Act

DEFINITIONS

“Reorganisation”	the reorganisation of entities comprising our Group for the purposes of Listing, details of which are set out in the paragraph headed “Corporate Reorganisation” under the section headed “History and Reorganisation” in this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“SAFE”	State Administration of Foreign Exchange of China (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“Sanctioned Countries”	countries which are the targets of economic sanctions as administered by the OFAC, the laws of other countries and under international law, such as Iran, Lebanon, Sudan and Iraq
“Sanctioned Person(s)”	certain person(s) and entity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the European Union, the United Nations or Australia
“Sangon” or “Sangon Biotech”	Sangon Biotech Engineering (Shanghai) Company Limited* (生工生物工程(上海)股份有限公司), a joint stock limited company established on 28 October 2003 under the laws of the PRC. It is our main operating subsidiary in the PRC and owns 100% shareholding/ registered capital of Bio Basic (Canada) and Bio Basic (US)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities Act”	the United States Securities Act of 1933, as amended from time to time
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	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 of HKD0.01 each in the share capital of our Company
“Share Option Schemes”	the Pre-IPO Share Option Schemes and the Post-IPO Share Option Scheme

DEFINITIONS

“Shareholder(s)”	holder(s) of our Share(s)
“Sole Global Coordinator”, “Sole Bookrunner” and “Sole Lead Manager”	Haitong International Securities Company Limited
“Sole Sponsor”	Haitong International Capital Limited
“sq.m.”	square metre
“Stabilising Manager”	Haitong International Securities Company Limited
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement which may be entered into between LJ Peace as the lender and Haitong International Securities Company Limited as borrower
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by SFC, as amended, supplemental or otherwise modified from time to time
“Track Record Period”	the year ended 31 December 2011, 2012 and 2013, and the six months ended 30 June 2014
“Underwriters”	the Hong Kong Underwriter and the International Underwriter
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States,” “USA” “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“USD” or “US\$”	US dollars, the lawful currency of the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“VAT”	value-added tax

DEFINITIONS

“Wang J Family Trust”	Wang J Family Trust, an irrevocable discretionary trust established under the laws of the Province of Ontario, Canada with Wang Qisong as the settlor, Wang Luojia as the trustee and Wang Jin and her children as the beneficiaries. Wang J Family Trust owns 51.15% of the total issued shares of LJ Peace and 50% of the total issued shares of LJ Venture
“Wang L Family Trust”	Wang L Family Trust, an irrevocable discretionary trust established under the laws of the Province of Ontario, Canada with Wang Qisong as the settlor, Wang Jin as the trustee and Wang Luojia and her children as the beneficiaries. Wang L Family Trust owns 48.85% of the total issued shares of LJ Peace and 50% of the total issued shares of LJ Venture
“White Form eIPO”	the application for Hong Kong Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

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

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.

In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language which are marked with “” are for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of technical terms used in this prospectus as they relate to us and as they are used in this prospectus in connection with our business or us. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

“acetonitrile”	the chemical compound with the formula CH_3CN , commonly used as a medium-polarity solvent in chemistry reactions
“affinity purification”	the purification of a substance by means of its affinity for another substance immobilised on a solid support
“amino acid”	an organic compound containing at least one amino group and one carboxyl group, one of the monomeric units of a protein molecule
“amplification”	the production of increased numbers of a DNA sequence
“antibody”	a protein produced by plasma cells that interacts with a particular site (epitope) on an antigen and binds specifically to it
“antigen”	any material (usually foreign) that elicits production of and is specifically bound by an antibody
“atomic absorption spectrophotometer”	analytical instrument using either the single-beam or double-beam optics for the identification of atoms
“base”	a compound, usually containing nitrogen, that can accept a proton (H^+). Commonly used to denote the purines and pyrimidines in DNA and RNA. It is commonly used to describe the length of oligonucleotide
“bioinformatics”	an interdisciplinary field that develops methods and software tools for understanding biological data
“bp”	base pair, a chemical unit linking complementary strands of DNA or RNA, commonly used to describe the length of double-stranded DNA or RNA molecules
“buffer”	a solution of the acid (HA) and base (A^-) form of a compound that undergoes little change in pH when small quantities of strong acid or base are added
“capillary electrophoresis”	electrophoresis taking place in a capillary tube
“cell biology”	a branch of biology that studies cells, including physiological properties, their structure, the organelles within, interactions with environment, life cycle, division, death and function

GLOSSARY OF TECHNICAL TERMS

“cell culture”	a complex process by which cells are grown under controlled conditions, generally outside of their natural environment
“centrifuge”	rotating machine using centrifugal force to separate substances
“chromatography”	group of biochemical techniques for separating mixtures of molecules based on their mass, charge, or ability to bind specifically to other molecules
“clone”	a population of identical cells or DNA molecules descended from a single progenitor and also viruses or organisms that are genetically identical and descended from a single progenitor
“ddNTP”	a mixture of 2',3'-dideoxyribonucleoside-5'-triphosphates
“desalting”	removing salt from a solution, usually as a step of nucleic acid or protein purification
“DNA”	deoxyribonucleic acid, long linear polymer, composed of four kinds of deoxyribose nucleotides, that is the carrier of genetic information
“DNA analyzer”	a device for DNA fragment analysis applications such as DNA sequencing
“DNA sequencing”	technique for determining the order of nucleotides in a DNA molecule
“DNA synthesis”	a technology that enables the <i>de novo</i> generation of DNA sequences
“DNA synthesizer”	an equipment for the artificial creation of DNA molecules
“dNTP”	a mixture of deoxyribonucleoside triphosphates
“ <i>E. Coli</i> ”	<i>Escherichia coli</i> , a kind of gram-negative bacterium that is widely used in genetic engineering research and application
“electrophoresis”	any of several techniques for separating macromolecules based on their migration in a gel or other medium subjected to a strong electric field
“ELISA”	a serological assay in which bound antigen or antibody is detected by a linked enzyme that converts a colourless substrate into a coloured product. The ELISA assay is widely used in biology and medicine as well as in immunology
“enzymatic reaction”	reactions conducted by enzymes

GLOSSARY OF TECHNICAL TERMS

“enzyme”	a biological macromolecule that acts as a catalyst. Most enzymes are proteins, but certain RNAs, called ribozymes, also have catalytic activity
“gas chromatography”	a chromatographic technique in which the mobile phase is a gas
“gene”	a molecular unit of heredity of a living organism
“gene synthesis”	a technology that enables the <i>de novo</i> generation of genetic sequences that specifically programme cells for the expression of a given protein
“genetic engineering”	a set of technologies used to change the genetic makeup, involving sophisticated manipulations of genetic material and biologically important chemicals
“genome”	total genetic information carried by a cell or organism
“genotyping”	testing that reveals the specific alleles inherited by an individual
“HAP”	high affinity purification, an oligonucleotide purification method based on affinity purification
“HAP-DNA purification column”	a HAP column for oligonucleotide purification developed and patented by our Company
“HPLC”	high performance liquid chromatography, a method to separate complex protein mixtures, in which the mobile phase is a liquid, with improved flow rates resulting from the high pressure system to enhance separation capacity and improve speed
“injection moulding”	a manufacturing process for producing parts by injecting material into a mould
“mammalian cell expression systems”	protein expression systems using mammalian cell as hosts
“mass spectrometry”	an analytical technique in which ions are separated according to their charge-to-mass ratios, commonly used to measure the molecular weight of substances
“molecular biology”	the branch of biology that deals with the molecular basis of biological activity
“monoclonal antibodies”	antibodies produced by the progeny of a single B cell and thus a homogeneous protein exhibiting a single antigen specificity

GLOSSARY OF TECHNICAL TERMS

“monomer”	any small molecule that can be linked with others of the same type to form a polymer, including amino acids, nucleotides, and monosaccharides
“mutation”	an alteration in the nucleotide sequence of a DNA molecule
“next-generation sequencing”	non-Sanger-based high-throughput DNA sequencing technologies. Millions or billions of DNA strands can be sequenced in parallel, yielding substantially more throughput for genome sequencing
“nucleic acid”	a polymer of nucleotides linked by phosphodiester bonds. DNA and RNA are the primary nucleic acids in cells
“nucleoside”	a small molecule composed of a purine or pyrimidine base linked to a pentose (either ribose or deoxyribose)
“nucleoside phosphoramidites”	chemically modified nucleosides used for oligonucleotide synthesis
“oligonucleotide synthesis”	a technology that enables the <i>de novo</i> generation of oligonucleotide sequences
“oligonucleotides”	short synthetic single-stranded DNA molecule
“PAGE”	polyacrylamide gel electrophoresis, electrophoresis carried out in a polyacrylamide gel
“PCR”	polymerase chain reaction, technique for amplifying a specific DNA segment in a complex mixture by multiple cycles of DNA synthesis from short oligonucleotide primers followed by brief heat treatment to separate the complementary strands
“peptide”	linear polymer of amino acids connected by peptide bonds
“peptide synthesis”	a technology that enables the <i>de novo</i> generation of peptide sequences
“pH meter”	an electronic device used for measuring the pH (acidity or alkalinity) of liquid or a semi-solid substance
“phosphoramidite method”	a method of oligonucleotide synthesis carried out by a stepwise addition of nucleotide residues to the 5'-terminus of the growing chain until the desired sequence is assembled
“polyclonal antibodies”	antibodies produced by the progenies of diverse B cells and thus heterogeneous protein exhibiting diverse antigen specificities

GLOSSARY OF TECHNICAL TERMS

“polypeptide”	a small polymer usually containing fewer than 30 amino acids connected by peptide bonds
“potentiometric titrator”	a device that perform the titration of a redox reaction
“protein”	a linear polymer of amino acids linked together in a specific sequence and usually containing more than 50 residues. Proteins form the key structural elements in cells and participate in nearly all cellular activities
“protein expression”	protein production after gene expression, wherein mRNA is translated into polypeptide chains, which are ultimately folded into proteins
“proteomics”	the study of the display of all proteins present in cells under defined conditions
“reagent”	a substance or mixture that is useful in chemical analysis or synthesis
“recombinant protein”	proteins synthesised in a recombinant cell as the result of expression of a cloned gene
“restriction endonuclease”	an enzyme that cuts DNA molecules at a limited number of specific nucleotide sequences
“ribonucleoside”	a type of nucleoside including ribose as a component
“Sanger sequencing”	a method of DNA sequencing based on the selective incorporation of chain-terminating dideoxynucleotides by DNA polymerase during <i>in vitro</i> DNA replication
“SDS-PAGE”	PAGE with sodium dodecyl sulfate as an anionic detergent applied to protein sample to linearise proteins and to impart a negative charge to linearised proteins
“single-molecule sequencing”	a recently developed sequencing technology by which sequencing data are obtained from a DNA polymerase performing uninterrupted template-directed synthesis using four distinguishable fluorescently labelled deoxyribonucleoside triphosphates
“spectrophotometer”	an instrument for measuring absorbance that uses a monochromator to select the wavelength
“Western blot”	technique designed to detect specific protein present in a heterogeneous sample

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and plans for the development of existing and new businesses, our ability to implement such strategies and plans, and the expected timetable of such implementation;
- our financial condition;
- our dividend distribution plans;
- our ability to reduce costs;
- the regulatory environment, as well as the general industry outlook, for the life sciences research product and service industry in China;
- capital market development;
- certain statement in the sections headed “Risk Factors”, “Industry Overview”, “Regulations”, “Business”, “Financial Information”, “Relationship with Controlling Shareholders”, and “Future Plans and Use of Proceeds” with respect to trends in interest rates, exchange rates, prices, volumes, operations, margins, risk management and overall market trend;
- further developments in, and competitive environment for, the PRC and global life sciences research product and service industry; and
- the general economic trend and outlook of China.

The words “aim”, “anticipate”, “believe”, “contemplate”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “schedule”, “seek”, “should”, “target”, “will”, “would” the negatives forms of these terms, as well as similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. We

FORWARD-LOOKING STATEMENTS

undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise, except as required by applicable laws, rules and regulations. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to the intentions of our Company or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

Any investment in our Shares involves various risks. You should carefully read and consider all the information set out in this prospectus and, in particular, the risks and uncertainties described below before deciding to make any investment in our Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that a substantial part of our operations are conducted in China and are governed by a legal and regulatory environment in some respects which differs from those that prevail in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose part or all of your investment as a result.

RISKS RELATING TO OUR BUSINESS

Our revenue and results of operations depend on our customers' research and development efforts and their ability to obtain funding for these efforts

Our customers primarily include colleges, universities, research institutes, hospitals, pharmaceutical and biotech companies, as well as government testing and diagnostic centres in China and overseas. Fluctuations in the research and development budgets of life sciences researchers and scientists based in these establishments in which our products and services are used could have a significant effect on the demand for our products and services. Our customers determine their research and development budgets based on several factors, including the need to make breakthroughs in life sciences research, the availability of governmental and other funding, competition and the general availability of resources.

Research and development budgets fluctuate due to changes in available resources, public policy spending priorities, general economic conditions, governmental and institutional budgetary limitations and mergers of companies in the key industry sectors we serve. Our business could be seriously harmed by any significant decrease in life sciences research and development expenditures by our customers.

A substantial portion of our sales has been sold to colleges and universities and research institutes, whose fund, our Directors believe, is largely dependent on fund from government agencies. For pharmaceutical and biotech companies, they also receive governmental funding for some of their research and development activities. Government funding of research and development is subject to governmental budget process, which are inherently unpredictable in the long run. Governmental spending reduction on life sciences research and development activities or any shift away from such spending to other industries would likely to have a significant adverse effect on our customers' spending policies which in turn can have a significant adverse effect on the demand for our products and services.

Some of our customers receive funds from approved fund at a particular time of year, many times set by government budget cycles. Such fund could be frozen for a certain period of time or have otherwise become unavailable to various institutions without advance notice. The timing of the receipt of funds may affect the timing of purchase decisions by our customers and, as a result, cause fluctuations in our revenue and operating results.

RISK FACTORS

Our business is subject to intense competition, which may reduce demand for our products and services and adversely affect our results of operations and prospects

The PRC life sciences research product and service industry is highly competitive, and we expect that such competition will intensify in the future. We face direct competition from both domestic and international suppliers across most of our product and service lines. We compete based on factors including quality, reliability, product and service functionality and design, brand recognition, customer loyalty, reputation as well as price. Some of our competitors may have:

- greater financial and other resources;
- larger variety of products and services;
- greater pricing flexibility;
- more extensive research and development and technological capabilities;
- patent portfolio that may present an obstacle to our conduct of business;
- stronger brand recognition;
- larger sales and distribution networks; or
- better support in terms of technical training.

As a result, we may be unable to offer products and services similar to, or more desirable than, those offered by our competitors, market our products and services as effectively as our competitors or otherwise respond successfully to competitive pressures. In addition, our competitors may develop technologies and products and services that are more effective than those we currently offer or that render our products and services obsolete or uncompetitive. Furthermore, the timing of the introduction of competing products and services into the market could affect the market acceptance and market share of our products and services. Our failure to compete successfully could materially and adversely affect our business, financial condition, results of operations and prospects.

Moreover, some of our international competitors have strengthened their market position through acquisitions of Chinese domestic suppliers. If we are unable to develop competitive products and services and supply sufficient quantities to the market as quickly and efficiently as our competitors, market acceptance of our products and services may be limited, which could result in decreased sales.

RISK FACTORS

If we are unable to successfully develop new products and services or expand our product and service lines, our business, financial condition, results of operations and prospects may be materially and adversely affected

Our success depends on our ability to anticipate industry trends and identify, develop and market new and advanced products and services that meet our customers' demand in a timely manner. To maintain our leading position in the PRC life sciences research product and service industry, we will be required, on an ongoing basis, to design and develop new products and services and/ or upgrading existing products and services that closely follow the technology development trend and customer needs in order to meet the evolving demands of our customers. As such, we have devoted substantial resources to our research and development activities to improve our ability to cater to market demands. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our expenditures on research and development activities amounted to RMB11.0 million, RMB12.6 million, RMB10.2 million and RMB6.0 million, respectively, or 6.9%, 6.8%, 4.6% and 5.0%, respectively, of our revenues for the same periods. However, we cannot guarantee that our existing products and services will be upgraded through our ongoing research and development activities or that our research and development activities will always keep pace with market demand and technological advances or yield the anticipated results.

Developing new products and services in a timely manner can be time-consuming and costly. Based on our experience, the product or service development process is a lengthy process that may take years before a new product and service is commercially launched. We cannot assure you that our product and service development projects can be completed within the anticipated time frame and our research and development efforts may not lead to new products and services that are commercially successful. We may also experience delays or be unsuccessful in any stage of product and service development, production or product and service launch. We may not be able to successfully market our new products and services or our end customers may not be receptive to our new products and services. Our competitors' product and service development capabilities may be more effective than ours, and thus enable them to launch their new products and services earlier than us and produce more effective products and services or on a more cost-efficient basis. The introduction of new products and services by our competitors may result in price reductions on our products and services or reduced margins or loss of market share, and may lead to our products and services becoming obsolete or non-competitive. If our products and services become less marketable or obsolete due to the introduction of new products and services by us or our competitors, we may be required to recognise impairment provision on our products and services, which could materially and adversely affect our business, results of operations and financial condition.

Many of our existing products and services and those under development are technologically innovative and require significant planning, design, development and testing at the technological and production levels. Our customers use many of our products and services to carry out their life sciences research and development activities. As a result, we must anticipate industry trends and develop products in advance of our customers' life sciences research and development activities. If we fail to adequately predict our customers' needs and future activities, we may invest heavily in research and development of products and services that do not lead to significant revenue.

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Our new products and services may impact our gross margins depending on the level of market acceptance and pricing environment for each product and service. The success of any of our new product and service offerings will depend on several factors, including our ability to:

- properly identify and anticipate industry trends and market demand;
- optimise our production and procurement processes to predict and control costs;
- produce and deliver new products and services in a timely manner;
- anticipate and compete effectively with other developers, suppliers and marketers of life sciences research products and products;
- price our products and services competitively; and
- increase end customer awareness and acceptance of our new products and services.

If we are unable to successfully develop new products and services or expand our product and service portfolio, our business, financial condition, results of operation and prospects may be materially and adversely affected.

Our products and services may be subject to decreasing pricing trends and reduced margins

Our products and services may be subject to price declines over time due to competitive forces, while production and material costs may remain constant or increase. Growing pricing pressure may arise in the future due to competition. When our products and services enter into a later stage in their life cycles, the gross margins of those products and services may decrease. Our profitability depends on our ability to successfully control costs during the production process by increasing the efficiency of our production processes, reduce raw material consumption and increase production yields. In addition, changes in our product and service mix may negatively affect our overall gross margins. If we are unable to successfully design, produce and market new products and services, which typically generate higher gross margins, or if we fail to effectively increase the efficiency of our production processes or control production costs, our business, financial condition and operating results could be materially and adversely affected.

We may not be able to successfully claim against the Institutions in the event of a breach of contract or non-payment by the Institutions, which could adversely affect our business, financial condition, results of operation and prospects

As a normal business practice in the PRC life sciences research product and service industry, during the Track Record Period, the entities which placed purchase orders with us and to whom we delivered products and services included researchers and scientists (the “**Individuals**”) based in colleges, universities, and research institutes in the PRC (the “**Institutions**”). We generally entered into sales contracts with or received purchase orders from the Individuals in their individual capacities; nonetheless, invoices were sent to and paid by the Institutions.

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According to our PRC legal adviser, King & Wood Mallesons, the Institutions shall have supervisory authority over the use of the research and development funding, and the rights of use and operations of products and services belong to the Institutions, while the Individuals normally have a high degree of autonomy in making decisions as to the purchase of products or services in practice. As further advised by our PRC legal adviser, King & Wood Mallesons, both the Individuals and the Institutions are parties holding the payment obligation. During the Track Record Period, there had not been disputes from the Institutions in relation to settlement of sales to the Individuals, nor were there any actual bad debts on balances owing by either the Institutions or the Individuals. However, in case of any disputes with the Institutions or the Individuals, there may be uncertainty as to the success of any legal claims by us against our customers as it is subject to the decision of the PRC court. The failure of our claim against our customers could materially and adversely affect our business, financial condition, results of operation and prospects.

Increased labour costs could slow our growth and affect our revenue and profitability

Since our operations are highly service-oriented, our success depends in part on our ability to attract, retain and motivate a sufficient number of qualified employees. Any future inability to recruit and retain qualified individuals could affect our existing business.

The average labour cost in the PRC has been steadily increasing over the past years as a result of government-mandated wage increases and other changes in PRC labour laws, as well as competition for qualified employees among suppliers of life sciences research products and services. The labour cost may continue to increase in the future. Competition for qualified employees could require us to pay higher wages, which would result in higher labour costs. Substantially our entire workforce is employed in the PRC. Many aspects of our strategies and business growth may require us to hire additional employees. We may also require additional employees as a result of acquisitions or organic growth of our business. If we implement such strategies but fail to realise the benefits and efficiencies we anticipate and we are unable to offset the increase in our labour costs or pass along these increased labour costs to our customers, our profitability and results of operations could be materially and adversely affected.

An increase in the market price of our raw materials and components may materially and adversely affect our gross margins and profitability

Our operations require substantial amounts of raw materials and components. Some raw materials and components, such as plastic particles, have been susceptible to fluctuations in price and availability. Significant increases in raw material and component prices have a direct and negative impact on our gross margins. Ultimately, we may need to raise our product and service prices to recover the higher raw material and component costs and maintain our gross margins, which may lead to lower demand for our products and services. Since we are generally unable to pass through increases in our raw materials costs to our customers, our failure to successfully pass such price increases may materially and adversely affect our gross margins and profitability.

Our failure to develop, maintain and enhance our brands and reputation may materially and adversely affect the level of market recognition of, and trust in, our products and services

Brand recognition and reputation are critical to the success of our new products and services and the continued popularity of our existing products and services. We believe that our Sangon and BBI

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brands are well recognised among Chinese colleges, universities, research institutes, hospitals, pharmaceutical and biotech companies as well as government testing and diagnostic centres, allowing us to further strengthen our market position in China. Our ability to develop, maintain and enhance the image and recognition of our brand names depends largely on our ability to remain a well-recognised supplier in the PRC life sciences research product and service industry. Our brand promotion efforts may be expensive and may fail to effectively promote our brands or generate additional sales.

Our brand names, reputation and product and service sales could be harmed if, for example:

- our products and services fail to gain acceptance by our customers;
- our products and services contain defects or malfunctions;
- we provide poor or ineffective after-sale services; or
- we are subject to product and services liability claims.

If any of the above occurs, our business, financial condition, results of operations and prospects could be adversely affected.

Failure to manage our growth could strain our managerial, operational and financial resources, which could materially and adversely affect our business, financial condition, results of operations and prospects

Our current business strategies include deepening and broadening our product and service portfolio, raising automation levels of our production process, further enhancing our information technology capability, expanding our direct sales network, strengthening our online sales platform, and pursuing strategic acquisitions. Executing these components of our strategies could place considerable strain on our managerial, operational and financial resources. In particular, the management of our growth will require, among other things:

- strengthening of financial and management controls in an efficient and effective manner;
- enhancement of information technology systems;
- continued enhancement of our research and development capabilities;
- raising adequate capital to fund our operations; and
- hiring and training of new personnel.

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If we are unable to effectively manage our growth and implement these components of our business strategies, our business, financial condition, results of operations and prospects would be materially and adversely affected.

Our business may be affected if the Institutions or Individuals fail to comply with PRC laws and regulations on use of governmental research funding granted for research and development projects

The use of the governmental research fund by the Institutions and the Individuals in their scientific research and development projects is subject to various PRC laws and regulations. For example, Notice of the Ministry of Education on Further Implementing the State Administration Policies on Scientific Research Funds and Strengthening the Administration on Scientific Research Funds of Colleges and Universities (《教育部關於進一步貫徹執行國家科研經費管理政策加強高校科研經費管理的通知》), promulgated by the Ministry of Education and became effective from December 2011 (the “**Notice**”), imposes strict obligations and liabilities on universities and colleges in using governmental research fund. The Notice provides that the use of governmental research fund by the Institutions and Individuals and implementation of the research and development projects shall stick to the approved plan and scope. The failure to comply with the requirements set forth in the Notice may result in certain liabilities being imposed on involved individuals or entities. For more related PRC laws and regulations, please see the section headed “Regulations — Laws and Regulations of the PRC — State Scientific Research and Scientific Research Budget Management” on page 121 of this prospectus.

The usage of governmental research fund may lead to possible misappropriation of funding. In recent years, relevant PRC governmental authorities launched various investigations to detect the misappropriation of governmental research fund and other misconducts by the Individuals. There had been also a number of publicised cases involving misappropriation of governmental research fund or other misconducts. For more information, please see the section headed “Business — Customers” on page 187 of this prospectus.

If the Institutions or Individuals were to be found misusing the governmental research funding, they may not be able to continue their research and development activities and thus they would cease to enter into any sale contracts or purchase orders with us, which would materially and adversely affect our business, financial condition, results of operation and the prospects. In addition, those Individuals participating in our prepayment scheme, which required for a lump sum prepayment by them in exchange for additional discounts, would be requested for the return of the balance of the prepayment amount if they were found to be in violation of relevant PRC laws and regulations. The return of the whole balance of the prepayment amount could also materially and adversely affect our business, financial condition, results of operation and prospects. Although, during the Track Record Period and up to the Latest Practicable Date, we are not aware of any misuse or misappropriation of the governmental research fund by the Institutions or the Individuals, we cannot assure that they would always comply with PRC laws and regulations on use of governmental funding of research and development projects.

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We may be unable to expand our production capacity and ramp up our operations as anticipated, which could result in material delay, increased costs and lost business opportunities

To meet the increasing demand of our products and services, we intend to expand our production capacity with new production facilities in Shanghai. These production facilities are intended to be used for production of some of our products and services, such as DNA sequencing, protein and antibody products and services. For details of our expected construction of new production facilities, please see the section headed “Business — Expansion Plans” on page 212 of this prospectus. As at the Latest Practicable Date, except for the construction of the employee dormitory, we had not yet commenced the construction of other new production facilities. We expect to complete construction of these new production facilities in 2017. The construction and completion of these new production facilities involve regulatory approvals and reviews by various authorities in China, including, but not limited to, urban planning and construction and environmental protection authorities. Though we have already obtained all the required permits or licences for construction of the employee dormitory, we cannot assure you that any of these permits or licences would not be revoked by relevant authorities after constant inspection if our construction of these facilities were to be found in violation of original approved plan. Furthermore, for those new production facilities we have not commenced constructing, we cannot assure you that we could be able to obtain all the required permits or licences. Construction of the new production facilities also may not be completed on the anticipated timetable or within budget. We may be also unable to fully utilise the production capacity after our new production facilities in Shanghai commence operations. Any inability or material delay in commencing operations at these production facilities, any substantial increase in costs to complete the production facilities or ramp up operations and utilisation could materially and adversely affect our results of operations and prospects, and result in lost business opportunities.

We are subject to risks relating to the operation of our production facilities

Our production facilities face the risk of operational breakdowns caused by accidents occurring during the operating process, including but not limited to faulty construction and operator error. Any interruption in, or prolonged suspension of any part of production at, or any damage to or destruction of, any of our production facilities arising from unexpected or catastrophic events or otherwise may prevent us from supplying products and services to our customers, which in turn may result in a material adverse effect on our business and operations. There is also a risk of injury or damage to persons, the property of others or the environment, which in turn could lead to considerable financial costs and may also have legal consequences. In particular, if we were to incur a significant liability for which we have not maintained sufficient insurance coverage, we might not be able to finance the amount of the uninsured liability, and might be obligated to divert a significant portion of cash flow from normal business operations. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

In addition, any breakdown or suspension of production or failure to supply our products and services to our customers in a timely manner may result in breach of contract and loss of sales, as well as expose us to liability and the requirement to pay compensation under the relevant agreements, lawsuits and damages to our reputation, which could have a material and adverse effect on our business, financial condition and results of operations.

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If we are unable to obtain adequate supplies of the required raw materials, parts and manufacturing equipment that meet our production standards at acceptable costs, our ability to deliver products and services with the required quality at the required time could be adversely affected

We purchase certain of our raw materials, parts, manufacturing equipment from a limited number of third-party suppliers. The purchases from our five largest suppliers accounted for 32.7%, 34.4%, 24.5% and 26.9% of our total purchases for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively. If the supply of raw materials, parts and manufacturing equipment is interrupted, our production processes would be delayed. We may also be unable to secure alternative supply sources in a timely and cost effective manner, if at all.

In addition, the prices of our principal raw materials, such as plastic particles, are subject to fluctuation. Our ability to pass on any increase in raw material costs to our customers is limited. Significant increases in the prices of raw materials, parts and manufacturing equipment have a direct and negative impact on our profit margins. If we are unable to obtain adequate supplies of required raw materials and parts and manufacturing equipment that meet our production standards at acceptable costs or at all, our ability to accept and fulfil product and service orders with the required quality at the required time could be affected. If any of our major suppliers fails to meet our purchase orders on a timely basis or terminates its business relationship with us, we may be unable to source raw materials, parts and manufacturing equipment from comparable alternative suppliers on a timely basis and on commercially acceptable terms. Any of the above could harm our reputation, reduce our revenue or profit margins, and cause us to lose market share and our business, financial condition and results of operations could be adversely affected.

We cannot assure you that we will be able to effectively manage our third-party distributors in the future, which could adversely affect our business, financial condition, results of operations and prospects

Our sales to third-party distributors accounted for 8.7%, 7.1%, 7.3% and 6.6% of our total revenue for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively. As at 30 June 2014, we had over 90 third-party distributors primarily selling our DNA synthesis products and life sciences research consumables in China and overseas. Our five largest distributors accounted for approximately 3.0%, 2.2%, 2.4% and 2.8% of our total revenue for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively. During the same periods, our largest third-party distributor accounted for approximately 0.8%, 0.6%, 0.7% and 0.7% of our total revenue for the same periods. We expect we will continue to sell our products and services through third-party distributors in the future.

We generally do not enter into long-term distribution agreements. As our existing distribution agreements expire, we may not be able to renew such agreements with our preferred distributors on terms favourable to us or at all. In addition, we seek to limit our distributors to sell our competitors' products and services, which may make us less attractive to some large distributors.

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Any decline in our major distributors' businesses could lead to a decline in purchase orders from these distributors. If any of our major distributors were to substantially reduce the size or amount of the orders they place with us or were to terminate their business relationship with us entirely, we may not be able to obtain orders from other customers to replace any such lost sales on comparable terms or at all. As a result, our business, financial condition and results of operations may be adversely affected.

We compete for desired distributors with other leading suppliers and importers of life sciences research products and services that may have greater visibility, brand recognition and financial resources, and a broader product and service portfolio than we do. Our competitors may enter into exclusive distribution agreements that restrict their distributors from selling our products and services. Consequently, maintaining relationships with existing distributors and replacing distributors may be difficult and time consuming. Any disruption of our distribution network, including our failure to renew our existing distribution agreements with our preferred distributors, could negatively affect our ability to effectively sell our products and services and would adversely affect our business, financial condition and results of operations.

We may be unable to effectively manage the activities of our distributors, and our business, prospects and brand may be materially and adversely affected by actions taken by our distributors

We have limited ability to manage the activities of our distributors, who are independent from us. Our distributors could take actions, including one or more of the following, which could have an adverse effect on our business, prospects and brand:

- fail to meet the sales targets for our products and services in accordance with relevant agreements;
- sell products and services that compete with our products and services;
- sell our products and services outside their designated territories;
- fail to adequately promote our products and services;
- fail to maintain the requisite licences or otherwise failing to comply with applicable regulatory requirements when selling our products and services;
- fail to provide proper training and services to our customers; or
- violate anti-corruption and other laws of China and relevant foreign countries.

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In addition, certain portion of our trade receivables at any given time typically represent amounts due from our distributors. Consequently, our cash flows depend on timely receipt of payments from our distributors. As a result, increasing bargaining power of our distributors may lead to long settlement period of trade receivables which may in turn adversely affect our liquidity position and financial condition.

Any loss of or significant reduction in the preferential tax treatment and government grant we currently enjoy in China or our non-compliance with the relevant PRC tax laws and regulations may negatively affect our financial condition

We have benefited from tax incentives and have also received government grants. As a foreign invested manufacturing company, Sangon Biotech, our PRC operating subsidiary in Shanghai, was granted a preferential tax status (a reduced income tax rate of 12.5%) in accordance with stipulations provided in Income Tax Law of the PRC on Foreign-invested Enterprises and Foreign Enterprises (《中華人民共和國外商投資企業和外國企業所得稅法》) and Circular of the State Council on Implementing the Transitional Preferential Enterprise Income Tax Policies (《國務院關於實施企業所得稅過度優惠政策的通知》) in 2011 and 2012. In addition, on 11 September 2013, we were recognised as high and new technology enterprises by the PRC government for the second time, which entitled us to continue to enjoy a reduced income tax rate of 15% (compared to the standard income tax rate of 25%). Our effective PRC income tax rates for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 were 12.5%, 12.5%, 15% and 15%, respectively. The qualification as a high and new technology enterprise is subject to annual evaluation and a renewal every three years by the relevant authorities in China. In order to maintain such qualifications and the preferential tax rates, we shall submit a review application to the relevant Science and Technology Commission agencies. We plan to apply for the extension of this preferential tax treatment before expiration. However, we cannot assure you that we will continue to qualify for such status in the future. If we fail to maintain the high and new technology enterprise qualification or renew these qualifications when the relevant term expires, their applicable income tax rates would increase to 25%, which could have a material adverse effect on our financial condition and results of operations. Moreover, the PRC government could eliminate any of these preferential tax treatments before their scheduled expiration.

In addition, for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we received government grants of RMB1.0 million, RMB0.8 million, RMB0.9 million and RMB0.2 million, respectively, which included government support for the growth of our Company. The amounts of and conditions attached to such grants were determined at the sole discretion of the relevant governmental authorities. We cannot assure you that we will be eligible to continue to receive such government grants or that the amount of any such grants will not be reduced in the future, and even if we continue to be eligible to receive such grants, we cannot guarantee that any conditions attached to the grants will be as favourable to us as they have historically been.

Expiration or elimination of, or other adverse changes to, any of these tax incentives, or reduction or discontinuation of these government grants could adversely affect our financial condition and results of operations. In addition, the PRC government from time to time adjusts or changes its policies on VAT, business tax and other taxes. Such adjustments or changes, together with any uncertainty resulting therefrom, could have an adverse effect on our business, financial condition and

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results of operations. Furthermore, we are subject to periodic examinations on our fulfilment of tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although in the past we have acted in compliance with requirements under the relevant PRC tax laws and regulations in all material aspects and 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.

If our customers are not receptive to our products and services, our sales will decline and we will be unable to increase our sales and profits

Our products and services are purchased and used by life sciences researchers and scientists based in colleges, universities, research institutes, hospitals, pharmaceutical and biotech companies, as well as government testing and diagnostic centres in China and overseas. Receptiveness to our products and services depends on educating researchers and scientists as to the distinctive characteristics, benefits, safety and cost-effectiveness of our products and services compared to our competitors' products and services, as well as training these researchers and scientists in the proper application of our products and services. If we are not successful in educating these researchers and scientists of the merits of our products and services, our sales may decline.

In addition, we believe recommendations and support for our products and services by influential customers are essential for market acceptance and adoption. If we do not receive support from such researchers or scientists, others may not use our products and services. For our life sciences research products and services, our customers rely heavily on our after-sale technical support in the use of our products and services, and a significant role of our sales and marketing team is to provide researchers and scientists with adequate after-sale technical support in the use of our products and services. If researchers and scientists were not properly provided with after-sale support, they may misuse or ineffectively use our products and services. This may also result in unsatisfactory research outcome or negative effect on our brand image and reputation, any of which could have a significant adverse effect on our reputation, sales, results of operations and prospects.

If we fail to maintain or increase our marketing activities and capabilities, our market share and our reputation, business, financial condition and results of operation may be adversely affected

The success and lifespan of our products and services are dependent on our efforts in marketing them. However, we cannot assure you that our current and planned spending on marketing activities will be adequate to support our future growth. Any factors adversely affecting our ability to maintain or increase our marketing activities and capabilities will have an adverse effect on the market share of our products and services, brand names and reputation, which may result in decreased demand for our products and services and may adversely affect our business, financial condition and results of operation.

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Unauthorised use of our brand names by third parties may adversely affect the value of our brand names, reputation and business

We regard our brand names as critical to our success. Unauthorised use of our brand names by third parties may adversely affect the value of our brand names, our business and reputation, including the perceived quality and reliability of our products and services. We rely on trademark law and agreements with our distributors to protect the value of our brand names. As at the Latest Practicable Date, we had registered 11 trademarks in the PRC. We also had one registered trademark in the U.S. and two pending trademarks applications in each of Canada and Hong Kong. We may be unable to prevent unauthorised use of our brand names by random third parties. In certain circumstances, litigation may be necessary to protect our brand names. However, because the validity, enforceability and scope of protection of trademarks in China are uncertain and still evolving, we may not be successful in litigating these cases. Further, litigation could also result in substantial costs and diversion of our resources, and could disrupt our business, as well as materially and adversely affect our results of operations.

Our failure to comply with anti-corruption laws in China could result in penalties which could harm our reputation and have a material and adverse effect on our business, financial condition or results of operations

We operate in the PRC life sciences research product and service industry and sell our products and services directly to colleges, universities, research institutes, hospitals, pharmaceutical and biotech companies, as well as government testing and diagnostic centres in China. We are subject to anti-corruption laws of China which generally prohibit companies and intermediaries from making improper payments to public officials and industry players for the purpose of obtaining or retaining business and/or other benefits, along with various other anti-corruption laws. While we have internal controls and procedures in place to monitor internal and external compliance with anti-corruption laws, regulations and policies, we cannot assure you that such internal controls and procedures will always protect us from penalties that may be imposed by PRC government authorities due to violations committed by our employees or other parties with whom we have business relationships, such as our distributors. Examples of non-compliance misconducts may include gift-giving exchanges, acceptance of, or solicitation of, bribes, kickbacks, or other gratuities in contravention of applicable laws and regulations. If we, our employees, or other parties are not in compliance with anti-corruption laws in China governing the conduct of business, we may be fined or involved in lawsuits, resulting in loss of permits, licenses, and key personnel, which could cause reputation damage and have a material and adverse impact on our business, financial condition or results of operations.

We may face potential product liability claims or suffer losses due to defective products and services, and insurance coverage for our business operation and properties may not be sufficient

Our products and services are used in the life sciences research projects. If any of these products and services were to malfunction, it is possible that this may lead to failure of the life sciences research projects, which could lead to product liability claims. Any such product liability claims brought against us could be significant and any adverse determination may result in liabilities in excess of our insurance coverage.

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Any product liability claim or regulatory action, with or without merit, could be costly and time-consuming to defend. If such product liability claim is successful, we may be required to pay substantial damages. Although we maintain product liability insurance to cover potential product liability arising from the sale of our life sciences research products and services in China, the coverage of such insurance may not be sufficient to cover the product liability. In addition, we have no specific measures in place to mitigate any potential liabilities we may face from third parties. During the Track Record Period, we were not involved in any legal proceedings due to product liability claims. In addition, we believe product liability insurance available in China offers limited coverage compared to coverage offered in many other countries. As a result, we may not be able to purchase or maintain sufficient product liability insurance coverage on commercially reasonable terms, or at all. Future liability claims could be excluded from or may exceed the coverage limits of our policies.

Moreover, a material design, production or quality failure or defect in our products and services, other safety issues or heightened regulatory scrutiny could each warrant a recall of our products and services and result in increased product liability claims. During the Track Record Period, we had not encountered any product recall or faced any product liability claims. In China, violation of PRC product quality and safety requirements may result in the confiscation of earnings related to such products and services, penalties, termination of sales of the violating product or suspension of operations pending rectification. Furthermore, if the violation is determined to be sufficiently serious, our business licence could be suspended or revoked, in which case we would be required to suspend or terminate production. Should any of these events occur, our business, financial condition and results of operations would be materially and adversely affected.

We do not carry any insurance for business interruption or loss of profit arising from accidents at any of our manufacturing facilities or other disruptions of our operations such as demonstrations and protests by residents living in close proximity to our production facilities.

Accidents or natural disasters may also result in significant property damage, disruption of our operations and personal injuries or fatalities, and our insurance coverage may be inadequate to cover such losses. In the event of an uninsured loss or a loss in excess of our insured limits, we could suffer damage to our reputation and/or lose all or a portion of our production capacity as well as future revenues expected to be generated by the relevant production facilities. Any material loss not covered by our insurance could adversely affect our business, financial condition and results of operations.

Any failure to protect our intellectual property rights could harm our business and competitive position

We have developed a substantial portfolio of intellectual property rights in China to protect the technologies, inventions and improvements significant to our business. We rely on a combination of patents, trademarks, trade secrets, confidentiality agreements and other methods to protect our intellectual property rights. As at the Latest Practicable Date, we had 10 registered patents and four pending patent applications in the PRC. In addition, we are the registered owner of 11 trademarks in the PRC. We also had one registered trademark in the U.S. and two pending trademarks applications in each of Canada and Hong Kong. The process of seeking intellectual property rights protection can be lengthy and expensive, our intellectual property rights applications may fail to result in the intellectual property rights being issued, and our existing and future intellectual property rights may

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be insufficient to provide us with meaningful protection or commercial advantage. Our intellectual property rights and intellectual property rights applications may also be challenged, invalidated or circumvented. In particular, in the event that our intellectual property rights applications were not approved by relevant authorities, although we can continue to apply these technologies, inventions and improvements in our production process, we would not be able to prevent others from developing, applying intellectual property rights registrations for, or manufacturing products by using the same technologies, inventions or improvement. In the event of any successful registration by our competitors of any identical invention intellectual property rights applications filed prior to our relevant applications, we may not be able to practise the relevant invention in our commercial production, which could have a negative impact on our business, results of operation and financial conditions to some extent.

We also rely on trade secret rights to protect our business through confidentiality agreements with employees. If our employees breach their confidentiality obligations, we may not have adequate remedies in China, and our trade secrets may become known to our competitors. If any of the above occurs, our business, results of operations and financial condition may be materially and adversely affected.

PRC intellectual property-related laws has historically been implemented slowly, primarily because of ambiguities in the PRC law and enforcement difficulties. Accordingly, intellectual property rights and confidentiality protections in China may not be as effective as in the western countries such as the U.S. and Canada. Furthermore, policing unauthorised use of proprietary technology is difficult and expensive, and we may need to resort to litigation to enforce or defend our patents or to determine the enforceability, scope and validity of our proprietary rights or those of others. Such litigation and an adverse verdict in such litigation, if any, could result in substantial costs and diversion of resources and management attention, which could harm our business and competitive position.

We may be subject to intellectual property infringement claims and successful claims of infringement could materially and adversely harm our reputation and affect our business, financial condition and results of operations

We operate in an industry in which companies may use intellectual property litigation to gain a competitive advantage and may utilise similar technologies and product and service formulation. Consequently, our competitors may claim intellectual property rights over the technologies and product and service formulation used in our products and services. While we do not believe our products and services infringe on the intellectual property rights of our competitors or any third parties, we cannot assure you that any third parties may not raise a claim of intellectual property infringement against us. Consequently, we may become subject to legal proceedings and claims relating to the intellectual property rights of third parties. Legal proceedings involving intellectual property rights can be expensive and time consuming, and their outcome is uncertain. Successful infringement claims brought by third parties could subject us to substantial monetary liability, require us to obtain licences (which we may not be able to obtain on commercially reasonable terms or at all), pay on-going royalties, modify aspects of our technology and product and service formulation or subject us to injunctions prohibiting the production and sale of products and services or the use of our technologies, which could materially and adversely harm our business and reputation.

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If we are unable to recruit, hire and retain skilled and experienced personnel, our ability to effectively manage our operations and meet our strategic objectives will be harmed

Our future success depends, in large part, on the continued service of our Directors and other key managerial, research and development, sales and technical personnel. We rely heavily on our Directors, senior management to operate and grow our business. Their relevant details are set out in “Directors, Senior Management and Employees” of this prospectus. Any loss or interruption of the services of any of our Directors, senior management or key personnel could significantly reduce our ability to effectively manage our operations and meet our strategic objectives because we cannot assure you that we would be able to locate suitable or qualified replacements in a timely manner. In addition, we may incur additional expenses and devote significant time to recruit and train new personnel, which could disrupt our business and growth.

Furthermore, as we expect to continue to expand our operations and develop new products and services, we will need to continue attracting and retaining experienced management and key personnel. Competition for skilled and experienced personnel in the PRC life sciences research product and service industry is intense, and the availability of suitable and qualified candidates in China is limited. We compete for such personnel with other suppliers, academic institutions, government entities and other organisations, and we expect such competition to intensify as the PRC life sciences research product and service industry grows. We may be unable to attract or retain the personnel required to achieve our business objectives and failure to do so could materially and adversely impact our competitiveness, business, financial condition and results of operation.

Delays in collecting payment from our customers could adversely affect our cash flow, working capital, financial condition and results of operations

We typically grant credit periods and/or credit limits to qualified customers. As at 31 December 2011, 2012 and 2013 and 30 June 2014, our trade receivables were RMB37.7 million, RMB40.5 million, RMB45.6 million and RMB63.0 million, respectively. The average turnover days of our trade receivables for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 were 88 days, 76 days, 71 days and 81 days, respectively. If our customers’ cash flow, working capital, financial condition or results of operations deteriorates, they may be unable, or they may otherwise be unwilling, to pay trade receivables owed to us promptly or at all. Any substantial defaults or delays may materially and adversely affect our cash flow, working capital, financial condition and results of operations.

We may not be able to maintain proper inventory levels for our operations

We consider a number of factors when we manage the inventory levels for our production and sale operations, including costs of holding inventory, our product and service portfolio, the preferences and purchasing trends of our customers, and our goal of prompt delivery of products and services in sufficient quantities in response to customers’ requests. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our inventory turnover days were 165, 166, 139 and 142, respectively. The volatile economic environment and fast-evolving demands and preferences of our customers have made accurate projection of inventory levels increasingly challenging. Inventory levels in excess of customer demand may result in inventory obsolescence, a

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decline in inventory values, significant inventory write-downs, or expiration of products and services. High inventory levels may also require us to commit substantial capital resources, preventing us from using them for other important business purposes. If our inventories become obsolete, we generally record provision for impairment of inventories. As at 31 December 2011, 2012 and 2013 and 30 June 2014, our inventory provision was RMB1.2 million, RMB2.9 million, RMB4.3 million and RMB3.1 million, respectively. Conversely, if we underestimate customer demand for our products and services or if our suppliers fail to provide raw materials to us in a timely manner, we may experience inventory shortages. Such inventory shortages might result in unfilled customer orders and have a negative impact on customer relationships. We cannot assure you that we will be able to maintain proper inventory levels for our operations and such failure may have an adverse effect on our business, financial condition, results of operations and profitability.

We may not be able to secure additional funding in the future to fund our operations or expansion plans

Our expansion plans may change in light of changing circumstances, the development of our business, unforeseen contingencies or new opportunities. If there is a change of our expansion plans, we may need to obtain additional debt or equity financing. If we are unable to obtain such additional financing, or are unable to obtain additional financing on acceptable terms, we may not be able to expand our business and our operations may be adversely affected. The availability of funding is subject to various factors, some of which are beyond our control, including governmental approvals, prevailing market conditions, credit availability, interest rates and the performance of our business. Our inability to procure additional financing in a timely manner on terms that are satisfactory to us could materially and adversely affect our business, results of operations and expansion plans.

We are subject to risks associated with our international business operations

We have operations and distribute our products and services outside China (including in other Asian countries, North America, South America and Europe), and we derived a portion of our revenue from such international sales. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, revenue from our overseas subsidiaries was RMB33.0 million, RMB37.0 million, RMB41.5 million and RMB23.7 million, representing 20.6%, 19.9%, 18.9% and 19.7% of our total revenue for the same periods, respectively. For the same periods, revenue from sales of our products and services to customers outside China was RMB38.1 million, RMB46.9 million, RMB54.8 million and RMB32.0 million, representing 23.8%, 25.2%, 24.9% and 26.7% of our total revenue, respectively. We aim to expand our international operations and increase our international sales in the future. As a result, we are subject to a variety of risks and uncertainties associated with international operations and sales, including:

- compliance with foreign laws, regulatory requirements and local industry standards, in particular, those related to life sciences research products and services;
- exposure to increased litigation risks outside China;
- political and economic instabilities;

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- foreign exchange rate exposure;
- unfamiliarity with local operating and market conditions;
- cultural and language difficulties;
- trade restrictions, technology barriers, protectionism and economic sanctions;
- competition from local companies;
- foreign taxes;
- managing relationships with and collecting payments from foreign customers;
- stringent environment, safety and labour standards; and
- potential disputes with foreign partners and difficulty in managing relationships with foreign customers.

Any of the foregoing and other risks and uncertainties could adversely affect our international operations and result in reduced revenue from our international operations and sales, which in turn could adversely affect our financial condition and results of operations.

We could be adversely affected as a result of our operations in certain countries that are subject to evolving economic sanctions of the U.S., the United Nations, the European Union and other relevant sanctions authorities

The U.S., other jurisdictions or organisations, including the European Union, Australia and the United Nations, have comprehensive or broad economic sanctions targeting the Sanctioned Countries. During the Track Record Period, we had product sales in certain of the Sanctioned Countries, including Iran, Lebanon, Sudan and Iraq, and our revenue derived therefrom in aggregate accounted for approximately 0.29%, 0.21%, 0.33% and 0.28% respectively, of our revenue for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. We do not expect to continue to carry out such business activities in connection with such Sanctioned Countries. For details of the business operations in the Sanctioned Countries, see the section headed “Business — Business Activities in Sanctioned Countries” on page 193 of this prospectus.

We undertake to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries or any other government, individual or entity sanctioned by the U.S., the European Union, Australia, the United Nations or Hong Kong, including, without limitation, any government, individual or entity that is the subject of any OFAC sanctions. We also undertake to the Stock Exchange that we will not enter into sanctionable transactions that would expose us or the Relevant Persons to risks of being sanctioned. If we breach any of these undertakings to the Stock Exchange after the Listing, it is possible that the Stock Exchange may delist our Shares. In order to ensure our compliance with these undertakings to

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the Stock Exchange, we will continuously monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders. For details of our internal control procedures, see the section headed “Business — Business Activities in Sanctioned Countries — Our undertakings and internal control procedures” on page 194 of this prospectus.

As a group with operation based in China, we will comply with all PRC laws and applicable laws in the jurisdictions where we have operations. We will also seek to avoid our transactions in relation to the Sanctioned Countries to be subject to sanctions under the laws of the U.S., the European Union, Australia, the United Nations or Hong Kong. However, to the extent such sanctions are imposed on our Group, our business and Shareholders’ interests could be impacted.

We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or any policy by the European Union, Australia, the United Nations and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in the Sanctioned Countries. We have no present intention to undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, or our Shareholders or investors to violate or become a target of sanctions laws of the U.S., the European Union, Australia, the United Nations or Hong Kong. However, we can provide no assurances that our future business will be free of risk under sanctions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the U.S. authorities or the authorities of any other government that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Our business and reputation could be adversely affected if the government of the U.S., the European Union, the United Nations or any other governmental entity were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Company. In addition, because many sanctions programmes are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable. Over the past few years, the U.S. and the European Union have significantly increased the scope of their Iran sanctions, many of which now have direct extraterritorial effect. Although we believe that our business operations currently do not involve industries or sectors that are subject to extraterritorial Iran sanctions, there is a possibility that the U.S. government, the European Union or other jurisdictions may introduce more severe sanctions in relation to Iran should the current on-going negotiation efforts with the government of Iran on nuclear issues fail, in which case, the current sanctions laws and regulations may be expanded to cover industries or sectors that we are involved in. In such case, our business and Shareholders’ interests could be impacted.

In addition, certain U.S. state and local governments and universities have restrictions on the investment of public funds or endowment funds, respectively, in companies that are members of corporate groups with activities in certain Sanctioned Countries. As a result, concern about potential legal or reputational risk associated with our historical and on-going operations in the Sanctioned Countries could also reduce the marketability of the Offer Shares to particular investors, which could affect the price of our Offer Shares and Shareholders’ interests in us, despite our commitment not to direct the proceeds from the Global Offering to dealings with sanctioned parties. In addition, international financial sanctions in effect against Iran may adversely affect our ability to receive

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payment for export made to the Sanctioned Countries. Before investing in our Shares, you should consider if such investment would expose you to any of the U.S., the European Union or other sanctions law risk arising from your nationality or residency. Any of these events could have an adverse effect on the value of your investment in us.

If our information technology systems does not perform properly, or if we experience an interruption in their operation, our business and results of operations could be adversely affected

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage accounting and financial functions, order entry, order fulfilment and inventory replenishment processes, and to maintain our research and development data. The failure of our information technology systems to perform as we anticipate could disrupt our business and product and service development and could result in decreased sales and increased overhead costs, all of which could materially and adversely affect our business, financial condition and results of operations. In addition, our information technology systems are vulnerable to damage or interruption from:

- earthquake, fire, flood and other natural disasters;
- attacks by computer viruses or hackers;
- power loss; and
- computer systems, Internet, telecommunications or data network failure.

Any such interruption could materially and adversely affect our business and results of operations.

If we fail to successfully identify, acquire or complete acquisitions, or realise the anticipated benefits of our potential future acquisitions or investments or be able to integrate any acquired employees, businesses or products, our growth and prospects may be adversely affected

One of component of our business strategies is to pursue strategic acquisitions in the PRC life sciences research product and service industry to complement our business, product and service lines, customer base and geographic coverage. Our ability to grow through acquisitions depends upon our ability to identify and complete suitable acquisitions as well as our ability to obtain necessary financing and any required governmental or third-party consents, approvals and permits in a timely manner. Even if we complete acquisitions, we may experience:

- difficulties in integrating any acquired companies, technologies, personnel or products and services into our existing business;
- challenges in procuring and allocating resources to fund our expansion;

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- failure to achieve the intended objectives or benefits, or to generate sufficient revenue to recover the costs and expenses, of an acquisition or expansion plan;
- difficulties in implementing management and internal control mechanisms that timely and adequately respond to our expanded scope of operations;
- diversion of resources and management attention from our existing business;
- increased cost resulting from acquisitions including assumption of legal liabilities, potential write-offs related to the impairment of goodwill and amortisation expenses related to intangible assets;
- the cost of and difficulties in integrating acquired businesses and managing a larger business; and
- difficulties in retaining key employees of the acquired business who are essential to manage the acquired business.

If we offer products and services that are significantly different from our existing products and services or operate in a market new to us, the foregoing risks may increase because of our limited experience in operating such business or market. Our failure to address these risks successfully may have a material and adverse effect on our financial condition, results of operations and prospects.

Our operations are subject to hazards and natural disasters that may affect our operations and may not be fully covered by our insurance policies

Our production facilities, distribution network and sources of raw materials face the risk of interruptions resulting from external factors beyond our control, such as natural disasters (including but not limited to flooding, cyclones, typhoons, earthquakes, blizzard and snow storm), acts of terrorism or other third-party interference. We cannot assure you that all claims under our insurance policies will be honoured fully or on time. We do not carry any business interruption insurance or third-party liability insurance for personal injury or environmental damage arising from accidents at our facilities. In addition, there are certain types of losses, such as those resulting from war, acts of terrorism, earthquakes, typhoons, flooding or other natural disasters for which we cannot obtain insurance at a reasonable cost or at all. Should an accident, natural disaster or terrorist act occur, or should an uninsured loss or a loss in excess of insured limits occur, we could suffer from financial losses, as well as damage to our reputation or lose all or a portion of future revenues anticipated to be derived from the relevant facilities. Any material loss not covered by our insurance could materially and adversely affect our business and results of operations.

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If our products and services are produced improperly or contaminated, our reputation, business, financial condition and results of operation may be materially and adversely affected. Meanwhile, we are also subject to regulations that govern the handling of hazardous substances

We are exposed to risks inherent in the production, packaging, sale and marketing of our products and services, such as unsafe, ineffective, defective or contaminated products and services, improper filling of products and services, insufficient or improper labelling of products and services. If any of these happens, we may be subject to product recall or withdrawal, removal of regulatory approvals for such products and services or the relevant production facilities and exposure to lawsuits relating to such products and services.

We are subject to the PRC state and local laws and regulations that govern the handling, transportation, production, use, storage, disposal and sale of substances that are or could be classified as toxic or hazardous substances. Some risk of environmental and property damage and environmental liabilities, including potential clean-up liability relating to currently or formerly owned or operated sites or third-party disposal sites and liabilities relating to the exposure to hazardous substances, is inherent in our operations and the products and services we produce, provide, sell or distribute. Any failure by us to comply with the applicable government regulations could also result in product recalls or impositions of significant fines and restrictions on our ability to carry on or expand a portion or possibly all of our operations. If we fail to comply with any or all of these regulations, we may be subject to fines or penalties, have to recall products and/or cease their production and distribution, which would increase our costs and reduce our sales.

Our ultimate Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of our other shareholders

Our ultimate Controlling Shareholders, Ms. Wang LuoJia and Ms. Wang Jin, have substantial influence over our business, including matters relating to our management and policies and decisions regarding mergers, expansion plans, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. Immediately following completion of the Capitalisation Issue and the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the options which have been or may be granted under the Share Option Schemes, our Controlling Shareholders, LJ Peace and LJ Venture are interested in 35.10% and 22.50% of the issued share capital of our Company, respectively. LJ Peace, is owned as to 51.15% and 48.85%, respectively by Ms. Wang LuoJia as trustee of Wang J Family Trust and Ms. Wang Jin as trustee of Wang L Family Trust. LJ Venture is owned as to Ms. Wang LuoJia as trustee of Wang J Family Trust and Ms. Wang Jin as trustee of Wang L Family Trust, as to 50% each. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our ultimate Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, other actions or make decisions which conflict with the best interests of our other Shareholders.

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We are subject to litigation risks

In our ordinary course of business, we may be involved in litigations with our customers or suppliers from time to time. Claims may be brought against us for liabilities for defective products and services, delayed delivery of products and services, breaches of warranty, delayed payments to our suppliers or labour disputes. If we were found to be liable on any of the claims, we would have to incur additional costs. Both claims brought against us and by us, if not resolved through negotiation, may be subject to lengthy and expensive litigation or arbitration proceedings. Charges associated with claims brought against us and write-downs associated with claims brought by us could have a material adverse impact on our financial condition, results of operations and cash flow. Moreover, legal proceedings resulting in judgements or findings against us may harm our reputation and damage our prospects for future contract awards.

We have had certain compliance irregularities which may lead to enforcement actions being taken

Two of our subsidiaries incorporated in Hong Kong, namely BBI Asia and BBI International, had failed to comply with section 122 of the Predecessor Companies Ordinance. BBI International failed to lay audited financial statements of BBI International at general meetings for each of the two years ended December 2008 and 2009 for the relevant period, which is more than three years from the date of this prospectus. Under section 351A of the Predecessor Companies Ordinance, breaches committed three years ago or more will be time-barred. For details, please see the section headed “Business — Historical Non-compliance Incidents” on page 234 of the prospectus. Directors of BBI Asia had failed to lay audited financial statements of BBI Asia at annual general meetings for each of the three years ended 31 December 2012 for the relevant period. In addition, directors of BBI International failed to lay audited financial statements of BBI International at annual general meetings for each of the two years ended 31 December 2008 and 2009 for the relevant period. Under section 351A of the Predecessor Companies Ordinance, breaches committed three years ago or more will be time-barred. There is no assurance that the relevant authorities would not take any enforcement action against BBI Asia, BBI International and their respective directors in relation to such non-compliance. In the event that such enforcement action is taken, any director of the relevant companies at the material times may be liable to a maximum fine of HK\$300,000 and 12 months’ imprisonment for breach of each count under the Predecessor Companies Ordinance.

We have not obtained the land use right certificate and building ownership certificate in respect of a building of our Wuhan branch

We had not obtained the land use right certificate and the building ownership certificate in respect of a building owned by our Wuhan branch with a gross floor area of 1,285.7 sq.m.. It is primarily used for our production facilities of DNA sequencing service in Wuhan. The building was transferred from Wuhan Optical Valley Biomedical Industrial Park Development Co., Ltd* (武漢光谷生物醫藥產業園發展有限公司) (the “**Transferor**”) to us in accordance with the transfer contract entered between the Transferor and us on 6 August 2011, pursuant to which the transferor shall provide the land use right certificate and building ownership certificate to us and complete the registration for the transfer of this building within 300 days since the transference of this building on 1 July 2011. As at the Latest Practicable Date, we have not been provided with the land use right

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certificate and building ownership certificate for such building due to the incompleteness of the application for such building by the Transferor with relevant governmental authorities. The application for the building ownership certificate in respect of this building is still being processed by relevant government authorities and we have been constantly following up with the Transferor on the status of the application. We are not aware of any issues with respect to the application for the land use right certificate and the building ownership certificate. According to our PRC legal adviser, King & Wood Mallesons, there would be no material legal impediment for us in obtaining the relevant building ownership certificate and land use right certificate. However, we cannot assure you that we will be able to obtain the building ownership certificate in a timely manner or at all. In the absence of the building ownership certificate for this building we use to operate our business, such building is not permitted to be used as collateral for borrowings nor can it be bought, transferred or sold.

RISKS RELATING TO OUR INDUSTRY

The PRC life sciences research product and service industry is currently not strictly regulated, any changes in the regulatory framework, requirements and enforcement trends may adversely affect our operations and prospects

The life sciences research product and service industry in the PRC is currently not strictly regulated. We cannot assure you that the legal framework, licensing and certification requirements and enforcement trends in the life sciences research product and service industry will not change, or that we will be successful in responding to such changes. Such changes may result in increased compliance costs, which would adversely affect our business, financial condition and results of operations.

As at the Latest Practicable Date, we have obtained all necessary permits, licences and certificates required for the production and sales of our life sciences research products and services. However, these permits and licences are subject to periodic renewal and/or reassessment by the relevant PRC government authorities and the standards of such renewal or reassessment may change from time to time. Although we intend to apply for the renewal of these permits, licences and certificates when required by applicable laws and regulations, there can be no assurance that we will successfully procure such renewals. Any failure by us to obtain the necessary renewals and otherwise maintain all licences, permits and certificates necessary to carry on our business at any time could severely disrupt our business, and prevent us from continuing to carry on our business, which could have a material adverse effect on our business, financial condition and results of operations. In addition, any inability to renew these permits, licences and certificates could severely disrupt our business, and prevent us from continuing to carry on our business. Any changes in the standards used by governmental authorities in considering whether to renew or reassess our business licences, permits and certificates, as well as any enactment of new regulations that may restrict the conduct of our business, may also decrease our revenues and/or increase our costs, and materially reduce our profitability and prospects. Further, if the interpretation or implementation of existing laws and regulations changes or new regulations come into effect requiring us to obtain any additional permits, licences or certificates that were previously not required to operate our existing businesses, we cannot assure you that we may successfully obtain such permits, licences or certificates.

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We are subject to various environmental protection, safety and health laws and regulations in the PRC

Our operations are subject to the environmental protection, safety and health laws and regulations in the PRC. Failure to comply with these laws and regulations may result in penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of our licences or permits to conduct our business. Non-compliance with the relevant laws and regulations may result in us being ordered to suspend or cease production, subject us to penalty of values in excess of the value of the products manufactured and the confiscation of the income derived from sales of such products. Given the number and complexity of these laws and regulations, compliance with them may be difficult or involve significant financial and other resources to establish efficient compliance and monitoring systems. In addition, these laws and regulations are constantly evolving. There can be no assurance that the PRC government will not impose additional or more stringent laws or regulations, the compliance with which may cause us to incur significant costs which we may be unable to pass on to our customers and may take significant time which may affect or interrupt our operation.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

As most of our operations are conducted in the PRC, any change in the PRC's political, economic and social conditions, laws, regulations and policies may have a material adverse effect on us

The PRC economy differs from the economies of most developed countries in many respects, including but not limited to:

- structure;
- level of governmental involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transformed to a more market-oriented economy. The PRC government has implemented economic reform measures emphasising responsiveness to market forces in the development of the PRC economy. Yet, the PRC government continues to play a highly significant role in regulating industries by imposing industrial policies. Despite the implementation of such reforms, we cannot predict whether changes in the PRC's political and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, results of operations or financial condition.

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The PRC's legal system embodies uncertainties that could materially and adversely affect our business and results of operations

Substantially all of our operations are conducted in the PRC and substantially all of our employees are PRC citizens. Our operations are therefore generally affected by and subject to the PRC legal system and the PRC laws and regulations. Since the late 1970s, a substantial number of new laws and regulations covering general economic matters have been promulgated in China. Despite these efforts, China's system of laws is still evolving. Even where adequate law exists in China, the enforcement of laws or contracts based on existing law may be uncertain, and it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgement by a court of another jurisdiction. The PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited for reference but have limited weight as precedents. The relative inexperience of China's judiciary in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in China or to enforce against them in China any judgements obtained from non-PRC courts

Most of our Directors and executive officers reside within China, and a significant majority of our assets and substantially all of the assets of those persons are located within China. It may not be possible for investors to effect service of process upon us or those persons inside China or to enforce against us or them in China any judgements obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts in the United States, Canada, the United Kingdom, Japan or most other western countries. However, judgements rendered by Hong Kong courts may be recognised and enforced in China if the requirements set forth by the Arrangement on Mutual Recognition and Enforcement of Judgements in Civil and Commercial Matters by Courts of Mainland and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by 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》) are met. Therefore recognition and enforcement in China of judgements of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

Changes in the PRC government policy on foreign investment in China may adversely affect our business and results of operations

According to the latest version of the Foreign Investment Catalogue (《外商投資產業指導目錄》), which became effective on 30 January 2012, our business does not fall within the prohibited or the restricted category. As the Foreign Investment Catalogue is updated every few years, there can be no assurance that the PRC government will not change its policies in a manner that would render part or all of our business to fall within the restricted or prohibited categories. If we cannot obtain approval from relevant approval authorities to engage in a business which become prohibited or restricted for

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foreign investors, we may be forced to sell or restructure our business which have become restricted or prohibited for foreign investment. If we are forced to adjust our corporate structure or business line as a result of changes in government policy on foreign investment, our business, financial condition and results of operations may be adversely affected.

We may be classified as a “resident enterprise” for PRC enterprise income tax purposes, which could result in unfavourable tax consequences to us and our non-PRC shareholders

The EIT Law provides that enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and are generally subject to the uniform 25% enterprise income tax rate on their worldwide income. In addition, the State Administration of Taxation issued the Notice on Issues Relating to the Determination of Chinese-Controlled Offshore Enterprises as PRC Resident Enterprises by Applying the “De Facto Management Body” Test* (國家稅務總局關於境外註冊中資控股企業依據管理機構標準認定為居民企業有關問題的通知), or the SAT Circular 82, on 22 April 2009 which came into effect on 1 January 2008. The SAT Circular 82 classifies certain Chinese-invested enterprises controlled by Chinese enterprises or Chinese group enterprises and established outside China as “resident enterprises” and clarifies that dividends and other income paid by such “resident enterprises” will be considered as PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when recognised by non-PRC enterprise shareholders. The SAT Circular 82 also subjects such “resident enterprises” to various reporting requirements with the PRC tax authorities. Under the implementation regulations to the enterprise income tax, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, the SAT Circular 82 sets out four criteria for determining whether “de facto management bodies” are located in China for overseas incorporated, domestically controlled enterprises, namely, (1) whether the senior management in charge of the daily operations and its offices are in China, (2) whether decisions or authorising departments regarding financial management and human resources are in China, (3) whether primary assets, accounting books, seals, records and files of shareholders’ meetings or board of directors are in China, and (4) whether directors or senior management with 50% or more voting rights habitually reside in China (the “**Four Criteria**”). Enterprises will be considered as “resident enterprises” if the Four Criteria are concurrently fulfilled. However, as this circular only applies to enterprises established outside of China that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of “de facto management bodies” for overseas incorporated enterprises that are controlled by individual PRC residents like us and some of our subsidiaries. Therefore, although substantially all of our management is currently located in the PRC, it remains unclear whether the PRC tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises. We do not believe that our Company or any of our Hong Kong subsidiaries, namely, BBI International and BBI Asia, should be qualified as a “resident enterprise” as each of our offshore holding entities is a company incorporated outside the PRC. As holding companies, each of these entities’ seals, records and files of the board and shareholders’ meetings are located and kept outside China. Therefore, we consider that our Company and the Hong Kong subsidiaries do not fulfil one of the Four Criteria set forth by the SAT Circular 82. As such, we do not currently consider our Company and the Hong Kong subsidiaries to be PRC resident enterprises. However, if the PRC tax authorities disagree with our assessment and determine that we are a “resident enterprise”, we may be subject to enterprise income tax at a rate of 25% on

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our worldwide income and dividends paid by us to our non-PRC shareholders as well as capital gains recognised by them with respect to the sale of our Shares may be subject to a PRC withholding tax. This will have an impact on our effective tax rate, a material adverse effect on our net income and results of operations, and may require us to withhold tax on our non-PRC shareholders.

We face uncertainty with respect to PRC tax liabilities in connection with direct and indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》), or SAT Circular 698, issued by the SAT on 10 December 2009 with retroactive effect from 1 January 2008, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5%; or (ii) does not tax foreign income of its residents, the foreign investor must report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10.0%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

There is uncertainty as to the application of SAT Circular 698. For example, while the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, to date there have not been any formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to avoid PRC tax. As a result, we may become at risk of being taxed under SAT Circular 698 due to the reorganisation and we may be required to expend resources to comply with SAT Circular 698 or to establish that SAT Circular 698 is not applicable to us, all of which may have an adverse effect on our results of operations and financial condition.

Failure by the Shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from distributing profits and could expose us and our PRC resident Shareholders to liabilities under PRC law

The Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Roundtrip Investments Conducted by Domestic Residents through

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Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“**SAFE Circular 37**”), which was promulgated by SAFE and became effective on 4 July 2014, requires a PRC individual resident (“**PRC Resident**”) to file a “Registration Form of Overseas Investments Contributed by Domestic Individual Residents” and register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (“**Overseas SPV**”), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, any major change of the Overseas SPV’s PRC Resident shareholder, name of the Overseas SPV, term of operation, or any increase or reduction of the SPV’s registered capital, share transfer or swap, and merger or division.

The PRC Resident as stipulated in SAFE Circular 37 also includes overseas individuals who do not hold PRC legal identity documents but habitually reside in the PRC due to economic interests to register with SAFE before the PRC resident contributes assets or equity interests to an overseas SPV, which is established or controlled by the PRC Resident for the purpose of investment or financing. As various companies within the Group are incorporated outside the PRC, pursuant to SAFE Circular 37, Ms. Wang Luoia and Mr. Mai Jun being overseas individuals who do not hold PRC legal identity documents but habitually reside in the PRC due to economic interests and also two of the Group’s ultimate shareholders have applied for registration to the Shanghai branch of SAFE on 29 September 2014, but have yet to receive a formal response as at the date hereof. According to the PRC legal adviser, King & Wood Mallesons, SAFE Circular 37 is newly issued and its actual implementation has yet to be tested. As such, although applications to SAFE according to SAFE Circular 37 have already been made by Ms. Wang Luoia and Mr. Mai Jun, we were not able to obtain a response from SAFE before the Latest Practicable Date. Our PRC legal adviser, King & Wood Mallesons, however, has advised that based on its understanding of SAFE Circular 37, it does not foresee legal obstacles to the completion of the registration of the SAFE Circular 37 application by SAFE. Our Directors expect completion of the registration procedures to take place shortly after the Listing. The Company’s PRC legal adviser, King & Wood Mallesons, confirms that completion of the registration procedures as set forth in the SAFE Circular 37 by Ms. Wang Luoia and Mr. Mai Jun after the proposed Listing will not constitute a non-compliance in relation to the SAFE Circular 37. In spite of this, we cannot assure that the registration procedures for Ms. Wang Luoia and Mr. Mai Jun can be completed ultimately, or that we can comply with other requirement required by SAFE Circular 37 or other related rules.

The failure to comply with registration procedures set forth in SAFE Circular 37 may result in restriction being imposed on the foreign exchange activities of our PRC subsidiaries, including the payment of dividends and other distributions to us and the capital inflow from us and may also subject the relevant PRC Residents and our PRC subsidiaries to penalties under PRC foreign exchange administration regulations. Further, failure to comply with various SAFE registration requirements described above would result in liability for foreign exchange evasion under PRC laws. As SAFE Circular 37 was recently promulgated, it remains unclear how this regulation, and any further regulation concerning offshore or cross-border transaction, will be interpreted, amended and implemented by the relevant government authorities, we cannot predict how these regulations will affect our business operation or future strategies.

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PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries

In utilising the proceeds from the Global Offering or any further offering, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly owned PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be approved by the MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds of the Global Offering and to capitalise our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

SAFE regulations may limit our ability to finance our PRC subsidiaries effectively and affect the value of your investment and may make it more difficult for us to pursue growth through acquisitions

If we finance our PRC subsidiaries through overseas shareholder loans or additional capital contributions, registration with and/or approval of PRC governmental authorities are required. Any overseas shareholder loans to our PRC subsidiaries must be registered with the local branch of SAFE as a procedural matter and such loans cannot exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under the relevant PRC laws and their respective registered capital. In addition, the amounts of the capital contributions are subject to the approval of the MOFCOM or its local counterpart. On 29 August 2008, SAFE promulgated Circular 142, a notice regulating the conversion by a foreign-invested company of foreign currency-denominated capital contribution into Renminbi by restricting how the converted Renminbi may be used. The notice requires that Renminbi converted from the foreign currency-denominated capital contribution of a foreign-invested company may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments, nor, except in the case of foreign-invested real estate enterprises, can Renminbi be used for acquisition of property in the PRC not for self-use purposes unless otherwise provided by laws and regulations. In addition, SAFE strengthened its oversight of the flow and use of Renminbi funds converted from the foreign currency-denominated capital of a foreign-invested company. The use of such Renminbi may not be changed without approval from SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used for purposes within the company's approved business scope. Violations of Circular 142 may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulations. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government

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approvals on a timely basis, or at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

We rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business

We conduct substantially all of our business through our consolidated subsidiaries incorporated in China. We rely on dividends paid by these consolidated subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our Shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Each of our PRC subsidiaries is also required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. Our statutory reserves are not distributable as loans, advances or cash dividends. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. In addition, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

In addition, under the EIT Law, the Notice of the State Administration of Taxation on Negotiated Reduction of Dividends and Interest Rates (《國家稅務總局關於協定下調股息稅率的通知》), or Notice 112, which was issued on 29 January 2008, the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion (《內地和香港特別行政區關於避免雙重徵稅和防止偷漏稅的安排》), or the Double Taxation Arrangement (Hong Kong), which became effective on 8 December 2006, and the Notice of the State Administration of Taxation Regarding Interpretation and Recognition of Beneficial Owners under Tax Treaties (《國家稅務總局關於如何理解和認定稅收協定中「受益所有人」的通知》), or Notice 601, which became effective on 27 October 2009, dividends from our PRC subsidiaries paid to us through our Hong Kong subsidiary may be subject to a withholding tax at a rate of 10%, or at a rate of 5% if our Hong Kong subsidiary is considered as a “beneficial owner” that is generally engaged in substantial business activities and entitled to treaty benefits under the Double Taxation Arrangement (Hong Kong). Furthermore, the ultimate tax rate will be determined by treaty between the PRC and the tax residence of the holder of the PRC subsidiary. We are actively monitoring the withholding tax and are evaluating appropriate organisational changes to minimise the corresponding tax impact.

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Fluctuations in the value of the Renminbi and the PRC government's control over foreign currency conversion may adversely affect our business and results of operations and our ability to remit dividends

A substantial portion of our revenue and expenditures are denominated in Renminbi, while the net proceeds from the Global Offering and any dividends we pay on our Shares will be in Hong Kong Dollars. Fluctuations in the exchange rates between the Renminbi and the Hong Kong Dollar or US Dollar will affect the relative purchasing power in Renminbi terms. Fluctuations in the exchange rates may also cause us to incur foreign exchange losses and affect the relative value of any dividend distributed by us. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. The PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve certain exchange rate targets and policy goals. From mid-2008 to mid-2010 the Renminbi traded within a narrow range against the US Dollar. In June 2010 the PBOC announced the removal of the de facto peg. Following this announcement, the Renminbi has appreciated. We cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong Dollar or the US Dollar in the future.

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, must be approved by or registered with the SAFE or its local branch. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business, may be materially and adversely affected.

The outbreak of any severe communicable disease in China, if uncontrolled, may materially and adversely affect our financial condition, results of operations and future growth

The outbreak of any severe communicable disease in China, if uncontrolled, could have an adverse effect on the overall business sentiment and environment in China, which in turn may have an adverse impact on domestic consumption and, possibly, on the overall GDP growth of China. As all of our revenue is derived from our PRC operations, any contraction or slowdown in the growth of domestic consumption or slowdown in the growth of GDP of China may materially and adversely

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affect our financial condition, results of operations and future growth. In addition, if our employees are affected by a severe communicable disease, we may be required to institute measures to prevent the spread of the disease, which may materially and adversely affect or disrupt our operations, resulting in an adverse effect on our results of operations. The spread of any severe communicable disease in China may also affect the operations of our customers and suppliers, which again, may have a potentially adverse effect on our financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and their liquidity and market price may be volatile

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Sole Global Coordinator (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We expect our Shares to be listed on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering. Furthermore, the price and trading volume of our Shares may be volatile.

The following factors could cause the market price of our Shares following the Global Offering to vary significantly from the Offer Price:

- variation in our turnover, earnings and cash flow;
- liability claims brought against us based on, for example, defective products or safety-related regulatory actions;
- interruptions to our sales and distribution arrangements;
- our failure to execute our business strategies;
- any unexpected business interruptions resulting from operational breakdowns or natural disasters;
- inadequate protection of our intellectual property or legal proceedings brought against us for infringement of third parties' intellectual property rights;
- any major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our products; and
- political, economic, financial and social developments.

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

The Offer Price of our Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value to HK\$1.18 per Share, based on HK\$1.88 per Share, being the mid-point of the indicative offer price range of HK\$1.56 to HK\$2.21, assuming that the Over-allotment Option is not exercised. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our 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.

Sale or anticipated sale of substantial amounts of our Shares in the public market after the Global Offering could materially and adversely affect the prevailing market price of our Shares

The Shares beneficially owned by our Controlling Shareholders are subject to certain lock-up periods. There is no assurance that our Controlling Shareholders will not dispose of these Shares following the expiration of the lock-up periods, or any Shares they may come to own in the future. Sale of a substantial portion of our Shares in the public market, or the perception that such sale may occur, could materially and adversely affect the prevailing market price of our Shares. Such sale or the perception of such sale is likely to make it more difficult for us to sell equity or equity-linked securities in the future at a time and price which we deem appropriate.

You may face difficulties in protecting your interests because we are incorporated under the Cayman Islands law, and these laws relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions

Our corporate affairs are governed by, among other things, the Articles of Association, the Cayman Companies Law and common law of the Cayman Islands. The rights of shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us are to a large extent governed by the common law of the Cayman Islands and our Articles of Association. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority Shareholders differ in some respects from those in Hong Kong and other jurisdictions. The remedies available to the minority Shareholders may be limited compared to the laws of other jurisdictions. See “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus.

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There can be no assurance if and when we will pay dividends in the future; dividends declared in the past may not be indicative of our dividend policy in the future

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be formulated by our Board of Directors at their discretion and will be subject to our Shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or HKFRS (whichever is lower), our Articles of Association, any applicable laws and regulations, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any other factors determined by our Board of Directors from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See the section headed "Financial Information — Dividend Policy" on page 350 of this prospectus for more details of our dividend policy. In addition, dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form dividends will be paid in the future.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to certain information obtained from official governmental and other sources contained in this prospectus

Facts, statistical and forecast information relating to China, the Chinese economy and the PRC healthcare market and the PRC life sciences research products and services market contained in this prospectus have been compiled from various publicly available official governmental sources and the market research report prepared by Frost & Sullivan. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor, the Sole Lead Manager, the Underwriters or any of our or their respective affiliates or advisers or any other parties involved in the Global Offering, and, therefore, we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or outside the PRC. Such facts forecasts and statistics include the facts forecasts and statistics used in "Summary", "Risk Factors", "Industry Overview" and "Business". Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts, forecasts or statistics.

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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 the Application Form, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Controlling Shareholders, the Sole Global Coordinator, the Sole Lead Manager, the Sole Bookrunner, the Sole Sponsor and the Underwriters, any of our or their respective directors, officers, agents, employees or advisers or any other party involved in the Global Offering.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our industries and the Global Offering

There has been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and/or media regarding us, our business, our industries and the Global Offering. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding our Shares. None of us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Sole Sponsor, the Underwriters or any other person involved in the Global Offering has authorised the disclosure of any such information in the press or media and none of these parties accepts any responsibility for the accuracy or completeness of the information contained in such press articles and/or other media or the fairness or appropriateness of any forecasts, views or opinions expressed by the press and/or other media regarding our Shares, the Global Offering, our business, our industries or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

WAIVERS AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

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

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Hong Kong Listing Rules provides that a new applicant applying for a primary listing on the Hong Kong Stock Exchange must have a sufficient management presence in Hong Kong and this normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

The principal business and operations of our Group including offering DNA synthesis products, genetic engineering services, life sciences research consumables, and protein and antibody related products and services, are based, managed and conducted through our operating subsidiaries in the PRC, Canada and United States (together, “**North America**”). All of our products are sold to customers through its principal and sales points in the PRC, its distributors based in Asia, North America, South America, Europe and others. Our Group’s turnover is generated from the PRC and North America. None of the executive Directors are Hong Kong permanent residents or ordinarily based in Hong Kong.

While we acknowledge the importance of maintaining management presence in Hong Kong as a way to maintain regular communication with the Hong Kong Stock Exchange, we consider that it would be practically difficult and commercially unnecessary for us to either relocate two executive Directors to Hong Kong or to appoint two additional executive Directors who are ordinarily resident in Hong Kong. Each of our Directors, who is not ordinarily resident in Hong Kong, currently holds valid travel documents that allow them to travel to Hong Kong for meetings with the Hong Kong Stock Exchange within a reasonable period of time.

In that regard, our Company does not, and does not contemplate in the foreseeable future that it will, have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Hong Kong Listing Rules.

We have received from the Hong Kong Stock Exchange a waiver from compliance with Rule 8.12 of the Hong Kong Listing Rules subject to the following conditions:-

- (a) Our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Hong Kong Listing Rules, who will act as our Company’s principal channel of communication with the Hong Kong Stock Exchange and will ensure that they comply with the Hong Kong Listing Rules at all times. The two authorised representatives are Ms. Wang Luojia, an executive Director and Ms. Ng Sau Mei, one of the joint company secretaries of our Company. Ms. Wang Luojia confirms that she possesses valid travel documents and can readily travel to Hong Kong, and Ms. Ng Sau Mei is ordinarily resident in Hong Kong. Each of the authorised representatives will be available to meet with the Hong Kong Stock Exchange in Hong Kong within a reasonable period of time upon the request of the Hong

**WAIVERS AND EXEMPTIONS FROM STRICT COMPLIANCE WITH
THE LISTING RULES AND EXEMPTIONS FROM COMPLIANCE WITH THE
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PROVISIONS) ORDINANCE**

Kong Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the two authorised representatives is duly authorised to communicate on behalf of our Company with the Hong Kong Stock Exchange. Our Company has been registered as a non-Hong Kong company under the Companies Ordinance, and Ms. Ng Sau Mei, the authorised representative of our Company registered under the Companies Ordinance, is authorised to accept service of legal process and notices in Hong Kong on behalf of our Company.

- (b) Mr. Ho Kenneth Kai Chung, one of the Independent Non-executive Directors, is ordinarily resident in Hong Kong and will also serve as a channel of communication between the Hong Kong Stock Exchange and our Company.
- (c) Both the authorised representatives have means to contact our Directors (including the non-executive Director and the Independent Non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact our Directors for any matter. To enhance the communication between the Hong Kong Stock Exchange, the authorised representatives and our Directors, our Company will implement a policy that (i) each executive Director, non-executive Director and Independent Non-executive Director will provide their respective office phone numbers, mobile phone numbers, residential phone numbers (subject to availability), fax numbers and email addresses to the authorised representatives and their respective alternates; (ii) in the event that an executive Director, non-executive Director or Independent Non-executive Director expects to travel and be out of office, he/she will have to provide valid phone number of the place of his/her accommodation to the authorised representatives; and (iii) all our Directors and authorised representatives will provide their office phone numbers, mobile phone numbers, residential phone numbers (subject to availability), office facsimile numbers and email addresses to the Hong Kong Stock Exchange.
- (d) All of our Directors who are not ordinary residents in Hong Kong possess or can apply for and renew valid travel documents to visit Hong Kong and would be able to meet with the Hong Kong Stock Exchange within a reasonable period. They can normally be contacted at the headquarters of our Company in Shanghai during normal working hours.
- (e) We will retain Hong Kong legal advisers to advise on its on-going compliance obligations and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after Listing;
- (f) In compliance with Rule 3A.19 of the Listing Rules, we have appointed Haitong International Capital Limited as compliance adviser to act as additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 in respect of its financial results for the first full financial year commencing after the Listing Date. The

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compliance adviser will have access at all times to the authorised representatives, our Directors and the other senior management of our Company. The contact person of the compliance adviser will be available at all times to answer any enquires from the Stock Exchange;

- (g) Meetings between the Hong Kong Stock Exchange and our Directors can be arranged through the authorised representatives or our compliance adviser or directly with our Directors within a reasonable time frame. We will inform the Hong Kong Stock Exchange promptly in respect of any change in its authorised representatives and/ or compliance adviser; and
- (h) We will maintain a principal place of business in Hong Kong.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Hong Kong Listing Rules, our Company must appoint a company secretary who satisfies Rule 3.28 of the Hong Kong Listing Rules. According to Rule 3.28 of the Hong Kong Listing Rules, our Company must appoint as its company secretary an individual who, by virtue of his educational or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary.

The Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of the Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In assessing “relevant experience”, the Hong Kong Stock Exchange will consider the individual’s:

- (a) length of employment with issuer and other issuers and the roles he played;
- (b) familiarity with the Hong Kong Listing Rules and other relevant laws and regulations including the SFO, Companies Ordinance and the Codes on Takeovers and Mergers and Share Buy-backs;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Hong Kong Listing Rules; and

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- (d) professional qualifications in other jurisdictions.

We have appointed Ms. Ng Sau Mei and Ms. Hu Heng as our joint company secretaries. While our Directors consider that Ms. Hu Heng is capable of discharging her duty as a company secretary of our Company by virtue of her academic background, professional qualifications and experience, however, she does not possess the specified qualifications required by Rule 3.28 of the Hong Kong Listing Rules. Therefore, our Company has appointed Ms. Ng Sau Mei, who possesses such specified qualifications, to be a joint company secretary of our Company. Ms. Ng Sau Mei together with Ms. Hu Heng will be primarily responsible for company secretarial affairs and coordination of investor relations of our Group.

Please see the section headed “Directors, Senior Management and Employees — Joint Company Secretaries” in this prospectus for the biographies of Ms. Ng Sau Mei and Ms. Hu Heng.

Given the important role of our Company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as our Directors in complying with the Hong Kong Listing Rules and other relevant laws and regulations, our Company will make or have made the following arrangements:

- (a) Ms. Ng Sau Mei, one of our joint company secretaries who satisfies the requirements under Rule 3.28 of the Hong Kong Listing Rules, will, throughout her engagement as a joint company secretary of our Company, lead a working team of KCS Hong Kong Limited to assist Ms. Hu Heng so as to enable her to acquire the requisite knowledge and experience (as required under Rule 3.28 of the Hong Kong Listing Rules) in order to discharge her duties and responsibilities as a company secretary of our Company. Given Ms. Ng Sau Mei’s relevant experience, she will be able to advise both Ms. Hu Heng and our Company on the relevant requirements of the Hong Kong Listing Rules as well as other applicable laws and regulations of Hong Kong;
- (b) Ms. Hu Heng, one of our joint company secretaries, will be assisted by Ms. Ng Sau Mei for a period of three years commencing from the Listing Date, which should be sufficient for her to acquire the requisite knowledge and experience under Rule 3.28 of the Hong Kong Listing Rules. Upon expiry of the three year period, a further evaluation of the qualifications and experience of Ms. Hu Heng and the need for on-going assistance would be made;
- (c) Our Company will ensure that Ms. Hu Heng has access to the relevant trainings and support to enable her to familiarise herself with the Hong Kong Listing Rules and the duties required of a company secretary of a Hong Kong listed company, and Ms. Hu Heng has undertaken to attend such trainings;

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- (d) Ms. Ng Sau Mei, who will familiarise herself with the affairs of our Company, will communicate with Hu Heng on a regular basis regarding matters in relation to corporate governance, the Hong Kong Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to the operations and affairs of our Company. Ms. Ng Sau Mei will work closely with, and provide assistance to Ms. Hu Heng with a view to discharging her duties and responsibilities as a company secretary, including but not limited to organising the Board meetings and Shareholders' meetings of our Company;
- (e) Ms. Hu Heng will also be assisted by the compliance adviser and the Hong Kong legal advisers of our Company, particularly in relation to Hong Kong corporate governance practices and regulatory compliance, on matters concerning our on-going compliance obligations under the Hong Kong Listing Rules and the applicable laws and regulations; and
- (f) Pursuant to Rule 3.29 of the Hong Kong Listing Rules, Ms. Ng Sau Mei and Ms. Hu Heng will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarise themselves with the requirements of the Hong Kong Listing Rules and other regulatory requirements of Hong Kong. Both Ms. Ng Sau Mei and Ms. Hu Heng will be advised by the legal advisers as to Hong Kong law and the compliance adviser as and when required.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Hong Kong Listing Rules. The waiver is valid for an initial period of three years commencing from the Listing Date. Upon expiry of the initial three-year period, our Company will re-evaluate the qualifications and experience of Ms. Hu Heng. Upon the determination of our Company that no on-going assistance is necessary, we will demonstrate to the Hong Kong Stock Exchange that, with the assistance of Ms. Ng Sau Mei over such three-year period, Ms. Hu Heng has acquired the requisite knowledge and experience as prescribed in Rule 3.28 of the Hong Kong Listing Rules. The Hong Kong Stock Exchange will then re-evaluate whether any further waiver would be necessary.

WAIVER AND EXEMPTION IN RELATION TO PRE-IPO SHARE OPTION SCHEMES

Under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this prospectus is required to include, among other things, details of the number, description and amount of any of our Shares which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given, full details of all outstanding options and their potential dilution effect on the shareholdings upon the Listing as well as the impact on the earnings per Share arising from the exercise of such outstanding options. We have granted options to 164 persons (the “**Grantees**” and each a “**Grantee**”)

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to subscribe for 3,269,000 Shares. However, as two of the Grantees, none of them is our Director, our senior management or connected person of our Company, have left our Group in October 2014 and November 2014, respectively, the options granted to them lapsed according to the terms of the Pre-IPO Share Option Schemes. Accordingly, the total number of Shares to be subject to the Pre-IPO Share Option Schemes, after deducting the two resigned employees' right to subscribe for 12,471 Shares pursuant to the options granted to them, shall be 3,256,529 Shares, representing approximately 7.5% of the issued share capital of our Company immediately before completion of the Capitalisation Issue and the Global Offering or 29,460,249 adjusted total number of Shares to be subject to the Pre-IPO Share Option Schemes (the "**Adjusted Shares**"), representing approximately 5.6% of the issued share capital of our Company immediately upon completion of the Capitalisation Issue and the Global Offering taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options that have been granted or may be granted under the Share Option Schemes, on the terms set out in "8. Pre-IPO Share Option Schemes" in Appendix IV to this prospectus. Among the 162 Grantees (excluding two Grantees who are resigned employees), two of them are executive Directors, nine of them are members of the senior management of our Group, three of them are connected persons of our Company (not including our executive Directors and members of senior management), and 148 of them are employees of our Group, 12 of which have the right to subscribe for 30,000 Shares or 271,395 Adjusted Shares or more under the Pre-IPO Share Option Schemes and the remaining 136 Grantees have the right to subscribe for less than 30,000 Shares or 271,395 Adjusted Shares upon completion of the Capitalisation issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options that have been granted or may be granted under the Share Option Schemes.

Amongst 3,256,529 Shares or 29,460,249 Adjusted Shares granted under the Pre-IPO Share Option Schemes, 2,097,000 and 1,159,529 Shares or 18,970,531 and 10,489,718 Adjusted Shares were granted under Option A and Option B respectively.

We have applied for (i) an exemption from the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and (ii) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules, on the ground that disclosure of the names and addresses as well as the number of Shares in respect of which options have been conditionally granted to each of the 136 Grantees of the Pre-IPO Share Option Schemes, other than the Grantees who are Directors, members of senior management, connected persons of our Company, the 12 Grantees who have the right to subscribe for 30,000 Shares or 271,395 Adjusted Shares or more (such Grantees to

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be collectively referred to as the “**Remaining Grantees**” and each a “**Remaining Grantee**”) (the total number of Adjusted Shares subject to the options granted to the Remaining Grantees being 13,092,598), would be unduly burdensome for us due to the following reasons:

- (i) in light of the large number of Grantees under the Pre-IPO Share Option Schemes, strict compliance with the disclosure requirements on an individual basis in this prospectus would be costly and unduly burdensome for our Company and cause unnecessary wastage of paper, and of limited information value to the investing public;
- (ii) the grant of options to each Grantee under the Pre-IPO Share Option Schemes (the “**Pre-IPO Options**”) is made on a case by case basis and is determined by the Directors, taking into account the performance and contribution of each Grantee to our Group. As such, to disclose the full particulars of the entitlements of all Grantees on an individual basis in this prospectus may create dissatisfaction and competition amongst the Grantees which would negatively affect the morale of our Group and completely defeat the purpose of the Pre-IPO Option Schemes. A full list of all Grantees under the Pre-IPO Share Option Schemes with the particulars required under the Companies Ordinance and the Listing Rules will be made available for public inspection;
- (iii) the grant and exercise in full of the Pre-IPO Options is not expected to cause any material adverse change in the financial position of our Company;
- (iv) non-disclosure of the full details required by the above disclosure requirements would not prevent our Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company and will not prejudice the interest of the investing public;
- (v) there will be full disclosure on all Pre-IPO Options granted to our Directors, senior management, connected persons of our Company and employees of our Group who have been granted options to subscribe for 30,000 Shares or 271,395 Adjusted Shares or more under the Pre-IPO Share Option Schemes, on an individual basis under the section headed “8. Pre-IPO Share Option Schemes” in Appendix IV to this prospectus. Further, details of Pre-IPO Options granted to Directors will be disclosed under the section headed “7. Further Information about our Directors and Substantial Shareholders” in Appendix IV to the prospectus;
- (vi) for the Remaining Grantees, there will be full disclosure on all Pre-IPO Options granted to them on an aggregate basis, including (a) the aggregate number of Remaining Grantees; (b) the number of Shares underlying the Pre-IPO Options; (c) the consideration paid for the Pre-IPO Options; (d) the exercise period of each Pre-IPO Option; and (e) the exercise price of the Pre-IPO Options. None of the Remaining Grantees will be granted Pre-IPO Options for 30,000 Shares or 271,395 Adjusted Shares or more under the Pre-IPO Share Option

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Schemes upon completion of Capitalisation Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options that have been granted or may be granted under the Share Option Schemes; and

- (vii) apart from the disclosure of the full particulars of the entitlements of such persons as mentioned in paragraphs (v) and (vi) above, all other relevant information in relation to the Pre-IPO Share Option Schemes, including the aggregate number of Grantees under the Pre-IPO Share Option Schemes, the aggregate number of Shares to be subscribed pursuant to the exercise of the Pre-IPO Options and the relevant percentage of our Company's issued share capital represented by such Shares, the dilution effect and impact on earnings per Share upon full exercise of the Pre-IPO Options, will be fully disclosed under the section headed "8. Pre-IPO Share Option Schemes" in Appendix IV to the prospectus.

The Stock Exchange has granted the waiver to us subject to the following conditions:

- (i) the grant of a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Ordinance by the SFC;
- (ii) on individual basis, full details of all the options granted by our Company under the Pre-IPO Share Option Schemes to our Directors, senior management, connected persons of the Company and any other employees of our Group with a right to subscribe for 30,000 Shares or 271,395 Adjusted Shares or more under the Pre-IPO Share Option Schemes upon completion of Capitalisation Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options that have been granted or may be granted under the Share Option Schemes, including all the particulars required under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be disclosed in this prospectus;
- (iii) in respect of the options granted by our Company to the Remaining Grantees, the following details be fully disclosed in this prospectus:
- (a) the aggregate number of the Remaining Grantees;
- (b) the number of Shares subject to such options;
- (c) the consideration paid for the grant of such options;

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- (d) the exercise period of the options; and
- (e) the exercise price for the options.
- (iv) the dilution effect and impact on earnings per Share upon full exercise of the options granted under the Pre-IPO Share Option Schemes be disclosed in this prospectus;
- (v) the aggregate number of Shares subject to the outstanding options granted by our Company under the Pre-IPO Share Option Schemes and the percentage of our Company's issued share capital of which such number represents be disclosed in this prospectus;
- (vi) a summary of the Pre-IPO Share Option Schemes be disclosed in this prospectus; and
- (vii) the list of all the Grantees (including the Remaining Grantees), containing all details as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection.

The SFC has issued a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance subject to the conditions that:

- (i) on individual basis, full details of all the options granted by our Company under the Pre-IPO Share Option Schemes to each of our Directors, senior management, connected persons of our Company and other employees of our Group who have been granted options to subscribe for 30,000 Shares or 271,395 Adjusted Shares or more upon completion of Capitalisation Issue and the Global Offering are disclosed in this prospectus, such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (ii) in respect of the options granted by our Company to the Remaining Grantees, the following details are disclosed in this prospectus:
 - (a) the aggregate number of grantees;
 - (b) the aggregate number of Shares subject to the options;
 - (c) the consideration paid for the grant of the options; and
 - (d) the exercise period and the exercise price for the options;

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- (iii) a full list of all the Grantees (including the persons referred to in sub-paragraph (i) above) who have been granted options to subscribe for Shares under the Pre-IPO Share Option Schemes, containing all the details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be made available for public inspection in accordance with “Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection — 2. Documents available for inspection” in Appendix V to this prospectus; and

- (iv) the particulars of the exemption will be set out in this prospectus and this prospectus will be issued on or before 16 December 2014.

Further details of the Pre-IPO Share Option Schemes are set out in “8. Pre-IPO Share Option Schemes” in Appendix IV to this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Hong Kong Listing Rules for the purposes of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information in this prospectus is accurate and complete in all material respects and not misleading or deceptive and that there are no other facts the omission of which would make any statement in this prospectus materially misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public 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.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement, subject to the agreement on the Offer Price between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on or before the Price Determination Date. The Global Offering is managed by the Sole Global Coordinator. Further details of the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

SELLING RESTRICTIONS

Each person acquiring Offer Shares will be required to confirm, or by his/her acquisition of Offer Shares be deemed to confirm, that he/she is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the Application Forms may not be used for the purpose 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 authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the Application Forms and the offering and sales 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 pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the U.S..

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INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and 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 Sole Global Coordinator, the Sole Sponsor, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

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, and the procedures for applying for the Hong Kong Public Offer Shares are set out in the section headed “How to Apply for Hong Kong Public Offer Shares” in this prospectus and on the relevant Applications Forms.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Save as disclosed herein, no part of the equity or debt securities of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be void if the listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Hong Kong Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange and our Company’s compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Hong Kong Stock Exchange or 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 our Shares to be admitted into CCASS.

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PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants should consult their professional advisers if they are in any doubt as to the tax implications of subscription for, purchasing, holding, disposing of and dealing in our Shares. It is emphasised that none of our Group, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Global Offering accepts responsibility for the tax effects or liabilities resulting from your subscription for, purchase, holding, disposal of or dealing in our Shares.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the Global Offering will be registered on our Company's share register of members to be maintained in Hong Kong. Our principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

Dealings in our Shares registered in the share register of our Company in Hong Kong will be subject to Hong Kong stamp duty.

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

OVER-ALLOTMENT AND STABILISATION

In connection with the Global Offering, Haitong International Securities Company Limited, as stabilising manager, or any person acting for it may over-allot Shares or effect any other transactions with a view to stabilising and maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the date of Listing. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising action.

In connection with the Global Offering, our Company is expected to grant to the International Underwriter the Over-allotment Option, which is exercisable in full or in part by the Sole Global Coordinator (on behalf of the International Underwriter) no later than 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to issue at the Offer Price up to an aggregate of 19,674,900 Shares, representing 15% of the total number of Shares initially available under the Global Offering, to cover over-allotment in the Global Offering, if any.

Further details with respect to stabilisation and the Over-allotment Option are set out in the section headed "Structure of the Global Offering — Over-allotment and Stabilisation" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

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

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our share registrar, and it has agreed, not to register the subscription, purchase or transfer of any Shares in the name of any particular holder unless and until the holder delivers a signed form to our share registrar in respect of those Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Companies Law and our Articles of Association;
- agrees with us and each of our Shareholders that the Shares are freely transferable by the holders thereof; and
- authorises us to enter into a contract on his or her behalf with each of our Directors, managers and officers whereby such Directors, managers and officers undertake to observe and comply with.

STRUCTURE OF THE GLOBAL OFFERING

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.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in Hong Kong dollars have been translated, for the purpose of illustration only, into Renminbi and U.S. dollars, and vice versa, in this prospectus at the following rate:

HKD1.0000: RMB0.7958 (set by the PBOC for foreign exchange transaction prevailing on 31 July 2014)

HKD1.0000: US\$0.1290 (set by the PBOC for foreign exchange transaction prevailing on 31 July 2014)

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No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

In this prospectus, if there is any inconsistency between the Chinese name of the entities or enterprises established in China, PRC nationals, PRC government entities or PRC laws, rules and regulations and their English translations, the Chinese names shall prevail. English translations of names of entities or enterprises established in China and PRC laws, rules and regulations are for identification purpose only.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
Wang Qisong (王啟松)	Room 505, No. 14 Nong 158, Baocheng Road Minhang District, Shanghai PRC	Chinese
Wang Luojia (王珞珈)	Room 1306, No. 14 Nong 158, Baocheng Road Minhang District, Shanghai PRC	Canadian
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For further information, please see the section headed “Directors, Senior Management and Employees”.

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*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 an independent industry report in respect of the Global Offering (the “**Frost & Sullivan Report**”). We believe that the sources of such information and statistics are appropriate and we have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any part of the information has been omitted rendering such information false or misleading. The information and statistics have not been independently verified by the Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any other persons involved in the Global Offering or their respective directors, advisers and affiliates. Therefore, no representation is given as to the correctness or accuracy in respect of the information and statistics set out in this prospectus. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report, which may qualify, contradict or have an impact on the information and statistics disclosed in this section. The information and statistics contained in this section may be inconsistent with other information prepared inside or outside the PRC.*

LIFE SCIENCES RESEARCH PRODUCTS AND SERVICES

Overview

Life sciences research products and services are specialised research consumable products and professional outsourcing services which are used to facilitate life sciences research and experiments. They consist primarily of the four categories: (i) molecular biology services (mainly DNA synthesis production and genetic engineering services); (ii) protein and antibody related products and services (mainly recombinant protein production, polypeptide synthesis production and customised antibody production); (iii) cell biology services (mainly cell culture, cell transfection and cell-based analysis); and (iv) life sciences research consumables (such as biochemical reagents, research kits, labware and enzyme tools). Life sciences research products and services are widely used in the basic research in various disciplines, including biology, medicine, pharmacy, environmental science, biotechnology and bioengineering. With the assistance of life sciences research products and services, researchers and scientists have achieved technological breakthroughs in biological research.

INDUSTRY OVERVIEW

The following chart illustrates a comparison between the industry classifications and our business segments (including our respective product and service lines):

Industry classifications	Molecular biology services		Life sciences research consumables	Protein and antibody related products and services	Cell biology services
Our business segments	DNA synthesis products <ul style="list-style-type: none"> • Oligonucleotide synthesis • Gene synthesis 	Genetic engineering services <ul style="list-style-type: none"> • DNA sequencing • Next-generation sequencing • Molecular biology services 	Life sciences research consumables <ul style="list-style-type: none"> • Biochemical reagents • Research kits • Labware 	Protein and antibody related products and services <ul style="list-style-type: none"> • Protein related products and services • Antibody related products and services (including, among other things, cell biology services) 	

Industry Value Chains

In the PRC life sciences research product and service industry, there are generally two kinds of industry chains.

- *Value chain relating to life sciences research products.* It consists primarily of the following stages: (i) raw material suppliers provide chemicals, biochemicals, enzymes and plastic particles to research product suppliers; (ii) these research product suppliers produce reagents, research kits, labware and other consumables for biological experiments; and (iii) these research product suppliers sell products to end users directly or via third-party distributors.
- *Value chain relating to life sciences research services.* It consists primarily of the following stages: (i) raw material and equipment suppliers offer lab instruments and raw materials to research service suppliers; and (ii) these research service suppliers render quality services (such as DNA sequencing) to end users.

Sales Model

Certain market players operate a direct sales model to maintain strong control over sales channels, make fast deliveries to and obtain first hand feedback from customers. Many domestic companies establish direct sale networks in proximity to their production facilities within certain regions. Many MNCs operate a distribution model and rely on local distributors' knowledge and sales networks to sell products and services in their target markets with a low level of capital investments. Some market players also operate a hybrid sales model by establishing their sales teams focusing on the Chinese mega cities (such as Beijing, Shanghai and Guangzhou) and managing distributors in their other target markets in China.

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Payment Practice and Settlement Procedure

Customers or end users of life sciences research products and services in the PRC consist primarily of academic institutions (including colleges, universities and research institutes), pharmaceutical and biotech companies, hospitals, and government testing and diagnostic centres, and distribution companies. After suppliers deliver products and services, customers make periodic payments for their purchases. They sometimes also make prepayments so as to benefit from suppliers' deep discounts and settle their frequent purchases in an efficient manner. The purchased amounts are then deducted from the relevant balances of prepayments. The prepayment arrangement is one of the commercial practices adopted by customers, according to the Frost & Sullivan Report. See the subsections headed "Business — Customers — Payment Method and Credit Terms" and "Financial Information — Discussion of Selected Item from the Consolidated Balance Sheets — Accruals and Other Payables" in this prospectus for further discussion.

Customers generally maintain the checks and balances in their settlement procedures so as to ensure that research funds are used in the manner and within the scope initially approved by the relevant government authorities. For example, researchers and scientists at academic institutions select their suppliers and place orders based on their ad hoc requests. Administrative staff at the academic institutions are responsible for managing and monitoring the flow of research funds. Upon receipt of the invoices from suppliers, the administrative staff verify that the goods and services set out in these invoices are within the scope of relevant research project proposals or agreements as well as in accordance with the relevant laws and regulations, and authorise payment for such invoices.

THE PRC DNA SYNTHESIS PRODUCT MARKET

Overview

DNA synthesis is used to create artificial DNA molecules chemically in vitro in a defined sequence. DNA synthesis consists primarily of the following two segments:

- *Oligonucleotide synthesis*: It chemically binds phosphoramidite monomers one by one in a defined sequence to create single stranded DNA molecules (such as primer and probe). Products of oligonucleotide synthesis are used in a wide variety of molecular biological experiments. For example, certain products are frequently used for PCR to amplify target DNA fragments or genes. Some other products are used in hybridisation.
- *Gene synthesis*: It assembles short DNA fragments (which have been created in oligonucleotide synthesis) into longer sequences which are used as genes or even genomes. It is used to create double-stranded DNA molecules mainly for gene expression and recombinant protein production. The artificial genes produced in gene synthesis can be cloned and expressed in host cells for gene function analysis or target protein production.

The DNA synthesis technology is based on the conventional chemical synthesis of nucleic acids. The technology is mature after it has been applied in life sciences research for decades. Two requisite processes in gene synthesis, fragment assembly and error correction, have remained to be labour intensive and time-consuming. Technological breakthrough is needed in this area. Moreover, as a result of the increasing customer demand for the synthesis of large DNAs for gene function analysis, the DNA synthesis technology has been developed to take advantage of chip-based oligonucleotide

INDUSTRY OVERVIEW

synthesis, in which hundreds and thousands of oligonucleotides are created in a massive parallel manner and these short stretches of DNAs are stitched together to produce large-sized DNAs. The DNA synthesis technology will be used in different applications to meet the various needs of researchers and scientists.

DNA synthesis requires specialised instruments, complicated production procedures and experienced technicians. With the use of high-throughput DNA synthesizers, defined DNA sequence can be produced quickly at a low cost. Most laboratories purchase DNA synthesis products from suppliers at affordable prices. Fast delivery, consistent quality and competitive prices are the major considerations for customers.

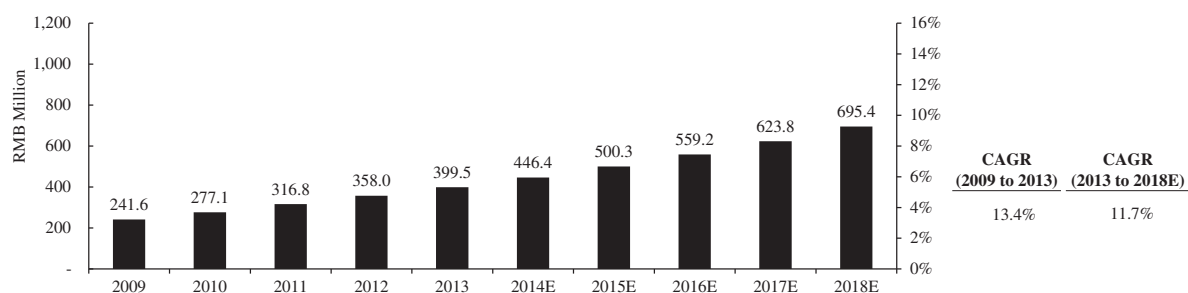
Growth Drivers

According to the Frost & Sullivan Report, the key growth drivers for the PRC DNA synthesis product market include the following:

- *Broadening applications in life sciences research.* As a mature technology for gene amplification, PCR has become a major molecular biology tool used in basic biology research, medical research and clinical diagnosis. Moreover, recombinant protein production has become an effective tool for the structural-function analysis of target protein and generation of many biologics (including, among others, therapeutic monoclonal antibodies) in life sciences research. DNA synthesis products are the key raw materials for these applications.
- *More affordable prices of DNA synthesis.* DNA synthesis has become more affordable for researchers to obtain DNA molecules in any desired sequence, primarily as a result of the technological development and intense competition among suppliers.
- *Use of advanced production equipment.* With the use of advanced production equipment, DNA synthesis providers can offer DNA synthesis products in consistent quality, within quick turnaround time and at a low cost.

Market Size and Outlook

The chart below sets forth the historical and projected total revenue of the PRC DNA synthesis product market from 2009 to 2018:



Source: Frost & Sullivan

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According to the Frost & Sullivan Report, the oligonucleotide synthesis segment had a 61.0% market share of the PRC DNA synthesis product market in terms of total revenue in 2013, higher than a 39.0% market share with respect to the gene synthesis segment in that year. The main reason was that a great number of life sciences laboratories and biotech and pharmaceutical companies in China have used the oligonucleotide synthesis in a wide variety of molecular biological experiments.

The costs of oligonucleotide synthesis and gene synthesis will likely become more affordable as a result of the technological development, in particular the massively parallel oligonucleotide synthesis technology. The gene synthesis segment is expected to experience a rapid growth in the near future, as the demand for comprehensive analysis on gene functions and genomic information in synthetic biology research is increasing and the prices of gene synthesis products become more affordable. Overall, the PRC DNA synthesis product market will continue to expand primarily attributable to the development of synthetic biology. More researchers will be able to afford the artificial production of genome in their genome research.

Competitive Landscape

Overall Market

The table below sets forth the top five companies, in terms of revenue in 2013, in the PRC DNA synthesis product market:

<u>Rank</u>	<u>Company</u>	<u>Revenue</u> <i>(RMB Million)</i>	<u>Market Share</u>
1	Sangon Biotech	69.6	17.4%
2	Competitor A	63.5	15.9%
3	Competitor B	40.9	10.2%
4	Competitor C	14.0	3.5%
5	Competitor D	14.0	3.5%

Source: Frost & Sullivan

According to the Frost & Sullivan Report, the PRC DNA synthesis product market is relatively concentrated and the top three players had a 43.5% market share in aggregate in terms of revenue in 2013, primarily due to high entry barriers to the market (including accumulation of technological know-how, recruitment and retention of experienced research talents, established distribution networks and strong brand recognition). Leading players with strong reputation have established competitive advantages of direct sales network and supporting facilities in the Chinese mega cities where research and development investments are concentrated.

We are the largest provider of DNA synthesis products in China in terms of revenue in 2013. As a first mover in this market, we have established strong market presence and differentiate ourselves from other leading players based on our service quality, economy of scale operation and competitive prices. Our DNA synthesis product business has the strong production capacity with over 40 oligonucleotide synthesizers and over 150 experienced staff. Other leading market players primarily include the following:

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- *Competitor A.* The company is a leading supplier of DNA synthesis products in the world. It was founded in 2002 with the headquarters in New Jersey, the United States. It offers an extended product and service portfolio for biopharmaceutical research and development activities. In addition to DNA synthesis products, it provides DNA sequencing services, protein expression and purification, life sciences research kits and biochemical reagents. It delivers DNA synthesis products to customers within quick turnaround time and operates a hybrid sales model in China.

- *Competitor B.* The company was one of the first movers to provide life sciences research products and services in China. Its headquarter is located in California, the United States. It offers an extended product and service portfolio to customers. In addition to DNA synthesis products, it provides Sanger sequencing, protein expression and purification, cell cultivation, as well as a wide variety of life sciences research kits and enzyme tools. It has established strong market recognition and customer loyalty in China based on quality of DNA synthesis products. After the merger and acquisition transactions with a top market player and Competitor M (as disclosed below) in 2008 and 2014, respectively, the resulting company has further diversified its product and service portfolio.

- *Competitor C.* It is a professional technology service company based in Shanghai, focusing on oligonucleotide synthesis and gene synthesis. In addition, it provides SNP genotyping, molecular biology kits, molecular biology related services and PCR related products. It has established certain facilities in the Chinese mega cities, delivering fast services and technical support to customers. It operates a hybrid sales model in China.

- *Competitor D.* The company has been focused on developing biomedical research tools for the life sciences and gene therapy research since it commenced business in 1967. It offers an extended portfolio of life sciences research products and services. In addition to DNA synthesis products, it provides DNA sequencing services, protein expression and purification, cell cultivation and transfection, as well as a wide range of reagent kits and enzyme tools. It operates a distribution model in China and its product prices are more competitive compared to those of other international brands, which enables it to gain a broad customer base.

Oligonucleotide Synthesis Market Segment

The table below sets forth the top five companies, in terms of revenue in 2013, in the PRC oligonucleotide synthesis market segment:

<u>Ranking</u>	<u>Company</u>	<u>Revenue</u>	<u>Market Share</u>
		<i>(RMB Million)</i>	
1	Sangon Biotech	63.7	26.0%
2	Competitor B	32.4	13.2%
3	Competitor A	9.5	3.9%
4	Competitor C	8.0	3.3%
5	Competitor D	6.0	2.5%

Source: Frost & Sullivan

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According to the Frost & Sullivan Report, the top two players dominate the PRC oligonucleotide synthesis market segment with a 39.2% market share in aggregate in terms of revenue in 2013. Leading players have established their advantages of fast, quality service delivery in the first tier cities, whereas dozens of small players compete in lower tier cities in China. See also the subsection headed “— The PRC DNA Synthesis Product Market — Competitive Landscape — Overall Market” in this section for further details about us and the other top market players, Competitors A to D, in this market segment.

Gene Synthesis Market Segment

The table below sets forth the top five companies, in terms of revenue in 2013, in the PRC gene synthesis market segment:

<u>Ranking</u>	<u>Company</u>	<u>Revenue</u>	<u>Market Share</u>
		<i>(RMB Million)</i>	
1	Competitor A	54.0	34.9%
2	Competitor B	8.5	5.5%
3	Competitor I	8.0	5.2%
4	Competitor D	8.0	5.2%
5	Competitor C	6.0	3.9%

Source: Frost & Sullivan

According to the Frost & Sullivan Report, the top one player dominates the PRC gene synthesis market with a 34.9% market share and each of the other top five players held a small market share, in terms of revenue in 2013, primarily due to high entry barriers to the market (such as accumulation of technological know-how and strong market recognition).

Competitor I provides a series of DNA analysis and manipulation services for clinical diagnosis and drug discovery, including gene synthesis, Sanger sequencing, next-generation sequencing, bioinformatics and GLP regulatory services. The company was founded in 1999 and its customer base consists of academic institutions, biotech and pharmaceutical companies, and government agencies. See also the subsection headed “— The PRC DNA Synthesis Product Market — Competitive Landscape — Overall Market” in this section for further details about the other four top market players, Competitors A to D, in this market segment. We ranked sixth in terms of revenue in 2013 with a 3.8% market share. As a substantial portion of our gene synthesis products are provided to overseas customers, the revenue from these customers in 2013 was not included in our total revenue from the PRC gene synthesis market.

Major Raw Materials and Final Products

Many different kinds of nucleotide monomers are used in the DNA synthesis, and their prices ranged from RMB20.0 to RMB200.0 per gram in 2014, according to the Frost & Sullivan Report. For example, the cost for DMT-dA(bz) phosphoramidite ranged from RMB35.0 to RMB200.0 per gram as at the Latest Practicable Date, depending on the product purity, packagings and production technology. During the Track Record Period, the techniques used in the organic synthesis to produce nucleotide

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monomers remained unchanged and the production capacity met the steadily growing demand for such raw materials. As a result, the price of nucleotide monomers remained stable for such period. As the production technology is further improved and more domestic suppliers produce nucleotide monomers, the prices are expected to decrease in the future.

The price for the synthesis of oligonucleotides shorter than 40 bases in 2014 is approximately RMB0.5 to RMB1.5 per base and the price for the synthesis of longer oligonucleotides in 2014 is approximately RMB2.5 to RMB3.5 per base, according to the Frost & Sullivan Report. The price for oligonucleotide synthesis decreased slightly by approximately 10.0% during the Track Record Period as a result of the increasing market competition and technological development in China. Furthermore, the price for gene synthesis decreased slightly by approximately 15.0% during the Track Record Period and is approximately RMB2.0 to RMB3.0 per base pair in 2014, according to the Frost & Sullivan Report. The prices for oligonucleotide synthesis and gene synthesis are expected to decrease slightly in the future due to the decreasing costs of raw materials and the maturity of production technology.

THE PRC GENETIC ENGINEERING SERVICE MARKET

Overview

Genetic engineering services consist primarily of the following: (i) DNA sequencing, a process of determining the precise order of nucleotides within DNA or RNA molecules; and (ii) other genetic engineering services, primarily including a variety of manipulation, modification and analysis of DNA and RNA (other than DNA and RNA synthesis and sequencing).

DNA Sequencing Technologies

The following technologies are currently used to provide DNA sequencing service and assist researchers and scientists in their discovery and understanding of genetic and genomic information within target species:

- *Sanger sequencing*. The technology is mature and also called capillary electrophoresis sequencing. It was the first method used in automated nucleotide sequencing. It uses fluorescent dideoxynucleotides to terminate a DNA synthesis product at specific bases and obtain DNA sequences through the relative positions of electrophoresis bands. The technology is widely used in different applications (such as gene sequencing, gene mutation analysis, gene function analysis and validation of next-generation sequencing results), primarily because the technology is highly sensitive with a high level of accuracy and end users can easily interpret its results.
- *Next-generation sequencing*. The technology emerges as a modern method for the discovery of integrated genetic information across multiple “omics” levels. It adopts massively parallel sequencing, which is the key to genomic, proteomic and epigenomic research, and generates a high volume of data at a relatively lower cost. It has produced unprecedented genomic data with the expansion of its applications into whole-genome sequencing and exome analysis. The accuracy level of the technology can be improved with the help of

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strong bioinformatics tools and high read depth at a low cost. The amount of accumulated next-generation sequencing data may strongly affect a supplier's capabilities to interpret and analyse sequencing results. Customers choose suppliers primarily based on their market reputation and accumulated experience.

- *Third generation sequencing.* The third generation sequencing technology has emerged in recent years. Nanopore sequencing, single molecule sequencing and other sequencing techniques are used to further reduce the cost for DNA sequencing and generate results within quick turnaround time. The new technology could achieve longer read lengths of DNA and overcome the limitation of next-generation sequencing technology with respect to assembly of sequencing fragments. The application of the new technology is expected to expand into new areas such as clinical diagnosis for detection and treatment of human diseases. This technology is comparatively novel and yet to be applied in various fields of life sciences research applications.

Most end users outsource such services to suppliers. DNA sequencing generally requires suppliers to have accumulated technological know-how to operate complicated processes and to invest a large amount of capital in advanced equipment. There is a wide range of applications of genetic engineering technologies in research relating to medicines, agriculture, food science and environmental science.

Growth Drivers

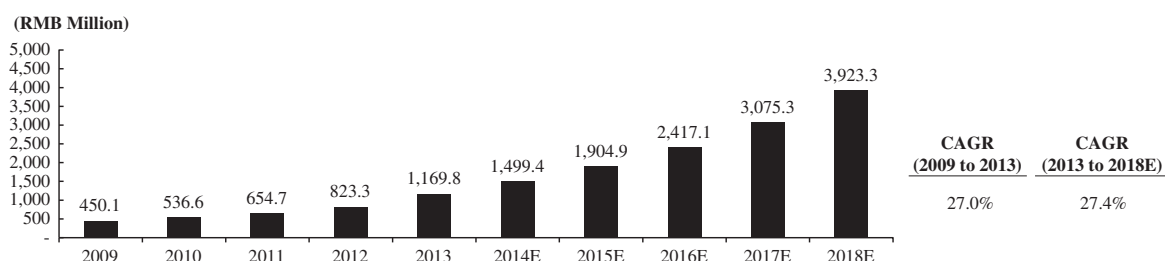
According to the Frost & Sullivan Report, the key growth drivers for the PRC genetic engineering market include the following:

- *Increasing number of applications for DNA sequencing technologies.* DNA sequencing suppliers have offered an increasing number of applications (such as whole genome sequencing, targeted resequencing and exome sequencing) by using samples from thousands of different organisms which represent a wide variety of research fields and industries. The customer base and market demand for DNA sequencing continue to grow rapidly with the development of new applications.
- *More affordable price per genome.* With the introduction of new technologies (such as nanopores, electronics or microfluidics), the price per megabase of DNA sequence or genome becomes more affordable. The DNA sequencing technologies have been used in a wide range of applications, which results in the generation of a greater amount of next-generation sequencing data. The accumulated knowledge and technological know-how from such data further improve the clinical use of genomic information.
- *Increasing scale of DNA sequencing projects.* With the maturity of DNA sequencing technologies and the decreasing cost, an increasing number of customers have used high-throughput sequencing data in their research. They tend to further initiate large scale projects, which generate more revenue for DNA sequencing suppliers.

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Market Size and Outlook

The chart below sets forth the historical and projected total revenue of the PRC genetic engineering market from 2009 to 2018:



Source: Frost & Sullivan

According to the Frost & Sullivan Report, the Sanger sequencing segment held a 35.0% market share in terms of total revenue in 2013, whereas the next-generation sequencing segment held a 43.0% market share in that year.

With the expanding applications of next-generation sequencing in basic research and clinical diagnosis at a relatively low cost, the next-generation sequencing segment is expected to continue the rapid growth. Equipment suppliers are developing low-to-mid throughput sequencing instruments at a lower price for small laboratories in order to expand the existing customer base. In addition, with the decreasing cost of DNA sequencing, large scale databases of various forms of human biological and clinical data will be developed for the effective use of the genomic information in clinical research, as well as for the development of personalised medicines.

Competitive Landscape

The table below sets forth the top eight companies, in terms of revenue in 2013, in the PRC DNA sequencing service market:

Rank	Company	Revenue	Market Share
(RMB Million)			
1	Competitor E	314.7	32.6%
2	Competitor B	61.1	6.3%
3	Competitor F	49.0	5.1%
4	Competitor G	35.0	3.6%
5	Competitor D	34.0	3.5%
6	Sangon Biotech	32.9	3.4%
7	Competitor H	20.0	2.1%
8	Competitor I	18.0	1.9%

Source: Frost & Sullivan

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According to the Frost & Sullivan Report, the top one player dominates the PRC DNA sequencing service market with a 32.6% market share and each of the other top eight players held a small market share, in terms of revenue in 2013. An increasing number of small players have entered into the Sanger sequencing segment and deliver fast services at competitive prices to customers. In order to meet customer demand, these players have established their sales networks over multiple locations or focused on serving customers in close proximity to their product facilities. The entry barriers to the next-generation sequencing market segment in the Chinese mega cities are relatively high (including capital investment, accumulated technological know-how and strong brand recognition).

We have established our extensive direct sales network across China, delivering fast, quality services to customers, and our DNA sequencing facilities in the first tier cities, as compared to other top market players. We also have strong brand recognition and market presence in the molecular biology service segment, which creates a synergistic effect with our DNA sequencing services. Other leading market players include the following:

- *Competitor E.* The company is the world's largest genomics organisation focusing on a wide range of genomic analyses. It was founded in 1999 with the headquarters currently in Shenzhen, China. In addition to genomic analysis, it provides Sanger sequencing, next-generation sequencing, genotyping, proteomics and metabolomics services. It also develops and produces certain biochemical reagents for clinical diagnosis using next-generation sequencing technology. It has established and maintained a huge database of genomic information.
- *Competitor B.* The company offers an extended product and service portfolio, including, among others, Sanger sequencing. It has also established strong market recognition in China based on service quality and speedy delivery of DNA sequencing.
- *Competitor F.* It is a biotech company focusing on next-generation sequencing services, bioinformatic analysis and clinical diagnostics. Its facilities in the Chinese mega cities deliver fast services to customers. It has established a logistics team which is able to collect samples and deliver results within the same day.
- *Competitor G.* The biotech company was founded in 2010 focusing on the application of next-generation sequencing in clinical diagnosis and medical research. It renders such services to Chinese hospitals for their life sciences research and prenatal diagnosis. It has also established a human genomic information database and co-developed a next-generation sequencing system for non-invasive prenatal testing.
- *Competitor D.* The company offers an extended portfolio of life sciences research products and services. It renders DNA sequencing services to customers and has also established strong market recognition in China based on service quality and speedy delivery.
- *Competitor H.* The company was founded in 2011 in Beijing focusing on the application of sequencing services in plant research and has accumulated substantial genomic information in this area. It is equipped with a number of high-throughput sequencing platforms. With

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the increasing popularity of next-generation sequencing services in clinical diagnosis and research, the company is exploring the value of biotechnology and bioinformatics (especially in reproductive health and personalised cancer treatment) and currently developing genetic products for accurate disease prevention, prediction, screening, diagnosis and targeted therapy.

See also the subsection headed “— The PRC DNA Synthesis Product Market — Competitive Landscape” for further details about the top market players, Competitors B, D and I, in this market.

Major Raw Material and Final Products

According to the Frost & Sullivan Report, there are many kinds of specialised sequencing reagents used as major raw materials for DNA sequencing, and BigDye Terminator kit is one of those kinds which are commonly used. BigDye Terminator kit is a mix of different reagents and materials, including dNTP, fluorescent labelled ddNTP, heat-resistant polymerase and buffer solution. Its market price ranged from RMB5,000.0 to RMB10,000.0 per millilitre from January 2011 to December 2013. Such price increased by approximately 10.0% during the Track Record Period as a result of the supplier’s dominant market position and pricing strategy. The raw material may become more affordable after the relevant patent expires and other suppliers start to produce it.

The price of Sanger sequencing in 2014 is approximately RMB20.0 for a single reaction with the read lengths of up to 600 base pair to 1,000 base pair, according to the Frost & Sullivan Report. The price decreased by approximately 20.0% during the Track Record Period, primarily because the technology became mature and new players came into the market segment. Since the Sanger sequencing technology is the benchmark for accuracy and widely used in low-throughput analysis and verification, its price is expected to remain relatively stable in the near future. The price of next-generation sequencing decreased by over 90.0% since the introduction of relevant technology, primarily as a result of the technological development. Such price in 2014 is approximately RMB500.0 to RMB800.0 per giga base pair (“Gbp”) (one giga base pair is equivalent of 10^9 base pair) of raw data generated, according to the Frost & Sullivan Report. Compared to the Sanger sequencing which is priced depending on base pair, the next-generation sequencing is generally priced according to customer specifications, primarily due to large quantities of data generated and subsequent data analysis involved in each project. The downward trend of the next-generation sequencing price is expected to slow down in the near future, primarily because the market competition becomes less intensive.

THE PRC LIFE SCIENCES RESEARCH CONSUMABLE MARKET

Overview

Life sciences research consumable products consist primarily of biochemical reagents, research kits, labware and enzyme tools which are specially developed for and used in life sciences research experiments. Biochemical reagents are substances or compounds which bring out biochemical reactions. These reagents include a wide variety of chemical substances such as enzymes, substrates, buffer solution, markers, culture media, as well as other organic and inorganic compounds. They are designed and produced in different purity grades for various kinds of research experiments. Moreover,

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each research kit consists of a set of reagents and materials which are requisite to perform one or more designated research experiments. The contents of research kits are optimised to reliably deliver the designated experiment outcome. Researchers and scientists have used research kits to perform their experiments more efficiently and improve the outcomes of their target reactions.

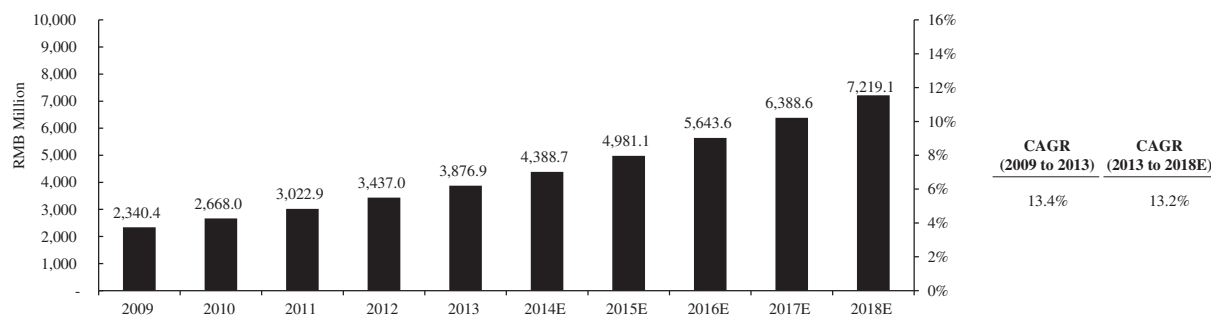
Growth Drivers

According to the Frost & Sullivan Report, the key growth drivers for the PRC life sciences research consumable market include the following:

- *Increasing funding to life sciences research.* As the funding to life sciences research in the public and private sectors in China has increased, researchers and scientists purchase more life sciences research consumables for their research.
- *Affordable life sciences research consumables from domestic suppliers.* Domestic suppliers offer certain life sciences research consumables (such as DNA extraction kits and purification kits) with the quality which is comparable to that of international brands and at affordable prices, resulting in an expanded customer base.
- *Increasing number of life sciences research consumables for laboratory use.* Suppliers have developed and manufactured life sciences research consumables for almost every routine procedure in life sciences research experiments. These products are sold at commercially reasonable prices and help end users improve their research efficiency.

Market Size and Outlook

The chart below sets forth the historical and projected total revenue of the PRC life sciences research consumable market from 2009 to 2018:



Source: Frost & Sullivan

According to the Frost & Sullivan Report, the total revenue of the PRC life sciences research consumable market grew at a CAGR of 13.4% from 2009 to 2013, primarily attributable to the increasing research and development expenditure in the public and private sectors for life sciences research. Certain suppliers have included the sales of pre-made standard antibodies in their total revenue from this market and the above total revenue from 2009 to 2018 includes such sales for the comparison purpose. Plastic labware are mostly disposable and used in the routine procedures of research experiments. In addition, research kits and enzyme tools are critical to the experiment output, and end users choose suppliers mainly based on their market recognition and product quality.

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The PRC life sciences research consumables will likely become more affordable to customers and the total sales volume will increase, primarily attributable to the increasing competitive advantages of domestic suppliers.

Competitive Landscape

According to the Frost & Sullivan Report, the PRC life sciences research consumable market is highly fragmented with thousands of suppliers due to a relatively low technological barrier and a wide range of product offerings. Because certain customers are price sensitive to one-off consumables used in their research and generally do not have strict requirements for the quality of these consumables, small domestic players are able to survive. Domestic suppliers provide life sciences research consumables, with the quality which is comparable to that of international brands and at affordable prices, and also establish direct sales team to deliver fast, quality services to customers. Furthermore, MNCs continue to dominate the research kit and enzyme tool segments due to their advantages of advanced technologies, new product development, high quality products, strong brand recognition and nationwide end user coverage through domestic distributors.

There are a wide variety of life sciences research consumables and a leading supplier is generally required to adopt a wide range of production technologies and offer a comprehensive product portfolio. As a result, only a few suppliers have established their strong presence in this market. Major market players include the following:

- *Competitor J.* The company is a global developer, manufacturer and supplier of scientific products for more than 90 years. Its life sciences product portfolio includes labware equipment, media and reagents for cell-culture research and scale-up, genomics, drug discovery, microbiology and chemistry. Its main product lines consist of biologically coated plastic consumables, labware and cell culture reagents. It manufactures and distributes labware and other products to customers in China.
- *Competitor K.* The company is an international provider of life sciences research products and services with a history of over 20 years focusing on the PRC life sciences research consumables market. Its broad customer base in China consists of pharmaceutical companies, universities, commercial laboratories and hospitals. It operates a direct sales model in China.
- *Competitor L.* It is a global company providing life sciences research products and services focusing on nucleic acid purification products. Its product portfolio consists of life sciences research consumable kits and automation systems. It provides the sample and assay technologies to isolate DNA, RNA and proteins from blood and tissues.
- *Competitor M.* The world leading company offers a broad portfolio of life sciences research instruments, consumables, reagents, and services for biological research of genes, proteins and cells. Its comprehensive life sciences product and service portfolio covers the entire spectrum of molecular biological, protein and cell research. Its broad customer base

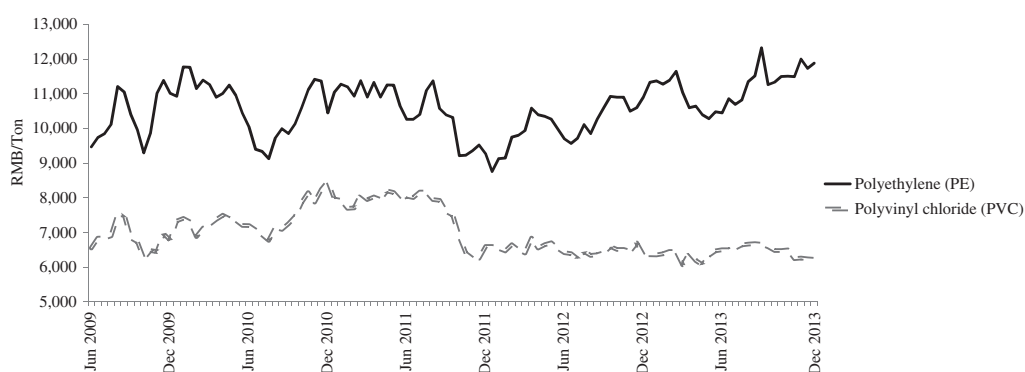
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consists of biopharmaceutical companies, hospitals and clinical diagnostic laboratories, universities, research institutes and government agencies. After the merger and acquisition transaction with Competitor B in 2014, the resulting company has further diversified its life sciences product and service portfolio.

We had a market share of approximately 1.4%, in terms of revenue in 2013, according to the Frost & Sullivan Report. We provide a comprehensive portfolio of biochemical reagents and also develop and produce a small number of research kits and biological reagents. We also manufacture a series of labware which meet stringent requirements for various biological experimental applications.

Major Raw Materials and Final Products

Plastic particles are the major raw material for labware production. Crude oil price is expected to remain relatively stable due to the weakening global demand and the steady production output. The production capacity of domestic manufacturers which are specialised to produce different kinds of plastic particles will continue to increase while the domestic demand remains stable. As a result, the prices of plastic particles are expected to decrease slightly in the near future. The chart below sets forth the PRC average prices of two main types of plastic particles, polyethylene (PE) and polyvinyl chloride(PVC), from June 2009 to December 2013:



Source: Dalian Commodity Exchange

With respect to some types of life science research consumables such as biochemical reagents, supplier may repackage original reagents into various ready-to-use packages or conduct quality control tests on these trading products so as to meet different requirements from scientific researchers.

Life sciences research consumables cover a wide variety of research products ranging from plastic disposables to reagent kits. Their unit prices vary widely, ranging from RMB several cents to tens of thousands yuan. For example, as at the Latest Practicable Date, the price of 200 microlitres pipette tip ranged from RMB20.0 to RMB140.0 per package while the cost for 1.5 millilitres centrifuge tube ranges from RMB70.0 to RMB250.0 per package, depending on the pricing strategy and technological development level of manufacturer, according to the Frost & Sullivan Report. The prices of labware products remained relatively stable during the Track Record Period, primarily due to the stable raw material prices. The prices of reagent kits decreased slightly during the Track Record Period, primarily attributable to the increasing competition of domestic suppliers.

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THE PRC PROTEIN AND ANTIBODY RELATED PRODUCT AND SERVICE MARKET

Overview

Protein and antibody related products and services include primarily synthesis, expression, modification and purification of specific proteins and antibodies so as to facilitate the relevant analysis and production. Based on the applied method and product substances, these services consist primarily of the following segments:

- *Recombinant protein production service:* It introduces recombinant DNA (encoding a certain target protein) into host cells (such as *E. Coli*) and expresses the foreign protein using the host's translational apparatus. It is an efficient and cost-effective way to produce large amounts of high quality and complicated protein. A number of therapeutic proteins such as insulin, growth hormone and blood clotting factors are produced by using this method. Recombinant protein can be produced either in a cell-based system or a cell-free system. The cell-based system involves time-consuming processes which are designed for cell line development, including protein expression and clone screening. In the cell-free system, a synthesis system is used to derive recombinant protein from cell extracts, and it is easy to monitor the production process and obtain the target protein.

Recombinant protein production has relied on the modern technology of creation and expression of recombinant DNA, which has become mature and affordable in recent years. In addition, the expression host of recombinant protein has recently evolved from bacteria or yeast to mammalian cells to ensure the proper post-translational modification.

- *Polypeptide synthesis:* It is the organic synthesis of polypeptide chains by linking individual amino acids in a defined sequence via amide bonds.
- *Custom antibody service:* It is used to produce monoclonal or polyclonal antibodies by injecting the mixture of antigens and adjuvants to animals and obtain certain antibodies which are generated through the immune responses of animals. The antibodies produced could be used to detect and purify target substances in a highly accurate manner according to customers' requirements and specifications.

The antibody production technology is mature for decades by relying on the production capability of animals' immune systems. The production of monoclonal antibody has also relied on the mature technology of hybrid cell line producing.

We have included our pre-made standard antibody products in this business segment in accordance with our business practice.

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Growth Drivers

According to the Frost & Sullivan Report, the key growth drivers for the PRC protein and antibody related product and service market include the following:

- *Increasing demand for recombinant therapeutic protein.* In 2014, the SFDA has approved that more than 100 recombinant therapeutic proteins can be used as treatment alternatives for various fatal diseases (such as diabetes, viral hepatitis and blood clotting disorder). In addition, biotech and pharmaceutical companies are under pressure to develop biologic drugs and relevant protein expression systems to meet customer demand. The recombinant protein production technology could also be used in the study on human cells as a new expression platform.
- *More affordable cost of protein and antibody production.* With the maturity of protein and antibody production technology, the relevant products and services become more affordable.

Market Size and Outlook

According to the Frost & Sullivan Report, the PRC protein and antibody related product and service market is comparably small with a total revenue of RMB213.9 million in 2013. Most academic customers generally assign protein expression and manipulation tasks to students so as to improve their experimental skills. Enterprise and government customers are more likely to outsource protein and antibody related services to suppliers at commercially reasonable prices for operational efficiency and good results.

With the rising demand for comprehensive analysis on genomic functions, as well as for biologic drug discovery, recombinant protein production service is expected to grow in the future. Furthermore, in life sciences research, it is critical to use biomarkers to detect sensitive signals linked to different types of diseases at an early stage for clinical diagnosis and treatment, and custom antibody will be developed for the use of biomarker detection. In addition, with the development of proteomics, the demand for protein function and structural study will increase, resulting in a new market of protein analysis and antibody preparation.

Competitive Landscape

According to the Frost & Sullivan Report, the protein and antibody related product and service market is fragmented with many small suppliers. Suppliers do not have strong incentives to commit substantial resources to expand their businesses in this market, because there has been no major technological breakthrough with respect to protein and antibody related products and services and the customer demand has been relatively weak. As a result, most suppliers operate small scale businesses in this market. In addition, a large number of small domestic suppliers are able to provide bacterial expression platforms and produce polyclonal antibody products due to the low technological barrier, which also leads to the low level of market concentration.

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Leading market players (such as Competitor A and Competitor E as disclosed above) have leveraged their technological advantages and provided comprehensive services covering from upstream gene synthesis to downstream recombinant protein production (including protein expression and purification). Competitor N is a leading player in the development of custom monoclonal antibodies in China. It was established in 2007 in Shanghai and its customer base consists of academic institutions and pharmaceutical companies. Due to the high technological barrier, only a few suppliers can develop custom monoclonal antibodies for target protein detection and disease treatment. Competitor N has developed the patented technology to produce custom antibodies at a relatively lower cost and with a higher success rate. See also the subsections headed “— The PRC DNA Synthesis Product Market — Competitive Landscape” and “— The PRC Genetic Engineering Service Market — Competitive Landscape” in this section for further details about Competitor A and Competitor E, respectively.

According to the Frost & Sullivan Report, we had a 3.3% market share in terms of revenue in 2013. We manufacture polypeptide, protein and antibody products and provide the relevant detection and analysis services. We operate a mature protein expression platform (including prokaryotic expression and yeast expression systems) with the application of downstream recombinant protein purification technology. We started to develop our antibody preparation platform in 2011 and have operated production and testing platforms for polyclonal antibodies and monoclonal antibodies.

Major Raw Materials and Final Products

Offering protein and antibody related products and services to customers generally requires such professionals who are highly educated in life sciences disciplines and have accumulated technological knowhow and extensive experience. The costs of skilled labour generally account for a majority of the total costs incurred for production, while the costs of raw materials only account for an insignificant portion of the total costs of production.

The prices of peptide synthesis products in 2014 range from RMB20.0 to over RMB1,000.0 per amino acid depending on the volume and purity of final products, according to the Frost & Sullivan Report. The cost of recombinant protein production in 2014 ranges from RMB3,000.0 to over RMB10,000.0 based on the production volume and protein expression platform. The prices of the above protein production services remain relatively stable during the Track Record period. The prices of custom antibody service vary widely depending on the type of antibody to be produced. The price of custom polyclonal antibody in 2014 ranges from RMB2,000.0 to over RMB10,000.0, whereas the price of custom monoclonal antibody in 2014 is approximately RMB15,000.0.

NON-DISCLOSURE OF AVERAGE PURCHASE PRICES OF CERTAIN MAJOR RAW MATERIALS

Frost & Sullivan has confirmed that except for plastic particles, the major raw material for labware production, it is difficult to provide the average purchase prices of the other major raw materials which are used in our businesses due to the following reasons:

- *PRC DNA synthesis product market.* There is a wide range of purchase prices for the major raw material of nucleoside monomers, depending on the purity levels, packaging, physical

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forms, applications and product brands of such raw material. The relevant production technologies used and pricing strategies adopted by different manufacturers also have a significant impact on the purchase prices of such raw material. In addition, there are a great number of domestic suppliers which purchase nucleoside monomers from professional biochemical manufacturers and then repackage and distribute the raw material within their respective sales networks.

- *PRC genetic engineering service market.* There are many kinds of specialised sequencing reagents which are used as major raw materials for DNA sequencing. BigDye Terminator kit is one of those commonly used, and it is a reagent kit consisting of different reagents and materials. The contents and concentration levels of respective reagents in BigDye Terminator kit vary based on the number of synthesis reactions which such kit is designed to carry out. There are a wide range of purchase prices of BigDye Terminator kit, depending on the specification of synthesis reactions which such kit is designed to carry out.
- *PRC protein and antibody related product and service market.* The costs of skilled labour generally account for a majority of total costs incurred for production, while the costs of raw materials only account for an insignificant portion of the total costs of production. Moreover, a wide variety of reagents and consumables are used as raw materials for protein and antibody related products and services. There is a wide range of purchase prices for these raw materials, depending on the purity levels, packaging, physical forms, applications and product brands, as well as the relevant production technologies used and pricing strategies adopted by different manufacturers.

Owing to the above reasons in each of the three markets, and given there is no industry practice in each of these markets to standardize a wide variety of relevant major raw materials, Frost & Sullivan has confirmed that the average of different purchase prices of such raw materials may not fairly and accurately provide meaningful information to investors.

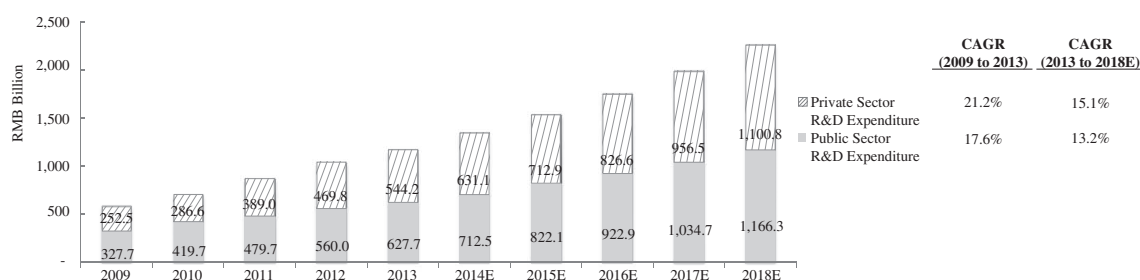
Based on the above reasons, and given the facts that: (i) the purchase costs of the major raw materials which consist of nucleotide monomers, specialised sequencing reagents (such as BigDye Terminator kit) and plastic particles accounted for 19.8%, 25.4%, 16.6%, 16.4% and 11.6% of our total purchase costs for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, respectively, as set out in the “Financial Information — Factors Affecting our Results of Operations and Financial Condition”; (ii) other than the aforesaid three major types of raw materials, we do not particularly rely on any kind of raw materials, and there exists no single foreseeable factor which may have a material effect on our total purchase costs of raw materials. In other words, each of the other types of raw materials alone does not have a material impact on our financial performance; and (iii) the qualitative analyses on the historical trend of purchase prices during the Track Record Period, as well as the latest price ranges, of the three major types of raw materials have been set out above in this section, our Directors are of the view that the current disclosure in this prospectus provides investors with sufficient information so that they are able to understand the market landscapes of these major raw materials.

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COMMON GROWTH DRIVERS FOR THE FOUR PRC MARKETS

Increasing Research and Development Expenditure

The PRC public funding and private investment for research and development activities experienced the rapidest growth in the world in the past decade due to strong government support. According to the Frost & Sullivan Report, China's research and development expenditure in 2013 represented 2.1% of the PRC total GDP for that year. The chart below sets forth the historical and projected research and development expenditures in public and private sectors in China from 2009 to 2018:



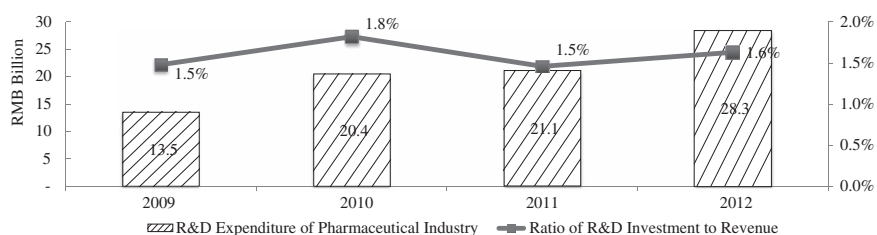
Sources: Historical data from China Science and Technology Investment Statistics and forecasted data from Frost & Sullivan

Life sciences research products and services are used in a wide range of basic biological research, which promote the further development of life sciences research and development. According to the China Science and Technology Statistical Yearbook 2013, as at 31 December 2012, there were a total of 2,442 colleges and universities in China, and 1,039 of them are focused on science, engineering, agriculture and medicine studies. With the increased government funding to academic research, the number of research professionals and research projects have increased. As at 31 December 2012, there were a total of 678,000 research professionals and 657,027 research projects in colleges and universities in China, and such numbers increased at a CAGR of 10.0% and 11.3%, respectively, from 2009 to 2012. In addition, the number of research professionals and research projects in research institutes in China grew steadily at a CAGR of 6.3% and 9.1%, respectively, for the same period. Our Directors are of the view that the continuous research and development expenditure on academic research in colleges, universities and research institutes in China will continue to be the major growth driver for our life sciences research products and services.

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Increasing Private Investment in Research and Development for Product Innovation

New drug discovery and product innovation continue to be the top priorities for the pharmaceutical industry, of which the ratio between the research and development investment to total revenue remained to be the highest among all the industries in 2013, according to the Frost & Sullivan Report. The chart below sets forth the historical research and development expenditure in the PRC pharmaceutical industry from 2009 to 2012:



Source: *China Science and Technology Investment Statistics*

In recent years in China, 13 of the 20 largest pharmaceutical companies in the world have set up their research and development centres, and the biotech and pharmaceutical MNCs invested over US\$2.0 billion in their research and development projects. The increasing research and development investment leads to the development of life sciences research products and services in the PRC.

Other Common Growth Drivers

- *Rising per capita healthcare expenditure and growing health awareness.* The PRC per capita healthcare expenditure increased from RMB1,314.3 in 2009 to RMB2,326.8 in 2013 with a 2009-2013 CAGR of 15.3% according to the National Health Statistics Yearbook, and is expected to continue to grow. Such growth is primarily attributable to increasing government investment in the social insurance fund and healthcare infrastructure construction, as well as rising consumer purchasing power. Furthermore, individuals aged above 65 years old in China reached 132.0 million in 2013, accounting for 9.7% of its total population, according to the China Statistics Yearbook. The growing elderly population is expected to reach 342.0 million in 2030, accounting for 23.6% of its total population, according to the Frost & Sullivan Report. In addition, Chinese residents have increasing health awareness and undertake health check-up more frequently. The above factors have driven market demand in China for sensitive and accurate clinical diagnosis, effective treatment methods, and innovative medical products and services. The PRC and local governments and the biotech and pharmaceutical companies in China have increased their funding to research in these fields, which promote researchers and scientists to purchase more life sciences research products and services.
- *Strong government support.* The PRC Government has implemented a series of policies to promote the development and innovation of the PRC biotech and pharmaceutical industries. The State Council promulgated the Decisions on Promoting the Cultivation and Development of Strategic New Industries (《國務院關於加快培育和發展戰略性新興產業的決定》) in October 2010, and the Development Plan for Biotechnology during the 12th Five Years Period (《“十二五”生物技術發展規劃》) and the Development Plan for Pharmaceutical Industry during the 12th

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Five Years Period (《醫藥工業“十二五”發展規劃》) in January 2012, designating the biological industry as one of the seven “Strategic Emerging Industries” and promoting the development and application of biotechnology in China. The State Council further issued other policies to promote the development and innovation of biotechnology drugs, life sciences production technologies, and relevant products and services. Biotechnology is fundamental to the development of and innovations in life sciences research products and services. The advances in biotechnology and relevant research techniques likely lead to breakthroughs in life sciences research.

- *More affordable costs of life sciences research products and services.* With the biotechnological advances, DNA synthesis and DNA sequencing have become more affordable and will be used in a wider range of applications in biological experiments. Furthermore, more researchers and scientists across different end user segments will use recombinant protein expression technology and genome synthesis in their life sciences research. With the use of these services and related technology, end users will likely obtain a greater amount of genetic and genomic information. The accumulated knowledge and technological know-how from such data will further improve the analysis, interpretation and clinical use of the genomic information.
- *Advances in personalised medicine and clinical diagnosis segments.* Advances in personalised medicines and clinical diagnosis drive significant market demand for life sciences research products and services. Personalised medicine is the delivery of customised, effective treatment based on the genetic and genomic information of an individual with reduced side effects. During the personalised drug discovery phase, researchers use molecular biological tools (such as gene sequencing) to identify the genetic triggers and/or indicators of target disease. During the personalised therapy phase, with the use of molecular biological tools, doctors determine the customised treatment based on the genetic profile of a patient. Moreover, in molecular diagnosis, cutting-edge technologies (such as PCR, In-situ hybridisation and sequencing) are used to detect and identify the pathogenic virus and gene mutations which could trigger cancer or genetic diseases.
- *Emerging applications in agricultural and forensic sciences.* The development of emerging applications in agricultural and forensic sciences will continue to drive the demand for life sciences research products and services. With the use of high-throughput genomic sequencing technology, researchers can explore the genomic mapping of molecules in certain crops and identify the expression and secretion of exogenous genes originating from external species (such as bacteria) so as to increase the productivity and nutritional value of these crops and enhance their resistance against insects and pests. In addition, with the use of DNA fingerprint and sequencing technology, forensic scientists can compare the genetic information of criminals with those extracted from the biological samples collected at crime scenes.

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COMMON ENTRY BARRIERS FOR THE FOUR PRC MARKETS

Common barriers to entry for the PRC DNA synthesis product market, the PRC genetic engineering service market, the PRC life sciences research consumable market, and the PRC protein and antibody related product and service market are high. They mainly consist of the following:

- *Accumulated technological know-how and operational expertise.* Life sciences research experiments are precisely designed and delicately operated. Suppliers are required to accumulate extensive technological know-how and operational expertise so as to assist customers to improve the efficiency of and reduce time needed for the experiments.
- *Research and development talents.* Market players are required to continuously make innovations in life sciences research products and services so as to maintain their competitive advantages of advanced technologies. The relevant research and development productivity largely depends on the quality and number of talents. In addition, suppliers must regularly provide professional technical support to customers.
- *Substantial capital investment.* In order to render high throughput processing services cost-efficiently to customers, suppliers are required to make substantial capital investments in expensive high-throughput analysers and/or synthesisers for a large scale processing capacity.
- *Extensive sales and distribution network.* The end user segments are highly fragmented. Market players are required to invest substantial resources and make efforts to establish their sales and distribution network with broad geographic reach for their strong market presence and customers' easy access to their services.
- *Strong market recognition.* Major players have established strong brand awareness among end users. End users generally select well-recognised suppliers for large scale and technically-demanding projects based on their appraisal of each supplier's hardware condition, know-how accumulation and talent recruitment.
- *Scale of operations.* Academic customers are generally price sensitive due to their limited access to government research fund, whereas enterprise customers tend to purchase products and services at lower cost. Large suppliers which benefit from their economies of scale operations can offer quality products and services at competitive prices to customers.

NORTH AMERICA DNA SYNTHESIS PRODUCT MARKET AND NORTH AMERICAN LIFE SCIENCES RESEARCH CONSUMABLE MARKET

The North America DNA synthesis product market dominates the global market and is expected to maintain a steady growth in the near future largely driven by the increasing applications in clinical diagnosis, the stable research and development expenditure by biotech and pharmaceutical companies, and the more affordable prices of DNA synthesis products in the North American market.

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The North America life sciences research consumable market includes the U.S. and Canadian segments. According to the Frost & Sullivan Report, in 2013, the U.S. segment had the total revenue of US\$8.2 billion, accounting for nearly 40.0% of the global market in that year, and the Canadian segment had the total revenue of approximately US\$700.0 million.

REPORT COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to report on, life sciences research products and services in China and the relevant PRC markets (including the PRC DNA synthesis product market, the PRC genetic engineering service market, the PRC life sciences research consumable market, and the PRC protein and antibody related product and service market) for the period from 2009 to 2018. The report we commissioned, or the Frost & Sullivan Report, has been prepared by Frost & Sullivan, independent of our influence. We paid Frost & Sullivan a fee of RMB850,000, which we consider reflects market rates. Founded in 1961, Frost & Sullivan has 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. It offers industry research and market strategies and provides growth consulting and corporate training. Frost & Sullivan has been covering the Chinese market from its offices in China since the 1990's. Its industry coverage in China includes agriculture, chemicals, materials and food, among others.

The Frost & Sullivan Report that we commissioned includes information on the PRC DNA synthesis product market, the PRC genetic engineering service market, the PRC life sciences research consumable market, the PRC protein and antibody related product and service market, and their respective sub-segments, as well as other market and economic data, which have been quoted in this prospectus. Frost & Sullivan conducted both primary and secondary research on the market trends within the abovementioned four PRC markets. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviews of company reports, independent research reports and data based on Frost & Sullivan's own research database. Forecast data was obtained from historical data analyses plotted against macroeconomic data as well as specific industry-related drivers. The Frost & Sullivan Report was prepared based on the following assumptions: (1) that the PRC economy is expected to maintain a steady growth in the next decade; (2) that the PRC social, economic, and political environment is expected to remain stable in the forecast period; and (3) key market drivers which primarily including strong government support, increasing research and development expenditure, increasing private investment in research and development for product innovation and more affordable costs of life sciences research products and services are expected to boost the development of the abovementioned four PRC markets.

All statistics are reliable and are based on information available as at the date of the Frost & Sullivan Report. Other sources of information, including government, trade associates or market place participants, may have provided some of the information on which the analysis or data is based. As at the Latest Practicable Date, our Directors, after reasonable consideration, confirm that there were no adverse changes in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

REGULATIONS

We are subject to various laws and regulations of the PRC, Canada and the United States that are material to our operations and are discussed below.

LAWS AND REGULATIONS OF THE PRC

Foreign Investment

Companies with limited liability and joint stock limited companies established and operating in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》, the “**Company Law**”, promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on 29 December 1993 which became effective on 1 July 1994 and was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 respectively). Foreign investment companies are also subject to the Company Law, except as otherwise provided in the foreign investment laws.

On 28 December 2013, the decision on amendments to the Company Law was considered and passed at the sixth meeting of the Standing Committee of the Twelfth National People’s Congress, and the amended Company Law (the “**new Company Law**”) has come into effect from 1 March 2014. The major amendments include, but are not limited to, cancelling the paid-up capital registration and removing the statutory minimum amount of registered capital requirements and the statutory timeframe for capital contribution.

The establishment and operation of foreign-invested joint stock limited companies are governed by, among others, the Interim Provisions on Certain Issues Concerning the Establishment of Foreign-Invested Joint Stock Limited Companies (《關於設立外商投資股份有限公司若干問題的暫行規定》) promulgated by the Ministry of Foreign Trade and Economic Cooperation of the PRC and became effective on 10 January 1995. Investments in the PRC by foreign investors and foreign-invested enterprises are regulated by the Industry Guidance Catalogue of Foreign Investments (《外商投資產業指導目錄》, the “**Catalogue**”), the latest version of which was promulgated by the NDRC and the MOFCOM on 24 December 2011 and became effective on 30 January 2012. The Catalogue has been a longstanding tool used by policymakers of the PRC to manage and direct foreign investment. The Catalogue is divided into the encouraged industries, the restricted industries and the prohibited industries for foreign investment, and industries which are not listed in the Catalogue shall be categorised as the permitted industries for foreign investment.

Bioengineering Industry

To promote the development of bioengineering industry, the PRC government has promulgated a series of industry policies in recent years. The General Office of the State Council promulgated the Circular on Forwarding the “Eleventh Five-Year” Plan of the NDRC for Bio-industry Development (《關於轉發發展改革委生物產業發展“十一五”規劃的通知》, 國辦發[2007]23號) and the Circular on Printing and Issuing Certain Policies for Promotion of Accelerated Development of Bio-industry (《關於印發促進生物產業加快發展若干政策的通知》, 國辦發[2009]45號) respectively on 8 April 2007 and 2 June 2009, clearly indicating that accelerating the development of Bio-industry is a major initiative for China to grasp the strategic opportunity of the revolution of new scientific technology and to build an innovation-oriented country in an all-round way in the new century.

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On 14 November 2011, the Ministry of Science and Technology promulgated the Circular on Printing and Issuing the Twelfth Five-Year Plan for the Development of Biotechnology (《關於印發十二五生物技術發展規劃的通知》，國科發社[2011]588號), requesting breakthroughs of the following core technologies:

- (1) “Omics” Technology: taking the development of the new-generation sequencing technology as a starting point to achieve leaping development of biotechnology in the PRC and driving the rapid development of various omics technologies including without limitation genome technologies, transcriptome technologies, proteome technologies, metabolome technologies, epigenome technologies and structural genome technologies; Developing technologies of data analysis and text mining of high-throughput biomedicine, high-throughput sample analysis, micro-sample extraction and amplification, mass data analysis, etc. and expediting the application of omics technologies and biology information technologies in the field of disease prevention and control, clinical diagnosis and treatment, bio-manufacturing, breed creation, new pharmaceutical development, etc.
- (2) Synthetic biology technology: developing high-throughput and low-cost DNA synthetic technology, technology of efficient assembly of gene segment, technologies of analysing the structure and function of protein, directed design and synthesis, structuring technologies of standardised biological components and functional modules, establishing applied technologies of synthetic biology in terms of precursor and intermediate of drugs, bio-energy, bio-based chemicals, etc. and gradually exploring the application of synthetic biology in the field of medicine and energy.

On 29 December 2012, the State Council promulgated the Circular of the State Council on Printing and Issuing the Development Plan for Bio-industry (《國務院關於印發生物產業發展規劃的通知》，國發[2012]65號), clearly indicating that bio-industry is a strategic emerging industry that China has determined. The Circular requires active improvement of specialised service capability of public technologies, acceleration of the intensive development of high-end experimental instruments, biological reagents and experimental animals, implementation of action plans for biological information service and support for enterprises providing specialised services such as gene sequencing, analytical test and biological information. The Circular also requires fostering extended services of bio-industry and developing new services including health management, translational medicine, cell therapy, gene therapy, socialisation of clinical examination, individualised healthcare, etc.

Taxation

Income tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》, the “**EIT Law**”), promulgated by the National People’s Congress on 16 March 2007 and became effective from 1 January 2008, the income tax rate for both domestic and foreign-invested enterprises is 25% commencing from 1 January 2008 (with certain exceptions for qualified foreign-invested enterprises). In order to clarify certain provisions in the EIT Law, the State Council promulgated the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法

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實施條例》，the “**EIT Implementation Rules**”) on 6 December 2007 and became effective on 1 January 2008. Pursuant to the EIT Law and the EIT Implementation Rules, non-resident enterprises which have not established agencies or offices in China, or which have established agencies or offices in China but whose income has no association with such agencies or offices, shall pay enterprise income tax on its income earned from inside China, and such income of non-resident enterprises shall be taxed at the reduced rate of 10% and shall be withheld at source, for which the payer thereof shall be the withholding agent.

On 26 December 2007, the State Council promulgated the Circular on Implementation of Enterprise Income Tax Transition Preferential Policies (《關於實施企業所得稅過渡優惠政策的通知》，國發[2007]39號, the “**Transition Preferential Policies Circular**”), which became effective on 1 January 2008. Under the EIT Law and the Transition Preferential Policies Circular, for enterprises established prior to 16 March 2007 and had already enjoyed preferential policies of low tax rates, (a) in the case of preferential tax rate, the tax rate will gradually increase from 15% to 25% within five years from 1 January 2008; or (b) in the case of tax exemption or reduction for a fixed term, they shall continue to enjoy the preferential policies until the expiration of such term.

Withholding income tax and international tax treaties

Pursuant to the EIT Law and the EIT Law Implementation Rules, dividends generated after 1 January 2008 and payable by a foreign-invested enterprise in China to its foreign investors are subject to a 10% withholding tax, unless any such foreign investor’s jurisdiction of registration and incorporation has entered into a tax agreement with China which provides a different withholding tax arrangement. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for Avoidance of Double Taxation and Prevention of Tax Evasion (《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》) promulgated by the State Administration of Taxation (the “**SAT**”) on 21 August 2006, the applicable withholding income tax rate for any dividends declared by a Chinese company is 5% for a shareholder being a Hong Kong resident holding at least 25% interest in its registered capital, or 10% for a shareholder being a Hong Kong resident holding less than 25% interest in its registered capital. According to the Circular of the SAT on Printing and Issuing the Administrative Measures for Non-Residents to Enjoy the Treatment under Tax Treaties (Trial Implementation) (《國家稅務總局關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》，國稅發(2009)124號) which became effective on 1 October 2009, the 5% tax rate does not automatically apply and where enterprises intend to enjoy the treatment under provisions relating to dividends in relevant tax treaties, they shall apply to local tax authorities for approvals of enjoying such treatment.

Pursuant to the Circular of the SAT on Printing and Issuing the Interim Administrative Measures for Income Tax Withheld at Source for Non-Resident Enterprises (《國家稅務總局關於印發〈非居民企業所得稅源泉扣繳管理暫行辦法〉的通知》，國稅發[2009]3號) which was promulgated by the SAT and became effective on 1 January 2009, with regard to dividends, bonuses and other equity investment proceeds and interest therefrom, rentals, royalties, property transfer income and other kinds of income earned by non-resident enterprises from inside China, on which enterprise income tax shall be levied, withholding tax at source shall be applicable thereto. Entities or individuals that have direct

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obligations to make relevant payments to non-resident enterprises in accordance with relevant legal provisions or contracts shall be the withholding agents. Each time a withholding agent pays or is due to pay an income as provided in this Circular to a non-resident enterprise, the enterprise income tax shall be withheld from the sum paid or due to be paid.

Value-added tax

Pursuant to the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》), promulgated by the State Council on 13 December 1993, amended on 10 November 2008 and the amendment became effective on 1 January 2009, and the Implementation Rules of the PRC Interim Regulations on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》), promulgated by the Ministry of Finance on 25 December 1993, amended on 15 December 2008 and 28 October 2011, and the amendment became effective on 1 November 2011, sale of goods, provision of processing, repair and replacement services and import and export of goods within the PRC are subject to value-added tax (“VAT”). VAT payable is calculated as output VAT minus Input VAT. The VAT rate is 17% or, in certain limited circumstances, 13%, depending on the products, excluding small-scale taxpayers as defined in the Interim Regulations on Value-Added Tax of PRC.

On 12 December 2013, the Ministry of Finance and the SAT promulgated the Circular of the Ministry of Finance and the SAT on the Inclusion of the Railway Transport and Postal Service Industry into the Pilot Collection of Value-Added Tax in Lieu of Business Tax (《財政部、國家稅務總局關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知》, 財稅[2013]106號) and its appendixes including the Implementing Measures for Pilot Collection of Value-Added Tax in Lieu of Business Tax (《營業稅改徵增值稅試點實施辦法》, the “**Implementing Measures for Pilot Collection**”), the Provisions on Matters Concerning the Pilot Collection of Value-Added Tax in Lieu of Business Tax (《營業稅改徵增值稅試點有關事項的規定》), the Provisions on the Transit Policies for the Pilot Collection of Value-Added Tax in Lieu of Business Tax (《營業稅改徵增值稅試點過渡政策的規定》) and the Provisions on VAT Zero Rate and Tax Exemption Policy Applicable to Taxable Services (《應稅服務適用增值稅零稅率和免稅政策的規定》). According to the Implementing Measures for Pilot Collection, entities and individuals providing transportation services and services in certain modern service industries within the territory of the PRC shall be VAT taxpayers. Taxpayers providing taxable services shall pay VAT in accordance with the Implementing Measures for Pilot Collection and will no longer pay business tax. The VAT rates applicable to various services are as follows:

- (1) to provide leasing services of tangible personal property, the tax rate shall be 17%.
- (2) to provide transportation services, the tax rate shall be 11%.
- (3) to provide services in modern service industries (excluding leasing services of tangible personal property), the tax rate shall be 6%.
- (4) for taxable services specified by the Ministry of Finance and the SAT, the tax rate shall be zero.

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Labour and Insurance

The relevant labour laws in the PRC include the Labour Law of the PRC (《中華人民共和國勞動法》, the “**Labour Law**”), effective from 1 January 1995, the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》, the “**Labour Contract Law**”), effective from 1 January 2008, amended on 28 December 2012 and then effective from 1 July 2013, the Implementation Regulations on the PRC Labour Contract Law (《中華人民共和國勞動合同法實施條例》), the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Trial Measures for Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》), the Regulations on Work-Related Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》), the Interim Regulations on Collection of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Interim Measures for Registration and Administration of Social Insurance (《社會保險登記管理暫行辦法》), the Administrative Regulations on the Declaration and Contribution of Social Insurance Premiums (《社會保險申報繳納管理規定》), the Administrative Regulations on Housing Provident Fund (《住房公積金管理條例》) and other relevant laws and regulations promulgated by the PRC governmental authorities from time to time.

The Labour Law was promulgated by the SCNPC and became effective from 1 January 1995, and was amended on 27 August 2009. In accordance with the Labour Law, employees are entitled to equal opportunities in employment, selection of occupations, receiving labour remuneration, enjoying rest days and holidays, occupational safety and health protection, social insurance and welfare, etc. Employers shall establish and improve the occupational safety and healthcare system, provide education on occupational safety and healthcare to employees, comply with national and/or local regulations on occupational safety and healthcare, and provide necessary labour protective supplies to employees.

Pursuant to the Labour Contract Law, another important law concerning employees promulgated by the SCNPC, employers must execute labour contracts with employees so as to establish labour relationships. In recruiting employees, employers shall truthfully inform the employees of the scope of work, working conditions, workplaces, occupational hazards, production safety conditions, labour remuneration and other information requested by the employees. Employers and employees shall fully perform their respective obligations in accordance with the terms of the labour contracts. Employers shall pay labour remuneration to employees in full amount and on time in accordance with the terms of the labour contracts.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Regulations on Work-Related Injury Insurance (《工傷保險條例》), the Trial Measures for Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》), the Interim Regulations on Collection of Social Insurance Premiums (《社會保險費徵繳暫行條例》) and the Interim Measures for Registration and Administration of Social Insurance (《社會保險登記管理暫行辦法》), employers shall make contributions to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. If employers fail to pay social insurance premiums in full amount and on time, the social insurance collection authorities may order the employers to make the payments or to make up the difference within a specified time limit, with late payment fees imposed. If the employers fail to make the payments within such time limit, relevant administrative authorities may impose fines on them.

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Pursuant to the Administrative Regulations on Housing Provident Fund (《住房公積金管理條例》), promulgated by the State Council on 3 April 1999 and amended on 24 March 2002, employers must make contributions to housing provident funds for their employees.

Foreign Exchange

The Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》, the “**Foreign Exchange Administrative Regulations**”), promulgated by the State Council on 29 January 1996 and amended on 5 August 2008 constitute an important legal basis for the PRC governmental authorities to supervise and regulate foreign exchange. On 20 June 1996, the PBOC further promulgated the Administrative Provisions on the Settlement, Sales and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》, the “**Settlement Provisions**”).

Pursuant to the Foreign Exchange Administrative Regulations and the Settlement Provisions, RMB is generally freely convertible to foreign currencies for current account transactions (such as trade and service-related foreign exchange transactions and dividend payments), but not for capital account transactions (such as capital transfer, direct investment, securities investment, derivative products or loans), except where a prior approval from the SAFE and/or its competent local counterparts is obtained.

Foreign-invested enterprises in the PRC may, without any approval from the SAFE and/or its competent local counterparts, purchase foreign exchange for dividend distribution, trade or services by providing certain documentary evidence (such as resolutions of the board of directors and certificates of tax payments).

Effective on 29 August 2008, the SAFE promulgated the Circular on Relevant Operating Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》, 匯綜發[2008]142號文, the “**SAFE Circular No. 142**”). Pursuant to the SAFE Circular No. 142, foreign-invested enterprises’ registered capital that is settled in RMB converted from foreign currencies may only be used within the business scope approved by the competent governmental authority and may not be used for equity investments within the PRC. Additionally, the SAFE strengthened its oversight over the flow and use of foreign-invested enterprises’ registered capital that is settled in RMB converted from foreign currencies, requiring that the use of such registered capital shall not be changed without its approval and that such registered capital shall not in any case be used to repay RMB loans if such loans have not been utilised. Violations of the aforesaid requirements may result in severe penalties such as heavy fines.

The Circular of the SAFE on Issues Concerning Further Clarifying and Regulating the Administration of Foreign Exchange Transactions under Certain Capital Accounts (《國家外匯管理局關於進一步明確和規範部分資本項目外匯業務管理有關問題的通知》, 匯發[2011]45號) promulgated by the SAFE on 9 November 2011 further regulates the administration of the payment and settlement of foreign currency capital of foreign-invested enterprises and strengthens the administration of foreign loans by foreign-invested enterprises.

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Pursuant to the Circular on Printing and Issuing the Provisions on the Foreign Exchange Administration of Direct Investment in China Made by Foreign Investors and the Supporting Documents (《關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》，匯發[2013]21號) promulgated by the SAFE and effective from 13 May 2013, foreign-invested enterprises shall register with the SAFE and/or its competent local counterparts after being established in accordance with the law. Where a foreign investor has made capital contributions to a foreign-invested enterprise in the form of monetary funds, equity, tangible assets, intangible assets, etc. (including lawful income obtained within the PRC), or where the foreign investor has paid consideration for the acquired equity from the domestic side of a Chinese enterprise, the foreign-invested enterprise shall register the capital contributions and the rights and interests of the foreign investor with the SAFE and/or its competent local counterparts. Where the foreign-invested enterprise subsequently increases or reduces its registered capital, transfers its equity or undergoes other capital changes, it shall go through modification registration with the SAFE and/or its competent local counterparts. Where the foreign-invested enterprise is subsequently deregistered or converted to a non-foreign-invested enterprise, it shall go through deregistration with the SAFE and/or its competent local counterparts.

A foreign-invested enterprise that needs to remit funds abroad due to capital reduction, liquidation, advance recovery of investment, profit distribution, etc. may purchase foreign exchange and make external payment with the relevant bank after going through corresponding registration. A domestic equity transferee who needs to remit funds abroad due to the transfer of the equity held by a foreign investor in a foreign-invested enterprise may purchase foreign exchange and make external payment with the relevant bank after the foreign-invested enterprise has gone through corresponding registration.

Under the Circular of the SAFE on Further Improving and Adjusting the Policies for Foreign Exchange Administration under Capital Accounts (《國家外匯管理局關於進一步改進和調整資本項目外匯管理政策的通知》，匯發[2014]2號) promulgated by the SAFE on 10 January 2014 and effective from 10 February 2014, administration over the outflow of profits by domestic institutions shall be simplified:

- (1) In principle, a bank is no longer required to examine transaction documents when handling the outflow of profits of no more than the equivalent of USD50,000 by a domestic institution. When handling the outflow of profits exceeding the equivalent of USD50,000, the bank, in principle, is no longer required to examine the financial audit report and capital verification report of the domestic institution, provided that it shall examine, according to the principle of transaction authenticity, the profit distribution resolution of the board of directors (or the profit distribution resolution of the partners) relating to this profit outflow and the original copy of its tax record-filing form. After each profit outflow, the bank shall affix its seal to and endorsements on the original copy of the relevant tax record-filing form to indicate the actual amount of the profit outflow and the date of the outflow.
- (2) Restrictions that the amount of profits disposed of by an enterprise in the current year shall, in principle, not exceed the sum of the “dividends payable” attributable to foreign shareholders and the “undistributed earnings” in the latest financial audit report shall be abolished.

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Pursuant to the Circular of the SAFE on Relevant Issues Concerning the Foreign Exchange Administration over the Overseas Investment, Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》，匯發[2014]37號，the “SAFE Circular No. 37”) promulgated by the SAFE and became effective on 4 July 2014, the SAFE and its branches shall enforce registration management for establishment of Special Purpose Vehicles by domestic residents (including domestic institutions and domestic resident individuals, and domestic resident individuals shall refer to Chinese citizens holding the ID cards for Chinese domestic residents, military ID certificates or ID certificates for armed police force, and overseas individuals that do not hold any domestic legitimate ID certificates but have habitual residences within the territory of the PRC due to relationships of economic interests). Prior to contributing domestic and overseas legitimate assets or interests to a Special Purpose Vehicle, a domestic resident shall apply to the relevant SAFE branches for foreign exchange registration of overseas investment. Where a registered overseas Special Purpose Vehicle undergoes changes of its domestic resident individual shareholders, name, operating period or other basic information, or experiences substantial changes including without limitation the increase or reduction of registered capital by domestic resident individuals, transfer or replacement of equity and merger or split, the Special Purpose Vehicle shall go through modification registration of foreign exchange for overseas investment with the SAFE branches. Where a non-listed Special Purpose Vehicle grants equity incentives to the directors, supervisors and senior management of a domestic enterprise under its direct or indirect control, as well as other employees in employment or labour relationships with the aforesaid domestic enterprise, relevant domestic resident individuals may, before exercising their rights, apply to the relevant SAFE branches for foreign exchange registration of the Special Purpose Vehicle.

Intellectual Property

China is a party to several international conventions on intellectual property rights, including Agreement on Trade-Related Aspects of Intellectual Property Rights (《與貿易有關的知識產權協議》), Paris Convention for the Protection of Industrial Property (《保護工業產權巴黎公約》), Berne Convention for the Protection of Literary and Artistic Works (《保護文學和藝術作品伯爾尼公約》), World Intellectual Property Organization Copyright Treaty (《世界知識產權組織版權公約》), Madrid Agreement Concerning the International Registration of Marks (《商標國際註冊馬德里協議》) and Patent Cooperation Treaty (《專利合作公約》).

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》, the “**Patent Law**”), promulgated by the SCNPC on 12 March 1984, amended on 4 September 1992, 25 August 2000 and 27 December 2008, and effective from 1 October 2009 and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the State Council on 15 June 2001 and latest amended on 9 January 2010, there are three types of patent in the PRC: invention patent, utility model patent and design patent. The protection period is 20 years for invention patent and 10 years for utility model patent and design patent, commencing from their respective application dates. Any individual or entity that utilises a patent or conducts any other activity in infringement of a patent without prior authorisation of the patentee shall pay compensation to the patentee and is subject to a fine imposed by relevant administrative authorities and, if constituting a crime, shall be held criminally liable in accordance with the law.

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Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》, the “**Trademark Law**”), promulgated by the SCNPC on 23 August 1982, amended on 22 February 1993, 27 October 2001 and 30 August 2013 and effective from 1 May 2014, the period of validity for a registered trademark is 10 years, commencing from the date of registration. Upon expiry of the period of validity, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry as required if the registrant needs to continue to use the trademark. Where the registrant fails to do so, a grace period of six months may be granted. The period of validity for each renewal of registration is 10 years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be cancelled. Industrial and commercial administrative authorities have the authority to investigate any behaviour in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offence, the case shall be timely referred to a judicial authority and decided according to law.

Pursuant to the Administrative Measures for Internet Domain Names of the PRC (《中國互聯網絡域名管理辦法》) promulgated by the Ministry of Information Industry on 5 November 2004 and effective from 20 December 2004, “domain name” shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of such computer. The principle of “first come, first served” applies to domain name registration service. After completing the domain name registration, the applicant will become the holder of the registered domain name. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay corresponding fees as required, the original domain name registry shall deregister the relevant domain name and notify the holder of deregistration in written forms.

Product Liability

The Product Quality Law of the PRC (《中華人民共和國產品質量法》, the “**Product Quality Law**”), promulgated by the SCNPC on 22 February 1993 and amended on 8 July 2000 and 27 August 2009 is the principal governing law to the supervision and administration of product quality. According to the Product Quality Law, manufacturers shall be liable for the quality of products produced by them and sellers shall take measures to ensure the quality of the products sold by them. A manufacturer shall be liable to compensate for any bodily injuries or damage to property other than the defective product itself resulting from the defects in the product unless the manufacturer is able to prove that: (1) the product has never been circulated; (2) the defects causing injuries or damage did not exist at the time when the product was circulated; or (3) the science and technology at the time when the product was circulated were at a level incapable of detecting the defects. A seller shall be liable to compensate for any bodily injuries or damage to property of others caused by the defects in the product if such defects are attributable to the seller. A seller shall pay compensation if it fails to indicate neither the manufacturer nor the supplier of the defective product. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller.

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Pursuant to the General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》), promulgated by the National People's Congress on 12 April 1986, amended and became effective on 27 August 2009, both manufacturers and sellers shall be held liable where relevant defective products result in damage to property of others or bodily injuries.

Pursuant to the Tort Liability Law of the PRC (《中華人民共和國侵權責任法》), promulgated by the SCNPC on 26 December 2009 and became effective on 1 July 2010, manufacturers shall assume tort liability where the defects in relevant products cause damage to others. Sellers shall assume tort liability where the defects in relevant products causing damage to others are attributable to the sellers. The aggrieved party may claim for compensation from the manufacturer or the seller of the relevant product in which the defects have caused damage.

Environmental Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), promulgated by the SCNPC and became effective on 26 December 1989, the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), promulgated by the SCNPC and became effective on 1 September 2003, the Administrative Regulations on the Environmental Protection of Construction Project (《建設項目環境保護管理條例》), promulgated by the State Council and became effective on 29 November 1998 and other relevant environmental laws and regulations, entities generating environmental pollution and other public hazards must incorporate environmental protection measures into their plans and set up a responsibility system of environmental protection. Pollution prevention facilities for construction projects must be designed, constructed and launched into production and use at the same time with the main part of the projects. Construction projects can only be put into operation after the relevant environmental protection administrative authority has examined and approved the pollution prevention facilities. If necessary, and in accordance with relevant environmental protection regulations, construction projects may be put into trial production prior to final examination and acceptance of the pollution prevention facilities. Such trial production shall also be subject to the approval of the relevant environmental protection administrative authority. Enterprises and public institutions discharging pollutants must report to and register with relevant authorities in accordance with the provisions of the environmental protection administrative authority under the State Council. Relevant authorities have the authority to impose penalties on individuals or entities breaching environmental regulations. The penalties that can be imposed include issuing a warning, the suspension of operation of pollution prevention facilities for construction projects where such facilities are uncompleted or fail to meet the prescribed requirements but are put into operation, the reinstallation of pollution prevention facilities which have been dismantled or left idle, administrative sanctions against the office-in-charge, the suspension of business operations or the shut-down of an enterprise or public institution. Fines could also be imposed together with these penalties.

State Scientific Research and Scientific Research Budget Management

Pursuant to the Notice on Issues Relating to the Application of Project Management System to State Scientific Research (《國務院辦公廳轉發科技部等部門關於國家科研計劃實施課題制管理規定的通知》) promulgated by the General Office of the State Council and became effective on 4 January 2002, the State scientific research shall apply project management system. The system requires the

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project responsible person shall be responsible for the project, and shall enjoy the full autonomy within the approved work plan and budgets; the system also requires make clear project support unit, the unit shall have the essential conditions, effective scientific research management system, financial management system, asset management system and accounting system for the implementation of scientific research. Project responsible person shall implement the project budget strictly, and social units shall supervise all the expenditures of the subject.

Pursuant to the Several Opinions of the Ministry of Education and the Ministry of Finance on Further Strengthening the Administration on Scientific Research Funds of Colleges and Universities (《教育部、財政部關於進一步加強高校科研經費管理的若干意見》, 教財〔2005〕11號), promulgated by the Ministry of Education and the Ministry of Finance and became effective from 26 June 2005, the scientific research funds should be uniformly managed and assembly accounted by finance department of colleges and universities, and shall be spent in a predetermined purpose.

Pursuant to the Notice of the Ministry of Education on Further Implementing the State Administration Policies on Scientific Research Funds and Strengthening the Administration on Scientific Research Funds of Colleges and Universities (《教育部關於進一步貫徹執行國家科研經費管理政策加強高校科研經費管理的通知》, 教財〔2011〕12號), promulgated by the Ministry of Education and became effective from 2 December 2011, which requires the strictly enforcement of the state administration policies on scientific research funds, further strengthening the administration on scientific research funds of colleges and universities, and consummating the administration system on scientific research funds.

Overseas Investment

Pursuant to the Administrative Measures for Approval and Record-filing on Overseas Investment Projects (《境外投資項目核准和備案管理辦法》), which was promulgated by the NDRC on 8 April 2014 and became effective from 8 May 2014, the State adopts approval administration and record-filing administration for overseas investment projects respectively according to different circumstances. Any overseas investment project with the Chinese party's investment amount of not less than USD 1 billion is to be approved by the NDRC. An overseas investment project that involves any sensitive country or region or any sensitive industry, irrespective of the limit of investment amount, is to be approved by the NDRC. Under the circumstances, with regard to an overseas investment project that has the Chinese party's investment amount of not less than USD 2 billion and involves any sensitive country or region or any sensitive industry, the NDRC is to put forward the examination and verification opinion thereon and report the same to the State Council for approval. Overseas investment projects other than those specified above-mentioned are subject to record-filing administration.

Pursuant to the Measures on the Administration of Overseas Investment (《境外投資管理辦法》), promulgated by the Ministry of Commerce on 6 September 2014 and became effective from 6 October 2014, overseas investments refer to the activities of possessing of non-financial enterprises abroad or the acquiring the ownership of, control over, business management right of, or other rights and

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interests of existing overseas non-financial enterprises by enterprises legally established in the PRC through newly establishment or mergers and acquisitions or other methods. Other than the overseas investments involving sensitive countries (regions) and sensitive industries which are subject to approval administration, all other overseas investments are subject to record-filing administration.

Industrial Products Production & Dangerous Chemicals Administration

Pursuant to the Administrative Regulations on Production Licences for Industrial Products of the PRC (《中華人民共和國工業產品生產許可證管理條例》), promulgated by the State Council on 9 July 2005 and became effective from 1 September 2005, the State implements a production licensing system for enterprises that produce important industrial products. Any enterprise that has not obtained a production licence for a product listed in the Catalogue of Industrial Products shall be prohibited from producing the relevant product. No entity or individual may sell or use in business operation activities any product listed in the Catalogue of Industrial Products for which it has not obtained a production licence.

Pursuant to the Regulations on the Administration of Dangerous Chemicals Safety (《危險化學品安全管理條例》), which was promulgated by the State Council on 26 January 2002 and amended on 16 February 2011, 7 December 2013 and became effective from 7 December 2013, the State carries out the licensing system for the operation of dangerous chemicals (including storage management). Without being licensed, any entity or individual shall not operate dangerous chemicals. The enterprises engaging in hyper-toxic chemicals or dangerous chemicals to make explosives operation activities shall file applications to the production safety supervision and administration departments of the local people's governments at municipality (with districts) level. The enterprises engaging in other dangerous chemicals operation activities shall file applications to the production safety supervision and administration departments of the local people's governments at county level (If the enterprise has storage facilities, it shall file applications to the production safety supervision and administration department of the local people's government at municipality (with districts) level). The enterprises legally obtaining Dangerous Chemicals Operation Licences shall purchase hyper-toxic chemicals or dangerous chemicals to make explosives with the corresponding licences.

Import and Export of Goods

According to 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》), promulgated by the General Administration of Customs of the PRC on 13 March 2014, 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.

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LAWS AND REGULATIONS OF CANADA

The Company has one wholly owned subsidiary in Canada, Bio Basic (Canada), which is based in Markham, Ontario. Bio Basic (Canada) is primarily engaged in the business of manufacturing and sales of various life sciences research products and providing life sciences related services, including DNA sequencing, protein expression, and gene synthesis, as well as the sale of laboratory equipment and chemicals for the scientific research industry. With respect to its current business operations, Bio Basic (Canada) is mainly subject to the following laws, regulations and rules.

Overview of the Canadian Legal System

Canada is a common law country, meaning that it derives its laws from legislation passed by parliament, which consists of a house of commons and a senate, as well as judicial decisions forming a body of case law. Regulations that accompany legislation are passed by the executive, which often consists of a designated Minister or the entire cabinet acting in council.

Pursuant to the *Constitution Act, 1867*, Canada is a federal country, with a division of powers between the federal government and the provincial governments. Each province has a provincial legislature that passes legislation in a similar manner to the federal parliament.

Health and Safety

In order to ensure the health and safety of employees in the workplace, the *Occupational Health and Safety Act* (Ontario) (the “OHS”) places specific legal duties on employers, supervisors, owners, and workers. The purpose of this legislation is to create safe working conditions, and this is achieved through requirements imposed on those responsible for the worksite and employees, as well as through the imposition of a reciprocal duty on the employees to comply with safety regulations and procedures.

The responsibilities of the employer include the provision of appropriate equipment, the monitoring of biological, chemical, or physical agents in a workplace, and the limitation of worker’s exposure to such substances. Employers must also carry out appropriate training programmes for employees to ensure compliance with the OHS. Any biological, chemical, or physical agents that alone or together could constitute a health risk to employees can be limited or prohibited by a person appointed as a Director under the OHS. The result is that certain substances, which pose a risk to employee health, could be banned for commercial use under the OHS. Non-compliance with the OHS could result in a maximum fine of CA\$25,000 or imprisonment for a term of not more than 12 months, or both, however if a corporation is convicted of an offence under the OHS as opposed to an individual, the maximum fine is increased to CA\$500,000.

Labour and Employment

The *Employment Standards Act* (Ontario) (the “ESA”) regulates the relationship between an employer and employee in the province of Ontario, and applies to any work performed by an employee in the province. It outlines the minimum standards that must be followed, and is enforced by the Employment Standards Program of the Ontario Ministry of Labour.

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There are a number of requirements placed on employers operating in Ontario. These requirements generally speak to the payment of employees, work hours, rate of pay for overtime, and minimum wage. The provisions of the ESA create requirements for the treatment of employees in a number of additional categories, such as leaves of absence, benefit plans, and termination of employment. The ESA requirements cannot be contracted out of by an employment contract. Contravention of the ESA could result in liability for a corporation of a maximum fine of CA\$100,000 for a first offence, CA\$250,000 for a second offence, or CA\$500,000 if the corporate employer has more than one previous conviction.

The *Workplace Safety and Insurance Act* (Ontario) (the “**WSIA**”) creates a no-fault insurance system for injuries or diseases resulting from the workplace. The Workplace Safety and Insurance Board is the body that manages the insurance programme.

The *Human Rights Code* (Ontario) (the “**HRC**”) contains provisions relating to non-discrimination and to harassment in the workplace. It prohibits behaviour that constitutes discrimination or harassment and enforces the HRC through the Human Rights Tribunal of Ontario, which is a quasi-judicial body that has the jurisdiction to hear human rights complaints.

The *Pay Equity Act* (Ontario) (the “**PEA**”) applies to all employers in Ontario who have more than ten employees. The purpose of the PEA is to achieve pay equity between males and females working in the province. The PEA requires employers to develop and implement pay equity plans that compare the rate of pay of female job classes to male job classes. Employers are further required to maintain compensation practices that provide for pay equity. Any employer or employee can file a complaint under the PEA regarding a contravention of its provisions, which is brought before a hearing tribunal where reviewing officers have the authority to order the preparation of a pay equity plan.

The *Employers and Employees Act* (Ontario) (the “**EEA**”) provides mechanisms for employees to enforce the payment of their wages, and outlines the jurisdiction of the provincial court in making orders for payment of wages or even arrest under these proceedings.

Environmental

The *Environmental Protection Act* (Ontario) (the “**EPA**”) is a broad statute that forms a central part of Ontario’s environmental regime. It outlines the powers of government officials to sanction or investigate potential offences, and prohibits various forms of environmental contamination. If contamination occurs, then the director under the EPA can issue control orders or stop orders depending on the severity of the contamination and the risks associated with it.

The *Canadian Environmental Protection Act* (Canada) (the “**CEPA**”), contains an enumerated list of toxic substances, which is subject to change by an order of the Governor in Council. These substances are subject to regulation regarding use and release into the environment. Further, under CEPA a list is maintained, known as the Domestic Substances List, of all substances and living organisms that are eligible for commercial use, and only substances contained on the Domestic Substances List can be used without being subject to additional notification and assessment requirements.

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If dangerous goods are being transported, both federal and provincial laws apply. The *Dangerous Goods Transportation Act* (Ontario) (the “**DGTA**”) contains requirements related to permitting and liability insurance for transportation of dangerous goods, and outlines the government’s enforcement and inspection powers. The DGTA defines a dangerous good as a product, substance or organism included by its nature or by the regulations made under the TDGA (defined below) in any of the classes listed in the schedule to the TDGA. The *Transportation of Dangerous Goods Act* (Canada) (the “**TDGA**”) is comprehensive in its scope and creates statutory safety requirements regarding the transportation, containment, and labelling of dangerous goods, as well as preparation for possible emergency. The TDGA contains a schedule that lists what constitutes a dangerous good, with specific goods being listed in the *Transportation of Dangerous Goods Regulations*.

The *Animals for Research Act* (Ontario) (the “**ARA**”) outlines the licensing and care requirements for facilities that use live animals for research, including for the performance of tests, diagnosis of disease, and the creation of tests for use in diagnosis, prevention, and treatment of diseases or conditions. If a facility uses animals in research, it may be subject to the provisions of the ARA, including requirements for registration and availability for inspections.

Intellectual Property

Canada has a federal regime for intellectual property law, comprised of the *Copyright Act* (Canada), the *Trade-marks Act* (Canada) (the “**TMA**”), and the *Patent Act* (Canada) (“**PA**”). With respect to trade-mark rights, they are held pursuant to the TMA. Trade-mark licences are held pursuant to contract and are addressed in the TMA. Under the TMA, a licensee has the right to exclusive use of this trade-mark in Canada pursuant to the terms of the licence, and all rights that would be had by the owner of the trade-mark.

Taxation

The *Income Tax Act* (Canada) (the “**ITA**”) and its regulations create the regime for both corporate and personal federal income taxation in Canada, while each province has its own corresponding income tax legislation for corporate and personal provincial income taxation. Further, corporations may be subject to other taxes including sales and commodity tax legislation.

Corporations are required to file annual income tax returns and are subject to certain reporting requirements under the ITA. The ITA levies income taxes for each taxation year on the taxable worldwide income of every corporation resident in Canada in that taxation year. In contrast, corporations not resident in Canada are generally taxed only on income derived from Canadian sources.

Under the ITA, a corporation’s income from a business for a year is generally the corporation’s business profits for the taxation year, computed on an accrual basis in accordance with relevant accounting and ordinary commercial principles, and subject to specific adjustments, rules, and limitations under the ITA. Deductions from income are generally only permitted for expenses or outlays that are made or incurred for the purpose of earning income from the business, and are in an

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amount that is reasonable in the circumstances. Capital expenses are generally not directly deductible, but can often be amortised under special depreciation rules. Corporations engaged in scientific research and experimental development are eligible to claim an investment tax credit for allowable expenditures under the ITA.

Consumer Protection

The *Consumer Protection Act* (Ontario) (the “CPA”), applies to all consumer transactions if either the consumer or the person engaging in the transaction with the consumer is located in Ontario when the transaction takes place. The purpose of the CPA is to protect consumers from businesses that may be operating using unfair practices or who may be misrepresenting their goods and services.

If a person is engaging in transactions with the consumer and is engaging in misrepresentation or unfair practices, then the consumer is entitled to either recover a portion of the amount paid or to rescission of the contract. The CPA provides additional protection to consumers by regulating their rights and obligations in specific forms of consumer agreements, such as internet agreements or future performance agreements, as well as credit agreements. A corporation convicted of an offence under the CPA could be liable up to a maximum of CA\$250,000.

LAWS AND REGULATIONS OF THE UNITED STATES

This section summarises selected key current law and regulations in the United States that are relevant to our business and operations.

The Company has one wholly owned subsidiary in the United States, Bio Basic (US). Bio Basic (US) is a corporation formed under the laws of the State of New York. The New York Business Corporation Law (“BCL”) governs various corporate actions including formation and dissolution of for-profit New York corporations. Bio Basic (US) is a New York for-profit corporation which is engaged in the business of sales of life sciences research products and is thereby subject to the purview of various U.S. federal, state and local laws and regulations. In addition to the BCL, Bio Basic (US) is mainly subject to the following laws, regulations and rules:

Overview of the U.S. Legal System

The U.S. legal system consists of federal, state and local laws and regulations. On the federal level Congress passes legislation while the President approves the legislation which then becomes the law of the land. State and local government bodies also pass legislation which then becomes the law of that state or locality. The U.S. legal system is also comprised of a dual court system, one at the federal level and one at the state and local level. The U.S. legal system is also a common law system which puts a lot of emphasis on court precedent set out in formal adjudications. Additionally there is a complicated system of interaction and checks and balances that takes place amongst the above listed entities.

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Relevant Tax Laws and Regulations

Bio Basic (US) is subject to federal, state and local tax rules. Both federal and state taxation authorities in the United States impose the collection of certain annual and other applicable taxes. In addition to paying the typical yearly federal, state, and local income taxes, companies that engage in the business of selling products in the state of New York must also obtain a Certificate of Authority which is required in order to collect the New York State mandatorily imposed sales tax.

A Certificate of Authority must be obtained from the New York State Department of Taxation and Finance. Pursuant to New York Tax Law Sections 1101(a)(8) and 1105(a), as well as various applicable regulations, companies, or anyone for that matter, that sell products in New York State must obtain a Certificate of Authority (“**Certificate**”) and subsequently impose a mandatory sales tax in accordance with this Certificate.

Regardless of the frequency of sales made, or for the most part the nature of goods sold, companies that endeavour to transact sales in New York whether through a traditional store front or over the internet are required to register for the sales tax Certificate if they are determined to be vendors of tangible property. Pursuant to written guidance released by the New York State Department of Taxation and Finance, maintaining a place of business in New York State such as a warehouse, office or store and selling taxable tangible property or services either within the state or through employees, agents, or independent contractors in the state constitutes being such a vendor of tangible property.

Tangible property under these rules and regulations can be any type of physical personal property that is perceptible to the human senses and has a material existence. The applicable rules, regulations, and written guidance provide a number of examples of tangible property. Pursuant to these regulations, even raw materials such wood and metal are considered goods which are subject to the sales tax requirements. Additionally, certain repair and installation services, as well as other services, are subject to the sales tax requirements. There are other additional variations of transactions such as selling tangible products through catalogues and other various transactions that can also subject companies to these mandatory sales tax rules and regulations. Wholesalers and manufacturers are also required to register for a Certificate under the applicable rules and regulations.

Written guidance released by the New York State Department of Taxation and Finance explains that even if a company that obtains this Certificate never makes a single sale, they are deemed as operational with regard to sales tax purposes. Therefore the company must still file their sales tax returns on time regardless of whether the company has any assets that could be subject to taxation. Filing for sales tax purposes is fairly simple and can be done online. Penalties can be imposed for filings that are delinquent. There are also applicable penalties for those that fail to register for a Certificate. There is a US\$10,000 maximum penalty applicable when sales are made in New York and there has been a failure to register for a Certificate. There is an additional fine of US\$500 for the first day of operations without the Certificate, and a US\$200 per day penalty for operations for each subsequent day without a Certificate. There is also an additional requirement that the Certificate be prominently displayed with an applicable US\$50 penalty for failure to display the Certificate.

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Relevant Permit Requirements

The town of Amherst, New York requires an operating permit to be obtained (“**Operating Permit**”) when certain activities are conducted in buildings. Bio Basic (US)’s warehouse which stores its life sciences research products is located in the town of Amherst, New York, and is thereby subject to this regulation. Pursuant to Chapter 83 Part VII Section 1-1 of the Building Construction Administration Code of the Town of Amherst (the “**Code**”), Operating Permits are required for certain manufacturing and storing activities.

Various sections of Part VII of the Code govern the application requirements that must be fulfilled in order to obtain and Operating Permit. Pursuant to the Code, the application must be made in writing and must be deemed as sufficient by the Commissioner of Building to be in conformance with requirements of the Code. The Commissioner may also at his or her determination require testing of the property prior to the issuance of an Operating Permit. The Commissioner may also inspect the building prior to issuing an Operating Permit. The Operating Permit is valid and effective until it is revoked, suspended, renewed or reissued.

Laws and Regulations Governing Employees

All companies in the United States are required to comply with certain safety and health laws with regard to their employees. There are federal as well as state applicable laws and regulations governing various issues with regard to employees. The U.S. Occupational Safety and Health Act regulates employee health and safety and imposes standards with regard to employee working conditions. Other similar state statutes also govern workplace conditions and other issues with regard to employees.

Consumer Protection

Various laws and regulations, both at the federal and state level apply to transactions involving consumers. On the federal level, the Federal Trade Commission, the Better Business Bureau and other such similar government entities oversee transactions that involve consumers. The Consumer and Governmental Affairs Bureau is charged with developing and implementing the consumer protection policies of the Federal Communications Commission. The Federal Trade Commission also oversees consumer transactions. Consumers who wish to voice a complaint can file a complaint with the Federal Trade Commission. Other government entities on the federal level also oversee consumer transactions.

New York State has a Division of Consumer Protection in its Department of State that oversees all consumer transactions that take place in the state of New York. Pursuant to Article 22 of the New York Statutory Code, there is a set of laws and regulations governing consumer transactions including laws prohibiting deceptive acts and practices with regard to consumer transactions. Article 22 also provides for certain mandatory disclosures and notices as well as imposes penalties on those who fail to comply with the applicable laws and regulations. Consumers who have complaints or issues with regard to certain transactions and services can contact the New York Division of Consumer Protection to voice their complaints and obtain guidance with regard to consumer transactions.

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Intellectual Property

The U.S. has both federal and state laws that apply to intellectual property. Intellectual property laws include copyright, trademark and patent laws. Each specific set of laws applies in various situations, and each set has their own specific laws, rules, and regulations. Trademark law is governed by the Lanham Act in title 15 of the U.S. Code and regulations for trade names and trademarks are contained in Title 37 of the Code of Federal Regulations. Title 37 also contains regulations governing copyright. Title 35 of the U.S. Code governs the requirements for patentability.

The U.S. Patent and Trademark Office (“USPTO”), which is an agency within the U.S. Department of Commerce, deals with situations that involve patents and trademarks. The USPTO takes applications for patents and deals with the trademark process. The USPTO is comprised of the Office of Policy and External Affairs and the Office of the General Counsel. The U.S. also has a set of copyright laws which govern copyright ownership and transfer. The federal copyright laws of the U.S. are contained in Title 17 of the U.S. Code and govern original works of authorship. The U.S. Copyright Office, a department within the U.S. Library of Congress, as well as the position of Register of Copyrights, examine and register various copyright claims in music, books, movies and other intellectual property which is subject to U.S. copyright laws. In New York State, the New York Code of Rules and Regulations (“NYCRR”) governs various activities with regard to intellectual property including in the areas of insurance law, education law and various others.

IMPACT OF SANCTIONS LAWS

During the Track Record Period, we had exported life sciences research products in the ordinary course of business to customers in Iran, Lebanon, Sudan and Iraq. In light of our Group’s sale of products to customers in the Sanctioned Countries. We have appointed DLA Piper Hong Kong, an international law firm, to determine whether our sale of products to the Sanctioned Countries during the Track Record Period violate the International Sanctions.

As advised by DLA Piper Hong Kong, our legal adviser as to International Sanctions laws, our Group’s historical sales and other business dealings in Iran, Lebanon, Sudan and Iraq during the Track Record Period do not implicate the applicability of the relevant sanctions laws on our Group, or any person or entity, including the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors. For details on our business activities in the sanctioned countries and impact of sanctions laws, please see the section headed “Business — Business Activities in Sanctioned Countries”.

HISTORY AND REORGANISATION

GENERAL

Wang Qisong, our chairman and executive Director, started his involvement in the life sciences industry in the PRC in 1994 and in the following years commenced the provision of DNA synthesis and DNA sequencing services and the production of research consumables before establishing Shanghai Sangon Biological Engineering Technology & Services Co, Ltd.* (上海生工生物工程技術服務有限公司) (“**SSBETS**”) in June 2001 with a corporation owned by the late Min Yongjie, the spouse of Wang Qisong, and by Min Yonglan, the sister of the late Min Yongjie. SSBETS was a joint venture limited company with a total registered capital of US\$1.4 million (of which US\$800,000 was contributed by Wang Qisong through return from the investment in his previous business venture and US\$600,000 was contributed by the corporation owned by the late Min Yongjie and Min Yonglan by way of transferring the property and land use rights at No. 111 Rongxing Road, Rongbei Town, Songjiang, Shanghai). SSBETS was established to undertake the business relating to the research, manufacturing, sales and distribution of life sciences research products and services.

As the site at Rongbei Town did not have sufficient space for SSBETS to expand its manufacturing facilities, in 2003 Wang Qisong established Sangon Biotech with the purpose of acquiring other land use rights in nearby area to expand the manufacturing facilities of our Group as well as undertaking the business of research, manufacturing, sales and distribution of life sciences research products and services. In 2004, Wang Qisong acquired the registered capital of SSBETS from the corporation owned by the late Min Yongjie and Min Yonglan and the entire registered capital of SSBETS became wholly-owned by Wang Qisong. In 2005, Sangon Biotech acquired the land use rights at Xiangmin Road, Chedun Town of Songjiang District in Shanghai and commenced construction of our current headquarters and manufacturing facilities which was completed in 2008. In late 2009, in order to integrate the businesses of SSBETS and Sangon Biotech, Sangon Biotech acquired the fixed assets, inventories, intellectual property, and employees, being all the businesses and assets of SSBETS (which was later deregistered in May 2013) related to the research, manufacturing, sales and distribution of life sciences research products and services.

Since the establishment of Sangon Biotech, our Group has continued to develop its domestic and international markets on life sciences research products. On 6 January 2004 and 2 March 2009 respectively, Bio Basic Inc. (“**BBI Canada**”) was established by Wang Luojia (our executive Director and Controlling Shareholder), Wang Qisong and the late Min Yongjie, and Bio Basic USA Inc. (“**BBI US**”) was established by Wang Qisong, Wang Luojia (our executive Director and Controlling Shareholder), Wang Jin (our executive Director and Controlling Shareholder) and the late Min Yongjie to conduct business in the manufacturing and sales of life sciences research products and services in Canada and the U.S. respectively. As we expanded our overseas operations, extra space was required for warehousing and office facilities. In that regard, in November and December 2010 respectively, Bio Basic (Canada) and Bio Basic (US) were established by Sangon Biotech as our wholly-owned subsidiaries with the purpose of acquiring a facility in each country for their business operations. Bio Basic (Canada) and Bio Basic (US) respectively purchased facilities on 10 January 2011 and 1 April 2011. With the aim of integrating and consolidating our overseas businesses and operations into entities within our Group, on 1 January 2011, Bio Basic (Canada) purchased all the inventories and equipment, being all of the assets and businesses of BBI Canada (BBI Canada was subsequently dissolved on 30 November 2011) and on 31 March 2011, Bio Basic (US) acquired all the inventories, being all or substantially all of the assets and businesses of BBI US (BBI US was subsequently dissolved on 1 February 2012).

HISTORY AND REORGANISATION

As at 30 June 2014, we have successfully established a marketing network with 38 sales points globally, focusing on the marketing and promotion of various products and services of our Group.

As at the Latest Practicable Date, our Group has grown to a team of 896 employees, including 436 employees in production, 246 employees in sales and marketing, 90 employees in administration, 82 employees in research and development and 42 employees in management. Our Group is looking to continue to expand their role and provide quality products and services in the life sciences industry globally.

The following sets forth the significant milestones in our Group's history:

Year	Event
2001	Incorporation of SSBETS and commence our business at Rongbei Town, Songjiang District, Shanghai
2003	Incorporation of Sangon Biotech, our operating subsidiary in the PRC
2004	Incorporation of BBI Canada and commencement of our sales and distribution of life sciences research products and services to overseas customers
2005	Acquisition of the land use rights at 698 Xiangmin Road, Chedun Town, Songjiang District, Shanghai* (上海市松江區車墩鎮香閔路698號) for research and development and production
2008	Completed construction of our current headquarters and manufacturing facilities at 698 Xiangmin Road, Chedun Town, Songjiang District, Shanghai* (上海市松江區車墩鎮香閔路698號)
2009	Integration of the domestic businesses of our Group by way of Sangon Biotech acquiring all of the assets and business related to the production and operation of life sciences research products and services of SSBETS Incorporation of BBI US
2010	Qiming Venture Partners II, L.P., Qiming Venture Partners II-C, L.P., and Qiming Managing Directors Fund II, L.P. invested into our Group Incorporation of Bio Basic (US), a wholly-owned subsidiary of our Company in the US Incorporation of Bio Basic (Canada), a wholly-owned subsidiary of our Company in Canada Establishment of our Beijing and Wuhan branches
2011	Acquisition of equity interest in PrimeGene

HISTORY AND REORGANISATION

Year	Event
	<p>Integration of the overseas businesses of our Group by way of Bio Basic (Canada) and Bio Basic (US) acquiring all of the assets and businesses (i.e. all of the inventories and equipment) in the provision of life sciences research products and services of BBI Canada and BBI US</p> <p>Acquisition of the property located at Room 201, 2/F, Block 2, 14 East Huanke First Road, Tongzhou District, Beijing* (北京市通州區環科東一路14號2幢2層201) for future expansion of manufacturing, warehousing, and sales office purposes</p> <p>Acquisition of the property located at No. A1-2, 858 Gaoxin Avenue, Donghu Gaoxin District, Wuhan* (武漢市東湖高新區高新大道858號A1-2號) for manufacturing, warehousing and sales office purposes</p> <p>Acquisition of the property located at 20 Konrad Crescent, Markham, Ontario, Canada for manufacturing and warehousing purposes</p> <p>Acquisition of the property located at 4160 Bailey Avenue, Amherst, New York, United States of America for warehousing purposes</p>
2012	<p>Sangon Biotech changed from a limited company to a stock limited company</p>
2013	<p>Acquisition of the land use rights for House 12/1, Lane 21, Chedun Town, Songjiang District, Shanghai* (上海市松江區車墩鎮21街坊12/1丘), to expand our facilities</p> <p>Incorporation of our Company as the listing vehicle</p> <p>Establishment of our Guangzhou branch</p>
2014	<p>Disposal of all of Sangon Biotech's equity interest in PrimeGene to an Independent Third Party</p>

HISTORY AND REORGANISATION

OUR CORPORATE HISTORY AND SHAREHOLDING CHANGES OF OUR GROUP

The principal changes to the corporate structure of our Company and our subsidiaries since our establishment are described below.

Our subsidiaries

Sangon Biotech

Sangon Biotech, the main operating entity of our Group in the PRC, was established in the PRC as a limited liability company on 28 October 2003 by Wang Qisong in accordance with Notice on the Rules relating to Establishing Enterprises for Investment in Shanghai by Persons who have Studied Abroad (《關於出國留學人員來上海投資興辦企業有關規定的通知》(滬人[1993]29號), “**Notice**”) with a registered capital of US\$6 million which was 100% owned and fully-paid by Wang Qisong. It is principally engaged in the manufacturing and sales of life sciences research products and services.

According to the Notice, persons who have studied abroad when setting up enterprise in Shanghai on either an individual or partnership basis may refer to the relevant laws and regulations governing investment in Shanghai by overseas Chinese and people from Hong Kong, Macau and Taiwan, and that the amount of registered capital was provisionally set at not less than US\$10,000.

From March 1980 to March 1983, Mr. Wang Qisong was seconded to the University of Toronto in Canada as a visiting scholar. From March 1991 to August 1991, he was a consultant in the United Nations Industrial Development Organisation (聯合國工業發展組織).

On 18 July 1994, Mr. Wang Qisong obtained a Certificate of Eligibility as Persons who have studied Abroad for Preferential Treatment in Investment in Shanghai (《出國留學人員來滬投資享受優惠資格認定書》(滬人留企字[1994]第62號)) issued by the Shanghai Municipal Personnel Bureau (上海市人事局).

Pursuant to the Notice, Shanghai Municipal Personnel Bureau confirmed and agreed to Mr. Wang Qisong to register and establish enterprise with reference to the laws and regulations governing investment in Shanghai by overseas Chinese and people from Hong Kong, Macau and Taiwan in order that he could enjoy the preferential treatment in Shanghai investment granted to persons who have studied abroad.

On 18 September 2003, Shanghai Songjiang District People’s Government issued an Approval in relation to the Feasibility Report and Articles of Association for the Establishment of Wholly-Foreign Owned Shanghai Biotech (《關於設立外商獨資生工生物工程(上海)有限公司可行性研究報告和章程的批覆》(滬松府外經字(2003)第548號)), agreeing to Mr. Wang Qisong establishing a wholly-foreign owned limited company, Shanghai Biotech.

HISTORY AND REORGANISATION

On 9 April 2009, the registered capital of Sangon Biotech was increased by US\$2 million to US\$8 million, by BBI Canada injecting US\$2 million into the registered capital of Sangon Biotech. Upon completion of such increase in registered capital which had taken place on the same day, the registered capital of Sangon Biotech was held as to 75% by Wang Qisong and 25% by BBI Canada.

On 30 September 2009, Sangon Biotech and SSBETS entered into an assignment of receivables (which was supplemented by a supplemental agreement on 1 March 2012) pursuant to which Sangon Biotech has acquired all the receivables from the customers of SSBETS as at 30 September 2009 in the amount of approximately RMB8.2 million from SSBETS at a consideration of approximately RMB8.2 million which was determined with reference to the book value of such assets of Sangon Biotech as at 30 September 2009.

On 2 November 2009, Sangon Biotech and SSBETS entered into (a) an asset transfer agreement (which was supplemented by a supplemental agreement on 30 November 2009), (b) an assignment of patents and patent applications, (c) an assignment of trademarks, and (d) an assignment of domain name pursuant to which Sangon Biotech has acquired all the fixed assets and inventories of SSBETS, patents and patent applications under the name of SSBETS, the trademarks registered under the name of SSBETS and the domain name registered under the name of SSBETS from SSBETS at an aggregate consideration of approximately RMB21.7 million which was determined with reference to the net asset value of approximately RMB21.7 million of Sangon Biotech as at 30 September 2009 as per a third-party evaluation report. Upon completion of such agreements which had taken place in late 2009, Sangon Biotech acquired all the businesses and assets of SSBETS and undertook all its assets and businesses related to the research, manufacturing, sales and distribution of life sciences research products and services of SSBETS.

In late 2009, SSBETS entered into an agreement with its employees and Sangon Biotech to transfer all of its employees' labour relation from itself to Sangon Biotech, with matters such as job roles, salaries, rights and responsibilities remaining the same.

On 1 December 2009:

- (1) Wang Qisong transferred US\$5,464,000 and US\$536,000 in the registered capital of Sangon Biotech, which respectively represented 68.3% and 6.7% in the entire registered capital of Sangon Biotech to BBI China and Shanghai Shengjie Investment Company Limited* (上海生杰投資有限公司) (“**Shanghai Shengjie**”) at a consideration of US\$2,768,781.70 and US\$271,499.20 respectively. As BBI China was owned by Wang Qisong and Shanghai Shengjie was 60% owned by Wang Qisong at the relevant time, such transfer of registered capital of Sangon Biotech was considered as an allocation of assets among entities owned and controlled by Wang Qisong, therefore, the consideration for such transfer was at a discount to the registered capital of the relevant equity interest. We have been confirmed by our PRC legal adviser, King & Wood Mallesons, that the consideration used for such transfer was in compliance with the relevant laws in the PRC. Shanghai Shengjie was established to implement the share incentive plan for the domestic employees of our Group

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and its entire registered capital was initially majority held by Wang Qisong and was subsequently held by 50 employees and senior management of our Group who are Independent Third Parties, save for three shareholders who are relatives of Wang Luojia, and one shareholder who is a director of a Group subsidiary.

- (2) BBI Canada transferred US\$2 million in the registered capital of Sangon Biotech, which represented 25% in the entire registered capital of Sangon Biotech to BBI Asia at a consideration of US\$2 million which was determined with reference to the value of the registered capital of Sangon Biotech. As BBI Canada was over 30% owned by Wang Luojia and Wang Jin, and BBI Asia was indirectly owned by Wang Luojia and Wang Jin at the relevant time, such transfer of registered capital of Sangon Biotech was considered as an allocation of assets among entities owned or controlled by Wang Luojia and Wang Jin;
- (3) the registered capital of Sangon Biotech was increased by US\$1.37 million to US\$9.37 million by way of BBI China, BBI Asia and Shanghai Shengjie injecting US\$509,400, US\$811,000 and US\$49,600 respectively into the registered capital of Sangon Biotech and US\$1,777,100, US\$2,829,200 and US\$173,000 respectively into the capital reserve of Sangon Biotech. On the same day, BBI China and BBI Asia increased its investment amount to US\$2,286,500 (of which US\$509,400 became the registered capital) and US\$3,640,200 (of which US\$811,000 became the registered capital) to Sangon Biotech respectively.

Upon completion of such transfer and increase in registered capital which had taken place on the same day, the registered capital of Sangon Biotech was owned as to 63.75%, 30% and 6.25% by BBI China, BBI Asia and Shanghai Shengjie respectively.

On 23 April 2010, BBI Asia, BBI China, Shanghai Shengjie and Qiming Excel (HK) Limited (“**Qiming Excel**”, subsequently renamed as BBI International) entered into a sino-foreign equity joint venture agreement, pursuant to which the parties agreed to the terms on the investment by Qiming Excel in Sangon Biotech. On 24 May 2010, the registered capital of Sangon Biotech was increased from approximately US\$9.37 million (equivalent to RMB71,864,180 (based on the exchange rate between US\$ and RMB at that time)) by RMB17,966,045 to RMB89,830,225 by way of Qiming Excel (which was then held as to 90.73%, 7.95% and 1.32% by Qiming Venture Partners II, L.P. (“**QVP II**”), Qiming Venture Partners II-C, L.P. (“**QVP II-C**”) and Qiming Managing Directors Fund II, L.P. (“**QMDF II**”) respectively) injecting RMB17,966,045 and RMB24,033,955 into the registered capital and capital reserve of Sangon Biotech respectively. Upon the completion of such increase in registered capital which had taken place on the same day, the registered capital of Sangon Biotech was owned as to 51%, 24%, 20% and 5% by BBI China, BBI Asia, Qiming Excel and Shanghai Shengjie respectively. For details of background of Qiming Excel and pre-IPO investments by QVP II, QVP II-C and QMDF II through Qiming Excel, please see the paragraphs “BBI International (formerly known as Qiming Excel)” and “Pre-IPO Investments” in this section.

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On 24 October 2011, Shanghai Shengjie transferred RMB986,246 and RMB252,962 in the registered capital of Sangon Biotech, which respectively represented approximately 1.10% and 0.28% of the registered capital of Sangon Biotech to Shanghai Shengji Investment Company Limited* (上海生吉投資有限公司) (“**Shanghai Shengji**”) at a consideration of RMB1,972,492 and BBI Asia at a consideration of RMB505,924 respectively (both considerations were determined with reference to the net asset value of RMB180,013,492.98 of Sangon Biotech as at 31 December 2010). The above transfer in the equity interest of Sangon Biotech was part of the share incentive plan of our Group, as we decided to allocate more of its equity interest to its domestic and overseas employees. Shanghai Shengji was set up to implement the share incentive plan for the domestic employees of our Group and was held by 50 employees of our Group at its incorporation and was subsequently held by 28 employees of our Group as at the date of this prospectus. All of these employees were Independent Third Parties save for three shareholders who are relatives of Wang Luojia and one shareholder who is a director of a Group subsidiary; BBI Asia was also set up to implement the share incentive plan for Independent Third Party overseas employees of our Group. Of these overseas employees, one transferred his interests in BBI Asia to LJ Venture in December 2011 and three were interested in 4,251 shares of BBI Asia and were indirectly interested in 0.16% of the shareholding in Sangon Biotech. Upon the completion of such transfers which had taken place on the same day, the registered capital of Sangon Biotech was owned as to 51%, 24.28%, 20%, 3.62% and 1.10% by BBI China, BBI Asia, BBI International, Shanghai Shengjie and Shanghai Shengji, respectively.

On 22 February 2012, it was resolved by the board of directors of Sangon Biotech that its audited net asset value of approximately RMB199.01 million would be converted into share capital of RMB90 million at a ratio of 2.2112:1 and the remaining amount will be allocated to capital reserve and Sangon Biotech would be converted from a company with limited liability to a joint stock limited company with a registered capital of RMB90 million divided into 90,000,000 ordinary shares of RMB1.00 each.

On 11 June 2012, Sangon Biotech was converted from a company with limited liability to a joint stock limited company with a registered capital of RMB90 million divided into 90,000,000 ordinary shares of RMB1.00 each of which (1) 45,900,000 fully-paid shares (represented 51% of the total share capital), (2) 21,853,440 fully-paid shares (represented 24.28% of the total share capital), (3) 18,000,000 fully-paid shares (represented 20% of the total share capital), (4) 3,258,450 fully-paid shares (represented 3.62% of the total share capital), (5) 988,110 fully-paid shares (represented 1.10% of the total share capital) were allotted and issued to (1) BBI China, (2) BBI Asia, (3) BBI International, (4) Shanghai Shengjie and (5) Shanghai Shengji, respectively.

On 21 October 2013, Shanghai Shengjie transferred 3,258,450 shares of Sangon Biotech, which represented approximately 3.62% in the entire issued share capital of Sangon Biotech to Shanghai Shengji at a consideration of RMB9,253,998 (which was determined with reference to the net asset value of RMB255,705,830.25 of Sangon Biotech as at 30 June 2013) as our Group decided to consolidate the shares of Sangon Biotech held by Shanghai Shengji and Shanghai Shengjie into one company. Upon the completion of such transfer which had taken place on the same day, the issued share capital of Sangon Biotech was owned as to 51.00%, 24.28%, 20.00% and 4.72% by BBI China, BBI Asia, BBI International, and Shanghai Shengji, respectively.

HISTORY AND REORGANISATION

BBI China

BBI China was established in the PRC as a limited liability company on 17 November 2009 with a registered capital of RMB34.5 million of which RMB27,807,000 (which represented 80.6% of the entire registered capital of BBI China) was owned by Wang Qisong and RMB6,693,000 (which represented 19.4% of the entire registered capital of BBI China) was owned by the late Min Yongjie, the spouse of Wang Qisong. Its principal business activity is investment holding.

On 26 September 2011, due to the death of Min Yongjie, the registered capital of BBI China owned by the late Min Yongjie in the amount of RMB6,693,000 (which represented 19.40% of the registered capital) was inherited by Wang Qisong in accordance to the laws of the PRC. On the same day, the registered capital of BBI China was increased by RMB17,920,385 to RMB52,420,385 by way of Wang Qisong injecting RMB17,920,385 into the registered capital of BBI China. Upon completion of such transfer and increase in registered capital which had taken place on the same day, the entire registered capital of BBI China was held by Wang Qisong.

As part of the estate planning of Wang Qisong, on 22 August 2012, Wang Qisong transferred RMB13,367,198, RMB13,367,198 and RMB1,048,408 in the registered capital of BBI China, which respectively represented approximately 25.5%, 25.5% and 2.0% in the entire registered capital of BBI China to Wang Luojia at a consideration of RMB13,367,198, Wang Jin at a consideration of RMB13,367,198 and Mai Jun, the spouse of Wang Luojia, at a consideration of RMB1,048,408 respectively (all such considerations were based on the value of the registered capital of BBI China on that date). Upon the completion of such transfers which had taken place on the same day, the registered capital of BBI China was owned as to 47.0%, 25.5%, 25.5% and 2.0% by Wang Qisong, Wang Luojia, Wang Jin and Mai Jun respectively.

As part of the estate planning of Wang Qisong, on 25 July 2013, Wang Qisong transferred RMB12,318,790.50 and RMB12,318,790.50 in the registered capital of BBI China, which respectively represented approximately 23.5% and 23.5% in the entire registered capital of BBI China to Wang Luojia at a consideration of RMB12,318,790.50 and Wang Jin at a consideration of RMB12,318,790.50 respectively (all such consideration were based on the value of the registered capital of BBI China on that date). Upon the completion of such transfers which had taken place on the same day, the registered capital of BBI China was owned as to 49.0%, 49.0%, and 2.0% by Wang Luojia, Wang Jin and Mai Jun respectively.

As part of the Reorganisation, on 22 November 2013, (i) Wang Luojia transferred RMB25,685,988.50 in the registered capital of BBI China, which represented 49% in the entire registered capital of BBI China to BBI Asia at a consideration of RMB29,761,196, (ii) Wang Jin transferred RMB25,685,988.50 in the registered capital of BBI China, which represented 49% in the entire registered capital of BBI China to BBI Asia at a consideration of RMB29,761,196, and (iii) Mai Jun transferred RMB1,048,408 in the registered capital of BBI China, which represented 2% in the entire registered capital of BBI China to BBI Asia at a consideration of RMB1,214,742. The consideration amounts of such transfers were determined based on the net asset value of BBI China

HISTORY AND REORGANISATION

as at 30 September 2013 proportional to the respective transferor's interest in the registered capital of BBI China. Upon the completion of such transfers which had taken place on the same day, the registered capital of BBI China was wholly-owned by BBI Asia. Please see "Group structure after Reorganisation and before Listing" in this section for further details.

Upon completion of the Reorganisation, BBI China has become our indirect wholly-owned subsidiary and our intermediate investment holding company.

On 13 June 2014, the company's English name "BBI China Limited" was added.

BBI International (formerly known as Qiming Excel)

BBI International (formerly known as Qiming Excel) was incorporated in Hong Kong with limited liability on 31 December 2007 with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each, of which one fully paid share was allotted and issued to Harefield Limited, an Independent Third Party at incorporation. Its principal business activity is investment holding.

On 8 January 2008, Harefield Limited transferred the one share of HK\$1.00 of BBI International to Ms. Leung Nisa Bernice Wing-Yu, an Independent Third Party at par and on 25 January 2008, Ms. Leung Nisa Bernice Wing-Yu in turn transferred one share of HK\$1.00 of BBI International to Qiming Venture Partners, L.P. at par.

On 1 June 2009, the issued share capital of BBI International increased from HK\$1.00 to HK\$10,000 by the issuance and allotment of 9,072 shares of HK\$1.00 each, 795 shares of HK\$1.00 each and 132 shares of HK\$1.00 each in the share capital of BBI International to QVP II, QVP II-C and QMDF II respectively.

On 15 June 2009, Qiming Venture Partners, L.P. transferred one share of HK\$1.00 of BBI International to QVP II at par. After the said transfer, Qiming Venture Partners, L.P. no longer holds any share in BBI International and QVP II holds an aggregate of 9,073 shares of HK\$1.00 each of BBI International.

On 2 September 2013, the authorised share capital of BBI International was increased from HK\$10,000 to HK\$45,325,655. On the same day, the issued share capital of BBI International was increased from HK\$10,000 to HK\$45,325,655 by the issuance and allotment of 41,114,894 shares of HK\$1.00 each, 3,602,595 shares of HK\$1.00 each and 598,166 shares of HK\$1.00 each in the share capital of BBI International to QVP II, QVP II-C and QMDF II, respectively. Upon completion of such issuance and allotment of shares, the issued share capital of BBI International was held as to 90.73%, 7.95% and 1.32% by QVP II, QVP II-C and QMDF II respectively.

Upon completion of the Reorganisation, BBI International has become our direct wholly-owned subsidiary and our intermediate investment holding company.

On 26 February 2014, the company's name was changed from Qiming Excel to BBI International.

HISTORY AND REORGANISATION

BBI Asia

BBI Asia was incorporated in Hong Kong with limited liability on 20 October 2009 with an authorised capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each of which, one share of HK\$1.00 was allotted and issued at par as founder member's share at incorporation to LJ Venture, one of our Controlling Shareholders. Its principal business activity is investment holding.

On 29 September 2011, the authorised share capital of BBI Asia was increased from HK\$10,000 to HK\$630,000. On the same day, the issued share capital of BBI Asia was increased from HK\$10,000 to HK\$630,000 by the issuance and allotment of such number of shares of HK\$1.00 each in the share capital of BBI Asia to the shareholders named beside it:-

Name of shareholders	No. of shares of HK\$1.00 each of BBI Asia issued and allotted	Total no. of shares of HK\$1.00 each of BBI Asia	Approximate percentage of shareholding in BBI Asia
LJ Venture	622,693	622,694	98.84% ^{Note 1}
Zhou Mi ^{Note 2}	3,055	3,055	0.49%
Hughes James			
Edward Arthur ^{Note 2}	1,513	1,513	0.24%
Jiang Harry ^{Note 2}	1,513	1,513	0.24%
Tu Yun Wen ^{Note 2}	1,225	1,225	0.19%

Notes:

1. This includes the one share of HK\$1.00 initially allotted to LJ Venture as founder member share at incorporation.
2. Zhou Mi, Hughes James Edward Arthur, Jiang Harry and Tu Yun Wen were all Independent Third Parties employees of our Group at the time.

On 30 December 2011, Zhou Mi transferred 3,055 shares of HK\$1.00 each of BBI Asia to LJ Venture at a consideration of HK\$3,055 which was determined based on par value of the shares. On 2 July 2013, Jiang Harry transferred all his shareholding interest in BBI Asia, i.e. 1,513 shares of HK\$1.00 each of BBI Asia at a nominal consideration of HK\$1.00 to LJ Venture. On 9 August 2013, Hughes James Edward Arthur and Tu Yun Wen respectively transferred 1,513 and 1,225 shares of HK\$1.00 each of BBI Asia respectively to LJ Venture at a nominal consideration of HK\$1.00 and HK\$1.00 respectively. Such transfers were done as our Group had decided to reward its employees through a share option plan rather than allocating shares of Sangon Biotech through BBI Asia and/or such persons have ceased to be employees of our Group. Upon completion of such transfers which respectively took place on the same dates, the entire issued share capital of BBI Asia was held by LJ Venture.

Upon completion of the Reorganisation, BBI Asia has become our direct wholly-owned subsidiary and our intermediate investment holding company.

HISTORY AND REORGANISATION

On 27 February 2014, the company's name was changed from LJ Accelerate Limited to BBI Asia Limited.

Bio Basic (Canada)

Bio Basic (Canada) was incorporated under the laws of the Canadian province of Ontario on 22 November 2010. At incorporation, Bio Basic (Canada) had three classes of shares authorised as (i) an unlimited number of class A common shares, (ii) an unlimited number of class B common shares, and (iii) an unlimited number of class C special shares. It is primarily engaged in the business of manufacturing and sales of life sciences research products and services and commenced business on 1 January 2011.

On 1 January 2011, pursuant to a sale and purchase agreement entered into between Bio Basic (Canada) and BBI Canada, Bio Basic (Canada) acquired all of the inventories and equipment, being substantially all of the businesses and assets in the provision of life sciences research products and services of BBI Canada at a consideration of CA\$910,724.79 which was determined based on the carrying amount of inventories and fixed assets on 31 December 2010.

On 29 August 2012, Articles of Amendment were filed to create a new class of common shares. On 9 September 2014, Articles of Amendment were filed to reclassify the issued and outstanding class A common shares into common shares and to delete all of the authorised and unissued class A common shares, the class B common shares and class C special shares so that the authorised capital after giving effect to the foregoing consisted of an unlimited number of common shares.

Bio Basic (US)

Bio Basic (US) was incorporated on 14 December 2010 under the laws of the State of New York with total investment amount of US\$2 million. The authorised capital stock consists of 200 shares of common stock, no par value per share, of which 100 shares of common stock are held by Sangon Biotech. It is a trading company engaging in the business of sale of life sciences research products and commenced business on 14 December 2010.

On 31 March 2011, pursuant to a sale and purchase agreement entered into between Bio Basic (US) and BBI US, Bio Basic (US) acquired all sale inventories, being all or substantially all of the businesses and assets in the provision of life sciences research products of BBI (US) at a consideration of US\$11,040.70 which was determined based on the inventories' cost price.

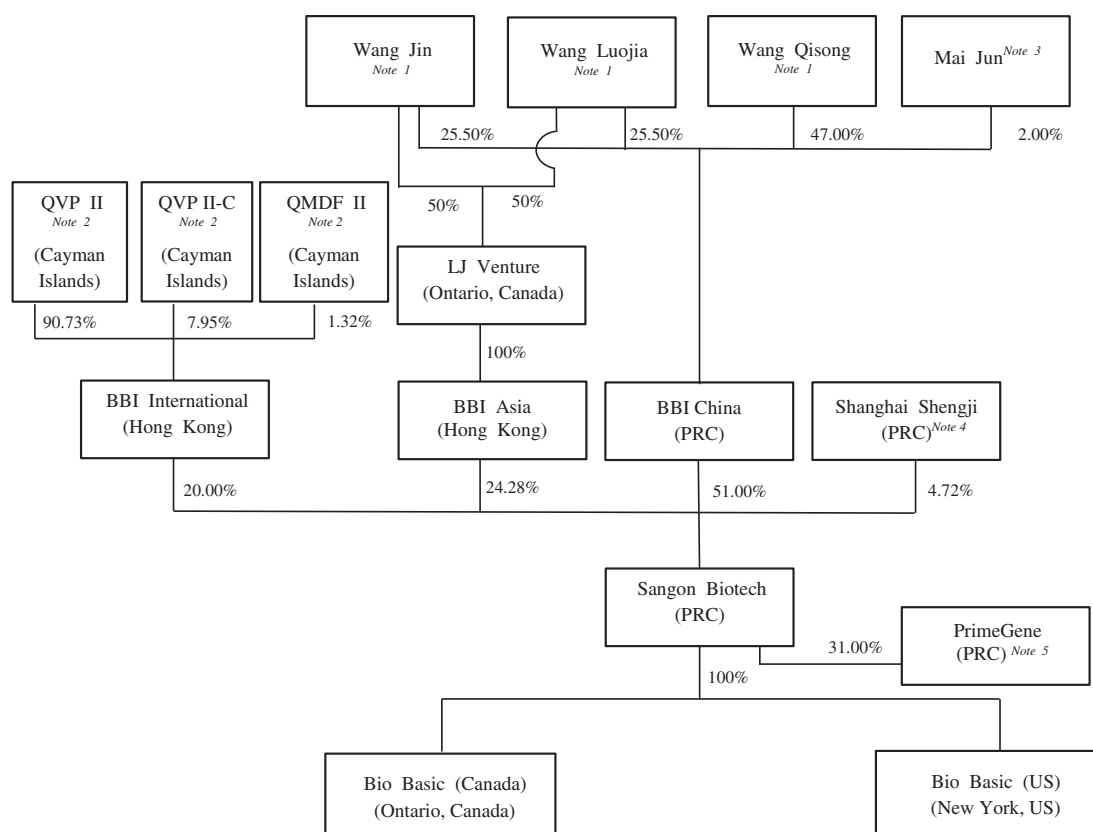
Our PRC legal adviser, King & Wood Mallesons, is of the view that all approvals, permits and licences from the relevant PRC governmental authorities regarding the above acquisitions and disposals in the PRC of the companies comprising our Group prior to the Reorganisation have been obtained.

All the above mentioned allotment, issue and transfer of shares of companies comprising our Group have been properly and legally completed and settled.

HISTORY AND REORGANISATION

GROUP STRUCTURE PRIOR TO REORGANISATION

The shareholding and corporate structure of our Group immediately prior to the Reorganisation is set out in the chart below:



Notes:

1. Wang Jin and Wang Luojia, both executive Directors and our Controlling Shareholders, are sisters and the daughters of Wang Qisong, the founder, chairman and executive Director.
2. QVP II, QVP II-C and QMDF II are all Independent Third Parties (other than being our Shareholders). Please see “Pre-IPO Investment” in this section for further details.
3. Mai Jun is the spouse of Wang Luojia, our executive Director and Controlling Shareholder.
4. Shanghai Shengji was set up to implement the share incentive plan for the domestic employees of our Group and since its incorporation, it has been held by certain employees and senior management of our Group who are Independent Third Parties, save for three shareholders who are relatives of Wang Luojia, and one shareholder who is a director of a Group subsidiary.
5. The remaining 69.00% equity interest in PrimeGene was held by Independent Third Parties.

HISTORY AND REORGANISATION

CORPORATE REORGANISATION

We reorganised our corporate structure in preparation for and in connection with the Listing and the Global Offering. Following the Reorganisation, our Company became the holding company of our Group. The steps of the Reorganisation are set out below.

Incorporation of our Company

Our Company, incorporated in the Cayman Islands with limited liability on 10 July 2013, will act as the ultimate holding company of our Group upon Listing and was registered on 24 September 2014 as a non-Hong Kong company under Part 16 of the Companies Ordinance. On its incorporation, its authorised share capital was NT\$1 billion divided into 100 million shares of NT\$10.00 each.

On 10 July 2013, one share of NT\$10.00 was allotted and issued fully paid as subscriber's share to Offshore Incorporations (Cayman) Limited which in turn transferred such one share to LJ Venture at par. On the same day, 95 shares, 2 shares and 2 shares of NT\$10.00 each were allotted and issued as fully paid at par to LJ Venture, LJ Hope Ltd. and LJ Peace respectively.

Please see the section headed "Further information about Our Company — Changes in Share Capital of our Company" of Appendix IV of this prospectus for details of changes in the share capital of our Company.

Increase in and conversion of authorised share capital of BBI Asia

On 6 September 2013, (i) the authorised share capital of HK\$630,000 divided into 630,000 shares of HK\$1.00 of BBI Asia was converted into 80,640 shares of US\$1.00 each at the rate of US\$1.00 to HK\$7.8125, (ii) the authorised share capital of US\$80,640 divided into 80,640 shares of US\$1.00 each was increased to US\$5,080,640 divided into 5,080,640 shares of US\$1.00 each by the creation of additional 5,000,000 shares of US\$1.00 each and (iii) BBI Asia issued and allotted 5,000,000 new shares of US\$1.00 each to LJ Venture such that LJ Venture held 5,080,640 shares of US\$1.00 each of BBI Asia in total.

Share exchanges

On 25 October 2013, 10,988,730 fully-paid shares of NT\$10.00 each of our Company (the "Consideration Share(s)") were allotted and issued by us to LJ Venture in exchange for the transfer of 5,080,640 shares of US\$1.00 each in BBI Asia, being the entire issued share capital of BBI Asia, from LJ Venture to our Company pursuant to a share exchange agreement dated 25 October 2013 entered into by LJ Venture, BBI Asia and our Company. The price of each Consideration Share for the above mentioned share exchange was calculated using the consolidated net equity of BBI Asia as at 30 September 2013, based on the statements of financial position of BBI Asia dated 30 September 2013. Upon completion of such share exchange which took place on the same day, BBI Asia became our direct wholly-owned subsidiary.

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On 22 November 2013, (1) Wang Luojia transferred RMB25,685,988.50 in the registered capital of BBI China, which represented 49% in the entire registered capital of BBI China to BBI Asia at a consideration of RMB29,761,196; (2) Wang Jin transferred RMB25,685,988.50 in the registered capital of BBI China, which represented 49% in the entire registered capital of BBI China to BBI Asia at a consideration of RMB29,761,196; and (3) Mai Jun transferred RMB1,048,408 in the registered capital of BBI China, which represented 2% in the entire registered capital of BBI China to BBI Asia at a consideration of RMB1,214,742. The consideration amounts of such transfers were determined based on the net asset value of BBI China as at 30 September 2013 proportional to the respective transferor's interest in the registered capital of BBI China. Such consideration was satisfied by way of our Company issuing and allotting 934,041 fully-paid shares, 20,356,608 fully-paid shares and 2,060,372 fully-paid shares of NT\$10.00 each of our Company to LJ Hope Ltd. (which was owned as to 50% each by Wang Luojia and Mai Jun), LJ Peace (which was owned as to 51.15% and 48.85% by Wang Jin and Wang Luojia respectively) and LJ Venture (which was owned as to 50% each by Wang Jin and Wang Luojia) respectively on 6 December 2013 pursuant to a share exchange agreement dated 5 November 2013 entered into amongst Wang Jin, Wang Luojia, LJ Peace, Mai Jun, LJ Hope Ltd., LJ Venture, our Company, BBI Asia and BBI China. Upon the completion of such transfers on the same date as above, the entire registered capital of BBI China was owned by BBI Asia and BBI China became our indirect wholly-owned subsidiary.

Pursuant to a share exchange agreement dated 9 December 2013 entered into amongst QVP II, QVP II-C, QMDF II, BBI International and our Company, on 31 December 2013, QVP II, QVP II-C and QMDF II, the then shareholders of BBI International transferred their entire interest in the issued share capital of BBI International, which in aggregate consisted of 45,325,655 shares of HK\$1.00 each, in BBI International to our Company in consideration of our Company allotting and issuing 8,308,372 fully-paid shares, 728,001 fully-paid shares and 120,876 fully-paid shares of NT\$10.00 each (the "**Consideration Share(s)**") in the share capital of our Company to QVP II, QVP II-C and QMDF II respectively. The price of each Consideration Share for the above mentioned share exchange was calculated using the consolidated net equity of BBI International as at 30 September 2013, based on the statements of financial position of BBI International dated 30 September 2013. Upon the completion of such transfers on the same date as above, the entire issued share capital of BBI International was owned by our Company and BBI International became our direct wholly-owned subsidiary.

Increase in authorised share capital of BBI Asia

On 6 December 2013, the authorised share capital was increased from US\$5,080,640 by US\$7,892,158 to US\$12,972,798. On the same day, our Company was issued and allotted 7,892,158 shares of BBI Asia such that our Company held 12,972,798 shares of BBI Asia in total.

HISTORY AND REORGANISATION

Settlement of Wang J Family Trust and Wang L Family Trust

On 10 March 2014, Wang Jin transferred 359,250 common shares (representing 50% of the total issued shares) of LJ Venture at nil consideration and 363,034,073 common shares (representing 51.15% of the total issued shares) of LJ Peace at nil consideration to Wang J Family Trust (as modified and agreed to on 6 October 2014 in relation to the trust beneficiaries) which is an irrevocable discretionary trust constituted under the laws of the Canadian province of Ontario with Wang Qisong as the settlor, Wang Luojia as the trustee and Wang Jin and her children as the beneficiaries.

On 10 March 2014, Wang Luojia transferred 359,250 common shares (representing 50% of the total issued shares) of LJ Venture at nil consideration and 346,750,222 common shares (representing 48.85% of the total issued shares) of LJ Peace at nil consideration to Wang L Family Trust (as modified and agreed to on 6 October 2014 in relation to the trust beneficiaries) which is an irrevocable discretionary trust constituted under the laws of the Canadian province of Ontario with Wang Qisong as the settlor, Wang Jin as the trustee and Wang Luojia and her children as the beneficiaries.

After the above transfers, LJ Venture was owned as to 50% each by Wang J Family Trust and Wang L Family Trust and LJ Peace was owned as to 51.15% and 48.85% respectively by Wang J Family Trust and Wang L Family Trust.

As at the Latest Practicable Date, Wang Luojia, being the trustee of Wang J Family Trust and Wang Jin, being the trustee of Wang L Family Trust has the powers customarily granted to a trustee, including:

- hold the trust fund in trust for the beneficiaries;
- keep the trust fund invested and either pay the whole or such part of the net income derived from the trust fund to or for such one or more of the beneficiaries; and
- encroach upon the capital of the trust fund and pay or transfer any amount or amounts of the capital of the trust fund to or for the benefit of such one or more beneficiaries.

Purchase of shares of Sangon Biotech from Shanghai Shengjie

On 21 October 2013, Shanghai Shengjie transferred 3,258,450 shares of Sangon Biotech, which represented approximately 3.62% in the entire issued share capital of Sangon Biotech to Shanghai Shengji at a consideration of RMB9,253,998 which was determined based on the net asset value of RMB255,705,830.25 of Sangon Biotech as at 30 June 2013. Upon the completion of such transfer which had taken place on the same date, the issued share capital of Sangon Biotech was owned as to 51.00%, 24.28%, 20.00% and 4.72% by BBI China, BBI Asia, BBI International, and Shanghai Shengji, respectively.

HISTORY AND REORGANISATION

On 3 September 2014, BBI China entered into an agreement with Shanghai Shengji to purchase 4,237,560 shares of Sangon Biotech, which represented approximately 4.71% from Shanghai Shengji at a total consideration of RMB23,306,580 which was determined based on the enterprise value of US\$84,600,000 of our Company as at 31 August 2014 as per a third-party evaluation report. The above transfer was completed on 20 October 2014. Since the completion of the above purchase, Sangon Biotech has been owned as to 55.71%, 24.28%, 20.00% and 0.01% by BBI China, BBI Asia, BBI International, and Shanghai Shengji, respectively and has become 99.99%-owned subsidiary of our Group.

Disposal of interest in PrimeGene

As the other shareholders of PrimeGene have decided to dispose of their interests in PrimeGene and R&D Systems China Co., Ltd. was willing to acquire the interests held by Sangon Biotech at the same time, pursuant to an agreement entered on 12 April 2014, Sangon Biotech disposed of all of its shareholding in PrimeGene to R&D Systems China Co., Ltd., an Independent Third Party, at a total consideration of approximately US\$7.1 million which was determined based on commercial arm's length negotiation between the parties.

PRE-IPO INVESTMENT

Overview

As set out under the paragraph "Sangon Biotech" in this section, on 24 May 2010, the registered capital of Sangon Biotech was increased from approximately US\$9.37 million (equivalent to RMB71,864,180 (based on the exchange rate between US\$ and RMB at that time)) by RMB17,966,045 to RMB89,830,225 by way of Qiming Excel (which was then held as to 90.73%, 7.95% and 1.32% by QVP II, QVP II-C and QMDF II respectively) injecting RMB17,966,045 and RMB24,033,955 into the registered capital and capital reserve of Sangon Biotech respectively. Upon the completion of such increase in registered capital, the registered capital of Sangon Biotech was owned as to 51%, 24%, 20% and 5% by BBI China, BBI Asia, Qiming Excel and Shanghai Shengjie respectively.

Our Directors and the Sole Sponsor confirm that they consider the pre-IPO investments, after the lapse of all special rights relating to pre-IPO investment upon the conversion of Sangon Biotech to a joint stock company, by each of QVP II, QVP II-C and QMDF II are under normal commercial terms and in compliance with the Guidance Letters HKEx-GL29-12, HKEx-GL44-12 and HKEx-GL43-12 issued by the Stock Exchange, based on the relevant documentation.

Principal terms of the Pre-IPO Investment

Set out below is a summary of the details of the pre-IPO investments mentioned above:-

Name of investors	QVP II, QVP II-C and QMDF II
Type of investments	Injection of RMB17,966,045 and RMB24,033,955 into the registered capital and capital reserve respectively of Sangon Biotech by BBI International

HISTORY AND REORGANISATION

Date of investments	24 May 2010
Amount of consideration paid	RMB42,000,000 in cash
Payment date of the consideration	13 July 2010
Basis of Determination of the Consideration	based on arm's length negotiations between amongst BBI Asia, BBI China, Shanghai Shengjie, and Qiming through Qiming Excel after taking into consideration the timing of the injections and illiquidity of the equity interest of Sangon Biotech as a private company when the injections were made
Equity interest of Sangon Biotech acquired	20%
Effective acquisition cost per Share (<i>Note 1</i>)	HK\$0.637
Discount over mid-point of offer price range (<i>Note 2</i>)	66.1%
Use of proceeds from the investments	We utilised the proceeds to acquire the equity interest of PrimeGene in 2011 (which was later disposed by us in April 2014) and the acquisition of the land in House 12/1, Lane 21, Chedun Town, Songjiang District, Shanghai* (上海市松江區車墩鎮21街坊12/1丘) in 2012, as well as working capital and business expansion and other corporate purposes. As at the Latest Practicable Date, the net proceeds from the Pre-IPO Investment had been fully utilised.
Strategic benefits the Pre-IPO Investors brought to our Company	At the time of the Pre-IPO Investment, our Directors were of the view that our Company could benefit from the additional capital, the brand name, the expertise in management, industry and corporate governance that would be provided by the Pre-IPO Investors.
Shareholding upon Listing (without taking into account the Shares to be issued pursuant to the Pre-IPO Share Option Schemes, the Post-IPO Share Option Scheme and the Over-allotment Option)	<p>(1) QVP II — 75,161,799 shares, approximately 14.33%</p> <p>(2) QVP II-C — 6,585,871 shares, approximately 1.26%</p> <p>(3) QMDF II — 1,093,506 shares, approximately 0.21%</p>

HISTORY AND REORGANISATION

Special rights

Prior to 11 June 2012, for a period of five years from the date when Sangon Biotech obtains its new business licence, a pre-IPO investor could request Sangon Biotech or its original shareholders to repurchase its entire shareholding, at a consideration of 1.5 times the original purchase price together with any dividends that should have been distributed but were not distributed. The consideration would be adjusted correspondingly depending on the dividend distribution. If on the repurchase date Sangon Biotech or its original shareholders is only able to repurchase part of the pre-IPO investor's shareholding, Sangon Biotech or its original shareholders must repurchase the remainder as soon as practicable as allowed by law.

According to the Interim Provisions Concerning Some Issues in the Establishment of Joint Stock Limited Companies with Foreign Investment (《關於設立外商投資股份有限公司若干問題的暫行規定》) promulgated by Chinese Ministry of Foreign Trade and Economic Cooperation on 10 January 1995, established sino-foreign joint ventures are required to terminate the original joint venture contracts and articles of association of the sino-foreign joint ventures before they can be converted into foreign investment joint stock limited company.

In light of the above, on 22 February 2012, all the shareholders of Sangon Biotech signed an agreement, agreeing to the termination of the articles and joint venture agreement of Sangon Biotech on the day of obtaining the approval from Shanghai Municipal Commission of Commerce (上海市商務委員會) and when Sangon Biotech became a joint stock limited company.

We have been advised by our PRC legal adviser, King & Wood Mallesons, that all special rights relating to pre-IPO investment provided in the original articles and joint venture agreement of Sangon Biotech lapsed on 11 June 2012, when Sangon Biotech was converted to a joint stock company.

Lock-up

The shares held by the pre-IPO investors will not be subject to any lock-up after Listing.

HISTORY AND REORGANISATION

Note:

1. This column is prepared for illustration purpose only assuming that the Global Offering and the Capitalisation Issue is completed, but without taking into account the exercise of the Over-allotment Option and any options which have been or may be granted under the Share Option Schemes.
2. This column is prepared for illustration purpose only assuming that the Offer Price is HK\$1.88 per Offer Share (being the mid-point of the Offer Price range between HK\$2.21 and HK\$1.56 per Offer Share).

Information regarding Qiming Venture Partners

Qiming Venture Partners is a venture capital group focusing on investments in companies in the media and Internet, information technology, consumer and retail, healthcare and clean technology sectors across China.

QVP II, QVP II-C and QMDF II are all exempted limited partnerships established under the laws of the Cayman Islands and are private equity funds. The beneficial owners of QVP II, QVP II-C and QMDF II include 74 limited partners which are all Independent Third Parties. Except for 4 limited partners, each of the other limited partners in QVP II, QVP II-C and QMDF II owns less than 10% in the respective funds. The general partner of QVP II and QVP II-C is Qiming GP II, L.P. (“**QGP II**”) which is also an exempted limited partnership incorporated in the Cayman Islands. QGP II’s general partner is Qiming Corporate GP II, Ltd. (“**QCorp II**”) which is a company incorporated in the Cayman Islands with limited liability and also the general partner of QMDF II. The voting and investment power of shares held by QVP II, QVP II-C and QMDF II is exercised by the investment committee of QCorp II, which consists of Duane Kuang, Gary Rieschel, JP Gan and Robert Headley.

As QVP II, QVP II-C and QMDF II will collectively hold more than 10% of the total issued share capital of our Company immediately following the Global Offering, they will be Substantial Shareholders of our Company upon Listing and hence connected persons of our Company. Accordingly, all shares held by QVP II, QVP II-C and QMDF II shall not be counted as part of the public float for the purposes of Rule 8.08 of the Listing Rules.

PREVIOUS LISTING ATTEMPTS

In June 2012, Sangon Biotech entered a pre-application guidance period with the Shanghai Securities Regulatory Commission for the proposed listing of its shares on the Shenzhen Stock Exchange. We voluntarily suspended that attempt in around the end of 2012 during the pre-application guidance period due to the temporary freeze on initial public offerings in China imposed by the China Securities Regulatory Commission at that time. Sangon Biotech has not submitted any formal listing application to the Shenzhen Stock Exchange previously. The Sole Sponsor is not aware of any matter which arose during the pre-application guidance period that might lead to a rejection by the China Securities Regulatory Commission of our Group’s previous listing attempt or potentially affect the suitability of our Company to list on the Stock Exchange.

HISTORY AND REORGANISATION

Our Company entered a pre-application guidance period for the proposed listing of its shares on the GreTai Securities Market in Taiwan in March 2014. We voluntarily suspended that attempt in July 2014 during the pre-application guidance period due to an unexpected change in regulations by the Taiwanese authorities that has considered our Group's business as a PRC investment. According to the relevant regulation in Taiwan, if over 30% of shareholding of a listing applicant is owned by PRC residents, legal entities, corporation and/or other institutes (the "**PRC Investment**"), the listing application will be required to be specifically reviewed by the relevant authorities in Taiwan. Our Group initially considered it would not be categorised as PRC Investment as all of the shareholders are not PRC residents, legal entities, corporation or other institutes. However, subsequently according to the verbal guidance on their interpretation of the definition of PRC investment in the regulations provided by the relevant authority in Taiwan, our Group's business will be considered as PRC Investment due to the presence of our Group's business (which focuses on domestic sales generating most of our Group's turnover) and, Ms. Wang Luojia, one of our Controlling Shareholders, being an overseas individual but habitually residing in the PRC due to economic interests. Under such change in the interpretation of the relevant regulation, it would be very difficult for our Group to proceed for a listing on the Taiwan Stock Exchange. Our Company has not submitted any formal listing application to the GreTai Securities Market in Taiwan previously.

No questions relating to suitability for listing of the business and assets of our Group were raised by the Shenzhen Stock Exchange or the GreTai Securities Market in Taiwan during the respective pre-application guidance periods.

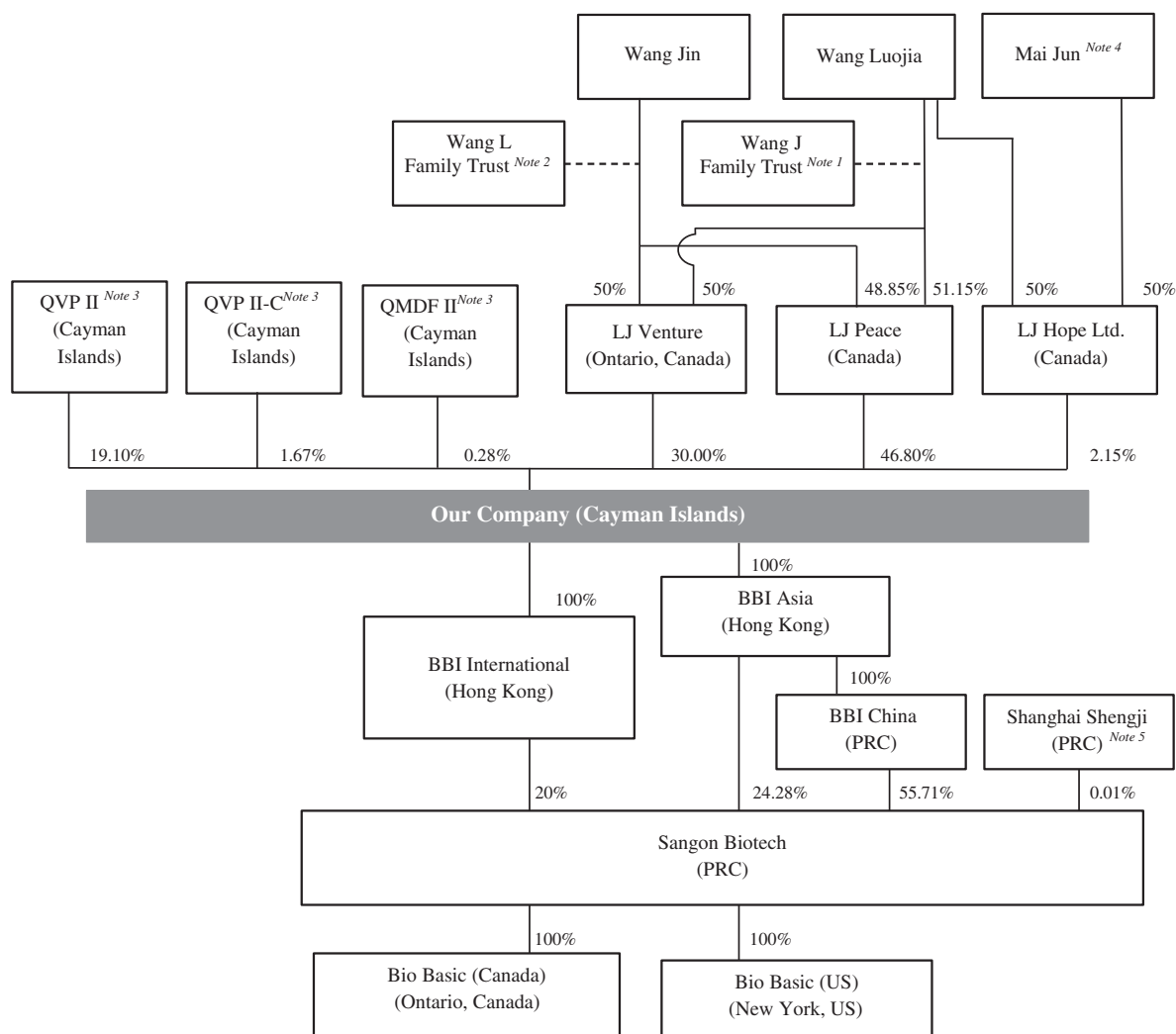
The Sole Sponsor is of the view that the voluntary suspensions in previous listing attempts of our Company and Sangon Biotech shall not have any adverse implication on the current listing application on the Stock Exchange and is not aware of any matter affecting the suitability of our Company to list on the Stock Exchange.

We are now seeking to list our Shares on the Hong Kong Stock Exchange as our Directors consider that the Hong Kong Stock Exchange is an internationally recognised and reputable stock exchange and will therefore provide a good platform for us to raise capital from international investors.

HISTORY AND REORGANISATION

GROUP STRUCTURE AFTER REORGANISATION AND BEFORE LISTING

The shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Global Offering and Capitalisation Issue was as follows:



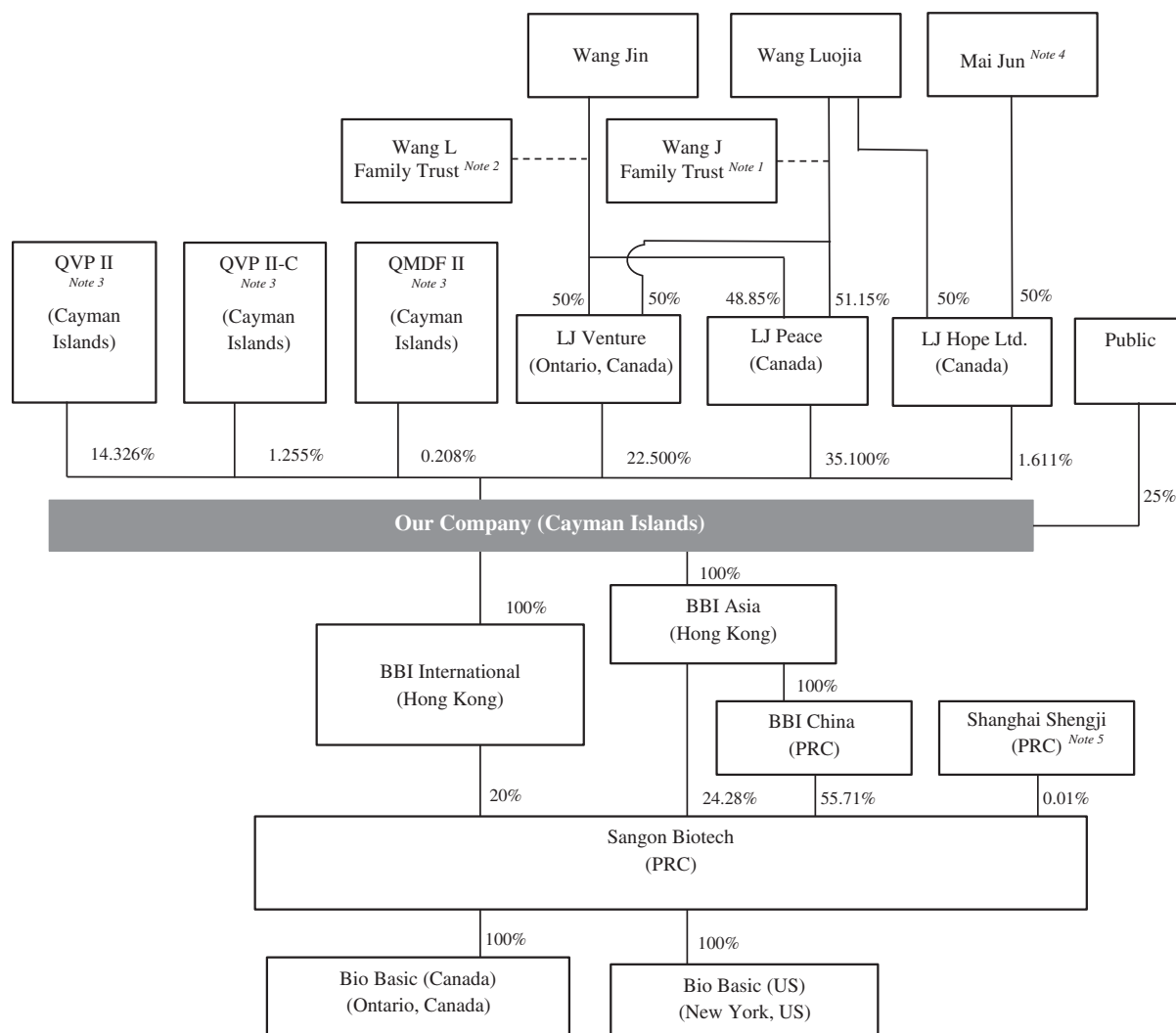
Notes:

1. Wang J Family Trust is an irrevocable discretionary trust constituted under the laws of the Province of Ontario, Canada with Wang Qisong as the settlor, Wang Luojuia as the trustee and Wang Jin and her children as the beneficiaries.
2. Wang L Family Trust is an irrevocable discretionary trust constituted under the laws of the Province of Ontario, Canada with Wang Qisong as the settlor, Wang Jin as the trustee and Wang Luojuia and her children as the beneficiaries.
3. QVP II, QVP II-C and QMDF II are all Independent Third Parties (other than being our Shareholders). Please see “Pre-IPO Investment” in this section for details.
4. Mai Jun is the spouse of Wang Luojuia, our executive Director and Controlling Shareholder.
5. Shanghai Shengji was set up to implement the share incentive plan for the domestic employees of our Group and since its incorporation, it has been held by certain employees and senior management of our Group who are Independent Third Parties, save for three shareholders who are relatives of Wang Luojuia and one shareholder who is a director of a Group subsidiary.

HISTORY AND REORGANISATION

GROUP STRUCTURE AFTER CORPORATE REORGANISATION AND UPON LISTING

The shareholding and corporate structure of our Group immediately after the Global Offering and the Capitalisation Issue (assuming no Over-allotment Option is exercised) will be as follows:



Notes:

1. Wang J Family Trust is an irrevocable discretionary trust constituted under the laws of the Province of Ontario, Canada with Wang Qisong as the settlor, Wang Luojia as the trustee and Wang Jin and her children as the beneficiaries.
2. Wang L Family Trust is an irrevocable discretionary trust constituted under the laws of the Province of Ontario, Canada with Wang Qisong as the settlor, Wang Jin as the trustee and Wang Luojia and her children as the beneficiaries.
3. QVP II, QVP II-C and QMDF II are all Independent Third Parties (other than being our Shareholders). Please see “Pre-IPO Investment” in this section for details.
4. Mai Jun is the spouse of Wang Luojia, our executive Director and Controlling Shareholder.
5. Shanghai Shengji was set up to implement the share incentive plan for the domestic employees of our Group and since its incorporation, it has been held by certain employees and senior management of our Group who are Independent Third Parties, save for three shareholders who are relatives of Wang Luojia and one shareholder who is a director of a Group subsidiary.

HISTORY AND REORGANISATION

PRC REGULATORY REQUIREMENTS

On 4 July 2014, the PRC State Administration of Foreign Exchange (“SAFE”) issued Circular No. 37 [2014] — Issues Relating to the Administration of Foreign Exchange in Respect of Offshore Investments, Financings and Return Investments by Domestic Residents through Special Purpose Vehicles (匯發[2014]37號 — 國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (“Circular 37”) thus repealing Circular No. 75 [2005] — Issues Relating to the Administration of Foreign Exchange in Respect of Financings and Return Investments by Domestic Residents through Offshore Special Purpose Vehicles (匯發[2005]75號 — 國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知). Circular 37 requires domestic residents of the PRC (“PRC Resident”), which includes overseas individuals who do not hold PRC legal identity documents but habitually reside in the PRC due to economic interests, to register with SAFE before the PRC resident contributes assets or equity interests to an overseas SPV, which is established or controlled by the PRC Resident for the purpose of investment or financing. As various companies within our Group are incorporated outside the PRC, pursuant to Circular 37, Ms. Wang Luojia and Mr. Mai Jun being overseas individuals who do not hold PRC legal identity documents but habitually reside in the PRC due to economic interests and also two of our Group’s ultimate shareholders have applied for registration to the Shanghai branch of SAFE on 29 September 2014, but have yet to receive a formal response as at the date hereof.

According to our Group’s PRC legal adviser, King & Wood Mallesons, as Circular 37 is newly issued and its actual implementation has yet to be tested. As such, although applications to SAFE according to Circular 37 have already been made by Ms. Wang Luojia and Mr. Mai Jun, we were not able to obtain a response from SAFE before the Latest Practicable Date. Our Group’s PRC legal adviser, King & Wood Mallesons, however, has advised that based on its understanding of Circular 37, it does not foresee legal obstacles to the completion of the registration of the Circular 37 application by SAFE. Our Directors expect completion of the registration procedures to take place shortly after the Listing. The Company’s PRC legal adviser, King & Wood Mallesons, confirms that completion of the registration procedures as set forth in the SAFE Circular 37 by Ms. Wang Luojia and Mr. Mai Jun after the proposed Listing will not constitute a non-compliance in relation to the SAFE Circular 37. In practice, we believe that SAFE will need time to work out the implementation of Circular 37, and it may not be able to give an immediate formal reply.

Our PRC legal adviser, King & Wood Mallesons, has confirmed that all approvals, permits and licences from the relevant PRC government authorities regarding the acquisitions and disposals in the PRC in relation to the Reorganisation have been obtained, and the Reorganisation has complied with all applicable PRC laws and regulations and that all of the acquisitions and disposals under the Reorganisation, as well as the transfer of business from SSBETS to Sangon Biotech on 2 November 2009, have been properly and legally completed and settled.

Our Directors consider that the acquisitions and disposals in relation to the Reorganisation have been properly and legally completed and confirm that the Reorganisation complies with the relevant laws and regulations.

OVERVIEW

We are a well-recognised provider with a comprehensive portfolio coverage in the life sciences research product and service industry in China in 2013, according to the Frost & Sullivan Report. Life sciences research products and services are specialised research consumable products and professional outsourcing services. They are widely used in the basic research in various disciplines, including biology, medicine, pharmacy, environmental science, biotechnology and bioengineering. We offer DNA synthesis products, genetic engineering services, life sciences research consumables, and protein and antibody related products and services which are used to facilitate the studies of life sciences including animal and plant, disease, medical diagnosis, drug development, food industry and agriculture. With the assistance of life sciences research products and services, researchers and scientists have achieved technological breakthroughs in biological research. We are the largest provider of DNA synthesis products in China in terms of revenue in 2013, according to the Frost & Sullivan Report. With our extensive direct sales network across China, we efficiently deliver quality products and services to our customers. We have also entered into the broader market of Asia, North America, South America, Europe, and Africa primarily introducing our DNA synthesis products and life sciences research consumables.

Our major customers include colleges, universities and research institutes which accounted for a total of approximately 51.8% of our revenue for the six months ended 30 June 2014. Our other customers include hospitals, pharmaceutical and biotech companies, government testing and diagnostic centres, as well as distribution companies in China and overseas. According to the Frost & Sullivan Report, in 2013, we ranked first among DNA synthesis products providers in terms of revenue with a market share of approximately 17.4% in China. We also ranked first among oligonucleotide synthesis product providers as a sub-segment of DNA synthesis products in terms of revenue with a market share of approximately 26.0%. In addition, we ranked sixth in the DNA sequencing service market as a sub-segment of genetic engineering services in terms of revenue.

Our core competitive edge is our comprehensive product and service portfolio that satisfies daily laboratory requirements for performing life sciences research with an extensive range of applications. According to the Frost & Sullivan Report, life sciences research requires a vast array of products and services, which generally consist of the following four segments. We were a well-recognised supplier in China that had provided products and services in all of these four segments as at the Latest Practicable Date. The segments are interrelated. For example, DNA synthesis drives the growth of genetic engineering services, and in turn genetic engineering services drive the demand for DNA synthesis products.

- a. *DNA synthesis products*, comprising oligonucleotide synthesis and gene synthesis. DNA synthesis is a process by which nucleic acid molecules with specific sequences are artificially made. DNA synthesis is needed for the vast majority of life sciences research projects, from basic molecular biology research to even broader areas such as animal and plant studies, disease research, medical diagnosis, drug development, food industry and agriculture;
- b. *Genetic engineering services*, comprising DNA sequencing, next-generation sequencing, and molecular biology services. Genetic engineering services are services related to the

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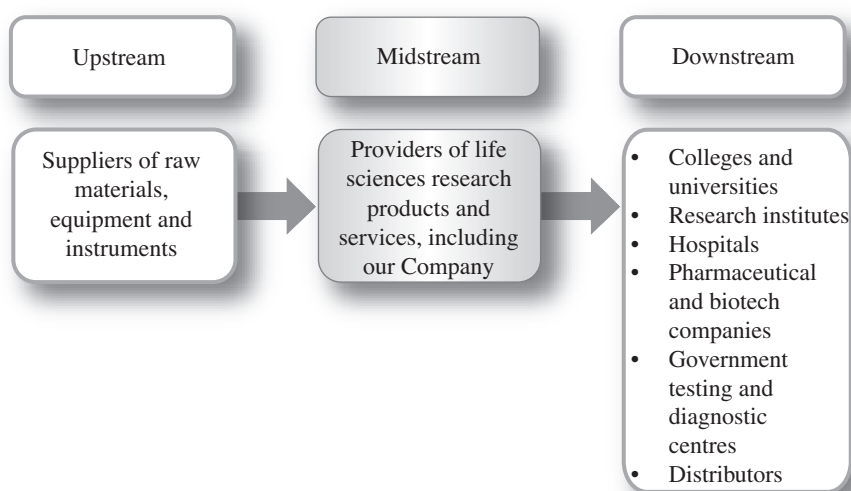
manipulation and analysis of the genes of organisms. DNA sequencing is the process of the determination of DNA sequence, which provides the basis for the vast majority of DNA analysis. Molecular biology services include most types of molecular biology experiments such as gene cloning, genotyping, gene expression analysis, and real-time PCR. Genetic engineering services have wide applicability in agriculture, in the study of diseases using animal models, and in the detection, diagnosis, and prognosis of diseases;

- c. *Life sciences research consumables* refer to experimental materials (biochemical reagents and research kits) and consumable parts (labware) that are used by researchers in experiments. Life sciences research consumables are needed by life sciences research laboratories to carry out research projects; and
- d. *Protein and antibody related products and services*, comprising protein related products and services, including polypeptide, are primarily used for protein production and analysis such as proteomics studies. Antibody related products and services are primarily used for immunology experiments.

Over the past decade of development, our Sangon and BBI brands have become highly recognisable in the market based on the reputation for product and service quality, price competitiveness, and efficient service delivery. We use our Sangon and BBI brands to primarily target and serve our customers in China and overseas, respectively. We have implemented strict quality control measures over our entire production process. Moreover, we aim to provide products and services which are substantially comparable to similar products and services of international brands in terms of specifications, functionality, and applicability, but offered at attractive and affordable prices for daily laboratory uses. We believe our extensive direct sales and distribution network across China facilitate an efficient delivery of services.

Business Model

The diagram below illustrates the upstream supplier market, our position as a life sciences research products and services provider, and the downstream market comprising various establishments in the life sciences research product and service industry value chain.



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Suppliers

Vertically, we source raw materials, equipment, and instruments from suppliers in the upstream market primarily in China and in the United States. For instance, we procure raw materials such as monomers for DNA synthesis, special reagents for DNA sequencing, enzymes for gene synthesis, biochemical reagents for research kits, and plastic particles for labware from our suppliers. Special instruments for life sciences research products and services include DNA synthesizer for oligonucleotide synthesis, PCR machines (thermal cyclers) for gene synthesis, DNA analyzer for sequencing, atomic absorption spectrophotometer and gas chromatography for quality control for biochemical reagents, injection moulding machine for labware production, and protein purification system for protein production. Please see the section headed “Business — Suppliers, Raw Materials and Inventory” on page 214 of this prospectus for further details.

For the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, purchases from our five largest suppliers together accounted for approximately 32.7%, 34.4%, 24.5%, and 26.9% of our total purchases, respectively and our single largest supplier accounted for approximately 9.5%, 10.4%, 6.2% and 7.2% of our total purchases, respectively, during the same periods. As at 30 June 2014, we had maintained business relationships with these suppliers for over five years on average.

Production

We are headquartered in Shanghai where our principal production facility is located. Our principal production facility produces and provides products and services in all of our four business segments. It also procures raw materials for and provides technical support to our Beijing branch that primarily provides oligonucleotide synthesis product and DNA sequencing services, and to our Wuhan and Guangzhou branches that primarily provide DNA sequencing services. We are also in the early stage of establishing another branch in Beijing for the production and delivery of our products and services. We have another production facility in Canada that primarily serves the needs of the customers in North America by offering DNA sequencing services and life sciences research consumables. For the six months ended 30 June 2014, the utilisation rate of our production facilities for the production of DNA synthesis products, genetic engineering services, and life sciences research consumables had reached almost or over 90%, while the utilisation rate of our production facilities for the production of protein and antibody related products and services had increased from 19.7% to 43.3% during the Track Record Period. Please see “Business — Production Facilities and Equipment” for a discussion on the designed annual production capacity, production volume, and utilisation rates in respect of each of our four business segments during the Track Record Period on page 211 of this prospectus.

While we produce and provide the majority of our products and services at our production facility and laboratories, we also outsource ancillary production steps to sub-contractors in order to achieve cost efficiency. This includes certain steps of next-generation sequencing services. In addition, to expand and diversify our product offering, we procure some of our life sciences research

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consumables such as biochemical reagents. They are trading products produced by suppliers. We carry out quality control tests and repackaging to meet the various needs of scientific researchers. Please see the section headed “Business — Production Process” on page 196 of this prospectus for further details.

Customers

We believe that our product and service portfolio satisfies daily laboratory requirements in life sciences research, empowers our customers to accelerate their research progress and to solve complex life sciences problems, enhances their productivity, and enables them to achieve efficiency and cost effectiveness. Our major customers include colleges, universities and research institutes which accounted for a total of approximately 51.8% of our revenue for the six months ended 30 June 2014. Our other customers include hospitals, pharmaceutical and biotech companies, government testing and diagnostic centres, as well as distribution companies in China and overseas, which accounted for approximately 7.1%, 33.9%, 0.6%, and 6.6%, respectively, during the same period.

During the Track Record Period, the five largest customers together accounted for approximately 8.1%, 6.4%, 8.2%, and 8.4% of the percentage of turnover for each of the years ended 31 December 2011, 2012, and 2013, and the six months ended 30 June 2014, respectively. As at 30 June 2014, our five largest customers during the Track Record Period had maintained a working relationship with us for over seven years on average.

Our customers use our products and services to conduct life sciences research. As life sciences research can be a sequence of experiments with variations and uncertainties, it is commonplace that our customers place purchase orders several times a week. Researchers need to purchase various types of products and services in their daily experiments, and most orders are small and varied. To address the nature of the frequent purchase pattern of our research customers in China, we launched a prepayment scheme for the purchase of our products and services. To streamline transaction procedure and in line with market practice, customers are willing to make prepayments to reliable biotech companies. Under the scheme, we generally enter into prepayment agreements with our customers. Pursuant to the prepayment agreements, some of our customers make a lump sum prepayment and offset for the products or services purchased at a later time. With respect to arrangements involving researchers and scientists (the “**Individuals**”) based in colleges, universities, and research institutes in the PRC (the “**Institutions**”), the Institutions as our customers make a lump sum prepayment based on purchase decisions by the Individuals related to their research activities and offset for the products or services purchased at a later time. With the objective to build long-term and mutually beneficial relationships with our customers, we in turn offer discount typically set between 5% and 10% based on our prevailing price as a component of our loyalty marketing programmes to research customers only purchasing under the prepayment scheme. Please see the section headed “Business — Customers — Payment Method and Credit Terms” for further details of the prepayment scheme on page 191 of this prospectus.

Multi-channel sales and marketing through our strong direct sales capabilities and distribution network across China and overseas

We are headquartered in Shanghai, China. According to the Frost & Sullivan Report, we have established one of the most extensive direct sales network with broad geographical reach in our

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primary market of China. As at 30 June 2014, our direct sales network comprised three branches in Beijing, Wuhan, and Guangzhou and 38 sales points across China. The sales points refer to cities at which we have sales representatives stationed to carry out day-to-day sales and marketing activities by visiting customers' offices, notwithstanding that we have not established any offices or branches at these sales points. We have also established two subsidiaries outside China, namely, Bio Basic (Canada) and Bio Basic (US), to expand into the North American market. As at 30 June 2014, our branches and sales points in China and overseas were represented by a team of over 230 sales representatives.

By adopting a direct sales business model, our life sciences research products and services are offered at competitive prices absent of multi-level commissions in a typical distributorship business model. We can ensure that all selling effort is devoted to our products and services. Moreover, through face-to-face interaction with customers about our products and services on a frequent basis, we are better informed of customers' current and evolving needs and are allowed to own customer relationships.

In addition to our direct sales team, as at 30 June 2014, we had over 90 third-party distributors, primarily selling our DNA synthesis products and life sciences research consumables in China and overseas. Our distribution network extended to over 18, 2, 4, 15 and 3 countries and territories in Asia, North America, South America, Europe, and others, respectively, as at 30 June 2014. To the best of our knowledge, the majority of our distributors are biotech trading companies which procure our products to supplement their product portfolio for onward selling.

By adopting a distribution model, we effectively tapped into market potential and increased business volume. We believe that our multi-channel sales and marketing through a blend of direct sales and distribution network ensures greater market penetration and development of our Sangon and BBI brands. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our direct sales accounted for 91.3%, 92.9%, 92.7% and 93.4% of our total revenue, respectively. For the same periods, our sales to distributors accounted for 8.7%, 7.1%, 7.3% and 6.6% of our total revenue, respectively.

Favourable government policies and increase in healthcare spending in support of the growth of the biopharmaceutical and life sciences industries

China's life sciences sector is growing rapidly, bolstered by significant investment and incentives from the government. On 10 October 2010, the State Council issued the Decision on Accelerating the Fostering and Development of Strategic Emerging Industries* (國務院關於加快培育和發展戰略性新興產業的決定) (the "**Decision**"). Under the Decision, bio-industry is one of the strategic emerging industries which the government shall give priority support to become one of the pillar industries. The objectives are to develop a robust domestic innovative pharmaceutical industry and increase domestic pharmaceutical manufacturers' research and development capabilities and overall competitiveness. As a life sciences research products and services provider, we are well-positioned to benefit from the government policies.

Pursuant to the Decision, the PRC government has released a series of favourable policies to support the growth of the bio-industry. On 14 March 2011, the State Council approved the 12th

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Five-Year Plan for the Development and Reform of the Financial Industry* (國民經濟和社會發展第十二個五年規劃綱要) (the “Plan”). The Plan highlighted the development of innovative pharmaceutical products as a national science and technology major project. The Plan encouraged pharmaceutical companies to nurture critical biotechnologies. On 14 November 2011, the Ministry of Science and Technology of the PRC issued the Notice on Bioscience Technology Development Plan* (科學技術部關於印發“十二五”生物技術發展規劃的通知) (the “Notice”). The Notice stipulates a number of supportive measures, including implementing preferential financial and taxation policies, encouraging research and development and production, and improving the intellectual property system. On 29 December 2012, the State Council issued the Notice on the Bio-industry Development Plan* (國務院關於印發生物產業發展規劃的通知). It is predicted that the bio-industry will become one of the pillar industries in China’s economy.

The PRC government funding to scientific research has been growing steadily year over year. According to the Frost & Sullivan Report, government expenditure on research and development activities amounted to RMB479.7 billion, RMB560.0 billion and RMB627.7 billion for the years ended 31 December 2011, 2012, and 2013, representing a CAGR of 14.4%. The emphasis on and support to life sciences research by the government lays a solid basis for the steady growth in demand for our life sciences research products and services.

According to the China Science and Technology Statistical Yearbook 2013, there were a total of 2,442 colleges and universities in China as at 2012, 1,039 of which focus on science, engineering, agriculture and medicine studies. With an increasing emphasis on academic advancement supported by government funding, there was a rise in the number of research professionals and research projects. As at 2012, there were a total of 678,000 research professionals and 657,027 research projects in colleges and universities in China, with a CAGR of 10.0% and 11.3% during the period of 2009 to 2012, respectively, according to the China Science and Technology Statistical Yearbook 2013. On the side of research institutes, the number of research professionals and research projects had steadily increased as well under the support of state policies, with a CAGR of 6.3% and 9.1% during the period of 2009 to 2012, respectively, according to the China Science and Technology Statistical Yearbook 2013.

China’s total healthcare expenditure has been growing rapidly alongside rising household income and the population’s increasing focus on quality of life. The PRC per capita healthcare expenditure increased from RMB1,314.3 in 2009 to RMB2,326.8 in 2013 with a 2009-2013 CAGR of 15.4% according to the National Health Statistics Yearbook, and is expected to continue to grow. The robust increase in per capita healthcare spending is largely attributable to increasing government investment in the social insurance fund, healthcare infrastructure construction and improving consumer purchasing power. Furthermore, individuals aged above 65 years old in China reached 132.0 million in 2013, accounting for 9.7% of its total population, according to the China Statistics Yearbook. The growing elderly population is expected to reach 342.0 million in 2030, accounting for 23.6% of its total population, according to the Frost & Sullivan Report. This represents high growth prospects in the healthcare industry in China.

To capture industry growth and expand market share, it is expected that pharmaceutical and biotech companies will allocate more financial resources towards supporting biopharmaceutical research activities including researching into the new system of healthcare that utilises personalised

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medicine. The approach of personalised care harnesses genome-based information to consider individual susceptibility to disease and therapeutic options. Based on the knowledge of one's susceptibility, medical practitioners may detect the onset of disease earlier and before it is clinically evident, pre-empt disease progression, and target medicines and their dose more precisely and safely to each patient, on the basis of a deeper understanding of disease mechanism and the role that genetic and genomic factors play in the individual response to drugs. Along with robust research activities in the private sector, we are well-positioned to assist our customers to accelerate life sciences research, solve complex analytical challenges, improve patient diagnostics and increase laboratory productivity by offering our comprehensive product and service portfolio.

Revenue

During the Track Record Period, we recorded revenue of RMB160.1 million, RMB186.4 million, and RMB220.0 million for the years ended 31 December 2011, 2012 and 2013, respectively, representing a CAGR of 17.2%. Our net profit, defined as after tax profit attributable to owners of our Group, amounted to RMB34.8 million, RMB35.3 million, and RMB42.3 million for the years ended 31 December 2011, 2012 and 2013, respectively, representing a CAGR of 10.25%. For the six months ended 30 June 2014, our revenue was RMB120.0 million and our net profit was RMB42.8 million. Please see "Financial Information — Description of Certain Consolidated Income Statement Items — Revenue" for a discussion on our revenue growth beginning on page 283 of this prospectus.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths of our Group differentiate us from our competitors and help us compete effectively in the industry.

Market leadership with strong brand recognition

We are a well-recognised provider with a comprehensive portfolio coverage in the life sciences research product and service industry in China in 2013, according to the Frost & Sullivan Report. We are also the largest provider of DNA synthesis products in China in terms of revenue in 2013, according to the Frost & Sullivan Report. With our extensive direct sales network across China, we efficiently deliver quality products and services to our customers. Our comprehensive product and service portfolio are used for an extensive range of applications in laboratories. Our customers include colleges and universities, research institutes, hospitals, pharmaceutical and biotech companies, government testing and diagnostic centres, as well as distribution companies in China and overseas. According to the Frost & Sullivan Report, in 2013, we ranked first among DNA synthesis product providers in terms of revenue with a market share of approximately 17.4% in China. In particular, we also ranked first among oligonucleotide synthesis product providers in terms of revenue with a market share of approximately 26.0%. In addition, we ranked sixth in the DNA sequencing service market as a sub-segment of genetic engineering services in terms of revenue. We have also entered into the broader market of Asia, North America, South America, Europe, and Africa primarily introducing our DNA synthesis products and life sciences research consumables.

Our Sangon and BBI brands have become highly recognisable in the market based on product and service quality, price competitiveness, and efficient service delivery. As an early mover that pioneered

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into the DNA synthesis in China, we have established a leading market position with reliable quality, in light of the strict quality control measures over our entire production process. For instance, we conduct mass spectrometry testing for all oligonucleotides to ensure sequences are correctly synthesised. Moreover, we aim to provide products and services which are substantially comparable to similar products and services of international brands in terms of specifications, functionality, and applicability, but offered at attractive and affordable prices for daily laboratory uses. We believe our extensive direct sales and distribution network across China facilitate an efficient delivery of services.

We believe that market demand for our products and services will continue to increase in the near future. Our key growth driver is the series of favourable national policies of the PRC to support the growth of the bio-industry. Bio-industry is one of the strategic emerging industries which the PRC government is committed to transform into one of the nation's pillar industries. For instance, pursuant to the Notice, the government outlined various key tasks of achieving major breakthroughs in core technologies, including “*Omic*s” technology, synthetic biological technology, bioinformatics technology, gene therapy and cell therapy technology, genotyping and personalised medicine technology, drug target discovery and molecular design technology. It also encourages the study of animals and plants as well as related gene mapping research. The objective is to develop the bio-industry as one of the pillar industries of China's economy.

With the favourable policy background and driven by the increasing healthcare awareness in the downstream market, pharmaceutical and biotech companies are allocating more financial resources to support biopharmaceutical research activities. In recent years, China's total healthcare expenditure has been growing rapidly. In comparison to most developed countries, China achieved higher growth in per capita healthcare expenditure. The robust increase in per capita healthcare spending is largely attributable to an increase in medical needs as a result of an increasingly aging society, increasing household income, increasing focus on the quality of life, improvements in medical facilities and expansion of medical insurance coverage. To capture industry growth and expand market share, it is expected that pharmaceutical and biotech companies would allocate more financial resources to support biopharmaceutical research activities. Along with the robust research activities in the private sector, we are well-positioned to assist our customers to accelerate life sciences research, solve complex analytical challenges, improve patient diagnostics and increase laboratory productivity by offering our comprehensive product and service portfolio.

As at 30 June 2014, we offered our life sciences research products and services to nearly 40 leading universities under the “Project 985” programme and over 100 key universities under the “Project 211” programme. The PRC and local governments allocate significant amounts of funds to encourage these universities to advance in life sciences research. Benefiting from favourable national policy, we are well-positioned to capitalise on the rising demand from the downstream market for our products and services.

We also believe that market demand for our products and services in the North American market will continue to increase in the near future. North America life sciences research product and service market spans a geographic area covering the United States and Canada. According to the Frost & Sullivan Report, the United States plays a leading role in terms of modern life sciences and its related industry, accounting for 59% of global patents in biotechnology, 51% of global patents in medical field, 40% of global patents associated with human genes, and nearly 40% of global output in medical

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industry. The nation's heavy investment in biotech academic research and leading position in biopharma industry strongly sustain the growth in its life sciences research product and service market. Meanwhile, according to the Frost & Sullivan Report, Canada's life sciences industry is designated as the key piece in the country's effort to boost economic growth. More than 460 biotech companies are located in Canada with 13,000 employees and they spend nearly USD1.7 billion in research and development function annually. Their dedicated effort to advance life sciences development will surely benefit the expansion of research product and service market.

Comprehensive product and service portfolio for life sciences research

Our core competitive edge is our comprehensive product and service portfolio for performing life sciences research. Life sciences research requires a vast array of products and services, which generally consist of four segments, according to the Frost & Sullivan Report. We were a well-recognised provider in China that had provided products and services in all of these four segments as at the Latest Practicable Date, namely, (i) DNA synthesis products, comprising oligonucleotide synthesis and gene synthesis, (ii) genetic engineering services, comprising DNA sequencing, next-generation sequencing and molecular biology services, (iii) life sciences research consumables, comprising biochemical reagents, research kits and labware, and (iv) protein and antibody related products and services. We believe that our product and service portfolio satisfies daily laboratory requirements in life sciences research.

The competitive advantage of a comprehensive product and service portfolio lies in the strong correlation among various life sciences research products and services. For instance, (i) DNA sequencing uses synthesised DNA, (ii) gene synthesis is based on oligonucleotide synthesis, and (iii) biochemical reagents are raw materials for research kits. By offering comprehensive product and service portfolio, we are able to save time and costs for our customers and hence improve customer loyalty. Furthermore, the use of automated machinery enables us to streamline production practices and processes, and significantly increase our production quality. Since we have consistently delivered high quality products and services to our customers, we have gained strong brand awareness among universities, research institutes, and pharmaceutical and biotech companies in China.

Along with the robust research activities both in the public and private sectors, our comprehensive product and service portfolio has a wide application in life sciences research. For instance, synthesised DNA molecules offered under our DNA synthesis product category can be used in medicine to diagnose an infectious disease and in the food industry to detect biological contamination. Meanwhile, our DNA sequencing service assists the study of diseases using animal models in the detection, diagnosis, and prognosis of diseases. It also serves as a promising tool in the research of personalised medicine. In addition, we offer an extensive range of life sciences research consumables which are needed by every life sciences research laboratory to carry out research projects. Our protein and antibody related products and services can assist diagnostic companies and testing laboratories to detect protein and antigens which are critical to life sciences research. These products and services constitute critical components and materials for the life sciences research.

We strive to meet the current and evolving needs of our customers by continuously strengthening our product and service lines in response to market demands and keeping abreast of technological advancement. As at 30 June 2014, we maintained a highly skilled team of 70 research and development

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personnel, of which approximately 5.7% possess doctorate degrees and approximately 27.1% possess masters' degree across various disciplines, including molecular biology, genetics, biological engineering, and immunology. We aim to continuously improve our production process. During the Track Record Period, we had developed over 3,500 antibodies and over 10 enzyme tools for research use. In addition, we have also implemented internal performance review and incentive programmes to motivate our in-house researchers to develop new patents and explore new categories of products and services. They will be entitled to receive monetary rewards for successfully developing patentable products, services, and technologies. Please see the section headed "Business — Research and Development" on page 218 of this prospectus for further details. We will continue to invest in research and development as we develop new and innovative products and services with the use of advanced technology to further strengthen our market position in the PRC life sciences research product and service industry.

Proven research and development capabilities, robust product and service pipeline, and a growing intellectual property portfolio.

The cornerstone of our research and development platform is a core team of experienced researchers. As at 30 June 2014, we maintained a highly skilled research and development team of 70 members, of which approximately 5.7% possess doctorate degrees and approximately 27.1% possess masters' degree across various disciplines, including molecular biology, genetics, biological engineering, and immunology. Our research and development team is led by Dr. Li Wei and Dr. Yan Hua. Dr. Li obtained his Doctor of Philosophy in Genetics from Fudan University* (復旦大學) in Shanghai. Dr. Yan obtained his Doctor of Philosophy in Immunology from Wuhan Institute of Biological Products* (武漢生物製品研究所). As at 30 June 2014, they had more than 8 years and 30 years of experience in the research and development field, respectively.

Our research and development team maintains routine contact with our major customers. As at 30 June 2014, our products and services had been used by researchers and scientists in over 640 colleges and universities, 790 research institutes, 480 hospitals, 2,640 pharmaceutical and biotech companies, and 20 government testing and diagnostic centres. During the Track Record Period, we had developed over 3,500 antibodies for research use, developed applications of key next-generation DNA sequencing techniques and launched related services, and advanced an automated system for DNA synthesis. In addition, we had a number of products and services in various stages of development. We believe that our competitive edge includes the ability to develop new products and services in addition to our present comprehensive portfolio, adapt to rapid and significant technological change and respond to introductions of new offerings by competitors to remain competitive. Please see the section headed "Business — Research and Development — Achievements and Pipeline Projects" for details of our major pipeline products and services being developed by our research and development team.

We have built an intellectual property portfolio, particularly in the biotechnology area. We also diligently monitor and defend our intellectual property. As at the Latest Practicable Date, we had registered a total of 10 patents in China, including HAP-DNA purification column for developing our oligonucleotide synthesis products and a type of synthesis method of the gene containing the repeat sequence for the synthesis of repeat-rich fragments in the gene synthesis business (such fragments are generally difficult to synthesise using conventional methods). We enjoyed the exclusive right to utilise such patented technologies. Our technology is associated with technological know-how which will

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remain to be our trade secrets even after the end of the patent protection periods and our Directors believe that it would take years of trials and substantial investment in implementing the technology and reaping any benefits from commercial production by our competitors. Meanwhile, we are improving our production technologies and know-how through our continuous research and development efforts with the aim to file an improvement patent in respect of such patent. Based on the aforesaid, we do not expect material adverse impact when the patent protection period ends. In addition, as at the Latest Practicable Date, we had four patent applications pending in China. We believe that our strong research and development capabilities and strong intellectual property portfolio reinforce our brand and will continue to enable us to keep pace with constantly evolving technologies in our industry. Please see the subsection headed “— Major Production Technologies” in this section for the information of the various production technologies.

By bringing ourselves close to the users of our products and services, we are able to directly receive feedback of our portfolio that in turn encourages core capabilities development for a wide range of life sciences research applications. We believe that this will provide us with a distinct advantage over competitors. In 2011, Sangon Biotech was recognised as the Songjiang District Enterprises Technology Centre* (松江區企業技術中心) by the Songjiang District Industrial Technology Development Leading and Working Group* (松江區工業技術創新工作領導小組). In 2013, our Group received the Shanghai Municipal Hi-tech Enterprise certificate* (高新技術企業證書) jointly presented by Science and Technology Commission of Shanghai Municipality* (上海市科學技術委員會), Shanghai Municipal Finance Bureau* (上海財政局), Shanghai Municipal Office of the State Administration of Taxation* (上海市國家稅務局), and Shanghai Municipal Bureau of Local Taxation* (上海市地方稅務局). Please see “Business — Awards and Recognition” for a list of major awards and recognition we received since 2011.

The life sciences research product and service industry is characterised by rapid and significant technological changes. Based on a variety of production technologies, know-how and new products and services, we also aim to enter into new markets, including the food industry and the disease prevention, diagnosis and treatment. Through our robust research and development efforts, we have introduced new products and a continuing flow of innovative services in addition to our present large portfolio to keep abreast of the evolving industry standards and maintain and improve our competitive position.

Multi-channel sales and marketing through our strong direct sales capabilities and distribution network across China and overseas

We are headquartered in Shanghai, China. According to the Frost & Sullivan Report, we have established one of the most extensive direct sales network with broad geographical reach in our primary market in China. As at 30 June 2014, our direct sales network comprised three branches in Beijing, Wuhan, and Guangzhou and 38 sales points across China. The sales points refer to cities at which we have sales representatives stationed to carry out day-to-day sales and marketing activities by visiting customers’ offices, notwithstanding that we have not established any offices or branches at these sales points. We have also established two subsidiaries outside China, namely, Bio Basic (Canada) and Bio Basic (US), to expand into the North American market. As at 30 June 2014, our branches and sales points in China and overseas were represented by a team of over 230 sales

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representatives. We select our branches and sales points primarily based on its proximity to our major customers, since life sciences research activities are very time sensitive. For instance, oligonucleotide synthesis and DNA sequencing often require quick responses from service providers so as to avoid unnecessary losses during research and laboratory experiments.

By adopting a direct sales business model, our life sciences research products and services are offered at competitive prices absent of multi-level commissions in a typical distributorship business model. We can ensure that all selling effort is devoted to our products and services. Moreover, through face-to-face interaction with customers about our products and services on a frequent basis, we are better informed of customers' current and evolving needs and are allowed to own customer relationships. Sales team will convey customers' requirements and expectations to the production and research and development personnel, hence encouraging core capabilities development. We believe that this will provide us with a distinct advantage over competitors without such personal understanding of customer needs so as to customise our products and services to meet those needs. In the process, we control the total customer experience and are allowed to develop customer loyalty and own customer relationships.

We have made substantial efforts to establish close customer relationships through direct sales and visits. As at 30 June 2014, our direct sales model was supported by a team of over 230 sales representatives. Our direct sales team receives regular training on our products and services. With a good grasp of our customers' requirements, we provide clear guidance about our products and services, as well as comprehensive technical support and after-sales services to our customers. We strive to develop an understanding of the current and evolving needs of our customers and build a comprehensive product and service portfolio that meets these needs. Direct interaction with our customers is a significant source of our competitive advantage.

In addition to our direct sales team, as at 30 June 2014, we had over 90 third-party distributors primarily selling our DNA synthesis products and life sciences research consumables in China and overseas. Our distribution network extended to over 18, 2, 4, 15, and 3 countries and territories in Asia, North America, South America, Europe, and others, respectively, as at 30 June 2014. To the best of our knowledge, the majority of our distributors are biotech trading companies which procure our products to supplement their product portfolio for onward selling.

By adopting a distribution model, we effectively tapped into market potential and increased business volume. We believe that our multi-channel sales and marketing through a blend of direct sales and distribution network ensures greater market penetration and development of our Sangon and BBI brands. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our direct sales accounted for 91.3%, 92.9%, 92.7% and 93.4% of our total revenue, respectively. For the same periods, our sales to distributors accounted for 8.7%, 7.1%, 7.3% and 6.6% of our total revenue, respectively.

Seasoned and dedicated management team

With extensive experience in various segments of the life sciences research product and service industry, our Board and senior management team played important roles in the process of establishing and developing our Group.

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Mr. Wang Qisong, our founder, our chairman and executive Director, has capitalised on his in-depth industry experience and laid a solid foundation for our Group. From 1985 to 1991, he was an associate professor at the Institute of Genetics, School of Life Sciences, Fudan University* (復旦大學生命科學學院遺傳學研究所). From March 1991 to August 1991, he assumed the positions as consultant at the International Genetic Engineering and Biotechnology Centre of the United Nations. Ms. Wang Luojia, our executive Director and chief executive officer, obtained a Bachelor's degree of Chemistry at the University of Calgary in 1995. She has been working in the life sciences research product and service industry since graduation. Ms. Wang Jin, our executive Director and president, obtained a Master's degree of Molecular Biology at the University of Calgary in 1997. Mr. Hu Xubo, our non-executive Director, has accumulated substantial experience in investment management and strategies development and execution in the life sciences related industry.

Other members of our management, including our vice presidents, chief financial officer, head of research and development department, and key general managers, are also highly experienced in their respective fields, with business and financial acumen. As at 30 June 2014, each of them had been serving our Group for at least three years. Four members of our senior management team possess masters' degrees or doctorate degrees. We believe that our leadership team, with their strong management talent, will help us sustain our organic growth and expand into new product and service segments.

OUR STRATEGIES

Our objective is to further grow and consolidate our market position in the life sciences research product and service industry. To this end, we intend to implement the following key business strategies.

Deepen and broaden our product and service portfolio to serve a wider customer base

We plan to continue to deepen our existing product and service portfolio and broaden product and service categories to capture future growth opportunities. We strive to reinforce our position in the biomedical research field, in particular with hospitals that conduct biomedical research. Leveraging on our market leading position in the DNA synthesis product segment, we intend to expand our DNA synthesis products to new fields of applications, including the pharmaceutical and diagnostic fields of applications. Under the DNA sequencing service of our genetic engineering service segment, we intend to strengthen our professional research team responsible for the development of the next-generation sequencing to extend and improve our sequencing service offering. Under the life sciences research consumables segment, we aim to continuously enrich our biochemical reagents portfolio and develop new research kits and labware. Under the antibody related product and service segment, we plan to diversify the types of antibodies and extend the scope of application of our products and services.

In terms of exploring new market opportunities, we consider that food safety has grown into an important business area. Owing to rising concerns over food safety worldwide, there is an increasing need for detecting biological contamination in food. This continues to drive the growth of diagnostic activities in the food industry. We intend to develop diagnostic research kits for the purpose of testing contaminants in food.

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In addition, we also consider that disease prevention, diagnosis and treatment as another promising business area that we strive to enter. The number of diseases that rely on DNA diagnostics to detect disease-related genetic information is expanding. Molecular biology not only plays an important role in disease diagnosis, but has also been appreciated recently to have promising application in disease treatment. Diagnosis and treatment at the molecular level require DNA synthesis products and sequencing services. We plan to deepen our product and service portfolio in DNA synthesis, DNA sequencing and research kits to meet the needs from diagnostic centres and hospitals in disease prevention, diagnosis and treatment. The development of methods of disease treatment at the molecular level promotes the need for consumables for clinical use. Our research consumable business provides a solid and strong foundation for future development into the clinical consumables market.

We intend to build a new factory facility in connection with the enrichment of our product and service portfolio. Please see the section headed “Business — Expansion Plans” for details of our development plan on page 212 of this prospectus.

Raise automation level of our production process and further enhance our information technology capability.

We intend to increase the use of automated machinery to perform multiple operations. We plan to acquire an automatic workstation for producing oligonucleotide synthesis, an automated dispensing line for producing research kits, and more robotic arms for producing labware. These machine will accelerate the production cycle. We believe that product quality will be enhanced by better supervision of the production process and minimising human intervention and potential contamination. Production acceleration and reduced dependence on labour can lower our production costs.

We intend to launch the SAP ERP system with in-built internal control mechanisms in 2015 primarily to consolidate group finance report into one system and provide real-time information and supports operations and sales planning to our overseas subsidiaries. The SAP system can reduce the possibility of redundancy errors hence creating a more efficient work environment. The key capabilities of the SAP system include analysing cash flow, customer payment performance, and measuring working capital levels, performing ad hoc queries and measuring operational performance using real time transaction data, predicting business performance by defining financial targets, developing a suitable business plan and monitoring costs and revenue during the execution, and generating consolidated financial and managerial reports with multi-reporting dimensions. It is expected that the rapid and accurate availability of financial data will support our global operations and sales planning.

To further coordinate manufacturing operations, we also intend to launch our in-house manufacturing execution system (MES). We have incorporated major production procedures into the MES system in addition to standard features to enable effective control of multiple elements of the production process and achieve complete traceability in the manufacturing stage. With MES, we expect to optimise work-in-progress and reduce lead times, and ultimately raise the plant performance and profitability.

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Gradual expansion of our direct sales network by establishing new branches and sales points and production facilities.

We intend to continue to gradually expand the geographic reach of our direct sales network and reinforce our market position by establishing new branches and sales points and production facilities in China. We also plan to expand into new markets in Asian and European countries to advance our brand recognition and create brand preference in overseas markets. In evaluating a potential location, we mainly consider the proximity to our major customers and the predicted development of adjacent properties. We aim to secure an area where we can reinforce our ability to deliver our products and services quickly to our customers and enjoy recurring cycles of business. Other site selection criteria include the requirements for receipt of raw materials and delivery of our products, utilities, and competitors within the area.

Strengthen our online sales platform and cultivate an online customer base

We strive to increase customer satisfaction by upgrading our electronic commerce system and enhancing online purchasing experience. We primarily offer life sciences research products on our website at <http://www.bbi-lifesciences.com>. We believe that purchasing convenience is an important factor for the retention of repeat customers. Our customers may utilise our search engine to search a specific product based on description, features, or other information using key words or phrases. To enhance online purchasing experience, we will regularly enrich the content of our website by posting useful and reliable science and knowledge tools. To facilitate the research process, we will also provide product information, methodology and step-by-step protocols for experimental design, analysis and data interpretation. In addition to post-sales follow-up, our customers will also be able to download our quality control and mass spec reports anywhere at their convenience.

With the global nature of the internet, we endeavour to serve a much broader customer base instead of serving a specific geographical area. It is expected that the potential volume of sales and revenue will increase. While we are able to continue to sell directly to our customers, transaction costs will be reduced in the absence of sales personnel and a physical storefront. We believe that the penetration rate of online purchase in the overall procurement market of the life sciences research product and service industry in China remains low. Although online purchase represented only a small proportion of our revenue, it is expected that the shift to online purchase by the new generation of young professors and researchers will continue to grow over the coming years. We believe there are significant opportunities for our continuous growth through our electronic commerce platform.

PRODUCT AND SERVICE PORTFOLIO

Our comprehensive product and service portfolio for life sciences research can be broadly classified into the following four categories:

- a. *DNA synthesis products*, comprising oligonucleotide synthesis and gene synthesis. DNA synthesis is a process by which nucleic acid molecules with specific sequences are

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artificially made. DNA synthesis is needed for the vast majority of life sciences research projects, from basic molecular biology research to even broader areas such as animal and plant studies, disease research, medical diagnosis, drug development, food industry and agriculture;

- b. *Genetic engineering services*, comprising DNA sequencing, next-generation sequencing, and molecular biology services. Genetic engineering services are services related to the manipulation and analysis of the genes of organisms. DNA sequencing is the process of the determination of DNA sequence, which provides the basis for the vast majority of DNA analysis. Molecular biology services include most types of molecular biology experiments such as gene cloning, genotyping, gene expression analysis, and real-time PCR. Genetic engineering services have wide applicability in agriculture, in the study of diseases using animal models, and in the detection, diagnosis, and prognosis of diseases;
- c. *Life sciences research consumables* refer to experimental materials (biochemical reagents and research kits) and consumable parts (labware) that are used by researchers in experiments. Life sciences research consumables are needed by life sciences research laboratories to carry out research projects; and
- d. *Protein and antibody related products and services*, comprising protein related products and services, including polypeptide, are primarily used for protein production and analysis such as proteomics studies. Antibody related products and services are primarily used for immunology experiments.



The following table sets forth a breakdown of our revenue by business segment for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
							<i>(unaudited)</i>			
DNA synthesis products	70,082	43.8	81,187	43.6	91,117	41.4	42,610	41.9	48,649	40.6
Genetic engineering services	23,263	14.5	31,603	17.0	41,872	19.0	18,574	18.3	22,330	18.6
Life sciences research consumables	58,761	36.7	61,768	33.1	70,838	32.2	32,984	32.5	36,647	30.5
Protein and antibody related products and services	8,010	5.0	11,799	6.3	16,161	7.4	7,421	7.3	12,360	10.3
TOTAL	<u>160,116</u>	<u>100.0</u>	<u>186,357</u>	<u>100.0</u>	<u>219,988</u>	<u>100.0</u>	<u>101,589</u>	<u>100.0</u>	<u>119,986</u>	<u>100.0</u>

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DNA Synthesis Products

We provide DNA synthesis products covering oligonucleotides and genes synthesis. DNA synthesis is a process by which nucleic acid molecules with specific sequences are artificially made. The primary difference in the end-product between oligonucleotide synthesis and gene synthesis is the length of the nucleic acid molecules synthesised. Oligonucleotides synthesis is the chemical synthesis of short single-stranded nucleic acid chains with desired sequence. Gene synthesis is a process by which long double-stranded nucleic acid chains with particular sequences are artificially made. The process usually involves the assembly of short nucleic acid molecules by a series of enzymatic reactions or via biological means.

Product name	Applications	Sample picture
Oligonucleotide synthesis	For nucleic acid amplification, detection and analysis	
Gene synthesis	For synthetic biology, optimised gene expression and biomedical research	

Oligonucleotide Synthesis

We use DNA synthesizer to synthesise oligonucleotides by adopting the solid-phase phosphoramidite method. This is currently the mature and mainstream oligonucleotide synthesis method. We are capable of synthesising oligonucleotides using not only the basic building blocks, such as deoxynucleosides and ribonucleosides, but also chemically modified nucleosides, such as fluorescence labelled deoxynucleosides.

A purification process is required to obtain high-purity end-product. Purification is the key to the quality of oligonucleotide synthesis. Techniques we currently use for oligonucleotides purification include desalting purification, PAGE purification, affinity purification, and HPLC purification.

Oligonucleotides are widely used in most life sciences laboratories and it is well-suited for various applications in molecular biology and medical research. For example, oligonucleotides are used as primers in both DNA sequencing and DNA amplification. Oligonucleotides also serve as probes in various DNA and RNA detection and analysis. Oligonucleotide synthesis products are needed essentially by almost every laboratory in life sciences research.

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As a well-recognised provider of customised oligonucleotides in China, we have 18 years of experience in perfecting the production of oligonucleotides. We have a capacity of producing over 10,000 oligonucleotides (about 200,000 bases) per day, adopting different types of purification methods. We are also able to successfully synthesise complex and rare oligonucleotides. A stringent quality assurance system is implemented to ensure the process is carried out in a quality-controlled environment. Please see the section headed “Business — Quality Assurance” for details of our quality control policies and procedures.

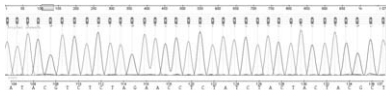
Gene Synthesis

Custom gene synthesis technology is extremely versatile and applicable to many different research areas, such as genetics, the regulation of gene expression, and the functional research of gene and drug discovery. We use the oligonucleotides made in oligonucleotides synthesis as starting materials for gene synthesis. Gene synthesis involves such techniques as amplification, cloning, nucleic acid purification and error correction, etc.

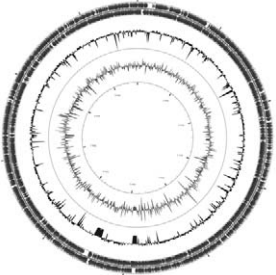
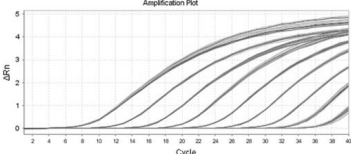
We are one of well-recognised gene synthesis suppliers in the PRC. We have developed our gene synthesis technology platform and established comprehensive service processes. Through years of research and development, we have obtained such patents as “Synthesis method of gene containing repetitive sequences” and “Fluorescent clone screening vector and preparation and application thereof,” and have obtained unique experience and expertise in gene optimisation and complex gene synthesis. With over 10 years of experience combined with our unique technology, we are able to offer reliable gene synthesis product at attractive and affordable prices.

Genetic Engineering Services

We provide comprehensive genetic engineering services covering DNA sequencing, next-generation sequencing method, and molecular biology services. DNA sequencing is a method by which nucleotide composition and sequence in nucleic acids are analysed; it is a process to “read” sequence information of DNA, RNA or other nucleic acids. Molecular biology services involve various methods of manipulation of nucleic acid molecules as requested by our customers to meet their research needs.

Service name	Applications	Sample picture
DNA sequencing	Analysis of DNA sequence	

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Service name	Applications	Sample picture
Next-Generation Sequencing	Analysis of genomic sequence	
Molecular biology services	Applicable to various types of experiments in molecular biology research	

DNA Sequencing and Next-Generation Sequencing

We employ equipment, instruments and biochemical reagents, and experienced and dedicated professional personnel for operation and data analysis. We closely monitor the development of DNA sequencing technologies in recent years, and use both Sanger sequencing (also called capillary electrophoresis sequencing) and next-generation sequencing technologies, which are respectively called the first- and the second-generation sequencing technologies. Sanger sequencing has relatively mature methods and instrument platforms and uses DNA analyzers as the primary instruments. Next-generation sequencing is a new generation of DNA sequencing technology that came into being in recent years. It can sequence hundreds of or even tens of millions of DNA molecules at a time, thereby obtaining vast sequence data. The latest instruments in next-generation sequencing are capable of producing hundreds of gigabytes of data in a single sequencing run.

DNA sequencing has a wide range of applications in most areas of life sciences research and medical research. It is widely used in the study of diseases using animal models and in the detection, diagnosis, and prognosis of diseases. It also provides a promising tool in the research of personalised medicine. With the ability to generate large volumes of sequencing data, next-generation sequencing enables researchers to obtain DNA sequence information on a massive scale with much increased speed.

Based on the traditional Sanger sequencing method, we have developed a whole set of unique technological process, including sample processing, sequencing reaction optimisation, and sequence analysis, and can process a large volume of samples rapidly with high accuracy. Data analysis and techniques in connection with next-generation sequence require that service providers be well-equipped with proper instrumentation and highly trained personnel. We began the construction of next-generation sequencing platforms and the development of related technology in 2011.

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Currently, we provide various next-generation sequencing services based on different sequencing platforms. We provide optimal solutions according to specific research purposes or requirements of various experiments. We aim to meet most of the next-generation sequencing project specifications of our customers.

The price of Sanger sequencing in 2014 is approximately RMB20.0 for a single reaction with the read lengths of up to 600 base pair to 1,000 base pair, according to the Frost & Sullivan Report. The price decreased by approximately 20.0% during the Track Record Period, primarily because the technology became mature and new players came into the market segment. Since the Sanger sequencing technology is the benchmark for accuracy and widely used in low-throughput analysis and verification, its price is expected to remain relatively stable in the near future. The price of next-generation sequencing decreased by over 90.0% since the introduction of relevant technology in 2010, primarily as a result of the technological development. Such price decreased by around 70% to 80% during the Track Record Period primarily because next generation sequencing gradually became more affordable for researchers, which resulted in an expanded customer base and growing demand to use the technology in a wide range of applications for life sciences research. The price in 2014 is approximately RMB500.0 to RMB800.0 per giga base pair (“**Gbp**”) (one giga base pair is equivalent of 10^9 base pair) of raw data generated, according to the Frost & Sullivan Report. Compared to the Sanger sequencing which is priced depending on base pair, the next-generation sequencing is generally priced according to customer specifications, primarily due to large quantities of data generated and subsequent data analysis involved in each project. The downward trend of the next-generation sequencing price is expected to slow down in the near future, primarily because the market competition becomes less intensive.

The revenue generated from the genetic engineering services segment was approximately RMB 23.3 million, RMB 31.6 million, RMB 41.9 million and RMB 22.3 million, respectively, for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, which accounted for approximately 14.5%, 17.0%, 19.0% and 18.6% of the total revenue for the same periods. Despite the downward trend of price, revenue from our genetic engineering service business increased during the Track Record Period. We have provided customised services of next generation sequencing to meet the individualised demands of our customers since 2012. We have adopted new methods to purify DNA sequencing samples, provided online download services and established more sequencing facilities which provide technical support and fast delivery to customers. We have also expanded our DNA sequencing service portfolio as we have offered more types of molecular biology services which have higher sales growth potential and hired more trained technicians who provide technical support to meet customer requirements. Furthermore, there was an increasing demand from our existing customers of DNA synthesis products for our genetic engineering services as a result of the synergistic effect of our broad product and service portfolio. Please see “Financial Information — Description of Certain Consolidated Income Statement Items — Revenue — By Business Segment” for further details about the revenue generated from our genetic engineering services segment on pages 283 and 284 of this prospectus.

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Gross profit of our genetic engineering service segment, which equals segment revenue less segment cost of sales, increased from RMB13.6 million for the year ended 31 December 2011 to RMB14.5 million for the year ended 31 December 2012, and further to RMB20.2 million for the year ended 31 December 2013, representing a 2011-2013 CAGR of 21.8%. Gross profit of our genetic engineering service segment increased by RMB2.1 million, or 22.3%, from RMB9.4 million for the six months ended 30 June 2013 to RMB11.5 million for the six months ended 30 June 2014.

Gross profit margin of our genetic engineering service segment, which equals segment gross profit divided by segment revenue, generally decreased from approximately 58.5% in 2011 to approximately 48.3% in 2013, primarily due to (i) decreases in the selling prices of our DNA sequencing and next-generation sequencing services mainly due to the introduction of advanced production technology and the increased market competition, and (ii) an increase in labour costs as a result of the increased average salary level of our service employees. Gross profit margin of our genetic engineering service segment increased from 50.5% for the six months ended 30 June 2013 to 51.5% for the six months ended 30 June 2014, primarily attributable to (i) decreases in costs of raw materials of our DNA sequencing and next-generation sequencing service lines as we adjusted the mix of our suppliers for more competitive prices, and (ii) increases in the selling prices of our molecular biology services in relation to the mix of our projects, the effects of which were partially offset by decreases in the selling prices of our DNA sequencing and next-generation sequencing services mainly due to the introduction of advanced production technology and the increased market competition. Please see “Financial Information — Description of Certain Consolidated Income Statement Items — Cost of Sales, Gross Profit and Gross Profit Margin” for further details about the gross profit and gross profit margin generated from our genetic engineering services segment on pages 287, 288 and 290 of this prospectus.

Molecular Biology Services

We provide a wide variety of molecular biology services, including gene cloning, genotyping, gene expression analysis, and real-time PCR. We have developed advanced technological capabilities for obtaining DNA fragments with specific functions (“**genes**”) by cloning from natural existing organisms. We offer genotyping service, which determines differences between genes’ characteristics. We also provide gene expression analysis to help our customers investigate gene expression level and gene functions.

Life Sciences Research Consumables





We provide experimental materials (biochemical reagents and research kits) and consumable parts (labware) that are used by researchers in experiments. These are also referred to as life sciences research consumables. Our life sciences research consumables category covers biochemical reagents, research kits, and labware. Biochemical reagents are substances used in biochemistry and taking part in chemical reactions, especially those used to detect, measure, or prepare other substances. Research kits are sets of biochemical reagents with defined combinations and concentrations to serve the purpose of particular life sciences research experiments. Labware includes a variety of products and equipment such as pipettes and tips, centrifuge tubes, cell culture products, and PCR tubes and plates. Additional labware items include ampules, beakers, carboys, and various lab bottles and test tubes.

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Biochemical reagents

We carry a comprehensive line of biochemical reagents, which can be further categorised into biochemicals such as inorganics, various salts, and organic compounds, and biological reagents such as enzymes. We currently do not possess the instruments and technology to produce biochemicals, such as chemical reagents, which are usually made by professional chemical plants. We purchase biochemicals from professional manufacturers. We perform quality inspection and repackage the biochemicals to laboratory-sized suitable for researchers. The technology involved is primarily based on analytical chemistry. We purchase most of the biological reagents from professional biotech companies. We also self-develop and produce a small number of biological reagents such as enzymes.

The table below sets forth certain information on our key biochemical reagents.




Product name	Applications	Sample picture
Biochemicals	For various biochemistry and biological experiments	
Enzyme tools	For manipulation and analysis of nucleic acid and protein	
Buffers	Ready-to-use reagents in life sciences experiments	
Media	For culture and experimental studies of bacteria, plant, and cells	

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Research kits

Research kits are a set of ready-to-use reagents and tools, usually designed and developed for certain experimental purpose, e.g., isolation of nucleic acid from various biological samples, amplification or detection of DNA fragments, and DNA manipulation in genetic engineering. We carry a comprehensive line of research kits, which can be further divided into various categories according to the function, such as nucleic acid purification kits, cloning kits and PCR-related kits. Life sciences experiments are highly sensitive to the quality of research kits. The recipe of reagents and protocols are core factors to the success of experiments. Most of research kits in our catalogue are developed and manufactured by ourselves so as to fully control the quality of research kits.

The table below sets forth certain information on our key research kits.

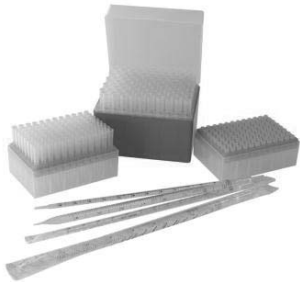



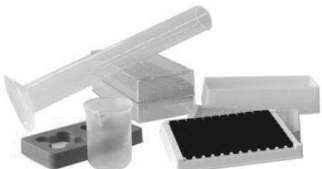
Product name	Application	Sample picture
Purification kits	For isolation and purification of various types of nucleic acids from biological samples	
Cloning kits	For nucleic acid fragment cloning and manipulation in genetic engineering	
PCR-related kits	For nucleic acids amplification and modification	

Labware

We carry a series of labware including containers and tools manufactured from different raw materials, such as pipettes and tips, centrifuge tubes, cell culture products, and PCR tubes and plates. There are stringent requirements for the design and function of labware in biological experimental applications. Some products require special treatment such as sterilisation.

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The table below sets forth certain information on our key labware.

Product name	Application	Sample picture
Pipettes and tips	Laboratory tools to transport measured volume of liquid in experiments	
Centrifuge tubes	Laboratory containers used to hold samples and liquid in a centrifuge process	
Cell culture products	Laboratory vessels applicable to animal and plant cell culture in biological studies	
PCR tubes and plates	Tubes and multi-well plates for PCR reactions	
Others	Plastic products commonly used in laboratory	

Protein and Antibody Related Products and Services

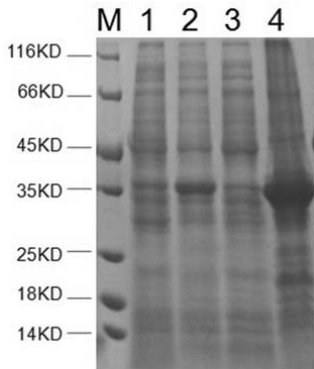
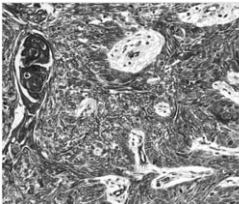

Our protein and antibody related products and services primarily include the production, detection and analysis of polypeptide, proteins and antibodies. Our protein related products include polypeptide, protein extraction, and analysis kits. Our protein related services include protein detection, analysis, expression and purification. Our antibody related products include the production of antibodies (including polyclonal and monoclonal antibodies) and immunology-related products and antibody related kits. Our antibody services include customised antibody production and immunology experiments.

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Protein expression technology is also called recombinant or fusion protein technology, which refers to a process to obtain target protein by ways of genetic engineering. There are two primary aspects of recombinant protein expression technology, namely, the expression of the target protein and the purification of the target protein. There are various expression systems for the expression of recombinant proteins, the basic technology of all of which are relatively mature. We possess a mature protein expression platform, including prokaryotic expression and yeast expression systems, and downstream recombinant protein purification technology. In terms of protein purification, we adopt mainstream chromatography technology in protein purification. We also provide a series of protein related services such as 2D electrophoresis and amino acid sequencing.

Antibodies are proteins produced by living organisms in response to exogenous substances, and can specifically identify the exogenous substances. Owing to their special properties, antibodies are widely used. Antibody preparation is the process in which specific antibodies are obtained by immunising animals with designed antigens

We started to build antibody preparation platform in 2011 and we currently have production and testing platforms for polyclonal antibodies and monoclonal antibodies. As at 30 June 2014, we carried over 3,500 types of antibodies. Based on our current production platform, we have developed antibody services including production of antibodies and related immunology experiments.

Service	Application	Sample picture
Protein services	Expression, analysis and functional study of proteins	
Antibody services	Applicable in immunology experiments	 <p style="text-align: right; font-size: small;">IHC sample figure</p>
Monoclonal and polyclonal antibodies	For protein detection and bio-pharmaceutical research and development	

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Service	Application	Sample picture
Protein research kits	For protein assay and proteomics research	
ELISA kits	For antigen, antibody and protein detection	

Pricing Strategy

We have implemented a uniform pricing policy in our direct sales. The markets for our products and services are both competitive and price sensitive. We regularly conduct review of the pricing of our life sciences research products and services. Our assessment takes into account the prevailing market conditions, brand position, product design, cost of raw materials, production costs, as well as competition. We offer discounted prices to certain customers based on our selling prices of relevant products and services. In the life sciences research market, we have experienced pricing pressure that has created challenging market conditions. We believe the prices of our products and services are generally stable and in line with general market prices. Prices of products and services under our major business segments which largely contributed to our revenue, namely, DNA synthesis products and life sciences research consumables, remained relatively stable during the Track Record Period.

During the Track Record Period, there was a slight decrease in the selling prices of our DNA synthesis products from 2011 to 2013 primarily due to the introduction of advanced production technology and because we carried out promotional and marketing strategies to strengthen our market position in 2013 as the competition among suppliers increased. The prices of DNA synthesis products became generally stable from 2013 to 30 June 2014. In respect of our genetic engineering services business segment, there were decreases in the selling prices of our DNA sequencing and next-generation sequencing services mainly due to the introduction of advanced production technology and the increased market competition; on the other hand, there were increases in the selling prices of our molecular biology services in relation to the mix of our projects. There was also a general increasing trend in the selling prices of our labware products and biochemical reagents as we launched over a thousand types of new biochemical reagents, as well as offered new kinds of labware and an increasing number of customers purchased our products. The selling prices of our protein and antibody related research products and services had varied within a certain range during the Track Record Period as this business segment was in its early development stage.

Please see the section headed “Financial Information — Product and Service Mix and Pricing” on page 274 of this prospectus for further details.

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Product returns and warranty

We warrant that our products delivered meet our standard specifications. Any quality dispute should be raised within five days upon delivery in China. We offer replacement for defective products. In case a product replacement does not meet our standard specifications, we will refund the purchase price as the maximum amount to our customers. The liability of defects of our products is borne by us solely, and there is no allocation of liability for product defects between our suppliers and us.

We did not have any warranty provision or warranty expense recognised during the Track Record Period in respect of our liability and obligations during the warranty period. During the Track Record Period, there was no material rejection or return with respect to our products by our customers or any product recalls.

We generally supply our products at the prices specified in the distribution agreements. The prices are set with or without discount on the retail prices quoted. Discount on orders of large quantity may also be available. We do not fix retail prices for our distributors to allow flexibility to adjust retail price according to retail market dynamics, competition, as well as customer demands in the regions which they operate.

DIRECT SALES AND DISTRIBUTION

Direct Sales

We are headquartered in Shanghai, China. According to the Frost & Sullivan Report, we have established one of the most extensive direct sales network with broad geographical reach in our primary market in China. As at 30 June 2014, our direct sales network comprised three branches in Beijing, Wuhan, and Guangzhou and 38 sales points across China. The sales points refer to cities at which we have sales representatives stationed to carry out day-to-day sales and marketing activities by visiting customers' offices, notwithstanding that we have not established any offices or branches at these sales points. We have also established two subsidiaries outside China, namely, Bio Basic (Canada) and Bio Basic (US), to expand into the North American market. As at 30 June 2014, our branches and sales points in China and overseas were represented by a team of over 230 sales representatives.

Our direct sales team receives regular training on product and service knowledge as we aim to precisely understand customer requirements through direct selling and to provide clear introduction of our products and services, technical support, and after-sales services to handle enquiries. We have comprehensive policies to manage our direct sales representatives, including providing guidelines on the sales representatives' behaviour, sales management, and management of receipts and accounts receivables. We strive to improve our customers' procurement experience and strengthen customer loyalty, which is fostered through regular visits. Our direct sales team is responsible for implementing our overall marketing strategy, promoting our brands and conducting market research. Moreover, they gather market information on the competitive landscape and user feedback on the performance of our

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products and services as compared with that of our competitors in order to accelerate market awareness which helps guide our research and development projects. We believe our direct sales team is well positioned to build brand recognition and industry influence. We plan to continue the expansion of our direct sales team to support revenue growth.

In addition to our direct sales platform on the ground, we started operating our electronic commerce platform in 2011 supported by a strong technical team. We primarily offer life sciences research products online. With the global nature of the internet, we endeavour to serve a much broader customer base instead of serving a specific geographical area. It is expected that the potential volume of sales and revenue will increase. While we are able to continue to sell directly to our customers, transaction costs will be reduced in the absence of a sales personnel and a physical storefront. We believe that the penetration rate of online purchase in the overall procurement market of the life sciences research product and service industry in China remains low. Although online purchase represented only a small proportion of our revenue, it is expected that the shift to online purchase by the new generation of young professors and researchers will continue to grow over the coming years. We believe there are significant opportunities for our continuous growth through our electronic commerce platform. Our PRC legal adviser, King & Wood Mallesons, advised that pursuant to the Notice of the General Office of the Ministry of Commerce on the Relevant Issues concerning the Examination, Approval and Administration of Projects of Foreign Investment in Internet and Vending Machine Sales* (商務部辦公廳關於外商投資互聯網、自動售貨機方式、銷售專案審批管理有關問題的通知) issued by the Ministry of Commerce on 19 August 2010, given our website is only used for the sale of our commodities, we are not subject to the restriction on foreign investment in value-added telecommunication business in the PRC and are not required to apply for a value-added telecommunication business license. We had made relevant filings with the Shanghai telecommunications administration and the operation of our online sales platform is in compliance with relevant PRC laws and regulations.

During the Track Record Period, our direct sales, including sales from our electronic commerce platform, generated RMB146 million, RMB173 million, RMB204 million, and RMB112 million, which approximately accounted for 91.3%, 92.9%, 92.7% and 93.4% of our total revenue for the years ended 31 December 2011, 2012 and 2013, and for the six months ended 30 June 2014, respectively. During the same periods, our sales from our electronic commerce platform generated RMB0.8 million, RMB2.9 million, RMB8.8 million, and RMB4.8 million, which approximately accounted for 0.5%, 1.5%, 4.0% and 4.0% of our total revenue for the years ended 31 December 2011, 2012 and 2013, and for the six months ended 30 June 2014, respectively.

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Direct Sales Network

We have an extensive and growing nationwide direct sales network in our primary market of China and overseas. Geographically, we divide our network broadly into nine regions. The table below sets forth the number of our branches and direct sales points in the respective regions as at the dates indicated.

	As at 31 December			As at 30 June
	2011	2012	2013	2014
Eastern China ⁽¹⁾	13	13	13	15
Northern China ⁽²⁾	5	5	5	5
Southern China ⁽³⁾	4	4	4	4
Central China ⁽⁴⁾	3	3	3	3
North-western China ⁽⁵⁾	3	3	3	3
South-western China ⁽⁶⁾	3	4	4	4
North-eastern China ⁽⁷⁾	3	4	4	4
Canada	1	1	1	1
United States	1	1	1	1
Total	36	38	38	40

Notes:

- (1) Consisting of Hefei, Fuzhou, Hangzhou, Jinan, Nanchang, Nanjing, Ningbo, Shanghai (headquarters and one sales point), Qingdao, Wenzhou, Xiamen, Suzhou, Xuzhou, and Wuxi as at 30 June 2014.
- (2) Consisting of Beijing, Hohhot, Shijiazhuang, Taiyuan, and Tianjin as at 30 June 2014.
- (3) Consisting of Guangzhou, Nanning, Shenzhen, and Haikou as at 30 June 2014.
- (4) Consisting of Changsha, Wuhan, and Zhengzhou as at 30 June 2014.
- (5) Consisting of Lanzhou, Xian, and Urumqi as at 30 June 2014.
- (6) Consisting of Chengdu, Guiyang, Kunming, and Chongqing as at 30 June 2014.
- (7) Consisting of Changchun, Dalian, Harbin, and Shenyang as at 30 June 2014.

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The following map illustrates the network of our branches and direct sales points represented by a team of local sales representatives station across China as at 30 June 2014.



Distribution

In addition to our direct sales team, as at 30 June 2014, we had over 90 third-party distributors primarily selling our DNA synthesis products and life sciences research consumables in China and overseas. Our distribution network extended to over 18, 2, 4, 15, and 3 countries and territories in Asia, North America, South America, Europe, and others, respectively, as at 30 June 2014, all of which were independent distributors. We do not have management control over these independent distributors. By adopting a distribution model, we are able to expand our business quickly in territories not presently covered by our existing direct sales network by saving additional management resources and attention, including administrative, selling, and marketing expenses. Moreover, it generally takes less time to explore market opportunities and build local sales and marketing teams in new regions.

We select our third-party distributors based on a number of criteria, the most important being a distributor's experience in marketing the relevant products, distribution network coverage, and capabilities in customer management. Other criteria include a distributor's financial condition and resource deployment for target markets, its creditworthiness, reputation, and industry contacts, as well as its compliance record with regulatory authorities.

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The following table sets forth the changes in the number of distributors in China and overseas during the Track Record Period.

	For the years ended 31 December			For the six months ended 30 June
	2011	2012	2013	2014
	Distributors at the beginning of the period	104	104	110
Addition of new distributors	0	11	6	5
Termination of distributors ⁽¹⁾	0	5	7	15
Net change in distributors	0	6	(1)	(10)
Distributors at the end of the period	104	110	109	99

Notes:

- (1) The termination was primarily due to our replacement of distributors with poor sales records, voluntary termination of business dealing with us by the distributors, cessation of product lines by the distributors or closure of business by the distributors.

We do not enter into written distribution agreements with our distributors in China as we have established an extensive direct sales network and do not generally offer special discounts to domestic distributors. Our general terms and conditions applied and the key aspects are set forth below.

- *Pricing.* We generally supply our products at the prices specified in our product catalogue, and the prices are set with or without discount on the prices quoted. Discount on orders of large quantity may also be available.
- *Returns and exchanges.* Our distribution agreements warrant that all of our products delivered meet our standard specifications. Any quality dispute should be raised within five days upon delivery. Our responsibility for defective products is limited to replacement only. Should a product replacement does not meet our standard specifications, the distributor may be credited the purchase price.

We generally enter into written distribution agreements with our overseas distributors. The key aspects of our typical distribution agreements are set forth below.

- *Term.* The distribution agreements for our products generally have a term of one to two years, with an option to automatically extend every year if agreed to by both parties after the first or second year. The agreements are generally terminable with a three months' notice to the other party in writing.

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- *Exclusivity/non-exclusivity.* Our distributors may be granted an exclusive or non-exclusive right to sell our products under the distribution agreements depending on the size of the relevant local market, scale of operation and sales ability of the distribution company.
- *Designated distribution territories.* Certain of our distribution agreements may specify the designated distribution territories. Where applicable, we do not permit our distributors to market or sell our products outside their designated distribution territories.
- *Non-competition.* Unless our written permission is granted, we do not permit our distributors to manufacture any of our products.
- *Product label.* In terms of product labelling, there are generally three variations under our distribution agreements: (i) certain distributors will sell our products under our label, (ii) certain distributors will sell our products under their own labels, and (iii) other distributors are granted the option to choose either to sell our products under our label or to sell our products under their own labels. We reserve the right to terminate the contract if the distributors do not comply with the agreement.
- *Pricing.* We generally supply our products at the prices specified in the distribution agreements, and the prices are set with or without discount on the retail prices quoted. Discount in the range of approximately 30% to 40% may be applied on orders of large quantity.
- *Payment Terms.* We generally require payment in advance or may grant a credit term of one to three months to our distributors, with longer terms granted to selected distributors whom we have built good relationships with. We take into consideration a number of factors in determining the credit term of a distributor, in particular its previous payment history.
- *Delivery.* We are generally responsible for arranging delivery of products from our warehouse facilities to the locations designated by our regional distributors. Orders from distributors are deemed a firm commitment and need to be sent in writing specifying requested FOB shipping dates. Orders which do not specify a shipping date shall be deemed to have requested a shipping date within seven days of order receipt. Products may be shipped within seven days when in stock.
- *Sales targets.* Under certain exclusive distribution agreements, annual sales targets may be required of our distributors. We reserve the right to terminate the agreement if the specified sales target is not fulfilled.
- *Post-sale management.* We provide our distributors with technical assistance and documentation regarding our products.
- *Returns and exchanges.* Our distribution agreements warrant that all of our products delivered pursuant to the agreements will meet our standard specifications. In the event that our product does not conform to the specifications, we will replace the product free of charge. Our responsibility for defective products is limited to replacement only. Should a

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product replacement again does not meet our standard specifications, the distributor will be credited the purchase price. We do not accept product returns other than due to specification or quality problem. All disputes or claims must be submitted within six months, and we reserve the right not to handle any dispute after six months from the date that the products were received.

During the Track Record Period, sales to our third-party distributors generated RMB14.0 million, RMB13.1 million, RMB16.0 million, and RMB7.9 million, which approximately accounted for 8.7%, 7.1%, 7.3% and 6.6% of our total revenue for the years ended 31 December 2011, 2012 and 2013, and for the six months ended 30 June 2014, respectively. During the Track Record Period, we had not relied on any single distributor for the distribution of our products.

Distribution Network

Our distribution network extended to over 18, 2, 4, 15, and 3 countries and territories in Asia, North America, South America, Europe, and others, respectively, as at 30 June 2014. The following map illustrates the network of our distributors.



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CUSTOMERS

As at 30 June 2014, our products and services had been used by researchers and scientists in over 640 colleges and universities, 790 research institutes, 480 hospitals, 2,640 pharmaceutical and biotech companies, and 20 government testing and diagnostic centres. We also sell our products and services to distribution companies. The table below sets forth a breakdown of the revenue according to various establishments for the periods indicated.

	For the years ended 31 December						For the six months ended 30 June	
	2011		2012		2013		2014	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%
	<i>(in RMB'000, except percentages)</i>							
Colleges and universities	53,203	33.3	66,876	35.8	80,852	36.8	42,862	35.8
Research institutes	33,736	21.1	33,092	17.8	37,264	16.9	19,172	16.0
Hospitals	9,797	6.1	11,614	6.2	14,828	6.7	8,550	7.1
Pharmaceutical and biotech companies	44,695	27.9	52,536	28.2	70,954	32.3	40,710	33.9
Government testing and diagnostic centres	4,706	2.9	9,099	4.9	54	0.0	754	0.6
Distribution companies	13,979	8.7	13,140	7.1	16,036	7.3	7,938	6.6
Total	<u>160,116</u>	<u>100.0</u>	<u>186,357</u>	<u>100.0</u>	<u>219,988</u>	<u>100.0</u>	<u>119,986</u>	<u>100.0</u>

The table below sets forth a breakdown of the revenue according to various establishments in the PRC for the periods indicated.

	For the years ended 31 December						For the six months ended 30 June	
	2011		2012		2013		2014	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%
	<i>(in RMB '000, except percentages)</i>							
Colleges and universities	46,909	38.4	58,708	42.1	73,700	44.6	39,121	44.4
Research institutes	32,714	26.8	31,890	22.9	35,751	21.6	18,336	20.8
Hospitals	9,156	7.5	10,850	7.8	14,121	8.5	8,167	9.3
Pharmaceutical and biotech companies	26,411	21.7	27,710	19.9	40,787	24.7	21,227	24.1
Government testing and diagnostic centres	4,706	3.9	9,099	6.5	54	0.0	754	0.9
Distribution companies	2,118	1.7	1,189	0.9	752	0.5	341	0.4
Total	<u>122,015</u>	<u>100.0</u>	<u>139,446</u>	<u>100.0</u>	<u>165,164</u>	<u>100.0</u>	<u>87,946</u>	<u>100.0</u>

BUSINESS

The table below sets forth a breakdown of the revenue according to various establishments in overseas for the periods indicated.

	For the years ended 31 December						For the six months ended 30 June	
	2011		2012		2013		2014	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%
	<i>(in RMB'000, except percentages)</i>							
Colleges and universities ⁽¹⁾	6,294	16.5	8,168	17.4	7,152	13.0	3,741	11.7
Research institutes ⁽²⁾	1,021	2.7	1,202	2.6	1,512	2.8	836	2.6
Hospitals ⁽³⁾	641	1.7	763	1.6	707	1.3	383	1.2
Pharmaceutical and biotech companies ⁽⁴⁾	18,285	48.0	24,826	53.0	30,167	55.0	19,483	60.8
Government testing and diagnostic centres ⁽⁵⁾	0	0.0	0	0.0	0	0.0	0	0.0
Distribution companies ⁽⁶⁾	11,861	31.1	11,952	25.5	15,285	27.9	7,597	23.7
Total	<u>38,101</u>	<u>100.0</u>	<u>46,911</u>	<u>100.0</u>	<u>54,824</u>	<u>100.0</u>	<u>32,041</u>	<u>100.0</u>

Notes:

- (1) Our overseas college and university customers were in America⁽⁷⁾ during the Track Record Period.
- (2) Our overseas research institute customers were in America⁽⁷⁾ during the Track Record Period.
- (3) Our overseas hospital customers were in America⁽⁷⁾ during the Track Record Period.
- (4) Our overseas corporate customers from pharmaceutical and biotech companies were in America⁽⁷⁾ and Asia (excluding the PRC) during the Track Record Period.
- (5) We did not have overseas government customers.
- (6) Our overseas distribution companies customers were in America⁽⁷⁾, Europe, Asia (excluding the PRC), and other countries during the Track Record Period.
- (7) Consisting countries and territories in North America and South America.

During the Track Record Period, researchers and scientists (the “**Individuals**”) based in colleges, universities and research institutes in the PRC (the “**Institutions**”) were the parties who placed purchase orders directly with our Group. We directly delivered our products and services to the Individuals. According to our PRC legal adviser, King & Wood Mallesons, while the Individuals enjoyed a high degree of autonomy in making purchase decisions related to their research activities, including price negotiation, ordering, delivery, and acceptance of products and services, the Institutions possessed a supervisory authority over the use of research fund. This included the duty to ensure the reasonable use of the funding by the Individuals within the scope of relevant project proposals, contracts, and relevant laws and regulations. Please see the section headed “Regulations” for details of the relevant laws and regulations governing the use of government research fund.

BUSINESS

Invoices were sent by our Group to the Institutions through the Individuals, and to the best of our knowledge, the Institutions would not settle the invoices unless they have been confirmed by the Individuals and that the products and services set out in the invoices were within the scope of the relevant proposals and contracts. Actual payment to our Group was made by the Institutions. According to the Frost & Sullivan Report, it is the common practice in the PRC life sciences research product and service industry for Individuals to place orders with entities, such as our Group, and for invoices to be sent to and paid by the Institutions. Prior to accepting purchase orders from the Individuals, we required our sales representatives to undertake reasonable steps to ensure that the Individuals were authorised persons of the Institutions. Our sales representatives would conduct background search of the Individuals such as from government sources and university websites available to the public. Our sales representatives would also conduct on-site visits and personal interviews with the Individuals to confirm due authorisation. Pursuant to our internal control policy, we shall cease accepting purchase orders from and delivering products and services to the Individuals who are found to be not duly authorised by the relevant Institutions. Our Directors confirm that during the Track Record Period, there had been no dispute from the Institutions in relation to unauthorised purchases by the Individuals.

We consider the Institutions as our customers given that (i) the right of use and operation of such products and services purchased with the research funds belongs to the Institutions, (ii) the Institutions have supervisory authority over the use of all research fund, and (iii) the Institutions are responsible for making the payment directly to our Group according to common industry practice. As the products and services purchased with the research fund belong to the Institutions with a supervisory authority over the use of research fund, and for the same bases of considering the Institutions as our customers, while the Individuals are the parties with a high degree of autonomy who directly place purchase orders with and directly receive products and services for their research use from our Group, in the event that the Institutions fail to make payment for our products and services, our PRC legal adviser is of the view that there are legal grounds to claim against the Institutions and Individuals since the Institutions and Individuals are parties holding payment obligation. Nonetheless, in case of any dispute with the Institutions, there may be uncertainty as to the chance of success of any legal claim by our Group against the Institutions as this is subject to the decision of the PRC courts. Please see “Risk Factors — We may not be able to successfully claim against the Institutions in the event of a breach of contract or non-payment by the Institutions, which could adversely affect our business, financial condition, results of operation and prospects. Our Directors confirm that during the Track Record Period, there had been no dispute from the Institutions in relation to the settlements of sales to the Individuals, nor were there any actual bad debts on balances owing by either the Institutions or the Individuals. The above arrangement between the Individuals and Institutions are only applicable to the Group’s PRC market. Although the researchers and scientists of overseas colleges, universities, and research institutes communicate with us from time to time regarding their purchase requirements, we directly receive the purchase orders from and directly issue invoices for settlement to overseas colleges, universities, and research institutes and the Group considers these institutions as customers. The Directors believe that the difference in parties issuing purchase orders in PRC and overseas is because overseas institutions generally adopt a centralised procurement system.

BUSINESS

As advised by our PRC legal adviser, King & Wood Mallesons, the sale of life sciences research products and services to state-owned institutions, including our customers from colleges and universities, research institutes, hospitals, and government testing centres, are not subject to public tender under the Bidding Law of the PRC* (中華人民共和國招標投標法) issued by the Standing Committee of the National People's Congress on 30 August 1999 and other applicable laws and regulations.

For off-the-shelf products and services, we generally do not enter into agreements with our customers. As life sciences research can be a sequence of experiments with variations and uncertainties, it is commonplace that our customers place purchase orders several times a week. For customised services, namely, gene synthesis, next-generation sequencing, and protein and antibody related services, we generally enter into service agreements with our customers on project basis. A certain percentage of the project fee as prepayment is required prior to initiating the project.

The funding of our customers for their research and development activities is largely dependent on governmental research fund. For more details, please see the section headed “Risk Factors — Our revenue and results of operations depend on our customers’ research and development efforts and their ability to obtain funding for these efforts” on page 31 of this prospectus. The usage of governmental research fund may lead to possible misappropriation of funding. In recent years, relevant PRC governmental authorities launched various investigations to detect the misappropriation of governmental research fund and other misconducts by the Individuals. There had been also a number of publicised cases involving misappropriation of governmental research fund or other misconducts. We were not aware of such misappropriation during the Track Record Period due to: (a) the products and services we provide to the Individuals were in our ordinary course of business and were genuine on normal commercial terms, and, to the best of our knowledge, were related to the ordinary research activities of the Individuals; (b) throughout the Track Record Period, the Individuals were the parties who had placed orders directly with us and all products and services were provided directly by us to the Individuals. Invoices were sent by us to the Institutions through the Individuals and, to the best of our knowledge, the Institutions would not settle the invoices unless they have been confirmed by the Individuals and that the products and services set out in the invoices were within the scope of relevant project proposals and contracts. Therefore, there were checks and balances in place to ensure that the funding have been used according to the scope as initially approved by the PRC government; and (c) the supervisory authority possessed by the Institutions over the funding included the duty to ensure the reasonable use of the funding by the Individuals within the scope of relevant project proposals, contracts, laws and regulations. All the Institutions and Individuals in the PRC that are subject to the grant of fund from the PRC government (not only the Institutions and the Individuals that we are dealing with) are required to oblige with the relevant PRC laws and regulations. Please see the section headed “Risk Factors — Our business may be affected if the Institutions or Individuals fail to comply with PRC laws and regulations on use of governmental research funding granted for research and development projects” for further details on page 37 of this prospectus.

BUSINESS

Payment Method and Credit Terms

In general, credit terms provided to our customers vary from cash payment on delivery, payment based on the timing that we require payments from our customers in accordance with relevant agreements, such as a credit period of one to six months to our customers after delivery, to payment in advance under general circumstances.

Furthermore, to address the nature of the frequent purchase pattern of our research customers in China, we launched a prepayment scheme for the purchase of our products and services. During the Track Record Period, our Group had received over 370,000, 420,000, 500,000 and 260,000 purchase orders as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively. To streamline transaction procedure and in line with market practice, customers are willing to make prepayments to reliable biotech companies. Under the scheme, we generally enter into prepayment agreements with our customers. Pursuant to the prepayment agreements, some of our customers make a lump sum prepayment and offset for the products or services purchased at a later time. With respect to arrangements involving Institutions and Individuals, the Institutions as our customers make a lump sum prepayment based on purchase decisions by the Individuals related to their research activities and offset for the products or services purchased at a later time. We deduct from the respective customers' designated prepayment accounts each time products and services are delivered. We do not require our customers to spend the full prepayment amount within a specified period. Our customers may also request the return of the balance of the prepayment amount anytime at their discretion. According to the Frost & Sullivan Report, such arrangement is one of the payment practices adopted by customers in China.

This prepayment scheme uplifts operational efficiency, reduces administrative efforts and the risks involved with cash handling. With the objective to build long-term and mutually beneficial relationships with our customers, we in turn offer discount typically set between 5% and 10% based on our prevailing price as a component of our loyalty marketing programmes to research customers only purchasing under the prepayment scheme. Please see the section headed "Financial Information — Discussion of Selected Item from the Consolidated Balance Sheets — Accruals and Other Payables" for further details of our prepayment scheme.

We typically grant our direct-sale customers credit periods ranging from two to six months. We are generally responsible for the delivery of our products and services to our customers. We do not accept return or exchange of products or services except for defective products or services reported to us within five days upon receipt. For the same product, we generally charge our direct sale customers a higher price than we charge our distributors. As a result, the margins of direct sales are generally higher than sales to distributors. The table below sets forth the average credit terms offered to our customers for the six months ended 30 June 2014.

	<u>Average credit terms</u>	<u>Gross margins (%)</u>
Direct sales	two months to six months	54.2
Distributors	one month	33.2

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During the Track Record Period, the five largest customers together accounted for approximately 8.1%, 6.4%, 8.2%, and 8.4% of the percentage of turnover for each of the years ended 31 December 2011, 2012, and 2013, and the six months ended 30 June 2014, respectively. As at 30 June 2014, our five largest customers during the Track Record Period had maintained a working relationship with us for over seven years on average. To the best of our knowledge, as at the Latest Practicable Date, we were not aware of any information or arrangement which would lead to cessation or termination of our relationships with any of our material customers.

Marketing and Promotion

In light of the nature of our business, since our inception, user referral and word-of-mouth marketing has been our most effective means of acquiring new users. On our electronic commerce platform, we place various links and promotions referring our customers to our other life sciences research products and services that may be useful in conducting research. From time to time, we also advertise on leading search engines.

Sales by Region

During the Track Record Period, over 72.0% of our revenue was derived from sales of our products and services in the PRC, with the remaining portion of our revenue derived from outside the PRC. There was no significant seasonal effect on our sales of products and services during the Track Record Period. The following table sets forth a breakdown of our revenue by sales region for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
PRC	122,015	76.2	139,445	74.8	165,164	75.1	73,303	72.2	87,946	73.3
America ⁽¹⁾	17,406	10.9	33,556	18.0	27,155	12.3	14,037	13.8	16,720	13.9
Europe	6,065	3.8	5,949	3.2	13,561	6.2	7,647	7.5	7,202	6.0
Asia (excluding the PRC)	8,750	5.4	6,120	3.3	11,343	5.2	5,152	5.1	6,847	5.7
Other countries	5,880	3.7	1,287	0.7	2,765	1.2	1,450	1.4	1,271	1.1
TOTAL⁽²⁾	160,116	100.0	186,357	100.0	219,988	100.0	101,589	100.0	119,986	100.0

Notes:

- (1) Consisting countries and territories in North America and South America.
- (2) During the Track Record Period, approximately 0.29%, 0.21%, 0.33% and 0.28% of the total revenue is attributed to those of Sanctioned Countries.

BUSINESS

BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

The U.S., other jurisdictions or organisations, including the European Union, the United Nations and Australia, have comprehensive or broad economic sanctions targeting the Sanctioned Countries.

Sales in the Sanctioned Countries

We have had product sales in connection with certain of the Sanctioned Countries, namely, Iran, Lebanon, Sudan and Iraq. The amount of total revenue generated from sales to these Sanctioned Countries for each of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 represented approximately 0.29%, 0.21%, 0.33% and 0.28% of our total revenue for the same periods, respectively. As advised by DLA Piper Hong Kong, our legal adviser as to International Sanctions laws, based on the following procedures conducted by them, our Group's historical sales in Iran, Lebanon, Sudan and Iraq during the Track Record Period do not implicate the applicability of International Sanctions laws on our Group, or any person or entity, including the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors:

- (a) reviewed documents provided by us that evidence our sales transactions to customers in the Sanctioned Countries during the Track Record Period;
- (b) received written confirmation from us that neither our Group nor any of our affiliates has conducted during the Track Record Period any business dealings in or with any other countries or persons that are the subject of International Sanctions; and
- (c) reviewed the list of customers to whom such sales of products have been made during the Track Record Period against the lists of persons and organisations subject to International Sanctions, and confirmed that none of our customers are on such lists.

In relation to our sales to customers in the Sanctioned Countries during the Track Record Period, we have not been notified that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by the OFAC or other restricted parties lists maintained by the European Union, the United Nations or Australia and therefore would not be deemed as sanctioned targets. Our such sales do not involve industries or sectors that are currently subject to specific sanctions by the U.S., the European Union, the United Nations or Australia and therefore are not deemed to be prohibited activities under the relevant sanctions laws and regulations.

Our Directors expect to eliminate our Group's sales to Sanctioned Countries prior to Listing.

The goods exported by our Group to customers in the Sanctioned Countries fall outside the scope of the goods prohibited for export by the PRC government authorities under the relevant PRC laws and regulations. Our PRC legal adviser, King & Wood Mallesons, advised that our Group has not violated any PRC laws or regulations in relation to the PRC export bans.

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The Sole Sponsor, based on the above advice from our PRC legal adviser, King & Wood Mallesons and our legal adviser as to International Sanctions laws, DLA Piper Hong Kong, is of the view that the risk of sanctions violations as a result of our Group's sales to Sanctioned Countries during the Track Record Period is remote.

Our undertakings and internal control procedures

We undertake to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Country or any other government, individual or entity sanctioned by the U.S., the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions. In addition we have no present intention to undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors to violate or become a target of sanctions laws of the U.S., the European Union, the United Nations or Australia. In fact, our Directors expect to eliminate our Group's sales to Sanctioned Countries before Listing. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group entered into in the Sanctioned Countries would put our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports and interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in the Sanctioned Countries and our business intention relating to the Sanctioned Countries. If we were in breach of such undertakings to the Stock Exchange, we risk the possible delisting of our Shares on the Stock Exchange.

We will continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders. The following measures have been fully implemented as at the date of this prospectus:

- we will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in the Sanctioned Countries. According to our internal control procedures, the risk management committee of our Board needs to review and approve all relevant business transaction documentation from customers or potential customers from Sanctioned Countries. In particular, the risk management committee of our Board will review the information (such as identity and nature of business) relating to the counterparty to the contract along with the draft business transaction documentation. The risk management committee of our Board will check the counterparty against the various lists of restricted parties and countries maintained by the U.S., the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person located in a Sanctioned Country or a sanctioned person. If any potential sanctions risk is identified, we will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions law matters;

BUSINESS

- in order to ensure our compliance with those undertakings to the Stock Exchange, our Directors will continuously monitor the use of proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries, Russia (where certain Sanctioned Persons are located) or Sanctioned Persons;
- to further enhance our existing internal risk management functions, our Board has established a risk management committee. The members of such committee comprise Mr. Liu Jianjun, Mr. Kenneth Ho, and Mr. Xia Lijun and their responsibilities include, among others, monitoring our exposure to sanctions law risks and our implementation of the related internal control procedures. Our risk management committee will hold at least two meetings each year to monitor our exposure to sanctions law risks;
- the risk management committee of our Board will periodically review our internal control policies and procedures with respect to sanctions law matters. As and when the risk management committee considers necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions law matters for recommendations and advice; and
- if necessary, external international legal counsel will provide training programmes relating to the sanctions laws to our Directors, our senior management, our legal department and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide current list of Sanctioned Countries and sanctioned persons and entities to our legal department, who will in turn disseminate such information throughout our domestic operations and overseas offices and branches.

To monitor our exposure to sanctions risk and to ensure compliance with the undertakings to the Stock Exchange, we have adopted the internal control measures, including the measures described above.

With regard to the internal control measures set out above, after undertaking relevant due diligence, and subject to the full implementation and enforcement of these measures, the Sole Sponsor is of the view that these measures will provide a reasonably adequate and effective framework to assist our Group in identifying and monitoring any material risk relating to sanctions laws. Our Directors are of the view that these measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risk relating to sanctions laws.

BUSINESS

PRODUCTION PROCESS

As at 30 June 2014, we operated a total of 11 production lines and employed more than 450 production personnel. The table below sets out certain production line information.

Production lines

DNA synthesis products

Oligonucleotide synthesis
Gene synthesis

Genetic engineering services

DNA Sequencing
Next-generation sequencing
Molecular biology services

Life sciences research consumables

Biochemical reagents
Research kits
Labware

Protein and antibody related products and services

Protein related products and services
Antibody related products
Antibody related services

Our Shanghai production facility produces and provides products and services in all of our four business segments. It also procures raw materials for and provides technical support to our Beijing branch that primarily provides oligonucleotide synthesis product and DNA sequencing service, and to our Wuhan and Guangzhou branches that primarily provide DNA sequencing service. We are also in the early stage of establishing another branch in Beijing for the production and delivery of our products and services. We have another production facility in Canada that primarily serves the needs of the customers in North America by offering DNA sequencing services and life sciences research consumables. While we produce and provide the majority of our products and services at our production facility and laboratories, we also outsource ancillary production steps to sub-contractors in order to achieve cost efficiency. This includes certain steps of next-generation sequencing services. In addition, to expand and diversify our product offering, we procure some of our life sciences research consumables such as biochemical reagents. They are trading products produced by suppliers. We carry out quality control tests and repackaging to meet the various needs of scientific researchers. Please see the section headed “Business — Quality Assurance” on page 216 of this prospectus for further details.

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We aim to adopt automatic control technology to our major production processes. Our automated machinery is predominately procured from world-class manufacturers in the United States. The advanced automated and customised machinery enables us to streamline production practices and processes, and significantly increase our production efficiency and quality. For instance, we have integrated and optimised our automated workstation to be compatible with our internal production processes for oligonucleotide synthesis. We have also developed an in-house programme to conduct sequence analysis and optimisation. A protein purification system has been installed to reduce human intervention and potential contamination during the production process. We deploy robotic arms and automated labelling and packaging systems which significantly improve productivity and reduce error rates at our facilities. We intend to continue to raise the level of automation of our production process in order to reduce our dependence on labour.

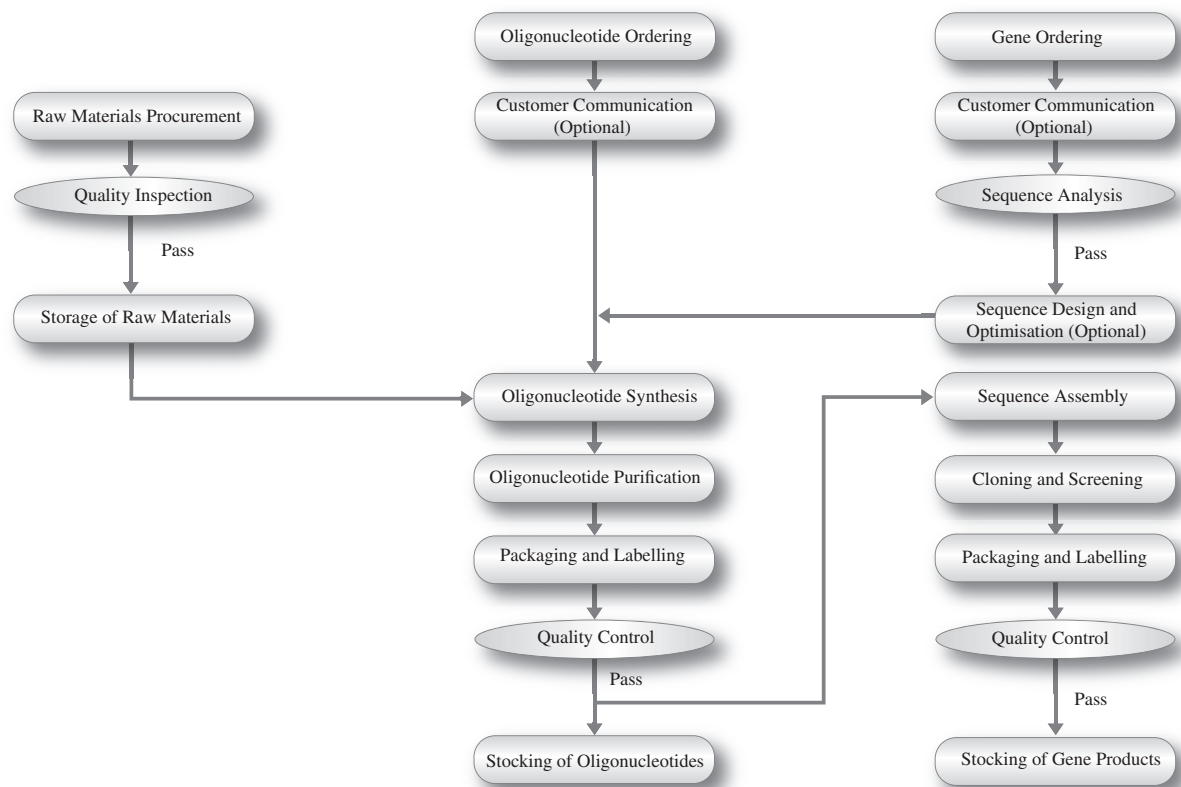
We closely monitor our production processes and stringently adhere to quality and safety control measures. We have 14 in-house laboratories at our facilities that conduct various tests on our products and services to assure consistent quality. Our quality management system has been assessed and registered by Moody International Certification Ltd (MICL) and has been found to conform to the requirements of ISO9001:2008, ISO14001:2004, BS-OHSAS 18001:2007. Our quality, environmental and occupational health and safety management systems are applicable to DNA synthesis, gene synthesis, DNA sequencing, peptide synthesis, antibody products and services, sales of biochemical reagents and research kits, production and sales of biochemical laboratory plastic consumable. Please see the section headed “Business — Quality Assurance” for further details on our quality control measures.

We have obtained all relevant permits, licences, and approvals for our production processes including the national production licence of industrial products and the permit for the operation of hazardous chemicals. Please see the section headed “Business — Permits, Licences and Approvals” for further details.

Our life sciences research products and services are principally produced at our production facilities. Although the processes for producing each category of our products and services may differ, the following flowcharts illustrate the typical production processes for our products and services.

Oligonucleotide Synthesis and Gene Synthesis

The following flowchart illustrates the typical production process for our oligonucleotide synthesis and gene synthesis products.



Nucleotides are the basic building blocks of DNA as well as the most fundamental raw materials for DNA synthesis. The primary raw materials for oligonucleotide synthesis are various nucleotide monomers (such as various nucleoside phosphoramidites) and the chemical reagents that facilitate the linking of these nucleotides in a specific way (such as acetonitrile). The monomers need to be procured from specific reagent suppliers. The procurement process usually takes about one to three months. After the quality inspection, they are stocked in warehouse and are ready to be used.

After receiving orders from customers, we synthesise the oligonucleotides in DNA synthesizers in accordance with the customer-requested oligonucleotide sequences and using such raw materials as the relevant nucleotide monomers. Crude product is obtained after multiple complex chemical reactions and then is subsequently purified and refined to yield the target product. Each step takes about three to five hours to complete. Finally, we aliquot and package the products based on customers' request. Only products that pass quality inspection are delivered to the customers.

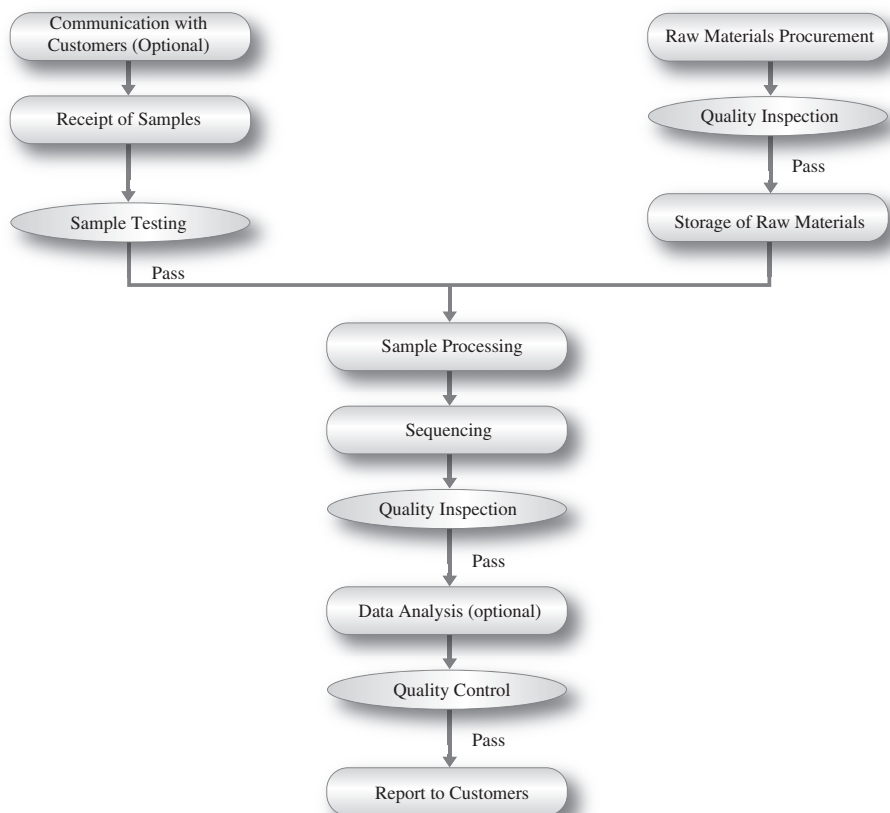
BUSINESS

The products of oligonucleotide synthesis are usually single-chain nucleic acid molecules with a length of 10 to 100 bases. Gene synthesis is a bit more complicated and is able to synthesise nucleic acid molecules with a length of tens of thousands of base pairs using enzymatic and biological methods. After customers place their orders by providing us with DNA sequences, we analyse the sequences to determine whether they can be synthesised and to determine the scheme to adopt. Sequences might need to be optimised in order to meet customers' requirements and communication with customers may be required during the processes of sequence analysis and optimisation.

In the process of gene synthesis, relatively short oligonucleotides are synthesised first, which are then ligated and assembled to obtain longer DNA molecules using enzymatic and biological methods. The sequence assembly process takes about one to three days. Such DNA molecules are then cloned into specific vectors, isolated, and amplified. The DNA molecules' sequences are determined and only those with the correct sequences are selected. The cloning and screening process usually takes about three to five days. Correct clones (usually provided in the form of plasmids) need to pass a final step of quality inspection, which takes about one to three days, before they are warehoused and delivered to the customers.

DNA sequencing

The following flowchart illustrates the typical production process of our DNA sequencing, including Sanger sequencing and next-generation sequencing.



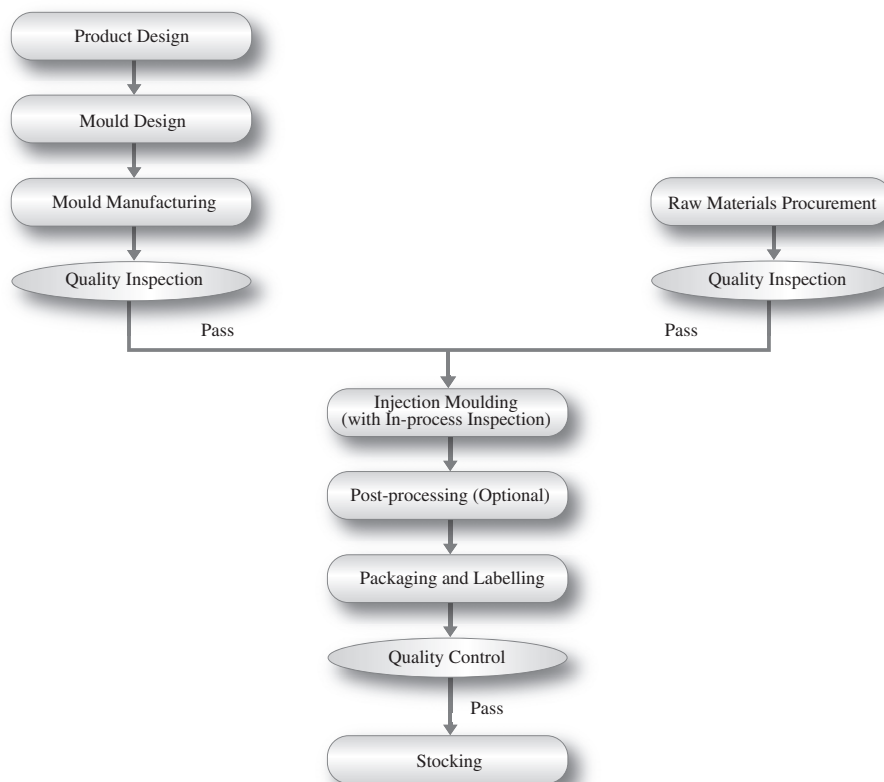
BUSINESS

DNA sequencing is the determination of the sequence of bases arranged in DNA (or RNA). Customers usually need to obtain the sequence of the entire or portions of nucleic acids in specific samples (such as DNA, RNA, bacteria, cells, and blood samples). We provide DNA sequencing, including Sanger sequencing and next-generation sequencing. Requirements of Sanger sequencing are usually relatively simple and standardised, while next-generation sequencing's requirements are more complex and customised. Therefore, communication with customers is usually necessary to ascertain customers' requirements.

As the quality of samples is a key factor affecting the results of DNA sequencing, we test samples before processing. Sample testing takes about one to five days and sample processing can take from a few hours to a few days. Processed samples are analysed in a specialised sequencing instrument. Results of Sanger sequencing can be obtained in a matter of a few hours, while results of next-generation sequencing can be obtained in a matter of a few days. Simple sequencing results will go through a quality inspection, which usually takes about an hour to complete, after which the results are delivered to customers. More complex sequencing results may need further bioinformatics analysis and processing, which can take from a week up to three months. Processed results are quality-inspected and used to generate an analysis report to be delivered to the customers.

Labware

The following flowchart illustrates the typical production process of our labware.



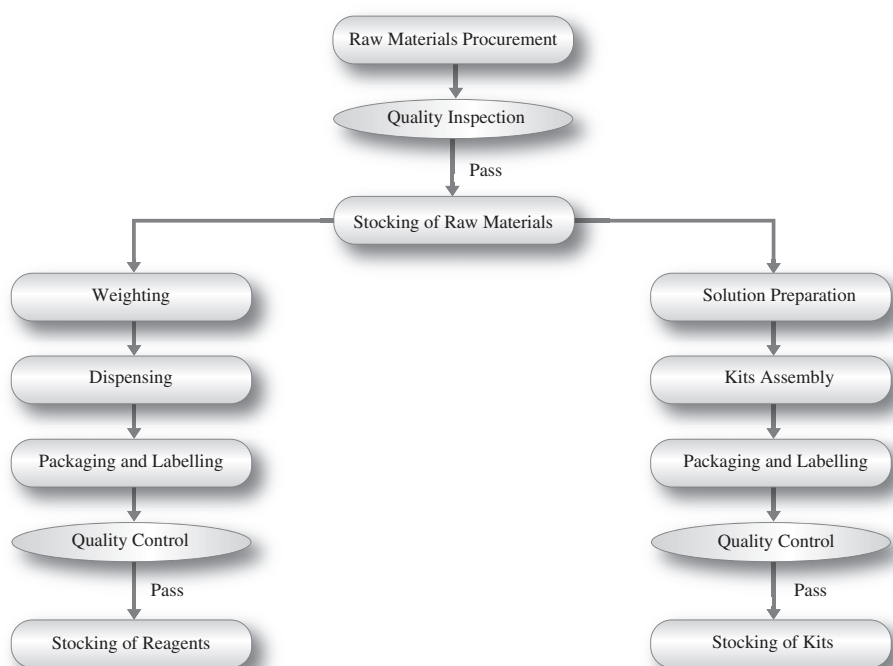
BUSINESS

Labware manufacture is an injection moulding process by which plastic particles are formed under certain conditions into appliances with certain shapes. The products' shapes and size need to be designed based on their functions, which takes one to three months. Raw materials are then selected, and moulds are designed which takes another one to three months. Subsequently, the moulds are manufactured in about one to three months, in accordance with the designed parameters. Both raw materials and moulds need to pass quality inspection as well as a small-scale tests before they are put into mass production.

Since injection moulding is a continuous manufacturing process, periodic real-time in-process inspections are carried out during the manufacturing process to identify and solve production problems in a timely manner. For some types of products, there is a one-to-three week post-processing procedure (such as sterilisation) after the injection moulding is completed. The products are packaged according to their specifications, which takes about one to three days, and those which pass the quality inspection are warehoused.

Biochemical Reagents and Research Kits

The following flowchart illustrates the typical production process of our biochemical reagents and research kits.



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The process of biochemical reagents production primarily involves a process of repackaging biochemicals and raw materials from large packages into smaller ones in accordance with particular customer specifications. Our research kits production requires the preparation of different biochemical reagents in accordance with specific formulas. Different buffers can be assembled into one kit in accordance with predetermined proportions.

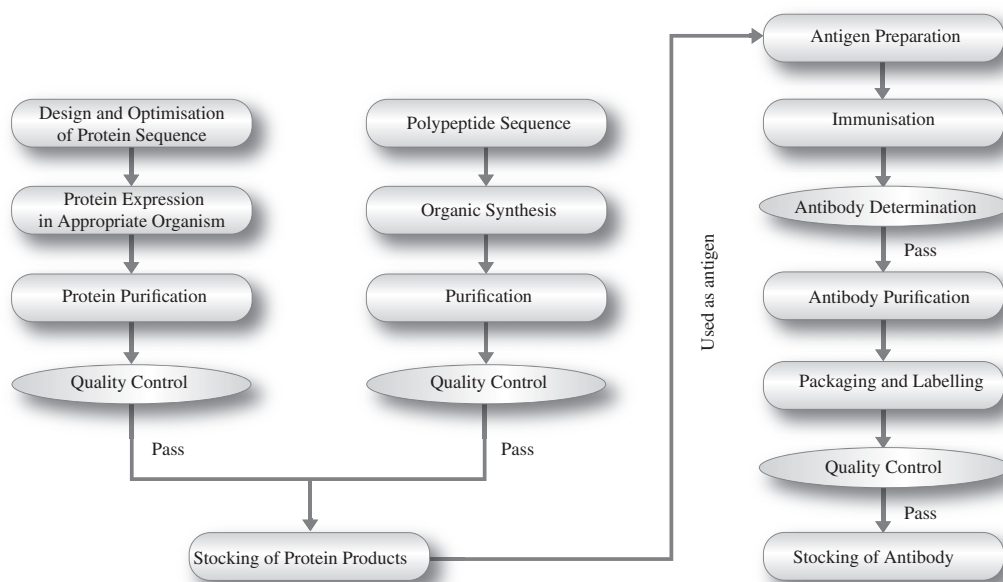
Scientific researchers usually rely on biotech companies to provide qualified products. We therefore place great importance to the quality control of biochemical reagents. After raw materials are procured, which takes one to three months, they are subject to multiple tests to analyse whether their various specifications meet the relevant requirements. Quality inspection of the raw materials usually takes about a week. The raw materials that pass the quality inspection are warehoused for future use.

Scientific researchers need various types of biochemical reagents in different packages to meet their requirements. Repackaging of biochemical reagents begins with weighing the reagents in accordance with particular specifications, which usually takes a few hours. Biochemical reagents are then packaged into compatible containers, which takes another few hours. Products are then warehoused in accordance with relevant requirements after quality inspection, which takes one to three days.

Research kits are a series of pre-made biochemical reagents specifically combined for certain experiments. Biochemical reagents are the primary raw materials for the production of kits. Different components are prepared in accordance with specific formulas, which takes about one to three days, and then assembled into kits, which takes about another one to three days. Entire kits, including each component, need to pass quality inspection, which takes about one to three days before they are warehoused.

Protein and Antibody Related Products and Services

The following flowchart illustrates the typical production process of our protein and antibody related products and services.



Proteins are key material basis of all life forms. Short protein molecules (with fewer than 50 amino acids) are usually called polypeptides.

Methods of obtaining proteins and polypeptides vary based on their different lengths. With respect to polypeptides, since their lengths are relatively short and their structures are relatively simple, their synthesis is usually by way of organic synthesis. The products are then purified to obtain the ultimate target products. Our polypeptide synthesis is outsourced to collaborating companies and the entire production process usually takes about one to two weeks.

Owing to longer sequences and the more complicated structures, proteins are required to be produced via biological methods. The sequence of the target protein is first analysed and expressed in a suitable host organisms under certain conditions and ultimately purified to obtain the target protein. The total process takes one to three months.

Antibodies are a type of immunoglobulins generated by animals which can bind corresponding antigens. Both proteins and polypeptides can be used as antigens. The process of animal immunisation entails the special treatment of antigens, which are then injected into experimental animals. After a certain period of time (one to three months), qualified antiserum is collected and purified to obtain the target antibody. The antibodies are then packaged according to relevant specifications and warehoused only after they pass a quality inspection. This entire process takes approximately two to four months.

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Outsourcing

Whilst we produce most of our products and services in-house, we outsource certain steps of our production process in order to achieve cost efficiency. Set forth below are the key outsourcing arrangements involved in our production process.

We outsource certain steps of our next-generation sequencing services. We generally enter into an agreement for each order we place with our sub-contractor and make full payment upon delivery and quality examination of services.

We outsource certain polypeptide production, protein expression and purification services. We generally enter into an agreement for each order we place with our sub-contractors and make full payment upon delivery and subsequent examination of the quality of services.

We select our sub-contractors from our pre-approved list of sub-contractors, which is reviewed and updated regularly based on the performance assessment of each sub-contractor. We generally take into account of the financial standing, track record in respect of on-time delivery, qualifications and industry experience, and compliance track record with our policies of each sub-contractor when making a selection. As at the Latest Practicable Date, we had over four years of business relationships with our five largest sub-contractors on average.

In general, we enter into written outsourcing agreement with our sub-contractors for a term of one year subject to renewal. Our sub-contractors are subject to confidentiality obligations with respect to the information provided by us and any other technical information that they gain access to during the course of their services. The service fees are either fixed or negotiated based on market prices. Our sub-contractors are required to comply with specified quality specifications. The subcontracting fees are negotiated at arm's length and in line with industry norm. Our outsourcing agreement may be terminated by mutual agreement. During the Track Record Period, our purchases from our largest sub-contractor for each of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 accounted for approximately 3.3%, 3.9%, 3.6% and 4.6% of our total cost of sales, respectively, and our purchases from our largest five sub-contractors, in aggregate, accounted for approximately 5.5%, 8.3%, 7.8% and 10.5% of our total cost of sales for each of the same periods, respectively. During the Track Record Period, our purchases from our sub-contractors accounted for approximately RMB3.9 million, RMB7.8 million, RMB9.5 million, and RMB6.2 million, representing approximately 5.7%, 9.3%, 8.8%, and 10.9% of our total cost of sales, respectively. We expect to continue such outsourcing arrangements after the Global Offering. Such outsourcing arrangements provide us cost efficiency and better quality control.

To the best of our Directors' knowledge, except PrimeGene, all of our sub-contractors are Independent Third Parties during the Track Record Period. Our transactions with PrimeGene were carried out in the normal course of business and on normal commercial terms. In April 2014, Sangon Biotech disposed of its entire equity interest in PrimeGene to an Independent Third Party. Please see the section headed "History and Reorganisation — Corporate Reorganisation — Disposal of interest in PrimeGene" for further details on page 146 of this prospectus.

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Trading Products

With the primary purpose of expanding and diversifying our product offering, we procure some of our life sciences research consumables such as biochemical reagents. They are trading products produced by suppliers. We carry out multiple tests to analyse whether the specifications of biochemical reagents meet the relevant requirements. In addition, we also repackage the biochemical reagents into different laboratory-sized packages and different research kits to meet the various needs of scientific researchers. We also put different tools which include self-produced enzymes, labware, recipe of reagents and experiment protocols manufactured and designed by ourselves in research kits as complete products before selling to researchers. Moreover, our customers of trading products also purchase our other life sciences research products and services as a result of synergistic effect among our different business segments. During the Track Record Period, revenue from our life sciences research consumables business generally increased in part due to increases in revenue from the sale of our biochemical reagents and research kits. Please see “Financial Information — Description of Certain Consolidated Income Statement Items” for details of the level of sales of our life sciences research consumables from page 283 to page 284 of this prospectus.

For the three years ended 31 December 2011, 2012, and 2013, and the six months ended 30 June 2014, purchases of trading products accounted for approximately RMB17.0 million, RMB14.5 million, RMB16.6 million, and RMB8.2 million, representing approximately 30.7%, 25.3%, 23.6%, and 21.7% of our total purchases, respectively. For the same periods, revenue from the sale of our trading products approximately accounted for 30.2%, 22.8%, 21.8%, and 20.4% of our total revenue, respectively. Our Directors confirmed that none of our Directors, or their respective associates, or any Shareholder (who or which to the knowledge of the Directors) holding more than 5% of the issued Shares had any interests in any of these five largest trading products suppliers throughout the Track Record Period. To the best of our Directors’ knowledge, except PrimeGene, all of our trading product suppliers are Independent Third Parties during the Track Record Period. In April 2014, Sangon Biotech disposed of its entire equity interest in PrimeGene to an Independent Third Party. Please see the section headed “History and Reorganisation — Corporate Reorganisation — Disposal of interest in PrimeGene” for further details on page 146 of this prospectus.

As at the Latest Practicable Date, we had not encountered and do not envisage that we will encounter any material disruption to our business as a result of failure in the procurement of raw materials and obtaining outsourced services and trading products. As at the Latest Practicable Date, we were not aware of any violation by our third-party suppliers or sub-contractors of material laws and regulations applicable to them.

MAJOR PRODUCTION TECHNOLOGIES

Biotechnology is developing very rapidly, with new technologies constantly emerging. This development expands the overall market for life sciences research products and services. For instance, with the development of next-generation sequencing, the cost of DNA sequencing has reduced significantly, thereby expanding the scope of application of genome sequencing. To keep abreast of technological advancement, we adopt up-to-date technologies in our production process. Based on a

variety of production technologies, know-how and new products and services, we also aim to enter into new markets, including the food industry and the disease prevention, diagnosis and treatment. Through our robust research and development efforts, we have introduced new products and a continuing flow of innovative services in addition to our present large portfolio to keep abreast of the evolving industry standards and maintain and improve our competitive position.

Oligonucleotide Synthesis Technique

Oligonucleotide synthesis is the production of single-chain nucleic acid molecules by way of chemical synthesis. The starting materials are nucleotide monomers that are the basic building blocks of nucleic acids. Through a series of chemical reactions, these nucleotides are linked to each other in a specific sequence, thus forming a single-chain nucleic acid molecule. We currently implement the solid-phase synthesis using phosphoramidite method in oligonucleotide synthesis, wherein oligonucleotide molecules undergo complex chemical reactions in a solid-phase medium. Owing to the complexity and the multiple-stage nature of the reactions, oligonucleotide synthesis via this method is usually carried out by synthesizers. The precise amount of various reagents and the reaction time and conditions during the synthesis process is critical to the product quality and cost control. Based on years of experience, we have obtained proprietary techniques and key technologies to ensure precision in oligonucleotide synthesis and development.

Oligonucleotide Purification Technique

Purification is a crucial step to ensure the high quality of the final DNA synthesis product. There are several purification techniques for oligonucleotides, such as desalting, PAGE, affinity purification, HPLC and so on. We have made improvements on these purification techniques and successfully applied them to our production. In particular, we have developed HAP technology and patented HAP-DNA purification column. This technology has been greatly improving our production effectiveness and stability, and it also becomes one of our competitive edges.

Gene Synthesis Technique

Gene synthesis is the process of synthetic biology that is used to create artificial genes in laboratories. The entire process of gene synthesis involves extensive knowledge in molecular biology and experimental techniques, for instance, amplification, cloning, nucleic acid purification and error correction. With over 10 years of experiences, we have acquired extensive knowledge in gene synthesis, especially of complex genes, and already acquired patents “Synthesis method of gene containing repetitive sequences” and “Fluorescent clone screening vector and preparation and application thereof.”

DNA Sequencing Technique

DNA sequencing technologies have seen important developments in recent years. Current DNA sequencing technologies are categorised into Sanger sequencing (also called capillary electrophoresis

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sequencing), next-generation sequencing, and single-molecule sequencing, which are respectively called the first-, the second-, and the third-generation sequencing technologies. We have acquired the first two generations of sequencing techniques, and will follow closely the development of the third generation sequencing techniques.

There are relatively mature Sanger sequencing techniques and instruments in the market. We have developed our distinctive procedures based on Sanger sequencing through exploration of sample preparation, optimisation of sequencing reactions and sequence analysis. With these improvements, we are capable of processing a large number of samples quickly with high quality guaranteed.

Next-generation sequencing (also known as high-throughput sequencing) is a new generation DNA sequencing technology in recent years which can in one time sequence from hundreds of thousands to millions of DNA molecules in parallel. It is now possible to acquire a large amount of sequence data in a short period of time and therefore, next-generation sequencing is more and more widely adopted by scientists. We started to build next-generation sequencing technology platform in 2011 and incorporated it in our operation in 2013.

Protein Expression and Purification Technique

Protein expression technology is also called recombinant or fusion protein technology, which refers to a process to obtain target protein by ways of genetic engineering. There are two primary aspects of recombinant protein expression technology, namely, the expression of the target protein and the purification of the target protein. There are various expression systems for the expression of recombinant proteins, such as prokaryotic expression systems, yeast expression systems, insect cell expression systems, mammalian cell expression systems, plant expression systems and cell-free expression systems, the basic technology of all of which are relatively mature. The protein purification technique including chromatography technology is also mature.

We possess a mature protein expression platform, including prokaryotic expression and yeast expression systems, and the downstream recombinant protein purification technology. This platform provides protein expression services to customers, and serves our development of enzyme tools.

Antibody Production Technique

Antibodies are proteins produced by living organisms in response to exogenous substances, and can specifically identify the exogenous substances. Antibody preparation is the process in which specific antibodies are obtained by immunising animals with designed antigens.

We started to build antibody preparation platform in 2011 and we currently have production and testing platforms for polyclonal antibodies and monoclonal antibodies. As at the Latest Practicable Date, we had developed over 4,000 types of antibodies.

PRODUCTION FACILITIES AND EQUIPMENT

We currently operate production facilities in Shanghai, Beijing, Wuhan, and Guangzhou, China and in Ontario, Canada. The five production facilities collectively occupy a total gross floor area of approximately 26,851.8 sq.m. Please see the section headed “Business — Properties” for further details on our owned and leased properties.

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The table below sets forth the major production equipment we owned and deployed during our key production processes.

Production Process	Major Production Equipment
DNA synthesis and gene synthesis	<ul style="list-style-type: none">• Oligonucleotide synthesizer• Mass spectrometer• Laboratory automation workstation• HPLC system• Capillary electrophoresis apparatus• Thermal cycler• Spectrophotometer
DNA sequencing and next-generation sequencing	<ul style="list-style-type: none">• DNA Analyzer• Thermal cycler• Centrifuge• Spectrophotometer• Next-generation sequencing platform• Bioinformatics workstation• Bioanalyzer instruments
Life sciences research consumables	<ul style="list-style-type: none">• Injection moulding machine• Grinding machine• Wire cutting machine• Electronic balance• Gas chromatography• pH meter• Conductivity meter• Atomic absorption spectrophotometer• Automatic potentiometric titrator• Melting point apparatus• Density meter
Protein and antibody related products and services	<ul style="list-style-type: none">• Two-dimensional gel electrophoresis apparatus• Thermal cycler• UV spectrophotometer• Inverted fluorescence microscope• Upright fluorescence microscope

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Equipment Maintenance

We have implemented a comprehensive maintenance system for our equipment to prolong its useful life. As at 30 June 2014, our maintenance team consisted of five employees. They are responsible for carrying out regular inspections, cleaning and maintaining our production equipment. We maintain a comprehensive equipment maintenance register and report any operational irregularities of our equipment identified. The following table sets forth the age of the major production equipment of our production lines as at 30 June 2014.

Major Production Process	Age range of Major Production Equipment	Estimated useful lives (in years)	Average remaining useful lives (in years)
DNA synthesis and gene synthesis	one to eight years	10	6.9
DNA sequencing and next-generation sequencing	one to eight years	10	7.1
Life sciences research consumables	one to eight years	10	5.9
Protein and antibody related products and services	one to four years	10	7.5

Depreciation of Production Equipment and Machinery

Our production equipment and machinery are currently depreciated on a straight-line basis over ten years due to the following reasons:

- *Mature production methods and techniques.* We purchase standard models of production equipment and machinery for our businesses from manufacturers. Most of our production equipment and machinery are commonly used in the PRC life sciences research product and service industry. The production methods and techniques adopted in these production equipment and machinery are mature in each of the respective market sectors and the relevant technological development has remained relatively stable.
- *Our continuous efforts for improvement and upgrade.* Based on our accumulated knowledge and technological know-how of life sciences research products and services over the years, it is technically feasible for us to further improve certain production methods and techniques adopted in our production equipment and machinery in order to optimise production processes and enhance production capacity. Given that there have been technological breakthroughs which often lead to product and service innovations in the PRC life sciences research product and service industry, we assess from time to time whether, apart from purchases of new production equipment and machinery to replace the existing ones, we should improve and upgrade our production equipment and machinery and where possible, carry out such improvement and upgrade accordingly in order to meet increasing customer demands and rising market standards. For example, we have developed

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automated DNA synthesis systems and incorporated them into our production equipment thereby improving production efficiency. We have also developed software which provides automated optimisation, analysis and design of gene sequences so as to reduce service delivery time.

- *Estimated useful lives of equipment and machinery being stable.* Despite the technological development in the PRC life sciences research product and service industry, the estimated useful lives and related depreciation charges of our production equipment and machinery remained stable during the Track Record Period, mainly as a result of the maturity of adopted production methods and techniques as well as our continuous efforts to improve and upgrade our production equipment and machinery over the years.
- *Regular accounting review.* Notwithstanding the above, according to the relevant accounting policy, our management has reviewed the residual values and estimated useful lives of our production equipment and machinery and where appropriate, make adjustments to the relevant estimates at each balance sheet date.

Based on the relevant accounting standards and our results of operations, taking into the technological development in each of the respective market sectors in the PRC life sciences research product and service industry, our management considers that the current straight-line depreciation method of our production equipment and machinery over ten years is appropriate.

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The table below sets forth the designed annual production capacity, production volume, and utilisation rate of our production facilities in respect of our four business segments for the periods indicated.

	For the years ended 31 December				For the six months ended 30 June							
	2011		2012		2013		2014					
	Designed annual production capacity ⁽¹⁾	Utilisation rate ⁽²⁾	Designed annual production capacity ⁽¹⁾	Production volume	Utilisation rate ⁽²⁾	Designed annual production capacity ⁽¹⁾	Production volume	Utilisation rate ⁽²⁾				
DNA synthesis (base pair)	76,228,704.0	62,262,118.1	81.7%	72,620,640.0	66,728,800.2	91.9% ⁽³⁾	85,770,864.0	79,171,123.0	92.3%	43,791,624.0	40,420,074.0	92.3% ⁽⁵⁾
Genetic engineering services (number of reactions)	2,257,044.5	1,752,195.3	77.6%	2,342,067.8	1,925,739.0	82.2%	3,029,019.8	2,480,039.3	81.9%	1,470,035.5	1,297,863.0	88.3% ⁽⁵⁾
Life sciences research consumables (kg)	274,780.8	220,300.9	80.2%	345,772.8	296,526.4	85.8%	348,278.4	316,505.2	90.9%	234,586.8	218,234.5	93.0%
Protein and antibody related products and services (ml)	3,132.0	618.0	19.7%	21,088.8	10,042.5	47.6% ⁽⁴⁾	23,385.6	9,800.0	41.9%	17,434.8	7,543.6	43.3% ⁽⁴⁾

Notes:

1. Production capacity relates to the designed annual production capacity of our production facilities in operation at the end of the period, which may not be a constant variable throughout the period. Our annual production capacity is generally calculated based on number of production personnel X designed production rate X one eight-hour working shift per day X 261 days per year.
2. Utilisation rate is calculated as the production volume for the relevant period as a percentage of the production capacity as adjusted for changes in production capacity as at each month-end and period length.
3. In respect of the DNA synthesis production line, the increase in utilisation rate from 81.7% to 91.9% from 2011 to 2012 was primarily due to the increase in sales volume during this period.
4. In respect of the protein and antibody related products and services production line, the increase in utilisation rate from 19.7% to 47.6% from 2011 to 2012 was primarily due to the move from trial production in 2011 to formal commencement of production in 2012. The overall utilisation rate of this production line remained relatively low as we are still developing this new line of our business.
5. We intend to expand our DNA synthesis service to new fields of applications and widen the scope of life sciences research applications of DNA sequencing under the genetic engineering service line for the research of clinical diagnosis. Please see "Business — Expansion Plans" for details of our expansion plans.

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EXPANSION PLANS

We believe that demand for our products and services will continue to increase. According to the Frost & Sullivan Report, the PRC public funding and private investment for research and development activities experienced the most rapid growth in the world over the past decade. China's research and development expenditure in 2013 represented 2.1% of the PRC total GDP for that year. Please see the section headed "Industry Overview" for a discussion on the growth drivers starting on page 88 of this prospectus. We are of the view that the continuous research and development expenditure on academic research in colleges, universities and research institutes in China will continue to be the major growth driver for our life sciences research products and services.

Set forth below are our key expansion plan and projects:

Broadening and Deepening product and services portfolio

- investing in research and development of new products and services;
- advancing and expanding our DNA synthesis service to new fields of applications, including the pharmaceutical and diagnostic fields of applications;
- advancing DNA sequencing technique and widening the scope of its life sciences research applications such as for the research of clinical diagnosis;
- developing research kits for testing and diagnosis;
- enriching our life sciences research consumables and diagnostic biochemical reagents including antibodies used for laboratory diagnosis; and
- building a new factory facility in connection with the enrichment of our product and service portfolio.

Expanding our sales network

- establishing additional branches and production facilities in China to reinforce our competitive position in our primary market;
- establishing overseas operating subsidiaries to maximise brand exposure of Sangon and BBI; and
- strengthening our electronic commerce platform to capture a broader customer base.

Developing customer base

- cultivating our customer base in the biomedical research field, particularly hospitals that conduct biomedical research; and

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- building customer relationships with diagnostic and food testing companies and related government testing and diagnostic centres.

Streamlining our business operations

- acquiring modern automated machinery to increase quality and productivity;
- enhancing our SAP ERP system to provide real-time financial data to support production and sales planning; and
- enhancing our customised in-house MES (Manufacturing Execution System) to enable effective control of multiple elements of the production process.

As at the Latest Practicable Date, we had not identified any specific acquisition target.

To meet the increasing demand for our life sciences research products and services, we plan to construct a number of production facilities on our self-owned land in Shanghai (“**Songjiang New Production Facilities**”). It is expected that these production facilities will collectively occupy a gross floor area of approximately 44,900 sq.m. We estimate that the construction of the Songjiang New Production Facilities requires a total of approximately HK\$226.1 million. We intend to use our internal funds and allocate approximately 36.2%, or HK\$73.0 million of the net proceeds from the Global Offering for the construction of the new facilities.

The following table sets forth the development plan of the Songjiang New Production Facilities:

	Gross Floor Area (sq.m.)	Main Products to be Produced or Services to be Provided	Expected Construction Time Frame	Expected Operation Commencement Date	Estimated Total Investment Cost (HKD in Million)	Source of Funds
Plant A	10,257.98	DNA sequencing and next-generation sequencing	Q3 of 2015 to Q3 of 2016	Q1 of 2017	51.6	Proceeds of the Global Offering
Plant B	10,257.98	Research and development/ Protein / Antibody	Q3 of 2015 to Q3 of 2016	Q1 of 2017	51.6	Proceeds of the Global Offering and internally generated funds
Plant C	4,313.15	Labware	Q4 of 2016 to Q4 of 2017	Q2 of 2018	21.7	Internally generated funds
Plant D	4,313.15	Biochemicals	Q4 of 2016 to Q4 of 2017	Q2 of 2018	21.7	Internally generated funds
Plant E	8,460.34	Gene synthesis and molecular biology services	Q4 of 2016 to Q4 of 2017	Q2 of 2018	42.5	Internally generated funds
Plant F	7,358.68	Employee dormitory	Q2 of 2014 to Q3 of 2015	Q4 of 2015	37.0	Internally generated funds

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As at the Latest Practicable Date, except for the construction of the employee dormitory, we had not yet implemented the above development plan and no expenditure had been incurred for such plan.

We may face a number of challenges in implementing our expansion plans, such as the availability of skilled labour, procurement of sales orders, and execution of quality assurance and control measures. We intend to continue to enhance our labour productivity by offering appropriate training to our employees and by retaining and attracting skilled labour by offering competitive benefits and career advancement opportunities. In addition, we intend to further improve the automation level of our production process to reduce our dependence on labour.

SUPPLIERS, RAW MATERIALS AND INVENTORY

Owing to our vast array of products and services, we procure a wide variety of raw materials. As at 31 December 2011, 2012, 2013 and 30 June 2014, we had a total of approximately 730, 790, 780, and 1,110 suppliers of different raw materials for our production, respectively. The principal raw materials for oligonucleotide synthesis, gene synthesis, DNA sequencing, research kits, and life sciences research consumables are monomers, enzyme tools, biochemical reagents and plastic particles. Based on our Group's results of operation and its management's historical experience, no major raw material is common to each of our Group's four business segments. Please see the section headed "Industry Overview" for details of the raw materials required by each of our business segments.

The prices and availability of raw materials may vary from period to period based on factors such as consumer demand and market conditions. We are exposed to the market risk of price fluctuation and price fluctuation may cause fluctuation in our cost of sales. We have managed to reduce the impact of increases in raw material prices by adjusting the mix of our suppliers, improving our operation management and enhancing the efficiency of our advanced production process for DNA synthesis products. We source our raw materials from multiple suppliers in the PRC and the United States and centralise our procurement of raw materials to leverage our economies of scale operations against suppliers. In addition, we closely monitor the development and customer demand in our target markets and find alternative suppliers which offer more favourable terms to us. These measures have helped us reduce our exposure to price fluctuations on one hand and ensure the quality of materials we procure on the other. We expect that depending on the general market conditions, we will be able to pass on part or all of increases in our raw materials to our customers so as to maintain our overall profitability.

We generally enter into purchase orders for each order we place with our suppliers. Alternatively, we enter into annual or monthly supply agreements with our principal suppliers which are renewed annually or monthly upon mutual agreement of the parties. There is a minimum purchase requirement for certain supply agreements that we entered into. We are required to fulfil the minimum purchase requirement or make up the purchase towards year-end. There is no penalty provision in relation to a failure to meet such requirement. During the Track Record Period, we were able to fulfil the minimum purchase requirement. There is generally no price adjustment mechanism and the parties may terminate the agreement upon mutual agreement. The purchase price and amount of raw materials are stipulated in the supply agreements. Raw materials delivered by suppliers to us are inspected

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before acceptance. In line with market practice, our principal suppliers usually provide us a credit term of 20 to 60 days. We also make prepayments. Our average turnover days of trade payable for the three years ended 31 December 2011, 2012, 2013, and for the six months ended 30 June 2014 were 44 days, 30 days, 20 days, and 24 days, respectively.

Our procurement department manages our inventory level by monitoring, in real time, our production activities and incoming sales orders and also taking into consideration any emerging trends in customer buying habits through discussions with our direct sales team. Based on this information, the procurement department develops a procurement and inventory plan and places orders with suppliers for any inventory which is expected to decline below targeted level. We typically maintain three to six months' worth of inventory.

We source our raw materials from multiple suppliers which are primarily located in China or in the United States. We select raw material suppliers based on a number of factors, including product quality, prices, services, financial condition and ability to timely deliver their products. We had not experienced any material return of supplies due to quality defects during the Track Record Period. We have developed stable relationships with many of our key suppliers and generally retain at least two suppliers for each of our principal raw material. We had not experienced major supply shortages during the Track Record Period.

Our cost of sales directly affects our results of operations and profitability. The major components of our cost of sales include cost of raw materials and labour costs in relation to our manufacture and sale of products and rendering of our services to customers. Please see the section headed "Financial Information — Factors Affecting Our Results of Operations and Financial Condition — Cost of Sale" for details on page 275 of this prospectus.

During the Track Record Period, prices of raw material have been generally steady. For the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, purchases from our five largest suppliers together accounted for approximately 32.7%, 34.4%, 24.5%, and 26.9% of our total purchases, respectively and our single largest supplier accounted for approximately 9.5%, 10.4%, 6.2% and 7.2% of our total purchases, respectively, during the same periods. As at 30 June 2014, we had maintained business relationships with these suppliers for over five years on average.

None of our Directors or their associates, and none of our existing Shareholders which (to the knowledge of our Directors) owning more than 5% of our share capital, has any interest in any of our five largest suppliers.

To the best of our Directors' knowledge, except PrimeGene, all of our suppliers are Independent Third Parties during the Track Record Period. In April 2014, Sangon Biotech disposed of its entire equity interest in PrimeGene to an Independent Third Party. Please see the section headed "History and Reorganisation — Corporate Reorganisation — Disposal of interest in PrimeGene" for further details on page 146 of this prospectus.

QUALITY ASSURANCE

Our quality management system has been assessed and registered by Moody International Certification Ltd (MICL) as conforming to the requirements of ISO9001:2008. Our quality management system is applicable to DNA synthesis and gene synthesis, DNA sequencing, polypeptide synthesis, antibody products and services, sales of biochemical reagents and research kits, and production and sales of biochemical laboratory plastic consumables. We provide a wide variety of products and services, and each has its unique production and inspection technology. As such, we have established quality assurance and quality control groups targeting different products and services. Our key quality assurance steps and measures are as follows:

Quality Control System

Our quality control files comprise of documents at three levels: (a) quality management manual which sets forth the principles and overall guidelines on quality management; (b) quality management programme documents which set forth the procedures and methods of various quality management programmes and the interconnection among them, and also provide for the respective rights, duties, and responsibilities of various departments; and (c) process plans, quality standards and work instructions which set forth the specific practice of quality control. Our quality control files cover every quality control aspect from product development, supplier evaluation, production, to after-sale services, and form the quality control management system which guides the conduct of quality control.

Quality control personnel

Our employees are the cornerstone of our quality management. Our quality control team comprises a team of 25 employees led by Ms. Deng Yanfen. Ms. Deng graduated from Nanjing Linye University focusing on the chemical processing of forest products and has accumulated 15 years of experience in quality control. We emphasise the enhancement of knowledge and skills of our employees. Each year, we arrange training programmes covering various subjects according to the demands of various departments, including quality management, environmental management, safety knowledge, and biological and chemical knowledge. Some of our quality inspectors possess professional education and background and have obtained related qualification certificates. Our major quality control personnel have obtained relevant qualification certificates issued by the Shanghai Municipal Bureau of Quality and Technical Supervision Training Centre* (上海質量技術監督培訓中心). They are responsible for ensuring that the operation meets the standards and the inspection results are accurate. Our frontline operation staff receive training on multiple procedures, safety process, and other key factors of quality control. Issues and problems are discussed and experiences shared at regular meetings. Our quality inspectors and frontline operation staff play key roles in stringently safeguarding our quality standards.

Quality control devices and instruments

Our products and services require a high level of accuracy which requires the use of advanced instruments. Our quality control groups are equipped with various professional testing and detection instruments including HPLC system, gas chromatography, atomic absorption spectrometer, UV spectrophotometer, pH meters and other devices. We record the performance characteristics and variations of the devices and instruments being used to achieve high accuracy and precision.

Quality Control Process

DNA synthesis

Raw materials for DNA synthesis products are inspected according to strict guidelines before being warehoused. In respect of the quality testing of oligonucleotide synthesis products, the molecular weight of synthetic oligonucleotides is determined by a mass spectrometer to see if it meets the molecular weight of the target oligonucleotides. Thereafter, quantitative testing of synthetic oligonucleotides is conducted by a spectrophotometer. Product purity is tested by capillary electrophoresis according to customer requirements.

After completion of gene synthesis, samples are sequenced to make sure they comply with the sequence initially required by the customer. Sequencing is the most direct and effective way to test the quality of gene synthesis. The samples are then tested by site-specific enzyme digestion to confirm quality.

DNA sequencing and next-generation sequencing

Prior to sequencing, samples are tested in our laboratories according to our standard operation procedures. After completion of sequencing, the sequencing results are inspected by experienced data analysts.

Life sciences research consumables

We provide quality control of raw materials, semi-finished products and finished products by inspecting them at different stages during the production process according to standard operational procedures.

Quality assurance of biochemical reagents is achieved through inspecting the quality of raw materials and finished products. Quality inspection includes inspection of the appearance of the product, physical characteristics, solubility, purity, impurity content and heavy metal content. For products whose shelf life has expired, we re-assay the quality and promptly dispose unqualified batches of products.

Research kits are composed of pre-made biochemical reagents in accordance with specific formulas. Our quality assurance of research kits includes quality inspection of biochemical reagents based on their specifications, and of semi-finished solutions based on their colour, pH value, conductivity and other indicators. Finished products are tested in experiments to determine if they can meet the functional requirements described in the product manual.

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The majority of our labware is made of plastic particles. Prior to mass production, plastic particles are inspected by running small batches of samples on a moulding machine to test the produced products. During mass production, periodic real-time in-process inspections are carried out to identify and solve any production problem in a timely manner. Quality assurance of final products includes inspecting product appearance and testing function.

Protein and antibody related products and services

Proteins are primarily prepared using prokaryotic systems. Quality assurance of the products includes the inspection of purity and concentration by SDS-PAGE and western blot.

Antibodies are obtained by immunising animals with designed antigens. Polypeptide antigens come with peptide mass spectrometry reports and protein antigens are tested with SDS-PAGE. Quality assurance of antibodies is performed by ELISA and Western blot.

Handling Customer Complaints

We have established a customer-oriented operating mechanism. In the event of receiving quality-related complaint from customers, we will forward the matter to the customer service department. Initial assessment on the subject product or service will be conducted, and where necessary, the matter will be raised to the relevant production manager. If the quality issue is confirmed, we will communicate with our customers and discuss appropriate remedial measures to be undertaken, including product return, product replacement, or service re-provisioning.

Our products are warranted to meet the stated product specifications and the description on the label. In the event of non-conformance, we will indemnify our customers an amount not exceeding the prices of the subject products. On the other hand, our products are intended for use only by qualified professionals. The user shall determine suitability of a product for a particular use. We also require our customers to observe the recommended storage conditions.

During the Track Record Period and as at the Latest Practicable Date, we had not received any material complaint regarding our products or services, and our products and services had not been subject to any material claims, litigation or investigation resulting into product liability. In addition, during the Track Record Period and as at the Latest Practicable Date, there were no major product recall or fatal accident related to our products and services. We believe that our stringent quality control procedures contribute to the overall low rate of product return or service re-provisioning.

RESEARCH AND DEVELOPMENT

We are highly committed to our research and development efforts which have contributed to our ability to continuously develop and introduce new products and services to the market and enrich our product and service portfolio.

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Achievements and Pipeline Projects

We seek to develop and offer better life sciences research products and services than our competitors. Every year, we explore areas of research and development and formulate major objectives and research direction for the year. As a reflection of the efforts of our research and development team, we have been able to continuously develop and launch new products and services to meet the needs of our customers.

The table below sets forth our major achievements in research and development activities during the Track Record Period.

Year	Research and development achievements
2011	<ul style="list-style-type: none">• established an antibody development platform and commenced the development of antibody production;• developed approximately 100 new antibodies;• conducted a comprehensive update to the research kit product line; and• commenced the development of next-generation sequencing technology.
2012	<ul style="list-style-type: none">• improved and optimised polyclonal antibody technology platform;• developed over 1,000 new antibodies for research use;• advanced an automated system for DNA synthesis; and• developed applications of key next-generation DNA sequencing techniques and launched related services.
2013	<ul style="list-style-type: none">• developed over 1,300 new antibodies for research use;• optimised the enzyme tool development platform and developed 15 enzyme tools; and• developed novel nucleic acid purification technology based on magnetic nanomaterials and launched approximately 20 related research kits.
2014	<ul style="list-style-type: none">• continued development of new antibodies and developed over 1000 new antibodies for research use; and• commenced the development of PCR related research kits and launched over 20 new research kits.

In general, we focus primarily on products and services where there is significant demand and market potential. We work closely with our customers to upgrade existing and develop new products and services based on their feedback and insights to better meet our customers' demands and in a cost effective manner.

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The table below sets forth our major pipeline products and services being developed by our research and development team and their respective development stages as at the Latest Practicable Date.

<u>Product/ service category</u>	<u>Application</u>	<u>Status</u>	<u>Development Goal</u>	<u>Expected launch year/ Continuous project</u>
DNA synthesis - Complex fragment cloning in gene synthesis	<ul style="list-style-type: none"> To improve the capacity and efficiency of gene synthesis products. 	<ul style="list-style-type: none"> We are exploring new technologies on complex fragment cloning in gene synthesis and implementing chip-based oligonucleotide synthesis technology and high-throughput gene synthesis technology using chip-based oligonucleotides. 	<ul style="list-style-type: none"> We aim to increase the efficiency and successful rate of gene synthesis. 	2015
DNA sequencing - Sample preparation technology for next-generation sequencing	<ul style="list-style-type: none"> To simplify and optimise the sample preparation process for next-generation sequencing. 	<ul style="list-style-type: none"> We have developed the multiplex amplification technology for micro scale samples in 2014. 	<ul style="list-style-type: none"> We aim to expand the application field for next-generation sequencing. 	2015
Life sciences research consumables - Molecular biology enzyme	<ul style="list-style-type: none"> For use in molecular biology experiments. 	<ul style="list-style-type: none"> We established enzyme tool development platform in 2012 and developed 16 types of restriction endonucleases. 	<ul style="list-style-type: none"> We plan to produce over 30 types of enzymes. 	2016
Life sciences research consumables - Research kits	<ul style="list-style-type: none"> For use in the research field of testing, analysis and diagnostics. 	<ul style="list-style-type: none"> We continuously put our efforts on developing and expanding our research kit product line. This project began in 2013, we have developed a total of over 40 kits. 	<ul style="list-style-type: none"> We plan to develop 20 kits each year. 	Continuous project
Protein and antibody related products and services - Antibody preparation technology and product development	<ul style="list-style-type: none"> For use in the research field of testing, analysis and diagnostics. 	<ul style="list-style-type: none"> Since 2012, we had developed over 4,000 types of antibodies at our facility site. 	<ul style="list-style-type: none"> We plan to develop approximately over 1,000 antibodies each year. 	Continuous project

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Research and Development Process

As at 30 June 2014, we maintained a highly skilled research and development team of 70 members, of which approximately 5.7% possess doctorate degrees and approximately 27.1% possess masters' degree across various disciplines, including molecular biology, genetics, biological engineering, and immunology. Our research and development team is led by Dr. Li Wei and Dr. Yan Hua. Dr. Li obtained his Doctor of Philosophy in Genetics from Fudan University* (復旦大學) in Shanghai. Dr. Yan obtained his Doctor of Philosophy in Immunology from Wuhan Institute of Biological Products* (武漢生物製品研究所). They have more than eight years and 30 years of experience in the research and development field, respectively. Please see the section headed "Directors, Senior Management and Employees — Directors and Senior Management — Senior Management" for details of their qualification and experience.

Our research and development team studies customers' feedback, market demand and new directions in biotech in order to formulate research and development project proposals. Our management team reviews project proposals on an annual basis. Upon approval, our researchers are appointed to different projects. Experimental results are being reported to our senior research and development teams regularly. Questions are raised and discussed during the experiments. Once test results have been confirmed and approved by our senior research and development teams, they will then be transferred to the production department for mass production.

We manage our research and development expenses through budgeting and internal auditing by our finance department. Our research and development expenses accounted for 6.9%, 6.8%, 4.6%, and 5.0% of our total revenue for the years ended 31 December 2011, 2012 and 2013, and the six months ended 30 June 2014, respectively. Depending on our research and development strategies, the amount of research and development expenses varies slightly with the number and scale of projects each year. We intend to invest approximately 5% of our total revenue each year on exploring and developing new products and services to keep abreast of the new directions of biotech in the market.

AWARDS AND RECOGNITION

During the Track Record Period, our PRC operations had received a number of awards and recognition in respect of the quality of our products and services, popularity of our brand, and our social contributions. The table below sets forth the major awards and recognition we received since 2011.

<u>Year</u>	<u>Award / Recognition</u>	<u>Awarding Intuition / Authority</u>
2011		
February	Songjiang District Major Pillar Enterprise 2010* (2010年度松江區重點骨幹企業)	The People's Government of Songjiang District, Shanghai* (上海市松江區人民政府)

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Year	Award / Recognition	Awarding Intuition / Authority
November	Songjiang Enterprise Technical Centre* (松江區企業技術中心)	Songjiang Leading Group for Innovation of Industry Technology* (松江區工業技術創新工作領導小組)
2012		
January	Chedun Town Industrial Enterprise Number Four Tax Payer 2011* (2011年度車墩鎮工業企業納稅第四名)	The People's Government of Chedun Town* (車墩鎮人民政府)
November	Shanghai Municipal Biopharmaceutics Industry Development Enterprise* (上海市生物醫藥行業成長企業獎)	Shanghai Biopharmaceutics Industry Association* (上海市生物醫藥行業協會)
2013		
January	Chedun Town Industrial Enterprise Tax Payment Excellence Award 2012* (2012年度車墩鎮工業企業納稅優秀獎)	The People's Government of Chedun Town* (車墩鎮人民政府)
March	Songjiang District Safety Enterprise 2012* (2012年度松江區平安單位)	Shanghai Songjiang District Social Safety Comprehensive Governance Commission* (上海市松江區社會治安綜合治理委員會)
May	Shanghai Municipal Technology Little Giant (Development) Enterprise* (上海市科技小巨人(培養型)企業)	Science and Technology Commission of Shanghai Municipality* (上海市科學技術委員會)
September	Hi-tech Enterprise* (高新技術企業)	Science and Technology Commission of Shanghai Municipality* (上海市科學技術委員會) Shanghai Municipal Finance Bureau* (上海財政局) Shanghai Municipal Office of the State Administration of Taxation* (上海市國家稅務局) Shanghai Municipal Bureau of Local Taxation* (上海市地方稅務局)

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Year	Award / Recognition	Awarding Intuition / Authority
2014		
January	Renowned Trademark in Shanghai Municipality* (上海市著名商標)	Shanghai Administration for Industry and Commerce* (上海市工商行政管理局)
June	Shanghai Intelligent and Professional New Enterprise* (上海智造專精特新企業)	Shanghai Jiao Tong University China Enterprises Research and Development Institute* (上海交通大學中國企業發展研究院) Shanghai Jiao Tong University Brand Research Institute* (上海交通大學品牌研究中心) Shanghai Small and Medium-Sized Enterprises Development Service Centre* (上海市中小企業發展服務中心)

COMPETITIVE LANDSCAPE

The life sciences research product and service industry is characterised by the rapid development of products and services, technological advances, intense competition and a strong emphasis on quality and response time to customers' demands. Suppliers in China's life sciences research product and service industry can be broadly categorised into MNCs and Chinese domestic companies. MNCs, are equipped with better technology than domestic brand companies, generally charge higher prices for their products and services and primarily target pharmaceutical and biotech companies. Domestic companies generally charge lower prices for their products and services and primarily target customers such as colleagues, universities, hospitals, and research institutes.

Our core competitive edge is our comprehensive product and service portfolio for performing life sciences research. We are a well-recognised provider of life sciences research products and services in China with a comprehensive portfolio coverage and service in 2013, according to the Frost & Sullivan Report. We compete in the market primarily based on product and service quality, price competitiveness, and efficient service delivery. We seek to reinforce our position in the DNA synthesis and the DNA sequencing markets in the PRC. According to the Frost & Sullivan Report, in China in 2013, we ranked first among other DNA synthesis product providers in terms of revenue with a market share of approximately 17.4%. We also ranked first among other oligonucleotide synthesis product providers in terms of revenue with a market share of approximately 26.0%. In addition, we ranked sixth in the DNA sequencing service market as a sub-segment of genetic engineering services in terms of revenue. Our competitors include both local life sciences research products and services providers and MNCs which have established a presence in China. Please refer to "Industry Overview" for a detailed discussion on the respective competitive landscape of various market segments which we engage in, including the background of our major competitors, beginning on page 88 of this prospectus.

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In recent years, Chinese domestic companies have successfully improved their product quality and taken market share away from MNCs. As the PRC government continues its significant expansion of financial support and government funding to scientific research year over year, domestic companies with full product portfolios as well as strong manufacturing and product development capabilities are expected to continue to take away market share from MNCs due to their price competitiveness. Please refer to “Business — Product and Service Portfolio — Pricing Strategy” for details of our historical selling prices of our life sciences research products and services during the Track Record Period on page 179 of the prospectus. Benefiting from our comprehensive product and service portfolio, we believe that we are well positioned to capitalise on the import substitution opportunities.

For further details of the competitive landscape in each of our business segment, please see the section headed “Industry Overview”.

PERMITS, LICENCES, AND APPROVALS

China

The life sciences research product and service industry is regulated in China, and life sciences research product and service providers are required to obtain requisite permits, licences, and approvals from the relevant government authorities. For details about the permits, licences, and approvals required for our operation, see the section headed “Regulations.”

Our Directors, as advised by our PRC legal adviser, King & Wood Mallesons, confirm that, during the Track Record Period and up to the Latest Practicable Date, we had complied with relevant PRC laws and regulations in all material respects and had obtained all material permits, licences, and approvals from the relevant PRC authorities for all of our operations in China and all of such permits, licences, and approvals are within their respective effective periods. We did not experience any material difficulty in renewing the permits, licences, and approvals during the Track Record Period, and we currently do not expect to have any material difficulty in renewing them when they expire.

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The following table sets forth certain information in relation to our material permits, licences, and approvals.

<u>Type of permit/use</u>	<u>Issuing Authority</u>	<u>Valid period/ issuing date</u>	<u>Renewal</u>
National production licence of industrial products (全國工業產品生產許可證)	Shanghai Quality and Technical Supervision Bureau* (上海市質量技術監督局)	20 November 2012 to 26 October 2016	At least six months prior to its expiration date upon a re-examination by the relevant authority
Permit for the operation of hazardous chemicals (危險化學品經營許可證)	Shanghai Administration of Work Safety* (上海市安全生產監督管理局)	10 June 2012 to 9 June 2015	At least 3 months prior to its expiration date upon a re-examination
Consignees and consignors registration certificate for the declaration of customs (海關報關單位註冊登記證書)	General Administration of Customs of Songjiang of the PRC* (中華人民共和國松江海關)	13 October 2014	Not required to renew
Registration certificate of the enterprise that applies for inspection by itself (自理報檢企業備案登記證明書)	Shanghai Entry-Exit Inspection and Quarantine Bureau* (上海出入境檢驗檢疫局)	26 July 2012	Not required to renew
Registration form for foreign trade business operator (對外貿易經營者備案登記表)	Shanghai Municipal Commission of Commerce* (上海市商務委員會)	31 July 2012	Not required to renew
Drainage permit (排水許可證)	Shanghai Songjiang District Water Authority* (上海市松江區水務局)	24 August 2012 to 23 August 2017	At least 3 months prior to its expiration date upon a re-examination

Canada

Our Directors, as advised by our Canadian legal adviser, confirm that during the Track Record Period and up to the Latest Practicable Date, Bio Basic (Canada) had complied with relevant Canadian laws and regulations in all material respects and had obtained all material permits, licences, and approvals from the relevant government authorities for our operations in Canada. We currently do not expect any material impediment in timely renewing our permits, licences, and approvals as they expire. According to our Canadian legal adviser, our business operation in Canada does not require special permits, permits or approvals.

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U.S.

Our Directors, as advised by our U.S. legal adviser, confirm that, during the Track Record Period and up to the Latest Practicable Date, we had complied with relevant U.S. laws and regulations in all material respects and had obtained all permits, licences, and approvals from the relevant government authorities for our operations in the U.S. Our significant permits, licences, and approvals in the U.S. primarily include a Certificate of Authority obtained from the New York State Department of Taxation and Finance and an operating permit from town of Amherst, New York for our warehouse (“**Operating Permit**”). Bio Basic (US) is currently in possession of such a Certificate of Authority issued on 6 September 2011, such certificate does not have an expiration date. Bio Basic (US) has relied on an Operating Permit from the town of Amherst New York issued to Bio Basic USA Inc. (“**BBI US**”) on 6 August 2009 since Bio Basic (US) began its operations in December 2010; such permit does not have an expiration date.

The town of Amherst, New York requires an Operating Permit to be obtained when certain activities are conducted in buildings, including the storage of certain materials listed in Tables 2703.1.1(1), 2703.1.1(2), 2703.1.1(3) or 2703.1.1(4) in the publication entitled “Fire Code of New York State” and incorporated by reference in 19 NYCRR 1225.1 referred to in Article VII of Chapter 83 of the Building Construction Administration Code of the Town of Amherst (the “**Code**”). Bio Basic (US)’s warehouse which stores its life science products some of which are listed in the aforementioned tables, is located in the town of Amherst, New York, is thereby subject to this regulation. Pursuant to Article VII B. 1-2 of the Code B, an application for an Operating Permit must be made in writing and shall include such information as the Commissioner of Building deems sufficient to permit a determination by the Commissioner of Building that quantities, materials, and activities conform to the proper use. The Commissioner may also at his or her determination require testing of the property prior to the issuance of an Operating Permit. The Commissioner may also inspect the building prior to issuing an Operating Permit. The Operating Permit is valid and effective until it is revoked, suspended, renewed or reissued. At the time when BBI US applied for the Operating Permit, it was the entity operating our warehouse and it applied for such an Operating Permit in that capacity. BBI US was a corporation duly incorporated and validly existing in the State of New York which was duly dissolved on 1 February 2012. The purchase of property by Bio Basic (US) was made before the dissolution and the Operating Permit continued to be valid with regard to the permitted use property. As advised by our U.S. legal adviser, (i) the Operating Permit in the name of BBI US which pertains only to the permitted use of the premises as a warehouse with regard to local zoning laws and ordinances has been valid since it was issued on 6 August 2009 despite the fact that it was issued to BBI US which has been dissolved; (ii) it is not a non-compliance of any applicable laws and regulations on the part of Bio Basic (US) with regard to not possessing an Operating Permit in its own name because the Operating Permit is attached to our warehouse and is valid to its bearer. As BBI US has dissolved, we have submitted a voluntary request to the Town of Amherst which has issued a valid Operating Permit in the form of a letter dated 30 October 2014 addressed to Bio Basic (US).

We currently do not expect any material impediment in timely renewing our significant permits, licences, and approvals as they expire.

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PROPERTIES

Land and Properties owned by us

As at the Latest Practicable Date, the properties owned by our Company comprised (i) two parcels of land located in Shanghai with an aggregate site area of approximately 64,503.0 sq.m. and (ii) 11 buildings with an aggregate gross floor area of approximately 24,903 sq.m. in Shanghai, Beijing and Wuhan, which are mainly used for our production, research and development, warehouses and offices purposes.

The two parcels of land located in Shanghai comprised one parcel land having a total site area approximately 36,964.0 sq.m. and another parcel of land having a total site area of approximately 27,539.0 sq.m.. As at the Latest Practicable Date, we had fully paid the land premium and had obtained the land use right certificate for these two parcels lands. As advised by our PRC legal adviser, King & Wood Mallesons, we are entitled to legally occupy, use, mortgage or otherwise dispose of the rights to use the two parcels of land.

We owned 11 buildings with an aggregate gross floor area of approximately 24,902.9 sq.m. in Shanghai, Beijing and Wuhan. For 10 buildings located at Shanghai and Beijing with an aggregate gross floor area of approximately 23,617.2 sq.m., we have obtained the relevant building ownership certificate and the land use right certificates for the land on which such properties were erected. For one building located at Wuhan with an aggregate gross floor area of approximately 1,285.7 sq.m., accounting for 5.2% of the aggregate gross floor area of our owned buildings, we have not obtained the building ownership certificate. The building is mainly used for production facilities of DNA sequencing service in Wuhan. The building was transferred from Wuhan Optical Valley Biomedical Industrial Park Development Co., Ltd* (武漢光谷生物醫藥產業園發展有限公司) (the “**Transferor**”) to us in accordance with the transfer contract entered between us on 6 August 2011, pursuant to which the Transferor shall provide the land use right certificate and building ownership certificate in respect of this building to us and complete the registration for the transfer of this building with 300 days since the transference of this building on 1 July 2011. As at the Latest Practicable Date, we have not been provided with the land use right certificate and building ownership certificate for such building due to the incompleteness of the application for such building by the transferor with relevant governmental authorities. The application for the building ownership certificate in respect of this building is still being processed by the relevant government authority and we have been constantly following up with the Transferor on the status of the application. We are not aware of any issues with respect to the application for the land use right certificate and the building ownership certificate.

Our Directors, as advised by our PRC legal adviser, King & Wood Mallesons, confirm that, as at the Latest Practicable Date, we had not violated applicable laws and regulations for the defective title in such property, and we had not been subject to any administrative penalty as a result of such defect. We do not believe we will be subject to any administrative penalties as a result of our failure to obtain such title certificate.

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In general, we do not consider the defective property crucial to our core business operations. The total revenue generated from our operation on this defective building located at Wuhan accounted for approximately 0.37%, 0.84%, 0.70% and 0.45%, respectively, of our revenue for the years ended 31 December 2011, 2012 and 2013, and the six months ended 30 June 2014 and the total asset of this defective property represent an insignificant portion of our total assets. In addition, we believe that we are able to be relocated in a timely manner with minimal expenses, which would not materially affect our business or financial positions. Thus, our Directors believe that the title defect in this property will not have a material impact on our operations. Our PRC legal adviser, King & Wood Mallesons, is of the view that there would be no material legal impediment for us in obtaining the relevant building ownership certificate and land use right certificate for the defective property.

Leased Properties

As at the Latest Practicable Date, we leased 7 buildings with an aggregate gross floor area of approximately 1,065.7 sq.m., for our production facilities, offices, and warehouses.

As at the Latest Practicable Date, the lessors of our leased buildings have obtained valid building ownership certificates and provided us with the same evidencing that they have requisite titles or rights to lease these buildings to us. However, we have not registered these lease agreements with relevant regulatory authorities. Our PRC legal adviser, King & Wood Mallesons, is of the view that the failure to register these leases is an immaterial non-compliance and will not affect the legality, validity or enforceability of such lease.

Properties Currently under Construction

We have acquired the land use right for properties of 27,539 sq.m. in Songjiang District, Shanghai and we have legal and valid ownership interests in this property. We are in the process of constructing new production facilities and employee dormitory. The production facilities are expected to commence commercial production in 2018. The projected total capital expenditure on the construction of these facilities is approximately RMB179.8 million, of which RMB1.7 million had already been incurred as at 30 June 2014. For detailed information in respect of our properties currently under construction, please see the section headed “— Expansion Plans” on page 212 of this prospectus. Our PRC legal adviser, King & Wood Mallesons, has confirmed that, as at the Latest Practicable Date, we have obtained the relevant construction approvals and permits for the properties under construction.

Overseas Properties

As at the Latest Practicable Date, we owned a warehouse in New York in the United States with an aggregate gross floor area of approximately 608.0 sq.m., where we also sell our products. We also own a parcel of land in Ontario in Canada with an aggregate gross floor area of approximately 2,017.0 sq.m..

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According to Chapter 5 of the Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land or buildings, because as at 30 June 2014, the carrying amount of our property interest was less than 15% of our consolidated total assets.

INSURANCE

We maintain different types of insurance policies to cover our operations. We carry property insurance policies covering our inventory equipment, and facilities, personal accident insurance for members of our direct sales team, and dangerous chemicals safety and liability insurance in accordance with customary industry practice. We believe that the coverage of the insurances obtained by us is consistent with the market practice in China for our type of business and operations.

We also maintain insurance coverage for product liability to cover potential claims due to accidental bodily injury to third parties and accidental loss of or damage to the property of third parties arising from the defects of our products.

During the Track Record Period, we had not made or been the subject of any material insurance claims.

INTELLECTUAL PROPERTY

We have developed a portfolio of intellectual property rights to protect our technologies and products in China, the United States, Canada and Hong Kong. From time to time, we submit patent applications for products and technologies that we have developed in order to actively protect our intellectual property rights. As at the Latest Practicable Date, we had 11 registered trademarks, seven registered invention patents, three registered utility model patents and four pending invention patents applications in the PRC. We also had one registered trademark in the U.S. and two pending trademarks applications in each of Canada and Hong Kong.

We enjoy the exclusive right to utilise our registered patents with a further patent protection period of eight years or above in respect of nine out of 10 of our registered patents as at the Latest Practicable Date. Our utility model patent related to the HAP-DNA purification column registered in 2008 will expire in a few years in 2018. However, we do not foresee any material adverse effect on the business, financial or other condition or prospects of our Group as such technology would have been developed over 10 years in time when the patent protection period ends. In addition, our technology is associated with technological know-how which will remain to be our trade secrets and our Directors believe that it would take years of trials and substantial investment in implementing the technology and reaping any benefits from commercial production by our competitors. Meanwhile, we are improving our production technologies and technological know-how through our continuous research and development efforts with the aim to file an improvement patent in respect of such patent. Based on the aforesaid, we do not expect material adverse impact when the patent protection period ends.

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Under the Patent Law of the PRC* (中華人民共和國專利法) issued by the Standing Committee of the National People's Congress issued on 27 December 2008 and the Detailed Rules for the Implementation of the Patent Law of the PRC* (中華人民共和國專利法實施細則) issued by the State Council on 1 September 2010, as advised by our PRC legal adviser, King & Wood Mallesons, the patent administrative department adopts an examination procedure for invention patent applications. The examination involves a number of administrative procedures that can be relatively time-consuming and the authority may require applicants to provide supplemental explanations or documentation. The patent pending period commonly leaves applicants at an uncertain legal state of the patent application as to whether and when the invention patent application can be granted and an invention patent application pending period of a few years is considered normal under general circumstances. Based on our experience in previous invention patent application, the relevant invention patent application period ranged from one to five years due to prolonged examination and multiple rounds of enquiries and responses.

In the event that we fail to register our four invention patents, we would be unable to enjoy the rights conferred by a registered patent, including the exclusive right to exploit the technology. Please refer to “Risk Factors — Risks Relating to Our Business — Any failure to protect our intellectual property rights could harm our business and competitive position”. However, we remain entitled to utilise such technology and sell our products or services manufactured or offered thereof. In addition, although the public, including our competitors, will have access to our invention patent application documents, our technology is associated with technological know-how which will remain to be our trade secrets and our Directors believe that it would take years of trials and substantial investment in implementing the technology and reaping any benefits from commercial production by our competitors. As advised by our PRC legal adviser, King & Wood Mallesons, according to the Patent Law and the Detailed Rules for the Implementation of the Patent Law of the PRC, the PRC patent administrative department shall reject an application for an invention patent if such invention is, among other criteria, not novel. Under the relevant laws, novelty means that the invention is not an existing technology, and prior to the date of application, no entity or individual has filed an application with the patent administrative department for the identical invention and recorded such invention in the patent application documents or patent documents released subsequent to the application. As such, our current use of the relevant invention and the filing of our invention patent applications will destroy the novelty of our competitors' potential application for any identical inventions. Hence, the possibility of our inventions being subsequently and successfully registered by our competitors is highly remote and our Directors do not foresee any possible material impact on our Group. On the other hand, our Directors were not aware of the filing of any competing invention patent applications prior to our relevant applications which may fulfil the statutory requirement of novelty of the invention. In the event of any successful registration by our competitors of any identical invention patent applications filed prior to our relevant applications, we may not be able to practise the relevant invention in our commercial production. Provided, however, that we may continue to practise such invention and sell our products and services manufactured or offered thereof if we obtain the permission from the patent owner. We may also continue manufacturing such products or services within the original scope if we had practised such invention prior to the filing date of application by our competitors. In response to the evolving technological standards required by our customers and past technology becoming obsolete, we are also improving our production technologies and technological know-how through our continuous research and development efforts with the aim to file improvement invention patents. Furthermore, due to the rapid technological changes in the life

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sciences research product and service industry and our wide portfolio offerings, the Directors believe we do not have significant reliance on any one of our production technologies. Based on the aforesaid, we do not expect material adverse impact in the event of any failure in our four invention patents registration and believe that the possible impact resulting from the inability to practise a certain invention would not be material.

Please see the section headed “Statutory and General Information — Further Information about Our Business — Our Intellectual Property Rights” for further details of our intellectual property rights.

We have entered into confidentiality agreements with our senior management and certain key members of our research and development team and other employees who have access to secrets or confidential information of our business pursuant to which they undertake to strictly comply with our internal rules with respect to the protection of our trade secrets and not to disclose any of such trade secrets. We have also generally entered into confidentiality agreements with each of our employees, pursuant to which we are the owner of all rights to all inventions, technology know-how and trade secrets derived during the course of such employee’s work.

As at the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights or any pending or threatened claims against us or any of our subsidiaries in relation to the infringement of any intellectual property rights of third parties.

HUMAN RESOURCES

We had 792, 844, 876, and 896 full-time employees as at 31 December 2011, 2012 and 2013, and the Latest Practicable Date, respectively. The following table sets forth the number of employees categorised by function as at the Latest Practicable Date.

<u>Function</u>	<u>Number of employees</u>	<u>Percentage of total (%)</u>
Production	436	48.7
Sales and marketing	246	27.5
Administration	90	10.0
Research and development	82	9.2
Management	42	4.7
Total	<u>896</u>	<u>100.0</u>

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The following table sets forth the number of employees categorised by geographic location as at the Latest Practicable Date.

<u>Geographic location</u>	<u>Number of employees</u>	<u>Percentage of total (%)</u>
China	864	96.4
Canada	29	3.2
United States	<u>3</u>	<u>0.3</u>
Total	<u><u>896</u></u>	<u><u>100.0</u></u>

Our goal is to provide employees with resources and an environment that encourages them to develop their careers with us. As we believe having a well-trained workforce is important to our business, we have adopted a direct recruitment policy that aims to attract and retain qualified employees. In addition, we provide management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. We provide systematic safety trainings to all employees. Newly recruited employees must go through a series of training sessions. Employees operating key equipment must participate in periodic safety training. Before we employ any new equipment or production technology, the operating employees must be specifically trained with respect to the safety issues involved.

We regard occupational health and safety as an important social responsibility and have implemented safety measures at our production facilities. Our occupational health and safety management system has been assessed and registered by Moody International Certification Ltd (MICK) as conforming to the requirements of BS-OHSAS18001:2007. The occupational health and safety management system is applicable to oligonucleotide synthesis, DNA sequencing, gene synthesis, peptide synthesis, antibody products and services, sales of biochemical reagent and research kits, production and sales of biochemical laboratory plastic consumable. As part of our safety measures, we have installed eye washing machines in the event that corrosive substances contact with eyes. Environmental safety cabinets are installed for storage of flammable substances to avoid danger. In addition, our major production facility is equipped with smoke alarm and our hazardous products warehouse is equipped with sprinkler, smoke detector, and toxic gas alarm devices in the event of leakage of toxic gas. During the Track Record Period, we did not experience any material accidents during our production process.

The compensation we offer to our employees primarily includes a base salary and a bonus. In general, we determine employee compensation based on each employee's performance, qualifications, position and seniority. We are subject to social insurance contribution plans organised by PRC local governments. In accordance with the relevant national and local labour and social welfare laws and regulations, we are required to pay, on behalf of our employees, monthly social insurance premiums covering pension insurance, medical insurance, unemployment insurance and housing reserve fund.

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Labour costs incurred in cost of sales mainly include salaries, wages and social security costs for our production and service employees, which represented approximately 24.8%, 23.0%, 23.6%, 23.9% and 25.1% of our total cost of sales for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, respectively. In recent years, our labour costs have increased as a result of our expanded operational scale and business strategy to recruit and retain talents. Fluctuation in labour costs may lead to fluctuation in our cost of sales.

We believe that we have maintained good relationships with our employees. Our employees do not negotiate their terms of employment through any labour union or by way of collective bargaining agreements. Although we have from time to time involved in and may in the future be involved in certain labour disputes, we have not experienced significant labour dispute which has adversely affected or are likely to have an adverse effect on our business operations.

ENVIRONMENTAL MATTERS

The production and sale of our life sciences research products and services are governed by environmental protection laws and related regulations. We must comply with relevant provisions governing environmental protection and the national and provincial standards of environmental quality established by various government authorities. The relevant laws and regulations applicable to our business operations include provisions governing air emissions, water discharge, prevention and treatment of sewage and exhaust fumes and the management and disposal of hazardous substances and waste. Please see the section headed “Regulations” for further details of applicable environmental laws and regulations to our business operations. Our environmental management system has been assessed and registered by Moody International Certification Ltd. (MICL) as conforming to the requirements of ISO14001:2004. The environmental management system is applicable to oligonucleotide synthesis, DNA sequencing, gene synthesis, peptide synthesis, antibody products service, sales of biochemical reagents and research kits, production and sales of biochemical laboratory plastic consumable.

During the Track Record Period, we had obtained all the material permits and environmental approvals for our production facilities. To ensure compliance with relevant laws and regulations on pollution control, we have established onsite wastewater treatment and waste management facilities at our production facilities. Regarding air pollution, we have a transverse ventilation system with activated carbon absorbers and fume hoods to deal with air pollutants produced during synthesis, ammonolysis, moulding, and the production and packaging of other products. Regarding water pollution, we have an onsite wastewater treatment system to remove contaminants from wastewater and adjust the pH to a neutral range. The wastewater treatment process consists of catalytic wet air oxidation, precipitation, and other pollutant removal procedures. In addition, we have also engaged individual professional waste management firms to manage the disposal of solid and hazardous wastes.

During the Track Record Period, our total capital expenditure incurred for compliance with environmental protection laws and regulations was approximately RMB408,960, RMB263,310, RMB6,750.0, and RMB657,848.0, and our annual cost of compliance with environmental laws and regulations was approximately RMB602,697.0, RMB1,305,828.2, RMB629,502.6, and RMB206,431.6 for the three years ended 31 December 2011, 2012 and 2013, and 30 June 2014, respectively.

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Going forward, we expect that our annual cost of compliance with environmental protection rules and regulations would be approximately RMB2.5 million.

LEGAL PROCEEDINGS AND COMPLIANCE

As at the Latest Practicable Date, none of our Company, any of our subsidiaries or any of our Directors was a party to any material litigation, arbitration or claim that could have a material adverse effect on our financial condition or results of operations. Moreover, neither our Company nor any of our subsidiaries was subject to any material claims, damages, losses or product returns during the Track Record Period. As at the Latest Practicable Date, to the best of our knowledge, no such material litigation, arbitration or administrative proceedings have been threatened against our Company or any of our subsidiaries.

HISTORICAL NON-COMPLIANCE INCIDENTS

Set out below is a summary of certain incidents of our systemic non-compliance with applicable regulations during the Track Record Period. Based on the advice of our PRC legal adviser and our Hong Kong legal adviser, our Directors and the Sole Sponsor consider that none of the legal and compliance matters as mentioned below will have any material operational or financial impact on our operations. Having considered the facts and circumstances leading to the non-compliance incidents as disclosed in this section, our Directors' integrity, our Group's internal control measures to avoid recurrence of the non-compliance incidents, and the preventive measures mentioned below, our Directors and the Sole Sponsor are of the view that we have adequate and effective internal control procedures in place in accordance with the requirements under the Hong Kong Listing Rules, and the past non-compliance incidents will not affect the suitability of the Directors to act as directors of a listed issuer under Rules 3.08, 3.09 and 8.15 of the Hong Kong Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Hong Kong Listing Rules. Save as disclosed below, we have obtained and currently maintain all necessary permits and licences that are material to our business operations, and, during the Track Record Period and up to the Latest Practicable Date, we have been in compliance with the applicable PRC laws and regulations relating to our business operations in all material respects.

A. Non-compliance under the Administrative Regulations on Housing Provident Fund* (住房公積金管理條例)

Non-compliance incident	Major causes of non-compliance incidents	Legal consequences, potential maximum penalties and other financial liabilities	Cessation/ Rectification date	Potential future impact on our operations and financial condition	Enhanced internal control measures to prevent recurrence of non-compliance
Sangon Biotech					
According to the Administrative Regulations on the Housing Provident Fund of the PRC* 《住房公積金管理條例》 and other relevant regulations, we are required to provide our employees with housing funds and housing benefits. During the Track Record Period, we did not make adequate contribution to housing provident fund for our employees. The aggregate outstanding amount during the Track Record Period was approximately RMB902,000.	Prior to June 2014, the Shanghai Housing Fund Administration Centre had not mandatorily required entities registered in Shanghai to contribute housing provident fund for employees with rural household registration. It was not mandatory for Sangon Biotech to comply with the relevant state laws and regulations which require entities to contribute housing provident fund for its employees with rural household registration prior to June 2014. As such, Sangon Biotech did not contribute to the housing provident fund for certain of its employees.	According to the Administrative Regulations on Housing Provident Fund, the Housing Provident Fund Management Committee may require us to make the unsubscribed contribution within a given period. If we fail to do so within the given period, it may impose a fine ranging from RMB10,000 to RMB50,000 and may apply to the PRC court for an order to enforce the payment.	We opened housing provident fund accounts with the Shanghai Housing Fund Administration Centre* (上海市住房公積金管理中心), the competent government authority in Shanghai, pursuant to the local housing provident fund scheme. From July 2014, we had started making sufficient housing provident fund contribution since then.	We received a confirmation certificate dated 25 August 2014 from the Shanghai Housing Fund Administration Centre, which confirmed that as at July 2014, the relevant government authority was not aware of any administrative penalty imposed on us since the opening of our housing provident fund account. Our PRC legal adviser is of the view that, since we received the above confirmation certificate from the competent government authority, the likelihood of fines or penalties being imposed on us in this regard should be low.	We will enhance our human resources policy requiring our human resources department to make housing provident fund contribution for our employees going forward and to establish a register to keep track of the contribution schedules of the housing provident fund. The register should include information such as a name list of employees eligible for the housing provident fund schemes, expected contribution amount and contribution date. Our human resources department will examine the compliance of housing provident fund contribution on a monthly basis.
				In addition, our PRC legal adviser has made an inquiry to the Shanghai Housing Fund Administration Centre in September 2014, which confirmed that there has not been any enforcement action to enforce the supplemental payment for the outstanding amount.	Ms. Hu Heng, our human resources manager, is responsible for supervising the implementation of the policy and check the register on a regular basis. Our Directors consider it appropriate for Ms. Hu to carry out such duties as she has a deep understanding of the internal affairs of our Group and she has received legal training on relevant PRC laws, regulations and internal controls in preparation for the Listing. Our Directors consider that her continued supervision would ensure efficiency in our administration affairs and implementation of the various enhanced internal control measures. If there is any delay in the housing provident fund contribution, Ms. Hu will discuss with our human resources department and relevant government authorities where necessary.
				Based on the aforesaid, we have not made provisions covering the outstanding amount of the housing provident fund.	

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Non-compliance incident	Major causes of non-compliance incidents	Legal consequences, potential maximum penalties and other financial liabilities	Cessation/ Rectification date	Potential future impact on our operations and financial condition	Enhanced internal control measures to prevent recurrence of non-compliance
					<p>We will maintain communication with the competent government authority with respect to our housing provident fund contribution. We will settle the unsubscribed housing provident fund contribution with any employee as required by the relevant government authority. Prior to the Listing, our PRC legal adviser had provided legal training to our executive Directors and relevant senior management and such trainings covered, among other things, the detailed requirements for the provision of housing funds and benefits to employees under the relevant PRC laws and regulations. If necessary, we will consult with our PRC legal advisers for further advice.</p>

B. Non-compliance under the Administration of Environmental Protection Check and Acceptance of Completed Construction Projects * (建設項目竣工環境保護驗收管理辦法)

Non-compliance incident	Major causes of non-compliance incidents	Legal consequences, potential maximum penalties and other financial liabilities	Cessation/ Rectification date	Potential future impact on our operations and financial condition	Enhanced internal control measures to prevent recurrence of non-compliance
Sangon Biotech — Wuhan branch	<p>Our Wuhan branch failed to apply for acceptance check of the environmental protection facilities prior to commencement of operation.</p> <p>Our Wuhan branch is located in the Biopharmaceutical Park in Wuhan Donghu Development District ("Park"). We did not submit an application for acceptance checks prior to the commencement of operation as certain environmental facilities in the Park had not been fully constructed by the management of the Park and this was beyond our control. As such, at that time, we had not proceeded with the application as we believed that this would be impeded by the incomplete construction of the environmental facilities in the Park.</p>	<p>According to the Administration of Environmental Protection Check and Acceptance of Completed Construction Projects, a construction entity shall file an application with the competent administrative department of environmental protection for acceptance checks on completed construction project prior to commencement of operation and production. The relevant government authorities may order cessation of operation and impose a maximum penalty of RMB100,000 for failure to apply for acceptance checks.</p>	<p>In September 2014, our Wuhan branch has engaged an Independent Third Party to conduct an environmental protection check and acceptance inspection.</p> <p>On 27 October 2014, our Wuhan branch obtained an approval from the competent administrative department of environmental protection upon completion of the relevant acceptance checks.</p>	<p>Owing to the completion of acceptance checks, our PRC legal adviser, King & Wood Mallesons, considers that there is no actual potential future impact on the operations and financial condition of our Group.</p>	<p>We believe that our environmental protection facilities are sufficient. On 3 September 2014, the Wuhan Environmental Protection Bureau Donghu New Technology Development District issued a certificate certifying that our Wuhan branch had not been subject to any penalties as a result of any violations of relevant environmental protection laws and regulations and no complaints in relation to environmental pollution had been received.</p>
					<p>We will maintain communication with the competent government authority with respect to strict compliance with relevant environmental laws and regulations. Prior to the Listing, our PRC legal adviser had provided legal training to our executive Directors and relevant senior management. The training covered, among other things, the detailed requirements for compliance with applicable laws and regulations to the operation of our business. If necessary, we will consult with our PRC legal adviser for further advice.</p>

C. Non-compliance under the Regulations on the Administration of Environmental Protection in Construction Project * (建設項目環境保護管理條例)

Non-compliance incident	Major causes of non-compliance incidents	Legal consequences, potential maximum penalties and other financial liabilities	Cessation/ Rectification date	Potential future impact on our operations and financial condition	Enhanced internal control measures to prevent recurrence of non-compliance
<p>Sangon Biotech — Guangzhou branch</p> <p>Our Guangzhou branch failed to submit an environmental impact assessment report for approval prior to commencement of operation.</p>	<p>We attempted to submit an environmental impact assessment report prior to the commencement of our operation. However, our application had not been formally accepted due to the prolonged administrative procedures of the relevant government authority.</p>	<p>According to the Regulations on the Administration of Environmental Protection in Construction Project, where environmental protection facilities have not been examined and accepted but the operation has been commenced, the relevant government authorities may order cessation of operation, reinstatement and impose a maximum penalty of RMB100,000.</p>	<p>On 14 October 2014, we received a formal acceptance of our environmental impact assessment report for approval by the Guangzhou Tianhe District Environmental Protection Bureau. On 14 November 2014, we received an appraisal review letter from the Guangzhou Tianhe District Environmental Protection Bureau which approved the construction project of our Guangzhou branch. We are in the process of applying for acceptance checks of the environmental protection facilities. We expect to obtain an acceptance checks approval by or around December 2014.</p>	<p>Our Guangzhou branch commenced operation in 2013. It contributed approximately 0.36% and 0.84% of the total revenue of our Group for the year ended 31 December 2013 and the six months ended 30 June 2014, respectively. As at 30 June 2014, the net asset value of our Guangzhou branch only represented approximately 0.04% of our total net asset value. In addition, if we were ordered to move out of the building, we will be able to relocate to alternative locations easily, and we expect to incur minimal relocation expenses. As such, we believe that in the event that our Guangzhou branch is required to cease operation, our business operation and financial condition will be not materially and adversely affected. Furthermore, since we have obtained the appraisal review letter and certificate from the relevant authority and we are in the process of applying for acceptance checks of the environmental protection facilities, as advised by our PRC legal adviser, King & Wood Mallesons, the risk of our Guangzhou branch receiving a penalty notice is low.</p>	<p>We believe that our environmental protection facilities are sufficient. On 15 September 2014, Guangzhou Tianhe District Environmental Protection Bureau issued a certificate of compliance with environmental laws and regulations, certifying that our Guangzhou branch had not been subject to any penalties as a result of violations of relevant environmental protection laws and regulations since incorporation up to 1 September 2014.</p> <p>We will maintain communication with the competent government authority with respect to strict compliance with relevant environmental laws and regulations. Prior to the Listing, our PRC legal adviser had provided legal training to our executive Directors and relevant senior management. The training covered, among other things, the detailed requirements for compliance with applicable laws and regulations to the operation of our business. If necessary, we will consult with our PRC legal adviser for further advice.</p>

D. Non-compliance under the Predecessor Companies Ordinance

Non-compliance incident	Major causes of non-compliance incidents	Legal consequences, potential maximum penalties and other financial liabilities	Cessation/ Rectification date	Potential future impact on our operations and financial condition	Enhanced internal control measures to prevent recurrence of non-compliance
<p>(1) BBI Asia and (2) BBI International</p> <p>Directors of BBI Asia failed to lay audited financial statements of BBI Asia at annual general meetings for each of the three years ended 31 December 2012 for the relevant period.</p> <p>Directors of BBI International failed to lay audited financial statements of BBI International at annual general meetings for each of the two years ended 31 December 2008 and 2009 for the relevant period but prosecution for these instances of non-compliance is now time-barred.</p>	<p>Since incorporation, BBI Asia and BBI International have not engaged in any significant business activities in Hong Kong apart from acting as holding vehicles for the PRC subsidiaries. As such, and due to the lack of the relevant professional knowledge of the then ultimate shareholders of BBI Asia, being Wang Luojia and Wang Jin and several Independent Third Party Overseas employees of our Group and the ultimate shareholders of BBI International being Qiming Venture Partners, L.P., QVP II, QVP II-C and QMPF II, BBI Asia and BBI International did not employ dedicated accounting staff or appoint outside accountants to handle the respective accounting matters in Hong Kong.</p>	<p>Any director of the relevant companies at the material times may be liable to a maximum fine of HK\$300,000 and 12 months' imprisonment for breach of each count under section 122 of the Predecessor Companies Ordinance.</p> <p>Under section 351A of the Predecessor Companies Ordinance, breaches committed three years ago or more will be time-barred from prosecution.</p>	<p>We have noted from recent court cases that the Hong Kong court has dismissed similar applications for an order to rectify breaches of the same sections of the then Companies Ordinance of Hong Kong on the basis that such breaches were considered to be minimal or artificial. Whilst it is not entirely clear as to how substantial the breaches have to be before they are considered by the court to be not minimal or artificial (and hence an application for a rectification order may be entertained by the court). We will apply to the court for an order to rectify the non-compliances of BBI Asia. However, we cannot guarantee that the court will not dismiss our applications on the basis that the breaches were minimal or artificial in nature or on the basis of other factual circumstances of the breaches.</p>	<p>The breaches of section 122 of the Predecessor Companies Ordinance are minor in terms of gravity. If the Orders are not granted, we would make a voluntary submission to the Companies Registry to disclose the past defaults of BBI Asia in relation to the Predecessor Companies Ordinance and the result of the Court applications. It is possible that the Registrar of Companies may prosecute BBI Asia and its directors in the future for offences arising from past defaults of the Predecessor Companies Ordinance. We will disclose the progress of this incident in the interim or annual reports of our Company after the Listing.</p> <p>In the event of conviction, as advised by our legal adviser as to Hong Kong law, (a) the likelihood of the imposition of a maximum sentence would be highly unlikely, and the amount of fine is unlikely to exceed HK\$20,000 for each director of BBI Asia and (b) the chance of imprisonment on the relevant directors is remote, unless it can be shown that the directors acted willfully to commission a breach of their obligation under section 122.</p>	<p>To avoid further non-compliance, we have taken additional measures to improve our corporate governance and internal control to ensure full compliance with applicable laws and regulations. Upon identification of the non-compliance, our Company has taken steps to rectify the same where possible.</p> <p>Our Directors will ensure our Hong Kong subsidiaries will comply with the relevant regulatory requirements by designating our company secretary to (i) monitor the regulatory requirements in respect of our Hong Kong Subsidiaries, (ii) work closely with the external company secretary engaged by our Company, and (iii) keep abreast of the relevant regulatory requirements.</p>

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CORPORATE GOVERNANCE, INTERNAL CONTROL, AND RISK MANAGEMENT

Our Directors are responsible for monitoring our internal control system and for reviewing its effectiveness. In accordance with the applicable PRC, Hong Kong and overseas laws and regulations, we have implemented internal procedures with a view to establishing and maintaining our internal control system, including monitoring of production and operational processes, the establishment of risk management policies and procedures, and compliance with local laws and regulations in both domestic and international markets, where applicable. In particular, we have implemented the following internal control procedures to strengthen our corporate governance structure:

- *Anti-corruption compliance* — We are subject to anti-corruption laws of China which prohibit companies and their intermediaries from making improper payments to public officials or other industry players for the purpose of obtaining or retaining business and/or other benefits, along with various other anti-corruption laws and regulations. As we assessed our corporate governance, internal control, and risk management measures on an on-going basis during the Track Record Period and up to the Latest Practicable Date, we had gradually and continuously enhanced and implemented policies and procedures designed to ensure that we, our employees, and other parties with whom we have business relationships comply with applicable anti-corruption laws of China.

As part of our risk management and internal control measures, our Group has established various internal regulations against corruption and fraudulent activities, which include measures against receiving bribes and kickbacks. In respect of our employees, our Group has provided and will continue to provide anti-corruption compliance training periodically to our senior management and employees to enhance their knowledge, awareness and compliance with applicable laws and regulations. Our internal regulations and policies on anti-corruption are included in staff handbooks. For any person to be employed for or promoted to important positions, we conduct background investigations to ensure they meet the requirements under our anti-corruption policies. Our Group will also implement a tightened sales and finance management system to regulate the conduct of our sales representatives. These measures include undertaking regular inspection on sales and finance matters, closely monitoring the sales and marketing activities of our employees, establishing internal policies for approving reimbursement of marketing, entertainment, travelling and accommodation expenses incurred, and providing training to our employees on our internal guidelines on expenditures and reimbursement.

It is also our Group's policy to perform due diligence on prospective distributors proportional to the potential level of risks and the size of contracts before entering into business relationships with them. Our due diligence policies apply to all distributors who are provided with our anti-corruption guidelines. In addition, our third-party distributors are required under their agreements with us to comply with all applicable laws and regulations and restrain from inappropriate conduct and shall compensate us for any damages to our image or reputation as a result of their illegal or inappropriate conducts, while our sales representatives are also responsible for emphasising to our distributors our anti-corruption policy and any revised measures we may implement as and when necessary.

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We have put in place procedures for handling complaints and investigations against our employees and business partners, including our distributors. We accept both named and anonymous complaints relating to corruption and fraudulent business activities through our whistle-blower hotline and emails, details of which are announced and circulated to all levels of employees as well as all relevant external parties. For complaints that involve senior management, a special investigation team may be formed and external investigators will be engaged if necessary. We will ensure protection is provided to the whistleblower. For any identified fraudulent activities within our Group, the management shall evaluate the case and the responsible department shall submit written reports to propose preventative measures to avoid future non-compliance.

Our internal compliance officer, Mr. Teng Yuantung, is responsible for overseeing our Group's internal controls, audit and compliance matters. He has accumulated over 13 years of experience in establishing procedures for monitoring and reviewing risks (including potential corrupt practices), identifying and assessing risks, and verifying risk treatments and effectiveness in various industries. Mr. Teng received a Bachelor of Management in Enterprise Management from Tamkang University* (私立淡江大學) in 1995. He also received a certificate on tax accounting from the Centre for Public and Business Administration Education of the National Chengchi University* (國立政治大學公共行政企業管理教育中心) in 1998. Please see "Directors, Senior Management and Employees — Senior Management" for a biography of Mr. Teng on page 257 of this prospectus. In addition, Mr. Teng is supported by Ms. Shi Wenlu (時文璐) and Mr. Fu Xiangyang (傅向陽). Ms. Shi has over four years of experience in auditing. Prior to joining our Group in 2012, she worked as an assistant auditor in Shanghai Ruida Accounting Firm* (上海睿達會計師事務所). She received a bachelor degree of computer science and technology from the East China Institute of Technology* (華東理工大學). Mr. Fu was a researcher at the Shanghai Institutes for Biological Sciences, CAS* (中國科學院上海生命科學研究院) from 2006 to 2010 prior to joining our Group in 2011. He received a doctorate degree of biochemistry from the East China Institute of Technology in 2006. We believe that the composition of our internal control team is effective with sufficient knowledge on auditing and relevant industry experience. Furthermore, we will seek external legal advice on compliance with anti-corruption and related laws and regulations where necessary.

Our audit committee is also responsible for the daily execution of the anti-corruption measures. Its scope of duties includes reviewing and assessing the anti-corruption measures of our Group, reviewing complaints and reports from internal and external sources with respect to anti-corruption related measures, and conducting investigations and undertaking rectification actions accordingly. Our Directors will review and include the results of our audit committee's assessment of the Group's anti-corruption measures and compliance standards against the internal control policies in the Company's annual reports after Listing.

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Based on the aforesaid, our Directors and the Sole Sponsor are of the view that such controls and measures are sufficient and effective to avoid the occurrence of corruption, bribery, or other improper conducts of our employees. Our Directors confirm that they are not aware of any corruption practice by our employees and our distributors during the Track Record Period and up to the Latest Practicable Date. Our Directors also confirm that our Group was not involved in any monetary and non-monetary bribery activities during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, we had not been subject to any anti-corruption claims or investigations by the relevant government authority. As such, our Directors consider that our then controls and measures effective during the Track Record Period and up to the Latest Practicable Date were sufficient and effective to ensure that our Group had been in compliance with the anti-corruption laws in the past.

- *Compliance with Hong Kong securities laws and regulations.* We have appointed Haitong International Capital Limited as our compliance adviser with effect from the date of Listing to advise on ongoing compliance with Listing Rules issues and other applicable securities laws and regulations in Hong Kong. We have also appointed Ms. Ng Sau Mei, one of our joint company secretaries who satisfies the requirements under Rule 3.28 of the Hong Kong Listing Rules, to advise our Company on the relevant requirements of the Hong Kong Listing Rules as well as other applicable laws and regulations of Hong Kong;
- *Compliance with PRC laws and regulations.* Our PRC legal adviser had provided legal training to our executive Directors and relevant senior management on key aspects of the PRC laws and regulations applicable to our business operation in China prior to the Listing. We will consult our PRC legal adviser for further advice when necessary; and
- *Risk management policies and procedures.* Our risk management committee supervises the implementation of our risk management policy at the corporate level by bringing together each operating department, such as our internal audit, financial and sales teams, to collaborate on risk issues among different functions. Our risk management process starts with identifying the major risks associated with our corporate strategy, goals and objectives. Based on assessment of our risks in terms of their likelihood and potential impact, we would prioritise and pair each risk with a mitigation plan. We encourage an all-embracing culture of risk management that ensures all employees are aware of and responsible for managing risks. Each of our operating departments is responsible for identifying and analysing risks associated with its respective function, maintaining a comprehensive risk register, preparing risk mitigation plans, measuring effectiveness of such risk mitigation plans, and reporting the status of risk management.

We believe that the effectiveness and efficiency of our corporate management and enhancing our internal control systems are critical to the success of our growing business. We have established various internal control procedures to facilitate the effective operation of our business.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and that no Shares have been issued pursuant to the exercise of any option which have been or may be granted under the Share Option Schemes), LJ Peace and LJ Venture are expected to hold 35.10% and 22.50% of the enlarged issued share capital of our Company respectively.

LJ Peace is an investment holding company incorporated under the Canada Business Corporations Act (Canada) on 26 June 2013. As at the Latest Practicable Date, it was owned as to 51.15% and 48.85%, respectively by Ms. Wang Luoia as trustee of Wang J Family Trust and Ms. Wang Jin as trustee of Wang L Family Trust, both of which are irrevocable discretionary trusts set up by Mr. Wang Qisong under the laws of the Province of Ontario. The beneficiaries of Wang J Family Trust are Ms. Wang Jin and her children and the beneficiaries of Wang L Family Trust are Ms. Wang Luoia and her children. LJ Venture is an investment holding company incorporated under the Business Corporations Act (Ontario) on 21 September 2009. As at the Latest Practicable Date, it was owned by Ms. Wang Luoia as trustee of Wang J Family Trust and Ms. Wang Jin as trustee of Wang L Family Trust, as to 50% each. Mr. Wang Qisong, our founder, executive Director and chairman of our Company, is the father of Ms. Wang Luoia and Ms. Wang Jin and is considered one of the Controlling Shareholders of our Company by virtue of his acting in concert arrangements with Ms. Wang Luoia and Ms. Wang Jin.

On 11 June 2012, Mr. Wang Qisong, Ms. Wang Luoia and Ms. Wang Jin executed an acting in concert agreement confirming their concert party arrangements on Sangon Biotech and its subsidiaries. On 4 November 2014, in preparation for the Listing, Mr. Wang Qisong, Ms. Wang Luoia and Ms. Wang Jin executed the Acting in Concert Deed, whereby they confirmed the existence of their acting in concert arrangements in the past, as well as their intention to continue to act in the above manner upon the Listing to consolidate their control over our Group. Mr. Wang Qisong, Ms. Wang Luoia and Ms. Wang Jin confirm that they have been acting in concert during the Track Record Period and up to the Latest Practicable Date. According to the Acting in Concert Deed, Mr. Wang Qisong, Ms. Wang Luoia and Ms. Wang Jin have agreed to continue to vote on any resolution to be passed at any shareholders' meeting of our Company in a unanimous manner. Mr. Wang Qisong, Ms. Wang Luoia and Ms. Wang Jin will together be entitled to exercise or control the exercise of approximately 59.21% of the total issued share capital of our Company immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the options that have been or may be granted under the Share Option Schemes).

Accordingly, Mr. Wang Qisong, Ms. Wang Luoia, Ms. Wang Jin, LJ Peace and LJ Venture are the Controlling Shareholders of our Company for the purposes of the Listing Rules. Our Directors have confirmed that to the best of their knowledge and belief, as at the Latest Practicable Date, apart from their respective interests in our Company and our subsidiaries, none of our Controlling Shareholders and our Directors had any interests in any business, which competes, or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing. Having considered the matters as described below, the Board is of the view that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates after completion of the Global Offering.

Operational independence

Our Group has established its own business independent of that of our Controlling Shareholders and/or their respective close associates. We make business decisions independently and hold all relevant licences necessary to carry on our business and have sufficient capital, equipment and employees to operate our business independently. Our Group has established its own organisational structure made up of individual departments, each with specific areas of responsibilities. We have independent access to suppliers, distributors and customers. Our Group has established a set of internal controls to facilitate the effective operation of its business. As at the Latest Practicable Date, there were no significant business transactions between us and any of our Controlling Shareholders and/ or their respective associates.

Management independence

Our Company's management and operational decisions are made by our Board and the senior management. Our Board comprises three executive Directors, one non-executive Director and three Independent Non-executive Directors. Mr. Wang Qisong, one of our Controlling Shareholders, is also our chairman and an executive Director. He is also the chairman and a director of Sangon Biotech and an executive director of BBI China. Ms. Wang Luojia, one of our Controlling Shareholders, is also our chief executive officer and executive Director and a director of all subsidiaries of our Company (other than Bio Basic (US) and BBI China) as at the Latest Practicable Date. Ms. Wang Jin, one of our Controlling Shareholders, is also our president and executive Director and a director of all subsidiaries of our Company (other than BBI China) as at the Latest Practicable Date. Save for Mr. Wang Qisong, Ms. Wang Luojia and Ms. Wang Jin, no Controlling Shareholder holds any directorship in our Group.

Our Group has established an (i) audit committee, (ii) remuneration committee, (iii) nomination committee and (iv) risk management committee. Each committee consists of Independent Non-executive Directors to monitor the operation of our Group. Further, we believe that the Independent Non-executive Directors will be able to exercise their independent judgement and will be able to provide impartial opinions in the decision-making process of the Board to protect the interests of our Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Each of our Directors is aware of his/her fiduciary duties as a Director which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) and their respective associate(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Since all of our executive Directors have served our Group since the beginning of its business operation and have substantial experience in their respective expertise areas and/or in the industry in which our Company is engaged, we believe that they will be able to make business decisions that are in the best interest of our Group. Our Directors and all of our senior management team (other than Mr. Yan Hua and Mr. Teng Yuantung) have been working for our Group during the Track Record Period and are expected to continue to work together to manage our business.

Based on the above, our Directors are of the view that we are independent of our Controlling Shareholders in terms of the day-to-day management and business operations.

Financial independence

Our Group has its own internal control and accounting systems, accounting department and independent treasury functions.

The net balance of non-trade related transactions with the Controlling Shareholders and their respective associates during the Track Record Period included: (i) the amounts due to Ms. Wang Luoia, Ms. Wang Jin and Mr. Wang Qisong of RMB39.4 million and RMB12.0 million as at 31 December 2011 and 2012, which represented primarily the borrowings from Mr. Wang Qisong to us; and (ii) the amounts due from Mr. Wang Qisong of RMB2.0 million as at 31 December 2013. All these amounts due from and amounts due to the Controlling Shareholders and their respective associates were fully settled as at 30 June 2014. Mr. Wang Qisong also provided a personal guarantee to secure a banking facility with carrying amount of RMB20 million, RMB20 million and RMB20 million for the year ended 31 December 2012, 2013 and the six months ended 30 June 2014. Such guarantee was fully released as at the Latest Practicable Date. Based on the foregoing, our Directors are of the view that our Group is financially independent from our Controlling Shareholders and their respective close associate(s).

DEED OF NON-COMPETITION

Save as disclosed in this prospectus, each of our Controlling Shareholders has confirmed that none of them nor any of its/his/her close associates is engaged in, involved in or interested in any business (other than being a director or shareholder of our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, our Controlling Shareholders have given an irrevocable non-compete undertaking in favour of our Company (for itself and for the benefits of its subsidiaries) pursuant to which each of our Controlling

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Shareholders has, among other matters, irrevocably and unconditionally undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that their respective close associates and/or companies controlled by them (other than our Group):

- (i) not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a director or shareholder (other than being a director or shareholder of our Group), partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently carried out as referred in this prospectus and from time to time engaged by our Group (including but not limited to the provision of life sciences research products and services) within the PRC or in overseas (the “**Restricted Activity**”);
- (ii) not solicit any existing employee of our Group for employment by it/him/her or its/his/her close associates (excluding members of our Group);
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its/his/her knowledge in its/his/her capacity as our Controlling Shareholder for any purpose of engaging, investing or participating in any Restricted Activity;
- (iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Group for consideration;
- (v) not invest or participate in any Restricted Activity; and
- (vi) procure its/his/her close associates (excluding our Group) not to invest or participate in any project or business opportunity of the Restricted Activity, unless pursuant to the exception set out below.

Each of our Controlling Shareholders has unconditionally and irrevocably undertaken to us that in the event that it/he/she or its/his/her close associate(s) (other than any member of our Group) (the “**Offeror**”) is given or offered or has identified any business investment or commercial opportunity which directly or indirectly competes, or may lead to competition with the Restricted Activity (the “**New Opportunities**”), it/he/she will and will procure its/his/her close associate(s) (other than members of our Group) to refer the New Opportunities to us as soon as practicable in the following manner:

- (i) each of our Controlling Shareholders is required to, and shall procure its/his/her close associates (other than members of our Group) to, refer, or to procure the referral of, the New Opportunities to us, and shall give written notice to us of any New Opportunities containing all information reasonably necessary for us to consider whether (a) such New

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of our Group to pursue such New Opportunities, including but not limited to the nature of the New Opportunities and the details of the investment or acquisition costs (the “**Offer Notice**”); and

- (ii) the Offeror will be entitled to pursue the New Opportunities only if (a) the Offeror has received a notice from us declining the New Opportunities; or (b) the Offeror has not received such notice from us within 10 Business Days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunities pursued by the Offeror, the Offeror will refer the New Opportunities as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we will form an independent board committee (the “**Independent Board Committee**”) which comprises our Independent Non-executive Directors without the attendance by any Director with beneficial or conflicting interest in such project or business opportunities and seek opinions and decisions from the Independent Board Committee in the manner as to whether (a) such New Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of our Company and our shareholders as a whole to pursue the New Opportunities.

Where the Controlling Shareholders and/or their close associates (other than our Group) have acquired any business, investment or interest in any entity relating to the Restricted Activity pursuant to (ii) above, the relevant Controlling Shareholders and/or their associates (other than our Group) shall provide us with pre-emptive right (the “**Pre-emptive Right**”) to acquire any such Restricted Activity under the same circumstances. Where the Independent Board Committee decides to waive the Pre-emptive Right by way of written notice, the relevant Controlling Shareholders and/or their close associates (other than our Group) may offer to sell such business, investment or interest in Restricted Activity to other third parties on such terms which are no more favourable than those made available to our Group. In deciding whether to exercise the above options, the Directors will consider various factors including the purchase price and their values and benefits, as well as the benefit that they will bring to our Group.

For the above purpose, the “**Relevant Period**” means the period commencing from the Listing Date and shall expire on the earlier of:

- (i) the date on which our Controlling Shareholders and their close associates, individually or taken as a whole, cease to be our Controlling Shareholders for the purpose of the Listing Rules; and
- (ii) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange.

The Deed of Non-competition is conditional on (i) the Listing Committee granting listing of, and permission to deal in, all our Shares in issue and to be issued under the Global Offering and our Shares which may be issued upon the exercise of the Over-allotment Option and options that have been or

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

may be granted under the Share Option Schemes; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriters) and that the Underwriting Agreements not being terminated in accordance with their terms or otherwise.

CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTEREST

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests arising from potential competing business between our Controlling Shareholders and our Group will be taken:

- (i) our Independent Non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- (ii) our Controlling Shareholders have undertaken under the Deed of Non-competition to provide all information necessary for the annual review by our Independent Non-executive Directors with regard to compliance of the terms of the Deed of Non-competition and the enforcement of undertakings under the Deed of Non-competition;
- (iii) our Company will disclose the decisions with basis on matters reviewed by the Independent Non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition;
- (iv) our Controlling Shareholders have undertaken to us under the Deed of Non-competition to make an annual declaration as to compliance with the terms of the Deed of Non-competition either in the annual report of our Company;
- (v) the Independent Board Committee of our Company comprising all Independent Non-executive Directors will be responsible for deciding and given the authority to decide, without attendance by any Directors with beneficial or conflicting interest in the New Opportunities referred to our Group by our Controlling Shareholders (or their associates other than members of our Group) and the exercise of the Pre-emptive Right under the Deed of Non-competition. The Independent Board Committee comprising all Independent Non-executive Directors, taken as a whole, has the relevant expertise and experience in deciding the New Opportunities or the exercise of the Pre-emptive Right. For more details of expertise and experience of our Independent Non-executive Directors, please see the section headed “Directors, Senior Management and Employees” in this prospectus. In addition, the Independent Board Committee may, at the costs of our Company and from time to time, engage independent financial adviser and other external professional advisers as they may consider necessary to advise them on the issues which relate to the above matters.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT

Our Board of Directors consists of seven Directors, comprising three executive Directors, one non-executive Director and three Independent Non-executive Directors. The following table sets out certain information concerning our Directors and senior management:

Name	Age	Date of joining our Group	Position	Date of Appointment	Role and Responsibilities	Relationships amongst Directors and senior management
Mr. WANG Qisong (王啟松)	73	October 2003	Executive Director and chairman	16 January 2014 (as director)	Development, positioning and strategy planning of our Group	Father of Ms. WANG Luojia and Ms. WANG Jin
Ms. WANG Luojia (王珞珈)	45	April 2006	Executive Director and chief executive officer	26 September 2014 (as director)	Our Group's strategies and overall operational management	Daughter of Mr. WANG Qisong and sister of Ms. WANG Jin
Ms. WANG Jin (王瑾)	42	April 2010	Executive Director and president	26 September 2014 (as director)	Our Group's strategies and operational management, overseas sales and development and overall operations of Bio Basic (Canada) and Bio Basic (US)	Daughter of Mr. WANG Qisong and sister of Ms. WANG Luojia
Mr. HU Xubo (胡旭波)	39	April 2010	Non-executive Director	16 January 2014 (as director)	Advising on strategic development, corporate governance, compliance with the Hong Kong Listing Rules regarding connected transactions, remuneration and nomination of Directors	Brother of Mr. HU Xuyu
Mr. XIA Lijun (夏立軍)	38	January 2014	Independent Non-executive Director	16 January 2014	Providing independent advice to the Board, chairman of audit committee and member of remuneration committee, nomination committee and risk management committee	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Date of joining our Group	Position	Date of Appointment	Role and Responsibilities	Relationships amongst Directors and senior management
Mr. HO Kenneth Kai Chung (何啟忠)	49	October 2014	Independent Non-executive Director	10 October 2014	Providing independent advice to the Board, chairman of remuneration committee and member of audit committee, nomination committee and risk management committee	N/A
Mr. LIU Jianjun (劉健君)	46	October 2014	Independent Non-executive Director	10 October 2014	Providing independent advice to the Board, chairman of nomination committee and risk management committee and member of audit committee and remuneration committee	N/A
Mr. LI Ruifeng (李瑞峰)	38	May 2008	Vice president	16 January 2014	Our Group's production, purchasing and other areas of internal operational management	N/A
Mr. HU Xuyu (胡旭宇)	35	October 2010	Vice president	16 January 2014	Our Group's human resources, investments, strategic and business development, legal affairs and investor relations	Brother of Mr. HU Xubo
Mr. LI Wei (李威)	31	October 2009	Vice president	16 January 2014	Research & development	N/A
Mr. YAN Hua (顏華)	48	June 2011	Vice president	16 January 2014	Antibody related business	N/A
Mr. JIAO Qingfeng (焦青峰)	46	June 2010	Vice president	16 January 2014	Sales development in the China market	N/A
Mr. ZHANG Hao (張昊)	43	November 2009	Chief financial officer	16 January 2014	Accounting and finance	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Date of joining our Group	Position	Date of Appointment	Role and Responsibilities	Relationships amongst Directors and senior management
Mr. WANG Zhi (王志)	37	October 2009	Senior manager	16 January 2014	Our Group's DNA synthesis production and operation	N/A
Mr. ZHOU Mi (周密)	31	January 2011	Senior manager	16 January 2014	Production, purchasing and other areas of internal operational management of Bio Basic (Canada) and Bio Basic (US)	N/A
Mr. TENG Yuantung (鄧元東)	48	May 2013	Internal auditor	16 January 2014	Our Group's internal control and audit	N/A

Executive Directors

Mr. WANG Qisong (王啟松), aged 73, is the founder of our Group. He was appointed as a Director and the chairman of the Board of our Company on 16 January 2014 and became our executive Director on 10 October 2014, and is primarily responsible for our Group's development, positioning and strategy planning. He was one of the founders of Shanghai Sangon Biological Engineering Technology & Services Co, Ltd.* (上海生工生物工程技術服務有限公司) (“**SSBETS**”) in 2001, was a director of BBI US from 2009 to 2010 and is currently chairman and director of Sangon Biotech and an executive director of BBI China.

Mr. Wang has nearly 50 years of experience in the biotechnology industry. Prior to joining our Group, from August 1965 to May 1985 he worked as an assistant researcher in the Institute of Biochemistry and Cell Biology, Shanghai Institutes for Biological Sciences, China Academy of Sciences (中國科學院上海生命科學研究院生物化學與細胞生物學研究所) and from March 1980 to March 1983, Mr. Wang Qisong was seconded to the University of Toronto in Canada as a visiting scholar. From June 1985 to October 1991, he was an associate professor in the Institute of Genetics, School of Life Sciences, Fudan University (復旦大學生命科學學院遺傳學研究所). From June 1987 to December 1989, he was an expert member in the Biotechnology Group of the State High-Tech Development Plan (863 Programme)* (國家高技術研究發展計劃(863計劃)). From March 1991 to August 1991, he was a consultant in the United Nations Industrial Development Organization (聯合國工業發展組織). He is currently a supervisor of Wuhan Wenwang Cultural Education and Communication Limited* (武漢文王文化教育傳播有限公司).

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Wang graduated from Wuhan University (武漢大學) in Hubei Province, PRC with a Bachelor of Science in Organic Chemistry in July 1965.

Mr. Wang is the father of Ms. Wang Luojia and Ms. Wang Jin.

He has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Ms. WANG Luojia (王珞珈), aged 45, was appointed as an executive Director and the chief executive officer of our Company on 26 September 2014 and 16 January 2014 respectively and is primarily responsible for our Group's strategies and overall operation management. Ms. Wang is currently a director of Bio Basic (Canada), Sangon Biotech, BBI Asia and BBI International.

Ms. Wang graduated from the University of Calgary in Alberta, Canada with a Bachelor of Science in Chemistry in June 1995. In April 2006, she returned to China and worked as a general manager at SSBETS. Subsequently, she became general manager of Sangon Biotech in October 2009.

Ms. Wang is the daughter of Mr. Wang Qisong and sister of Ms. Wang Jin.

Ms. Wang has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Ms. WANG Jin (王瑾), aged 42, was appointed as an executive Director and the president of our Company on 26 September 2014 and 16 January 2014 respectively and is primarily responsible for our Group's strategies and operational management, overseas sales and development, and overall operations of Bio Basic (Canada) and Bio Basic (US). Ms. Wang is currently a director of Bio Basic (Canada), Bio Basic (US), Sangon Biotech, BBI Asia and BBI International.

Ms. Wang graduated from the University of Calgary in Alberta, Canada with a Master of Science degree in Biochemistry and Molecular Biology in November 1997. She was a director of BBI Canada from 2005 to 2011 and BBI US from 2009 to 2012. Since June 2012, she was a senior deputy general manager of Sangon Biotech, and was the president of Bio Basic (Canada) and Bio Basic (US) since November 2010 and December 2010 respectively.

Ms. Wang is the daughter of Mr. Wang Qisong and sister of Ms. Wang Luojia.

Ms. Wang has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Non-executive Director

Mr. HU Xubo (胡旭波), aged 39, was appointed as a Director of our Company on 16 January 2014 and became our non-executive Director on 10 October 2014. Mr. Hu has been a director of Sangon Biotech since April 2010. He is primarily responsible for advising on strategic development, corporate governance, compliance with the Hong Kong Listing Rules regarding connected transactions, remuneration and nomination of our Directors.

Mr. Hu has over eight years of experience in investment management, strategic consulting and operations management in the area of biomedicine.

Mr. Hu joined Qiming Weichuang Venture Capital Management (Shanghai) Co. Ltd in November 2006 and is currently a Partner of the firm, 啓明維創創業投資管理(上海)有限公司. Mr. Hu is also a director of Hunan Tiger-Xiangya R&D Co., Ltd.* (湖南泰格湘雅藥物研究有限公司), China Pharmaceutical Distribution Holding Co., Ltd (英凡醫藥), Beijing Centre Biology Co., Ltd.* (北京生泰爾生物科技有限公司), Shanghai Tellgen Life Co., Ltd.* (上海透景生命科技有限公司), Vinno Technology (Suzhou) Co., Ltd.* (飛依諾科技(蘇州)有限公司), Sino Medical-Device Technology Co., Ltd.* (深圳聖諾醫療設備有限公司), Shanghai Rendu Biotechnology Limited* (上海仁度生物科技有限公司), Shanghai Pine & Power Biotech Co Ltd.* (上海松力生物科技有限公司), Shenzhen APT Medical Devices Co., Ltd (深圳市惠泰醫療器械有限公司), Shanghai Xinghe Investment Management Ltd.* (上海杏和投資管理有限公司), Zhuhai DL Biotech Co., Ltd.* (珠海市迪爾生物工程有限公司), Shanghai Sanyou Medical Technology Co. Ltd. (上海三友醫療器械有限公司), Arrail Group Limited (瑞爾齒科), Guangzhou Baoyu Game Technology Limited (廣州暴雨網絡技術有限公司), HORTOR (Beijing) Technology Limited (北京豪騰嘉科科技有限公司), Beijing Tiangua Online Technology limited (北京甜瓜在綫科技有限公司) and the supervisor of Hangzhou Tigermed Consulting Co., Ltd. (SZ: 300347) (杭州泰格醫藥科技股份有限公司).

Mr. Hu graduated from Shanghai Medical University (上海醫科大學) (now Fudan University Shanghai Medical College (復旦大學上海醫學院)) in Shanghai with a Bachelor of Medicine in July 1998. He also holds a Shanghai International Master of Business Administration from École Nationale des Ponts et Chaussées (now École des Ponts ParisTech) School of International Management in Shanghai, obtained in October 2004.

Mr. Hu is the brother of Mr. Hu Xuyu, one of our vice presidents.

Mr. Hu has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Independent Non-executive Directors

Mr. XIA Lijun (夏立軍), aged 38, was appointed as an Independent Non-executive Director of our Company on 16 January 2014. Mr. Xia was an independent director of Sangon Biotech from 2012 to 2013.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

From June 2008 to March 2011, he was a professor in the School of Accountancy in the Shanghai University of Finance and Economics (上海財經大學) in the PRC. Since March 2011, he has been a professor and head of department in the Department of Accounting, Antai College of Economics and Management, Shanghai Jiao Tong University in the PRC.

Mr. Xia obtained his Doctor of Philosophy in Management (Accounting) from the Shanghai University of Finance and Economics (上海財經大學) in the PRC in March 2006.

Mr. Xia has been an independent director of Shanghai Guangdian Electric Group Co. Ltd. (stock code: 601616), a company listed on the Shanghai Stock Exchange, since April 2014.

Mr. HO Kenneth Kai Chung (何啟忠), aged 49, was appointed as an Independent Non-executive Director of our Company on 10 October 2014.

Mr. Ho has served successively as head of China research, China strategist and equity sales in top international investment banks. They include Credit Lyonnais, Jardine Fleming, JP Morgan and HSBC from 1999 to 2013. From 2008 to 2010, he set up Beijing research office for HSBC, established and acted as leader of the local research team as well as the chief representative for the research office. From 2011 till January 2013, Mr. Ho worked as a Hong Kong China equity sales director for HSBC.

Mr. Ho obtained his Bachelor of Economics from The University of Sydney in May 1988 and Master of Commerce in Finance from The University of New South Wales in April 1991. Mr. Ho was awarded a Chartered Financial Analyst in January 1999.

Mr. Ho has been an independent non-executive director of TK Group (Holdings) Limited (stock code: 02283) a company listed on the Stock Exchange, since 27 November 2013. Mr. Ho had been an independent non-executive director of TLT Lottotainment Group Limited (stock code: 8022), a company listed on the Growth Enterprise Market of the Stock Exchange, since 22 November 2013 to 1 April 2014.

Mr. LIU Jianjun (劉健君), aged 46, was appointed as an Independent Non-executive Director on 10 October 2014. Mr. LIU was in the legal department of China Ocean Shipping (Group) Company container lines (中國遠洋運輸(集團)總公司(集裝箱運輸)) from July 1993 to March 1999, a partner at Zhong Sheng Law Firm, Beijing (北京中盛律師事務所) from April 2001 to October 2006, a senior associate in Zhong Lun Law Firm, Beijing (北京中倫律師事務所) from November 2006 to May 2007, and has been a partner at Zhonglun W&D Law Firm, Beijing (北京中倫文德律師事務所) from June 2007 to around 2012. Mr. Liu started practicing as a lawyer in the PRC in August 2001.

Mr. Liu obtained a master's degree in law from Peking University, the PRC, in July 1998, and a law degree from Washington University in St. Louis, the U.S., in May 2004.

Mr. Liu has been an independent non-executive director of Nexteer Automotive Group Limited (stock code: 01316), a company listed on the Hong Kong Stock Exchange, since 15 June 2013.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Save as disclosed above, there is no other information in respect of our Directors that is discloseable pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of our Shareholders.

Senior Management

Mr. LI Ruifeng (李瑞峰), aged 38, was appointed as a vice president of our Company on 16 January 2014. Mr. Li joined SSBETS in 2001 and has been a director and deputy general manager of Sangon Biotech since May 2008 and October 2009 respectively. He finished his undergraduate course in microbiology at Inner Mongolia University in the PRC in July 2001.

Mr. Li has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. HU Xuyu (胡旭宇), aged 35, was appointed as a vice president of our Company on 16 January 2014. He joined Sangon Biotech as a deputy general manager in October 2010.

From November 2007 to June 2010, he worked as a Regional Manager at Primary Care BU Department of Sanofi (China) Investment Co., Ltd. (賽諾菲(中國)投資有限公司). Subsequently from June 2010 to October 2010, he was the vice president of investment at HaiTong KaiYuan Investment Co. Ltd. (海通開元投資有限公司).

Mr. Hu obtained his Bachelor of Engineering in Pharmaceutical Production (化學製藥) from Zhejiang University of Technology (浙江工業大學) in the PRC in July 2000. He obtained the Master of Medical Science in Pharmacology from Soochow University (蘇州大學) in the PRC in June 2005. He subsequently obtained his Master of Business Administration after completing the EMBA Programme at China Europe International Business School (中歐國際工商學院) in September 2012.

Mr. Hu is the brother of Mr. Hu Xubo.

Mr. Hu has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. LI Wei (李威), aged 31, was appointed as a vice president of our Company on 16 January 2014. He joined SSBETS and Sangon Biotech in August 2009 and October 2009 respectively, and since May 2010 has been a Deputy General Manager of Sangon Biotech. Mr. Li was a research assistant at the Plant Biotechnology Research Centre of Shanghai Jiao Tong University* (上海交通大學植物生物技術研究中心) from September 2008 to August 2009. Mr. Li obtained his Doctor of Philosophy in Genetics from Fudan University (復旦大學) in Shanghai in January 2012.

Mr. Li has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. YAN Hua (顏華), aged 48, was appointed as a vice president of our Company on 16 January 2014. He joined our Group in June 2011 as technical director and since June 2012 has been a Deputy

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

General Manager of Sangon Biotech. From February 2008 to May 2011, Mr. Yan was a Deputy General Manager of Neweast (Wuhan) Biosciences Limited (武漢紐斯特生物技術有限公司). Mr. Yan obtained his Doctor of Philosophy in Immunology from Wuhan Institute of Biological Products (武漢生物製品研究所) in Hubei Province, PRC in 2012.

Mr. Yan has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. JIAO Qingfeng (焦青峰), aged 46, was appointed as a vice president of our Company on 16 January 2014. He joined our Group in June 2010 as sales director and since June 2012 has been a Deputy General Manager of Sangon Biotech.

From November 2006 to May 2008 he was a national sales manager at Abbott Laboratories Trading (Shanghai) Co., Ltd. (雅培貿易(上海)有限公司). From December 2008 to December 2009, he was a market development manager and from January 2010 to June 2010 he was a distribution manager at QIAGEN China (Shanghai) Co., Ltd (凱傑企業管理(上海)有限公司). Mr. Jiao obtained his Master of Business Administration from Nanjing University (南京大學) in Nanjing in July 2000.

Mr. Jiao has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. ZHANG Hao (張昊), aged 43, was appointed as the chief financial officer of our Company on 16 January 2014. Since November 2009 Mr. Zhang has been the chief financial officer of Sangon Biotech. From February 1994 to December 2007 he worked in the financial department of SGS-CSTC Standards Technical Services Co., Ltd. (通標標準技術服務有限公司), being chief financial officer of the same company from July 2002 to December 2007. Mr. Zhang obtained his Master of Business Administration from the University of Management and Technology in Virginia, USA in December 2004.

Mr. Zhang has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. WANG Zhi (王志), aged 37, was appointed as a senior manager of our Company on 16 January 2014. Mr. Wang joined SSBETS in June 2001 and our Group in October 2009, and has been the DNA synthesis department director of Sangon Biotech since October 2012. Mr. Wang obtained his Master of Business Administration from Donghua University (東華大學) in Shanghai in May 2011.

Mr. Wang has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. ZHOU Mi (周密), aged 31, was appointed as a senior manager of our Company on 16 January 2014. He joined BBI Canada in November 2007, and has been a department director of Bio Basic (Canada) and Bio Basic (US) since January 2011 and April 2011, respectively. Mr. Zhou obtained his Bachelor of Science in Biochemistry from Carleton University in Ottawa, Canada in June 2007.

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Mr. Zhou has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. TENG Yuantung (鄧元東), aged 48, was appointed as the internal auditor of our Company on 16 January 2014. Mr. Teng joined Sangon Biotech as internal audit director in May 2013.

Mr. Teng has over 13 years of experience in internal controls, audit and compliance matters. From May 2011 to May 2012, Mr. Teng was the audit manager and assistant to the general manager, mainly responsible for its listing proposal, shareholding and legal matters, internal audit and control development, management policy planning and development, ISO management system implementation in Guangdong Wanxing Inorganic Co., Ltd.* (廣東萬興無機顏料股份有限公司) which is primarily engaged in non-metal mineral products production. From August 2012 to March 2013, he was the audit manager, mainly responsible for development and supervising the audit team, legal compliance and parent company internal audit and other specific audit matters of Zhangzhou Tsannkuen Enterprise Co., Ltd.* (漳洲燦坤實業股份有限公司), a subsidiary of Tsannkuen (China) Enterprise Co., Ltd (廈門燦坤實業股份有限公司) which is listed on the Shenzhen Stock Exchange (stock code: 200512). From May 2005 to April 2011, he was the Regional Manager of USUN TECHNOLOGY CO., LTD* (陽程科技股份有限公司), an OTC-listed company on GreTai Securities Market (stock code: 3498). From September 2004 to April 2005, he was an assistant audit manager of Wonderful Hi-Tech Co. Ltd. (萬泰科技股份有限公司). From March 2001 to April 2002, Mr. Teng was an audit manager of ITEQ Corporation (聯茂電子股份有限公司). Mr. Teng obtained his Bachelor of Management in Enterprise Management from Tamkang University (私立淡江大學) in Taiwan in June 1995. He also received a certificate on tax accounting from the Centre for Public and Business Administration Education of the National Chengchi University* (國立政治大學公共行政企業管理教育中心) in 1998. Mr. Teng is a Certified Internal Auditor (CIA) conferred by the Institute of Internal Auditors in November 2004.

Mr. Teng has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

JOINT COMPANY SECRETARIES

Ms. NG Sau Mei (伍秀薇), aged 37, was appointed as one of the joint company secretaries of our Company on 4 September 2014. Ms. Ng is currently a manager of KCS Hong Kong Limited and is responsible for provision of corporate secretarial and compliance services to listed company clients. She has over 13 years of experience in the company secretarial field. She has worked for various sizable and reputable companies listed on the Main Board.

Ms. Ng obtained a Bachelor Degree in Laws from City University of Hong Kong in November 2001 and is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom since September 2007.

Ms. HU Heng (胡恒), aged 34, was appointed as one of the joint company secretaries of our Company on 4 September 2014. She joined SSBETS in October 2003 and Sangon Biotech in October 2009. In December 2012, she was promoted as a human resources manager of Sangon Biotech.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Hu obtained a Bachelor in Accounting from Zhongnan University of Economics and Law (中南財經政法大學) in July 2003. She obtained a Shanghai Human Resource Management Post Qualification Certificate from Shanghai Municipal Personnel Bureau in December 2009.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since the principal business and operations of our Group are located in the PRC and North America, members of our senior management are and will therefore be expected to continue to be based in the PRC and North America. None of our executive Directors are Hong Kong permanent residents or ordinarily based in Hong Kong. Our Company has applied to Stock Exchange for a waiver from the strict compliance with the requirement under Rule 8.12 of the Listing Rules. For details of the waiver, please see the paragraph headed “Waivers and exemptions from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Management Presence in Hong Kong” in this prospectus.

BOARD COMMITTEES

Audit Committee

We have established a Board audit committee pursuant to a resolution of our Directors passed on 10 October 2014 in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal controls.

The audit committee currently consists of three Independent Non-executive Directors. The members of the audit committee are currently Mr. Xia Lijun, Mr. Ho Kenneth Kai Chung and Mr. Liu Jianjun and the chairman is Mr. Xia Lijun.

Remuneration Committee

We have established a Board remuneration committee pursuant to a resolution of our Directors passed on 10 October 2014 in compliance with the Code on Corporate Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary function of the remuneration committee is to make recommendations to the Board on our Company’s policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The remuneration committee currently consists of Mr. Xia Lijun, Mr. Ho Kenneth Kai Chung and Mr. Liu Jianjun. It is currently chaired by Mr. Ho Kenneth Kai Chung, an Independent Non-executive Director.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Nomination Committee

We have established a Board nomination committee pursuant to a resolution of our Directors passed on 10 October 2014 in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for our Directors, in particular the chairman and chief executive officer.

The nomination committee currently consists of Mr. Xia Lijun, Mr. Ho Kenneth Kai Chung and Mr. Liu Jianjun and is currently chaired by Mr. Liu Jianjun.

Risk Management Committee

We have established a Board risk management committee pursuant to a resolution of our Directors passed on 10 October 2014. The primary duties of the risk management committee are to review our Company's risk management policies and standards and supervise and monitor our Company's exposure to sanctions law risks.

The risk management committee currently consists of Mr. Ho Kenneth Kai Chung, Mr. Xia Lijun and Mr. Liu Jianjun and is currently chaired by Mr. Liu Jianjun.

COMPLIANCE ADVISER

We have appointed Haitong International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will provide advice to us when consulted by us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) if a transaction which might be a notifiable or connected transaction is contemplated, including share issues and share repurchases;
- (c) if we propose to use the net proceeds of the Share Offering in a manner different from that detailed in this prospectus or when our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) if the Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of the Shares.

The term of this appointment shall commence on the Listing Date and is expected to end on the date on which we distribute our annual report in respect of the financial results for the first full financial year commencing after the Listing Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SHARE OPTION SCHEMES

We have conditionally adopted the Pre-IPO Share Option Schemes and Post-IPO Share Option Scheme. The principal terms of the Share Option Schemes are summarised in the paragraphs headed “8. Pre-IPO Share Option Schemes” and “9. Post-IPO Share Option Scheme” under the section headed “Statutory and General Information” in Appendix IV of this prospectus. The purpose of the Share Option Schemes is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Schemes, with its broad basis of participation, will enable us to reward our employees, our Directors and other selected participants for their contributions to us.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate remuneration (including fees, salaries, housing allowances and other allowances and benefits in kind, bonuses and fair value of options granted) paid to our Directors for the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014 were approximately RMB0.67 million, RMB0.83 million, RMB0.81 million and RMB0.73 million, respectively.

The aggregate remuneration (including fees, salaries, housing allowances and other allowances and benefits in kind, bonuses and fair value of options granted) paid to our senior management for the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014 were approximately RMB2.0 million, RMB2.1 million, RMB2.4 million and RMB1.3 million, respectively.

The aggregate remuneration (including fees, salaries, housing allowances and other allowances and benefits in kind, bonuses and fair value of options granted) paid to our Company’s five highest paid individuals for the years ended 31 December 2011, 2012, 2013 and six months ended 30 June 2014 were approximately RMB1.6 million, RMB1.7 million, RMB1.8 million and RMB2.1 million, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest-paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

Save as disclosed above, no other payments have been made or are payable in respect of the years ended 31 December 2011, 2012, 2013 and six months ended 30 June 2014 by any of member of our Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending 31 December 2014 to be approximately RMB1.2 million.

SHARE CAPITAL

SHARE CAPITAL

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following the Capitalisation Issue and the Global Offering will be as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares of HK\$0.01 each	<u>20,000,000</u>

Issued or to be issued, fully paid or credited as fully paid:

43,497,100	Shares in issue as at the Latest Practicable Date	434,971
350,000,000	Shares to be issued pursuant to the Capitalisation Issue	3,500,000
<u>131,166,000</u>	Shares to be issued pursuant to the Global Offering	<u>1,311,660</u>
<u>524,663,100</u>	Shares	<u>5,246,631</u>

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Capitalisation Issue and the Global Offering will be as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares of HK\$0.01 each	<u>20,000,000</u>

Issued or to be issued, fully paid or credited as fully paid:

43,497,100	Shares in issue as at the Latest Practicable Date	434,971
350,000,000	Shares to be issued pursuant to the Capitalisation Issue	3,500,000
131,166,000	Shares to be issued pursuant to the Global Offering	1,311,660
<u>19,674,900</u>	Shares to be issued upon exercise of the Over-allotment Option	<u>196,749</u>
<u>544,338,000</u>	Shares	<u>5,443,380</u>

ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the Global Offering have become unconditional. It takes no account of any Shares (a) which may be issued pursuant to the exercise of the Over-allotment Option, or (b) which may be allotted and issued upon the exercise of any options that have been or may be granted under the Share Option Schemes or (c) which may be allotted and repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below or otherwise.

SHARE CAPITAL

RANKING

The Shares are ordinary shares in the share capital of our Company and rank pari passu in all respects with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus other than participation in the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 8 December 2014, conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company under the Global Offering, our Directors were authorised to capitalise an amount of HK\$3,500,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 350,000,000 Shares for allotment and issue to Shareholder(s) whose name(s) appear(s) on the register of members of our Company at the close of business on 29 December 2014 (or another date as the Directors may direct) in proportion (as nearly as possible without involving fractions) to their then respective existing shareholdings in our Company. All the new Shares to be issued pursuant to the Capitalisation Issue shall rank pari passu in all respects with the existing issued Shares.

SHARE OPTION SCHEMES

We have conditionally adopted the Pre-IPO Share Option Schemes and Post-IPO Share Option Scheme. The principal terms of the Share Option Schemes are summarised in the paragraphs headed “8. Pre-IPO Share Option Schemes” and “9. Post-IPO Share Option Scheme” under the section headed “Statutory and General Information” in Appendix IV of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the paragraph headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by our Directors other than pursuant to:

- (a) a rights issue;
- (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles; or

SHARE CAPITAL

(c) the Global Offering,

shall not exceed:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over Allotment Option or the options that have been or may be granted under the Share Option Schemes); and
- (ii) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in the section headed “General Mandate to Repurchase Shares” below. This general mandate to issue Shares will expire:
 - (1) at the conclusion of our next annual general meeting; or
 - (2) at the end of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
 - (3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the paragraph headed “Statutory and General Information — 1. Further Information about our Company — Written Resolutions of our Shareholders Passed on 8 December 2014” in Appendix IV of this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the paragraph headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering”, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options that have been or may be granted under the Share Option Schemes).

This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “1. Further Information about our Company — 5. Share Repurchase Mandate” in Appendix IV of this prospectus.

SHARE CAPITAL

This general mandate to repurchase Shares will expire:

- (i) at the conclusion of our next annual general meeting; or
- (ii) at the end of the period within which we are required by any applicable laws or our Articles to hold our next annual general meeting; or
- (iii) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying such mandate given to our Directors,

whichever is the earliest.

For further details of this general mandate, please see the paragraph headed “1. Further Information about our Company — Written Resolutions of our Shareholders Passed on 8 December 2014” in Appendix IV of this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options that have been or may be granted under the Share Option Schemes), the following persons will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or would be, directly or indirectly, 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 member of our Company:

Name	Nature of interest	Number of Shares or underlying Shares held as at the date of this prospectus	Approximate shareholding percentage at the date of this prospectus	Number of Shares or underlying Shares held after the Global Offering and the Capitalisation Issue	Approximate shareholding percentage immediately after the Global Offering and the Capitalisation Issue
LJ Peace ^(Note 1)	Beneficial owner	20,356,610	46.80%	184,156,346	35.10%
LJ Venture ^(Note 2)	Beneficial owner	13,049,198	30.00%	118,049,745	22.50%
Wang Luo ji a ^(Note 3)	Trustee of a trust, interest in a controlled corporation and interests held jointly with another person	34,512,959	79.34%	312,221,948	59.51%
Wang Jin ^(Note 4)	Trustee of a trust and interests held jointly with another person	34,512,959	79.34%	312,221,948	59.51%
Wang Qisong ^(Note 5)	Founder of a trust and interests held jointly with another person	34,512,959	79.34%	312,221,948	59.51%
Mai Jun ^(Note 6)	Interest of a spouse and interest in a controlled corporation	34,512,959	79.34%	312,221,948	59.51%
Lu Guang Yi ^(Note 7)	Interest of a spouse	34,512,959	79.34%	312,221,948	59.51%
Qiming Venture Partners II, L.P. (“QVP II”) ^(Note 8)	Beneficial owner and person acting in concert	9,157,249	21.05%	82,841,176	15.79%
Qiming Venture Partners II-C, L.P. (“QVP II-C”) ^(Note 8)	Beneficial owner and person acting in concert	9,157,249	21.05%	82,841,176	15.79%
Qiming Managing Directors Fund II, L.P. (“QMDF II”) ^(Note 8)	Beneficial owner and person acting in concert	9,157,249	21.05%	82,841,176	15.79%

SUBSTANTIAL SHAREHOLDERS

Notes:

1. Wang J Family Trust is an irrevocable discretionary trust constituted under the laws of the Province of Ontario, Canada with Wang Qisong as the settlor, Wang Luojia as the trustee and Wang Jin and her children as the beneficiaries. Wang J Family Trust owns 51.15% of the total issued shares of LJ Peace and 50% of the total issued shares of LJ Venture.
2. Wang L Family Trust is an irrevocable discretionary trust established under the laws of the Province of Ontario, Canada with Wang Qisong as the settlor, Wang Jin as the trustee and Wang Luojia and her children as the beneficiaries. Wang L Family Trust owns 48.85% of the issued shares of LJ Peace and 50% of the issued shares of LJ Venture.
3. Wang Luojia (i) is the trustee of Wang J Family Trust which owns 51.15% of the total issued shares of LJ Peace and 50% of the total issued shares of LJ Venture; (ii) owns 50% of the total issued shares of LJ Hope Ltd. which in turn holds 934,043 Shares (representing 2.15% of the total issued Shares) immediately before completion of the Global Offering and the Capitalisation Issue and 8,449,833 Shares (representing approximately 1.61% of the total issued Shares after completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the options that have been or may be granted under the Share Option Schemes)); (iii) is the grantee of an option granted pursuant to the Pre-IPO Share Option Schemes pursuant to which 89,012 Shares as at the date of this prospectus and 805,248 Shares upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the options that have been or may be granted under the Share Option Schemes) will be issued to Wang Luojia upon exercise of the same and (iv) is a party to the Acting in Concert Deed pursuant to which each of Wang Qisong, Wang Luojia and Wang Jin has agreed to consolidate their respective interests in our Company and to vote on any resolution to be passed at any shareholders' meeting of our Company in a unanimous manner. Wang Luojia is therefore deemed to be interested in the Shares held by LJ Peace, LJ Venture and LJ Hope Ltd. respectively and the underlying Shares in respect of the options granted to herself and to Wang Qisong pursuant to the Pre-IPO Share Option Schemes under the SFO. Each of Wang Luojia, Wang Jin and Wang Qisong is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.
4. Wang Jin is the trustee of Wang L Family Trust which owns 48.85% of the total issued shares of LJ Peace and 50% of the total issued shares of LJ Venture. Accordingly, Wang Jin, being the trustee of Wang L Family Trust, is deemed to be interested in the Shares held by LJ Peace and LJ Venture respectively under the SFO. Pursuant to the Acting in Concert Deed, each of Wang Qisong, Wang Luojia and Wang Jin has agreed to consolidate their respective interests in our Company and to vote on any resolution to be passed at any shareholders' meeting of our Company in a unanimous manner and hence each of Wang Luojia, Wang Jin and Wang Qisong is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.
5. In light of notes 1 and 2, Wang Qisong, being the settlor of both Wang L Family Trust and Wang J Family Trust, is deemed to be interested in the Shares held by LJ Venture and LJ Peace, respectively. Wang Qisong is also the grantee of an option granted pursuant to the Pre-IPO Share Option Schemes pursuant to which 84,096 Shares as at the date of this prospectus and 760,776 Shares upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the options that have been or may be granted under the Share Option Schemes) will be issued to Wang Qisong upon exercise of the same. Pursuant to the Acting in Concert Deed, each of Wang Qisong, Wang Luojia and Wang Jin has agreed to consolidate their respective interests in our Company and to vote on any resolution to be passed at any shareholders' meeting of our Company in a unanimous manner and hence each of Wang Luojia, Wang Jin and Wang Qisong is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.
6. Mai Jun is the spouse of Wang Luojia and is deemed to be interested in the Shares which are deemed to be interested by Wang Luojia under the SFO. Mai Jun also owns 50% of LJ Hope Ltd. and is therefore also deemed to be interested in the Shares held by LJ Hope Ltd.

SUBSTANTIAL SHAREHOLDERS

7. Mr. Lu Guang Yi is the spouse of Wang Jin. Accordingly, Mr. Lu Guang Yi is deemed to be interested in the Shares which are deemed to be interested by Wang Jin under the SFO.

8. QVP II, QVP II-C and QMDF II beneficially hold 8,308,372 Shares, 728,001 Shares and 120,876 Shares respectively, representing approximately 19.10%, 1.67% and 0.28% respectively of the total issued share capital of our Company as at the date hereof. QVP II, QVP II-C and QMDF II will beneficially hold 75,161,799 Shares, 6,585,871 Shares and 1,093,506 Shares respectively, representing approximately 14.33%, 1.26% and 0.21% respectively of the total issued share capital of our Company immediately after the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the options that have been or may be granted under the Share Option Schemes). By virtue of QVP II acting in concert with QVP II-C and QMDF II, each of QVP II, QVP II-C and QMDF II is deemed to be interested in all the Shares held by them in aggregate under the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Global Offering and the Capitalisation Issue, without taking into account any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options that have been or may be granted under the Share Option Schemes, have an interest or a short position in any Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly 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 and are therefore regarded as Substantial Shareholders under the Listing Rules.

For persons who will be directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meeting of our Company immediately following the completion of the Global Offering, please see the section headed “Further Information about our Directors and Substantial Shareholders — Disclosure of Interests” in Appendix IV to this prospectus.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

CORNERSTONE INVESTORS

As part of the International Offering, the Company, the Sole Sponsor and the Sole Global Coordinator have entered into cornerstone investment agreements with Pine River China Master Fund Ltd. (“**Pine River**”), China New Economy Fund Limited (“**China New Economy Fund**”) and China New Rich Medicine Holding Co. Limited (“**China New Rich**”), respectively (Pine River, China New Economy Fund and China New Rich, altogether the “**Cornerstone Investors**”). None of the Cornerstone Investors will have any representation on the Board or become a Substantial Shareholder of our Company and will subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment agreements referred to below.

KEY TERMS OF THE CORNERSTONE INVESTMENT AGREEMENT WITH PINE RIVER (“PINE RIVER AGREEMENT”)

Pursuant to the Pine River Agreement, Pine River has agreed to subscribe for such number of Shares at the Offer Price for an aggregate subscription amount of US\$5,000,000 (rounded down to the nearest whole board lot of 1,500 Shares). Assuming an Offer Price of HK\$1.88, the mid-point of the Offer Price range set forth in this prospectus, the total number of Shares to be subscribed for by Pine River would be 20,616,000 Shares, representing approximately 15.7% of the total Offer Shares initially available under the Global Offering and approximately 3.9% of our Company’s total issued share capital immediately after the Global Offering (assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Schemes).

The cornerstone placing forms part of the International Offering and the Offer Shares to be subscribed for by Pine River will be counted towards the public float of our Company. The Shares to be purchased by Pine River might be affected by any reallocation of the 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” in this prospectus. Pine River and its beneficial owners are independent from our Company, our connected persons and their respective associates.

Information about Pine River

Pine River is an exempted company incorporated in the Cayman Islands with limited liability in June 2013. The fund makes investments with exposure to China and related markets. The fund is managed by Pine River Capital Management L.P., a global alternative asset management firm. The fund is sub-advised by Pine River Capital Management (HK) Ltd., a corporation licensed to carry out asset management activities under the SFO. Both Pine River Capital Management L.P. and Pine River Capital Management (HK) Ltd. operate within the Pine River asset management group.

KEY TERMS OF THE CORNERSTONE INVESTMENT AGREEMENT WITH CHINA NEW ECONOMY FUND (“CHINA NEW ECONOMY FUND AGREEMENT”)

Pursuant to the China New Economy Fund Agreement, China New Economy Fund has agreed to subscribe for such number of Shares at the Offer Price for an aggregate subscription amount of US\$2,500,000 (round down to the nearest board lot of 1,500 Shares). Assuming an Offer Price of HK\$1.88, the mid-point of the Offer Price range set forth in this prospectus, the total number of Shares to be subscribed for by China New Economy Fund would be 10,308,000 Shares, representing

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approximately 7.9% of the total Offer Shares initially available under the Global Offering and approximately 2.0% of our Company's total issued share capital immediately after the Global Offering (assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Schemes).

The cornerstone placing forms part of the International Offering and the Offer Shares to be subscribed for by China New Economy Fund will be counted towards the public float of our Company. The Shares to be purchased by China New Economy Fund might be affected by any reallocation of the 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" in this prospectus. China New Economy Fund and its beneficial owners are independent from our Company, our connected persons and their respective associates.

Information about China New Economy Fund

China New Economy Fund is an exempted company incorporated in the Cayman Islands with limited liability on 1 February 2010. China New Economy Fund was established for the purpose of acting as a closed-ended investment company, and is listed on the Main Board of the Hong Kong Stock Exchange (stock code: 80). The principal investment objective of China New Economy Fund is to achieve long-term capital appreciation by primarily investing globally in both private and public enterprises that have demonstrated the ability to manufacture a product or deliver a service that is supported by the economies of mainland China, Hong Kong, Macau and Taiwan.

KEY TERMS OF THE CORNERSTONE INVESTMENT AGREEMENT WITH CHINA NEW RICH ("CHINA NEW RICH AGREEMENT")

Pursuant to the China New Rich Agreement, China New Rich has agreed to subscribe for such number of Shares at the Offer Price for an aggregate subscription amount of US\$2,500,000 (round down to the nearest board lot of 1,500 Shares). Assuming an Offer Price of HK\$1.88, the mid-point of the Offer Price range set forth in this prospectus, the total number of Shares to be subscribed for by China New Rich would be 10,308,000 Shares, representing approximately 7.9% of the total Offer Shares initially available under the Global Offering and approximately 2.0% of our Company's total issued share capital immediately after the Global Offering (assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Schemes).

The cornerstone placing forms part of the International Offering and the Offer Shares to be subscribed for by China New Rich will be counted towards the public float of our Company. The number of Shares to be purchased by China New Rich might be affected by any reallocation of the 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" in this prospectus. China New Rich and its beneficial owners are independent from our Company, our connected persons and their respective associates.

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Information about China New Rich

China New Rich is a wholly-owned subsidiary of New Ray Medicine International Holding Limited (“**New Ray Medicine**”, together with its subsidiaries, “**New Ray Medicine Group**”). New Ray Medicine was incorporated in Bermuda on 9 August 2012 as an exempted company with limited liability under the laws of Bermuda, and its shares are listed on the Growth Enterprise Market of the Hong Kong Stock Exchange (stock code: 8180). New Ray Medicine Group is an established pharmaceutical distributor originated from Zhejiang province and headquartered in Hangzhou, Zhejiang province. New Ray Medicine Group is principally engaged in pharmaceutical distribution businesses in the PRC with a focus in Zhejiang province.

CONDITIONS PRECEDENT

The subscription obligation of the respective Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into, having become effective and unconditional by no later than the time and date as specified in those Underwriting Agreements (in accordance with their respective original terms, as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties);
- (2) neither of the Underwriting Agreements having been terminated;
- (3) the Listing Committee having granted approval for the listing of, and permission to deal in, the Shares and such approval or permission having not been revoked;
- (4) the respective representations, warranties, undertakings, confirmations, agreements and acknowledgements of the respective Cornerstone Investor and our Company in the respective cornerstone investment agreement are (as of the date of the respective cornerstone investment agreement) and will be (as of the Listing Date and such other date as agreed between the relevant parties) accurate and true in all material respects and not misleading and there being no material breach of the respective cornerstone investment agreement on the part of the respective Cornerstone Investor and our Company; and
- (5) no laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

If any of the conditions contained in the above paragraph (1) to (5) have not been fulfilled or if such conditions have not been waived by the parties (except that the condition under the above paragraph (3) cannot be waived and that the condition under the above paragraph (4) can only be waived by the Sole Global Coordinator and the Sole Sponsor) on or before 24 December 2014 (or such other date as may be agreed among our Company, the relevant Cornerstone Investor, the Sole Global Coordinator and the Sole Sponsor), the obligation of the relevant Cornerstone Investor to subscribe for and purchase, and our Company’s and the Sole Global Coordinator’s obligations to issue, place, allocate and deliver (as the case may be), the Shares to the relevant Cornerstone Investor shall cease and any amount paid by the relevant Cornerstone Investor hereunder will be repaid to the relevant Cornerstone Investor without interest.

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RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company and each of the Sole Sponsor and the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the cornerstone investment agreements) any of the Shares subscribed for by it pursuant to its respective cornerstone investment agreement or any interest in any company or entity holding any of such Shares, other than transfers to any wholly-owned subsidiary of such relevant Cornerstone Investor provided that:

- (1) prior written notice of such transfer is provided to our Company, the Sole Sponsor and the Sole Global Coordinator, which contains the identity of the relevant subsidiary and evidence showing that such subsidiary is an direct or indirect wholly-owned subsidiary of the relevant Cornerstone Investor (“**Cornerstone Investor Subsidiary**”);
- (2) such Cornerstone Investor Subsidiary shall first undertake in writing in favour of our Company, the Sole Sponsor and the Sole Global Coordinator prior to such transfer that it will, and the relevant Cornerstone Investor undertakes in writing in favour of our Company, the Sole Sponsor and the Sole Global Coordinator prior to such transfer to procure that the Cornerstone Investor Subsidiary will, abide by the relevant Cornerstone Investor’s obligations under the relevant cornerstone investment agreement, and give the same acknowledgement, representations and warranties under the relevant cornerstone investment agreement imposed on the relevant Cornerstone Investor as if the Cornerstone Investor Subsidiary were itself subject to such terms and restrictions;
- (3) the relevant Cornerstone Investor and the Cornerstone Investor Subsidiary shall be treated as being the relevant Cornerstone Investor in respect of all the Shares held by them and shall jointly and severally bear all liabilities and obligations imposed by the relevant cornerstone investment agreement;
- (4) if at any time prior to expiration of the period of six months following the Listing Date, the Cornerstone Investor Subsidiary is about to or will cease to be an Cornerstone Investor Subsidiary, it shall (and the Investor shall procure that the Cornerstone Investor Subsidiary shall), before ceasing to be a Cornerstone Investor Subsidiary, fully and effectively transfer all the Shares it holds to the relevant Cornerstone Investor or another Cornerstone Investor Subsidiary which undertakes to abide by the terms and restrictions in the relevant cornerstone investment agreement imposed on the relevant Cornerstone Investor and to give the same acknowledgement, representations and warranties under the relevant cornerstone investment agreement as if the Cornerstone Investor Subsidiary were itself subject to such terms and restrictions; and
- (5) such Cornerstone Investor Subsidiary is not a U.S. Person (as defined in Rule 902 of Regulation S of the U.S. Securities Act), and is and will be outside the United States and would be acquiring the Shares in an offshore transaction in reliance on Regulation S under the U.S. Securities Act.

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You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial information as at and for each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 and the accompanying notes included in the Accountant's Report set out in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with HKFRS. Potential investors should read the whole of the Accountant's Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-looking Statements".

OVERVIEW

We are a well-recognised provider with a comprehensive portfolio coverage in the life sciences research product and service industry in China in 2013, according to the Frost & Sullivan Report. We are also the largest provider of DNA synthesis products in China in terms of revenue in 2013, according to the Frost & Sullivan Report. Our Sangon and BBI brands have become highly recognisable in the PRC life sciences research product and service industry based on product and service quality, price competitiveness and efficient service delivery. Our comprehensive product and service portfolio consists mainly of DNA synthesis products, genetic engineering services, life sciences research consumables, and protein and antibody related products and services. Our major customers include colleges, universities and research institutes, and sales to these customers accounted for approximately 51.8% of our total revenue for the six months ended 30 June 2014. Our other customers include hospitals, pharmaceutical and biotech companies, government testing and diagnostic centres, as well as distribution companies in the PRC and overseas countries.

We operate an extensive direct sales network with broad geographical reach in the PRC. We also have established our businesses in Canada and the United States for our expansion into the North American market. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our direct sales accounted for approximately 91.3%, 92.9%, 92.7% and 93.4% of our total revenue for the same periods, respectively. In addition, we engage third-party distributors to sell our DNA synthesis products and life sciences research consumables in the PRC and overseas countries. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our sales to distributors accounted for approximately 8.7%, 7.1%, 7.3% and 6.6% of our total revenue for the same periods, respectively.

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Our revenue increased from RMB160.1 million for the year ended 31 December 2011 to RMB186.4 million for the year ended 31 December 2012, and further to RMB220.0 million for the year ended 31 December 2013, representing a 2011-2013 CAGR of 17.2%. Our revenue increased by RMB18.4 million, or 18.1%, from RMB101.6 million for the six months ended 30 June 2013 to RMB120.0 million for the six months ended 30 June 2014. Increased sales of our products and services across all our business segments during the Track Record Period contributed to such revenue growth.

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:

Market Demand for Our Products and Services

We provide comprehensive product and service portfolio which life sciences researcher and scientists use in their research and laboratory experiments. Our revenue growth during the Track Record Period was primarily attributable to an increase in sales of our life sciences research products and services in the PRC, and our product and service sales in North America, South America, Europe, Asia (excluding the PRC) and other overseas countries represented an insignificant portion of our total revenue for each of the reporting periods. Our financial results have been driven primarily by the significant growth of market demands for life sciences research products and services in the PRC. Our businesses are classified into four segments, and during the Track Record Period, we generated our revenue primarily from the following three business segments: (i) DNA synthesis products; (ii) genetic engineering services; and (iii) life sciences research consumables. We also derived a small portion of our revenue from the segment of protein and antibody related products and services during the same period.

According to the Frost & Sullivan Report, the total revenue of each of the PRC DNA synthesis product market, the PRC genetic engineering market and the PRC life sciences research consumable market increased from 2009 to 2013 and is expected to further increase in the future, primarily attributable to the strong government support, the increasing research and development expenditure in the public and private sectors for life sciences research, the increasing private investment in research and development for product innovation, the rising per capita healthcare expenditure and growing health awareness of Chinese residents, and more affordable costs of life sciences research products services in these PRC markets. With our strong position in our target markets in the PRC, our comprehensive product and service portfolio, and our effective direct sales network across China, we believe we are well positioned to take advantage of the future growth of these PRC markets. Market demands for our products and services are and will be subject to a number of factors, including growths of our target markets in China, the government funding and investments by pharmaceutical and biotech companies in life sciences research and development in these markets, and our product and service innovation driven by the technological development. We expect the market demand for our products and services in our target markets in the PRC will continue to grow in the near future and drive growth in our revenue and profit.

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Product and Service Mix and Pricing

The mix of products and services in our portfolio may have a material effect on our financial performance and results of operations. We provide a wide range of life sciences research products and services. Our diverse product and service offerings enable us to capitalise on the changing market trend, technological development and customer demand in our target markets. As our products and services have different profit margins which depend on a series of factors (such as cost of raw materials, labour costs, product and service pricing, promotional and marketing strategies, and research and development expenses), the mix of products and services in our portfolio materially affects our financial performance and results of operations. There was no significant seasonal effect on our sales of products and services during the Track Record Period.

Our results of operations are also affected by the pricing of our products and services, which are generally determined by the competitive landscapes and technological development of our target markets in the PRC. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, revenue from our DNA synthesis product business accounted for 43.8%, 43.6%, 41.5%, 41.9% and 40.6% of our total revenue for the same periods, respectively. We produce a wide variety of DNA synthesis products in accordance with different specifications and requirements from customers. As at the Latest Practicable Date, the selling prices of our oligonucleotide synthesis products ranged from approximately RMB30 to RMB2,000, and the selling prices of our gene synthesis products ranged from approximately RMB500 to RMB5,000. Most of our DNA synthesis products are within the above price ranges, except for certain customised or specially manufactured products. The selling prices of our DNA synthesis products slightly decreased during the Track Record Period primarily because we carried out promotional and marketing strategies to strengthen our market position as the competition among suppliers increased.

Moreover, for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, revenue from our life sciences research consumable business accounted for 36.7%, 33.1%, 32.2%, 32.5% and 30.5% of our total revenue for the same periods, respectively. Our life sciences research consumables cover a wide variety of research products, and their selling prices vary widely, ranging from approximately RMB5 to RMB10,000 as at the Latest Practicable Date. There was a general increasing trend of selling prices of our life sciences research consumables during the Track Record Period as we expanded our product offerings to meet customer demand. An increasing number of life sciences researchers and scientists have purchased our products and services, which led to our revenue and profit growth for such period. We have successfully established customers' awareness and acceptance of our brand and associate it with images of high quality products and services for life sciences research.

We evaluate and adjust our product and service portfolio from time to time to focus our resources primarily on products which have significant potential market demands so as to maintain or increase the overall profitability of our business. We also intend to continue to diversify our existing portfolio and develop new products and services according to prevailing market conditions and expected market demands in our target markets, as well as our development plan and business strategies.

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Expansion and Performance of Our Direct Sales Network

The growth of our revenue and profit depends on the expansion and performance of our direct sales network across China. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, direct sales of our products and services accounted for 91.3%, 92.9%, 92.7% and 93.4% of our total revenue for the same periods, respectively. Our ability to increase revenue is directly affected by the scale of our direct sales network and the effectiveness of our sales and marketing activities. During the Track Record Period, we expanded our direct sales network across China and increased our total number of direct sales points. Moreover, we have sold our products and services through distributors in our target markets. Our revenue and profit increased accordingly. Our revenue and profit growth will continue to depend on our ability to further expand our direct sales network and to effectively improve the overall performance of our sales and distribution network.

Cost of Sale

Our cost of sales directly affects our results of operations and profitability. The major components of our cost of sales include cost of raw materials and labour costs in relation to our manufacture and sale of products and rendering of our services to customers.

Cost of Raw Materials and Procurement

For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, our cost of raw materials accounted for 55.1%, 55.7%, 59.0%, 60.6% and 55.2% of our cost of sales for the same periods, respectively. We procure a wide variety of raw materials for our production and rendering of our services (such as nucleotide monomers for production of oligonucleotide synthesis products, enzymes for production of gene synthesis products, special reagents for DNA sequencing services, biochemical reagents for production of research kits, and plastic particles for production of labware). The major raw materials for our life sciences research products and services consist of nucleotide monomers, specialised sequencing reagents (such as BigDye Terminator kit) and plastic particles. Our purchase costs of these major raw materials for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, respectively, accounted for 19.8%, 25.4%, 16.6%, 16.4% and 11.6% of the total purchase costs for the same periods. Based on our historical experience, we do not consider that the price fluctuation of any raw material will materially affect our results of operations and financial condition. In addition, we procure some of our life sciences research consumables (such as biochemical reagents) as trading products from third-party suppliers, test whether products meet customer specifications and repackage these biochemical reagents into different packages according to various requirements from scientific researchers. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, purchases of these trading products accounted for approximately 30.7%, 25.3%, 23.6% and 21.7% of our total purchases of raw materials for the same periods, respectively. See the subsection “Business — Production Process — Trading Products” in this prospectus for further details.

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The prices of raw materials for our life sciences research products and services are determined principally by the general market conditions and our bargaining power with suppliers. The prices and availability of raw materials may vary from period to period due to factors such as consumer demand and market conditions. We are exposed to the market risk of price fluctuation of raw materials, and fluctuation in such prices may cause fluctuation in our cost of sales. We have managed to reduce the impact of increases in raw material prices by adjusting the mix of our suppliers, improving our operation management and enhancing the efficiency of our automated production process for DNA synthesis products. We have sourced our raw materials from multiple suppliers in the PRC and the United States and centralised our procurement of raw materials to leverage our economies of scale operations against suppliers. In addition, we closely monitor the development and customer demand in our target markets and find alternative suppliers which offer more favourable terms to us. These measures have helped us reduce our exposure to price fluctuations and ensure the quality of raw materials we procure.

Based on our best estimates, for illustrative purposes only, the following table shows the sensitivity of our overall gross profit during the Track Record Period with regard to certain possible changes in the cost of raw materials during the same period, assuming all other variables remain constant:

	Changes in our overall gross profit				
	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Changes in cost of raw materials:					
-10.0%	3,819	4,791	6,528	3,091	3,128
-5.0%	1,909	2,395	3,264	1,546	1,564
-1.0%	382	479	653	309	313
+1.0%	(382)	(479)	(653)	(309)	(313)
+5.0%	(1,909)	(2,395)	(3,264)	(1,546)	(1,564)
+10.0%	(3,819)	(4,791)	(6,528)	(3,091)	(3,128)

For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, if the cost of raw materials had increased by 241.9%, 214.0%, 170.2%, 163.5% and 202.4%, respectively, and assuming all other variables remain constant, our overall gross profit for the same periods would have been nil.

We will continue to adjust our supplier mix, manage our raw material procurement prices and enhance our operating efficiency. We expect that depending on the general market conditions, we will be able to pass on part or all of increases in our raw materials to our customers so as to maintain our overall profitability.

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Labour Costs

Labour costs incurred in cost of sales mainly include salaries, wages and social security costs for our production and service employees, which represented approximately 24.8%, 23.0%, 23.6%, 23.9% and 25.1% of our total cost of sales for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, respectively. In recent years, our labour costs have increased as a result of our expanded operational scale and business strategy to recruit and retain talents. Fluctuation in labour costs may lead to fluctuation in our cost of sales.

PRC Taxation

The EIT generally comprises our PRC corporate income taxes. During the Track Record Period, our business was conducted primarily through our PRC operating subsidiary, Sangon Biotech. The standard EIT rate applicable to our PRC subsidiary is 25.0%. The subsidiary was qualified as “High and New Technology Enterprises” under the EIT Law from 2010 to 2012 and entitled to a preferential income tax rate of 15.0%. The subsidiary was also qualified as foreign-investment enterprise from 2011 to 2012 and entitled to the preferential EIT rate of 12.5%. It adopted the preferential EIT rate of 12.5% as foreign-investment enterprise on its estimated assessable profits for the years ended 31 December 2011 and 2012. The subsidiary’s qualification as “High and New Technology Enterprises” has been extended from 2013 to 2015 and it has enjoyed the preferential EIT rate of 15.0% on its estimated assessable profits for the year ended 31 December 2013 and the year ending 31 December 2014. See “— Description of Certain Consolidated Income Statement Items — Income Tax Expense” in this section and the section headed “Regulations — Laws and Regulations of the PRC — Taxation” in this prospectus for further details of our taxation. We expect to continue to enjoy reduced EIT rates as substantially all of our revenue will be generated through the PRC operating subsidiary.

However, preferential tax treatment granted to our subsidiaries by governmental authorities is subject to review and could be adjusted or terminated. The discontinuation of any preferential tax treatment currently available to us will cause our effective tax rate to increase, which could have a material adverse effect on our results of operations. See the section headed “Risk Factors — Risks Relating to Our Business — Any loss of or significant reduction in the preferential tax treatment and government grant we currently enjoy in China or our non-compliance with the relevant PRC tax laws and regulations may negatively affect our financial condition” for further discussion.

Competition

Our ability to differentiate ourselves from our competitors also directly affects our financial performance and results of operations. The competition in our target markets in China, including the PRC DNA synthesis product market, the PRC genetic engineering service market, the PRC life sciences research consumable market and the PRC protein and antibody related product and service market, is intensely competitive. Players in our target markets in China can be broadly categorised into MNCs and domestic suppliers. With the advantages in production technologies and new product development, MNCs generally charge higher prices for their products and services than domestic suppliers. In recent years, domestic suppliers have developed life sciences research products and services with the quality which is comparable to that of MNCs and at affordable prices. We believe domestic suppliers, which have strong capacity in product and service development and offer

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comprehensive product and service portfolios, will gradually capture the market share from MNCs due to price competitiveness. Many of our competitors have greater financial resources and operational experience than we do. We must continue to meet these competitive challenges by implementing business strategies that further enhance our advantages in our target markets, differentiated products and services, and effective direct sales network in the PRC. We believe that the intense competition in our target markets will continue in the future and our business and results of operations will be significantly affected by our ability to remain competitive in the PRC life sciences research product and service industry.

BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, the companies now comprising our Group are owned and controlled by Mr. Wang Qisong, Ms. Wang Luoia and Ms. Wang Jin (collectively the “Controlling Party”). Pursuant to the Reorganisation, our group companies were transferred to and held by our Company. Our Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of our group companies with no change in management of such business and the ultimate owner of our group companies remains the same. Accordingly, the consolidated financial information of our group companies is presented using the carrying values of our group companies for all periods presented, as if the current group structure had been in existence throughout the Track Record Period or since the respective dates when these companies first came under the control of the Controlling Party, whichever is the shorter period.

CRITICAL ACCOUNTING POLICIES

In our preparation of the consolidated financial statements in accordance with HKFRS, we have made judgements, estimates and assumptions that affect each reported amount relating to our assets and liabilities at the end of each financial period, as well as each reported amounts relating to our income and expenses during each financial period. We continually evaluate these estimates based on our own historical experience, knowledge and assessment of our current business and other conditions, our expectations regarding the future based on available information and our best assumptions.

When reviewing our consolidated financial statements, you should consider these factors: (i) our selection of critical accounting policies; (ii) the judgement and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in relevant conditions and assumptions. The accounting policies involving the most significant judgement and estimation for the preparation of our consolidated financial statements are set out below:

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Revenue recognition

We recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of our Group's activities as described below. We base our estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. We have adopted the following revenue recognition bases:

Revenue comprises the fair value of the consideration received or receivables for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

- *Sales of goods.* Revenue is recognised when the risk and reward of goods have been transferred to a customer, which is usually at the date when a group entity has delivered products to the customer and the customer has accepted the products, the collectability of related receivables is reasonably assumed and there is no unfulfilled obligation that could affect the customer's acceptance of the products.
- *Service income.* Revenue is recognised when the services have been rendered and it is probable that the economic benefits will flow to the Group and the relevant fees can be measured reliably.
- *Interest income.* Revenue is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.
- *Dividend income.* Revenue is recognised when the right to receive payment is established.

Useful Lives of Property, Plant and Equipment

Our management determine the estimated useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Machinery and equipment	10 years
Office equipment	three to five years
Other equipment	three to five years

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Our management review the assets' residual values and useful lives and adjust them at each balance sheet date, where appropriate. We write down an asset's carrying amount to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains — net" in the consolidated statements of comprehensive income.

Our management increase the depreciation charge where useful lives are less than previously estimated lives, or write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Estimated Write-downs of Inventories

We write down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances that the balances may not be realised. We identify write-downs based on our judgement and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying values of inventories and write-downs of inventories in the period in which such estimate has been changed.

Impairment of Trade and Other Receivables

Our management estimate the provision of impairment of trade and other receivables by assessing their recoverability. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying value of trade and other receivable and impairment charge in the period in which such estimate has been changed.

Current Tax and Deferred Tax

We are subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. We recognise liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and provisions in the period in which such determination is made.

Deferred income tax assets and liabilities are determined using tax rates that are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled. The expected applicable tax rate is determined based on the enacted tax laws and regulations and the actual situation of our Group. Our management revise the expectation where the intending tax rate is different from the original expectation.

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RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated income statements for the periods indicated. This information should be read together with our consolidated financial information and related notes, which have been prepared in accordance with HKFRS and set out in Appendix I — “Accountant’s Report” to this prospectus. Our results of operations in any period are not necessarily indicative of results that may be expected for any future period.

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Consolidated statement of comprehensive income					
Revenue	160,116	186,357	219,988	101,589	119,986
Costs of sales	<u>(67,741)</u>	<u>(83,837)</u>	<u>(108,898)</u>	<u>(51,031)</u>	<u>(56,673)</u>
Gross profit	92,375	102,520	111,090	50,558	63,313
Selling and distribution costs	(23,788)	(28,711)	(36,484)	(17,776)	(21,414)
Administrative expenses	(27,797)	(35,791)	(29,393)	(14,079)	(18,388)
Other income - net	1,023	797	883	393	238
Other (losses)/gains - net	<u>(557)</u>	<u>148</u>	<u>(1,283)</u>	<u>(399)</u>	<u>225</u>
Operating profit	41,256	38,963	44,813	18,697	23,974
Finance income	1,090	585	1,081	478	1,789
Finance costs	<u>(1,892)</u>	<u>(726)</u>	<u>(1,020)</u>	<u>(672)</u>	<u>(688)</u>
Finance (costs)/income - net	(802)	(141)	61	(194)	1,101
Share of profit of an associate	<u>1,039</u>	<u>3,257</u>	<u>4,702</u>	<u>1,640</u>	<u>1,734</u>
(Loss)/gain on disposal of an associate	(33)	—	—	—	26,386
Profit before income tax	41,460	42,079	49,576	20,143	53,195
Income tax expense	<u>(6,658)</u>	<u>(6,765)</u>	<u>(7,229)</u>	<u>(3,287)</u>	<u>(10,396)</u>
Profit for the year/period	34,802	35,314	42,347	16,856	42,799
Other comprehensive income					
- Currency translation differences	<u>(391)</u>	<u>229</u>	<u>(2,023)</u>	<u>(788)</u>	<u>717</u>

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	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total comprehensive income for the year/period	34,411	35,543	40,324	16,068	43,516
Total profit attributable to:					
Equity holders of the Company	33,009	33,431	40,249	16,017	40,682
Non-controlling interests	1,793	1,883	2,098	839	2,117
	<u>34,802</u>	<u>35,314</u>	<u>42,347</u>	<u>16,856</u>	<u>42,799</u>
Total comprehensive income attributable to:					
Equity holders of the Company	32,685	33,609	38,439	15,258	41,020
Non-controlling interests	1,726	1,934	1,885	810	2,496
	<u>34,411</u>	<u>35,543</u>	<u>40,324</u>	<u>16,068</u>	<u>43,516</u>
Earnings per share for profit attributable to equity holders of the Company					
- Basic and diluted earnings per share (expressed in RMB per share)	<u>0.76</u>	<u>0.77</u>	<u>0.93</u>	<u>0.37</u>	<u>0.94</u>
Dividends	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Please refer to “Financial Information — Description of Certain Consolidated Income Statement Items — Six Months Ended 30 June 2014 Compared to Six Months Ended 30 June 2013, Year Ended 31 December 2013 Compared to Year Ended 31 December 2012, and Year Ended 31 December 2012 Compared to Year Ended 31 December 2011” for the detailed year-on-year/period-on-period analyses of certain consolidated income statements items.

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DESCRIPTION OF CERTAIN CONSOLIDATED INCOME STATEMENT ITEMS

Revenue

During the Track Record Period, we generated our revenue primarily from our three business segments: (i) DNA synthesis products; (ii) genetic engineering services; and (iii) life sciences research consumables. We also derived a small portion of our revenue from our business segment of protein and antibody related products and services. Our revenue increased from RMB160.1 million for the year ended 31 December 2011 to RMB186.4 million for the year ended 31 December 2012, and further to RMB220.0 million for the year ended 31 December 2013, representing a 2011-2013 CAGR of 17.2%. Our revenue increased by RMB18.4 million, or 18.1%, from RMB101.6 million for the six months ended 30 June 2013 to RMB120.0 million for the six months ended 30 June 2014.

By Business Segment

The following table sets forth a breakdown of our revenue by business segment for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
DNA synthesis products	70,082	43.8	81,187	43.6	91,117	41.4	42,610	41.9	48,649	40.6
Genetic engineering services	23,263	14.5	31,603	17.0	41,872	19.0	18,574	18.3	22,330	18.6
Life sciences research consumables	58,761	36.7	61,768	33.1	70,838	32.2	32,984	32.5	36,647	30.5
Protein and antibody related products and services	8,010	5.0	11,799	6.3	16,161	7.4	7,421	7.3	12,360	10.3
TOTAL	160,116	100.0	186,357	100.0	219,988	100.0	101,589	100.0	119,986	100.0

DNA Synthesis Products

Revenue from our DNA synthesis product business is recognised when we have sold our oligonucleotide synthesis products and gene synthesis products to customers. During the Track Record Period, revenue from our DNA synthesis product business generally increased primarily due to: (i) an increase in revenue from the sale of our oligonucleotide synthesis products as we have implemented our online oligonucleotide order system, developed automated oligonucleotide production line with fast delivery of products and provided our customers with 100% mass spectrum quality control reports for all oligonucleotide synthesis products; (ii) an increase in revenue from the sale of our gene synthesis products as our self-developed software provides automated optimisation, analysis and design of gene sequences and also enables us to reduce our service delivery time; and (iii) the expansion of our DNA synthesis product portfolio as we have provided the HPLC purification method for oligonucleotides in addition to traditional DNA purification methods and have also offered new types of modified oligonucleotides which have higher sales growth potential.

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Genetic Engineering Services

Revenue from our genetic engineering service business is recognised when we have provided our DNA sequencing, next-generation sequencing and molecular biology services to customers. During the Track Record Period, revenue from our genetic engineering service business generally increased primarily due to: (i) increases in revenue from rendering of our DNA sequencing and molecular biology services as we have adopted new methods to purify DNA sequencing samples, provided online download services and established more sequencing facilities which provide technical support and fast delivery to customers; (ii) an increase in revenue from rendering of our next-generation sequencing services after we commenced to provide customised services to meet the individualised demands of our customers in 2012; (iii) the expansion of our DNA sequencing service portfolio as we have offered more types of molecular biology services which have higher sales growth potential and hired more trained technicians who provide technical support to meet customer requirements; and (iv) an increasing demand from our existing customers of DNA synthesis products for our genetic engineering services as a result of the synergistic effect of our broad product and service portfolio.

Life Sciences Research Consumables

Revenue from our life sciences research consumable business is recognised when we have sold our biochemical reagents, research kits and labware to life sciences research laboratories. During the Track Record Period, revenue from our life sciences research consumable business generally increased primarily due to: (i) increases in revenue from the sale of our biochemical reagents, research kits and labware as we have continuously offered new types of biochemical reagents, research kits and labware to expand our product portfolio and to meet customer demands; and (ii) an increasing demand from our existing customers of DNA synthesis products for our life sciences research consumable products as a result of the synergistic effect of our broad product and service portfolio.

Protein and Antibody Related Products and Services

Revenue from our protein and antibody related products and services is recognised when we have sold our protein and antibody related products (such as standard antibodies) and provide related services to customers. During the Track Record Period, revenue from our protein and antibody related products and services generally increased primarily due to: (i) an increase in revenue from the sale of our protein related products and services and an increase in revenue from the sale of our polypeptide synthesis as we have developed and launched new kinds of protein research kits and polypeptides and provided new types of protein services to meet customer demands; (ii) an increase in revenue from the sale of our antibody related services as we have developed and provided new types of antibody services (such as customised antibody production and immunology experiments) to customers; and (iii) an increase in revenue from the sale of our antibody products as we have developed and launched over 3,500 new types of monoclonal and polyclonal antibodies for life sciences research since 2011.

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By Region

During the Track Record Period, over 72.0% of our revenue was derived primarily from the sale of our products and services in the PRC, with the remaining portion of our revenue from North America, South America, Europe, Asia (excluding the PRC) and other overseas countries. The following table sets forth a breakdown of our revenue by sales region for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
PRC	122,015	76.2	139,446	74.8	165,164	75.1	73,303	72.2	87,946	73.3
America ⁽¹⁾	17,406	10.9	33,556	18.0	27,155	12.3	14,037	13.8	16,720	13.9
Europe	6,065	3.8	5,949	3.2	13,561	6.2	7,647	7.5	7,202	6.0
Asia (excluding the PRC)	8,750	5.4	6,120	3.3	11,343	5.2	5,152	5.1	6,847	5.7
Other countries	5,880	3.7	1,286	0.7	2,765	1.2	1,450	1.4	1,271	1.1
TOTAL	160,116	100.0	186,357	100.0	219,988	100.0	101,589	100.0	119,986	100.0

Note:

(1) Consisting of countries and territories in North America and South America.

PRC

Revenue from our businesses in the PRC increased during the Track Record Period, primarily attributable to: (i) an increase in revenue from the sale of oligonucleotide synthesis products in our DNA synthesis product segment as we have implemented our online oligonucleotide order system, developed automated oligonucleotide production line with fast delivery of products and provided our customers with 100% mass spectrum quality control reports for all oligonucleotide synthesis products; (ii) an increase in revenue from our DNA sequencing service line in our genetic engineering service segment as we have adopted new methods to purify DNA sequencing samples, provided online download services and established more sequencing facilities which provide technical support and fast delivery to customers; (iii) increases in revenues from our biochemical reagent, labware and research kit product lines in our life sciences research consumable segment as we have continuously offered new types of biochemical reagents, labware and research kits to meet customer demands; and (iv) an increase in revenue from our protein related product and service line in our protein and antibody related product and service segment as we have developed and launched new types of protein research kits as well as provided new kinds of protein services to meet customer demands.

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America

Revenue from our businesses in North America and South America increased by RMB16.2 million, or 93.1%, from RMB17.4 million for the year ended 31 December 2011 to RMB33.6 million for the year ended 31 December 2012, primarily attributable to an increase in revenue from the sale of biochemical reagents in our life sciences research consumable segment as we expanded our sales network in North America. Revenue from North America and South America decreased by RMB6.4 million, or 19.0%, from approximately RMB33.6 million for the year ended 31 December 2012 to approximately RMB27.2 million for the year ended 31 December 2013, primarily attributable to a decrease in revenue from the sale of our DNA synthesis products mainly because we carried out promotional and marketing strategies to strengthen our market position in 2013 as the competition among suppliers increased in the North American market. Revenue from North America and South America increased by RMB2.7 million, or 19.3%, from approximately RMB14.0 million for the six months ended 30 June 2013 to approximately RMB16.7 million for the six months ended 30 June 2014, primarily attributable to an increase in revenue from the sale of our DNA synthesis products in North America as an increasing number of customers purchased our products due to our price competitiveness and the sales volume increased in 2014 after our prior promotional activities.

Europe

Revenue from our businesses in Europe generally increased from RMB6.1 million for the year ended 31 December 2011 to RMB13.6 million for the year ended 31 December 2013, representing a 2011-2013 CAGR of 49.5%, primarily attributable to an increase in revenue from the sale of our gene synthesis products in our DNA synthesis product segment as a new customer which is an European biotech company specialising in DNA synthesis placed large purchase orders with us. Revenue from Europe slightly decreased by RMB0.4 million, or 5.3%, from RMB7.6 million for the six months ended 30 June 2013 to RMB7.2 million for the six months ended 30 June 2014, primarily attributable to a slight decrease in revenue from the sale of our gene synthesis products in our DNA synthesis product segment due to the increased market competition to some extent in the region.

Asia (excluding the PRC)

Revenue from our businesses in Asian countries other than the PRC increased during the Track Record Period, primarily attributable to increases in revenues from our DNA synthesis product, genetic engineering service and life sciences research consumable businesses as we have increased our sales to more biotech companies in these countries.

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Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales consists of cost of raw materials, labour costs, depreciation and amortisation charges, utilities, and others. Cost of raw materials primarily consists of costs incurred for the purchase of raw materials and consumables used in our production and rendering of our services. Labour costs primarily consist of compensation and benefits we provide to our production and service employees. Our cost of sales also includes depreciation of property, plant and equipment used in our operations, amortisation of intangibles, utilities and other miscellaneous expenses (including maintenance fees, property management fees and other sundry expenses).

The following table sets forth a breakdown of our overall cost of sales for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Cost of raw materials	37,313	55.1	46,768	55.7	64,198	59.0	30,914	60.6	31,308	55.2
Labour costs	16,769	24.8	19,298	23.0	25,683	23.6	12,178	23.9	14,216	25.1
Depreciation and amortisation charges	4,239	6.3	5,939	7.1	7,565	6.9	3,961	7.8	3,874	6.8
Utilities	1,980	2.9	1,895	2.3	1,824	1.7	929	1.8	889	1.6
Provision for impairment of inventory	1,247	1.8	1,641	2.0	1,428	1.3	—	0.0	—	0.0
Others	6,193	9.1	8,296	9.9	8,200	7.5	3,048	5.9	6,386	11.3
TOTAL	67,741	100.0	83,837	100.0	108,898	100.0	51,031	100.0	56,673	100.0

For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, our overall cost of sales was approximately 42.3%, 45.0%, 49.5%, 50.2% and 47.2% of our total revenue for the same periods, respectively.

Our overall gross profit, which equals total revenue less overall cost of sales, increased from RMB92.4 million for the year ended 31 December 2011 to RMB102.5 million for the year ended 31 December 2012, further to RMB111.1 million for the year ended 31 December 2013, representing a 2011-2013 CAGR of 9.7%. Our overall gross profit increased by RMB12.7 million, or 25.1%, from RMB50.6 million for the six months ended 30 June 2013 to RMB63.3 million for the six months ended 30 June 2014.

Our overall gross profit margin, which equals overall gross profit divided by total revenue, decreased from 57.7% for the year ended 31 December 2011 to 55.0% for the year ended 31 December 2012, further to 50.5% for the year ended 31 December 2013, primarily attributable to a decrease in the gross profit margin for our DNA synthesis product business as a result of a slight decrease in the selling prices of our DNA synthesis products as the competition among suppliers increased and we carried out promotional and marketing strategies to strengthen our market position. Our gross profit

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margin increase from 49.8% for the six months ended 30 June 2013 to 52.8% for the six months ended 30 June 2014, primarily attributable to an increase in the gross profit margin for our DNA synthesis product business as a result of a decrease in cost of raw materials as we developed automated DNA synthesis systems and improved the production efficiency.

The following table sets forth a breakdown of our revenue, cost of sales, gross profit and gross profit margin by business segment and relevant percentages of segment revenue for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	<i>RMB'000</i>	<i>% of segment revenue</i>	<i>RMB'000</i>	<i>% of segment revenue</i>	<i>RMB'000</i>	<i>% of segment revenue</i>	<i>RMB'000</i>	<i>% of segment revenue</i>	<i>RMB'000</i>	<i>% of segment revenue</i>
							<i>(unaudited)</i>			
DNA synthesis products:										
Segment revenue	70,082	100.0	81,187	100.0	91,117	100.0	42,610	100.0	48,649	100.0
Segment cost of sales	(19,919)	(28.4)	(27,366)	(33.7)	(41,226)	(45.2)	(19,730)	(46.3)	(19,955)	(41.0)
Segment gross profit and gross profit margin	50,163	71.6	53,821	66.3	49,891	54.8	22,880	53.7	28,694	59.0
Genetic engineering services:										
Segment revenue	23,263	100.0	31,603	100.0	41,872	100.0	18,574	100.0	22,330	100.0
Segment cost of sales	(9,650)	(41.5)	(17,087)	(54.1)	(21,661)	(51.7)	(9,200)	(49.5)	(10,831)	(48.5)
Segment gross profit and gross profit margin	13,613	58.5	14,516	45.9	20,211	48.3	9,374	50.5	11,499	51.5
Life sciences research consumables:										
Segment revenue	58,761	100.0	61,768	100.0	70,838	100.0	32,984	100.0	36,647	100.0
Segment cost of sales	(34,283)	(58.3)	(31,442)	(50.9)	(35,181)	(49.7)	(18,036)	(54.7)	(18,848)	(51.4)
Segment gross profit and gross profit margin	24,478	41.7	30,326	49.1	35,657	50.3	14,948	45.3	17,799	48.6
Protein and antibody related products and services:										
Segment revenue	8,010	100.0	11,799	100.0	16,161	100.0	7,421	100.0	12,360	100.0
Segment cost of sales	(3,889)	(48.6)	(7,942)	(67.3)	(10,830)	(67.0)	(4,065)	(54.8)	(7,039)	(56.9)
Segment gross profit and gross profit margin	4,121	51.4	3,857	32.7	5,331	33.0	3,356	45.2	5,321	43.1
TOTAL										
Revenue	160,116	100.0	186,357	100.0	219,988	100.0	101,589	100.0	119,986	100.0
Overall cost of sales	(67,741)	(42.3)	(83,837)	(45.0)	(108,898)	(49.5)	(51,031)	(50.2)	(56,673)	(47.2)
Overall gross profit and gross profit margin	92,375	57.7	102,520	55.0	111,090	50.5	50,558	49.8	63,313	52.8

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DNA Synthesis Products

The principal components of cost of sales of our DNA synthesis product segment include cost of raw materials, labour costs and other costs. Other costs mainly consist of depreciation and amortisation charges, as well as utilities. The percentage of cost of sales of our DNA synthesis product segment to the segment revenue generally increased from 2011 to 2013, primarily attributable to an increase in cost of raw materials in relation to the mix of our projects and an increase in labour costs as a result of the increased average salary level of our production employees. Cost of sales of our DNA synthesis product segment remained relatively stable from RMB19.7 million for the six months ended 30 June 2013 to RMB20.0 million for the six months ended 30 June 2014, primarily attributable to a decrease in cost of raw materials as we developed automated DNA synthesis systems and improved the production efficiency.

Gross profit of our DNA synthesis product segment, which equals segment revenue less segment cost of sales, increased by RMB3.6 million, or 7.2%, from RMB50.2 million for the year ended 31 December 2011 to RMB53.8 million for the year ended 31 December 2012. Gross profit of our DNA synthesis product segment decreased by RMB3.9 million, or 7.2%, from RMB53.8 million for the year ended 31 December 2012 to RMB49.9 million for the year ended 31 December 2013, primarily attributable to: (i) a slight decrease in the selling prices of our DNA synthesis products from 2012 to 2013 primarily as the competition among suppliers increased and we carried out promotional and marketing strategies to strengthen our market position in 2013; (ii) an increase in labour costs from 2012 to 2013 as a result of the increased average salary level of our production employees; and (iii) an increase in cost of raw materials in relation to the mix of our projects. Gross profit of our DNA synthesis product segment increased by RMB5.8 million, or 25.3%, from RMB22.9 million for the six months ended 30 June 2013 to RMB28.7 million for the six months ended 30 June 2014.

Gross profit margin of our DNA synthesis product segment, which equals segment gross profit divided by segment revenue, decreased from 71.6% for the year ended 31 December 2011 to 66.3% for the year ended 31 December 2012, further to 54.8% for the year ended 31 December 2013. Decreases in such segment gross profit margin from 2011 to 2013 were primarily due to: (i) an increase in unit cost of raw materials in relation to the mix of our projects and an increase in labour costs as a result of the increased average salary level of our production employees; and (ii) a slight decrease in the selling prices of our DNA synthesis products from 2012 to 2013 primarily because we carried out promotional and marketing strategies to strengthen our market position in 2013 as the competition among suppliers increased. Gross profit margin of our DNA synthesis product segment increased from 53.7% for the six months ended 30 June 2013 to 59.0% for the six months ended 30 June 2014, primarily due to a decrease in cost of raw materials as we developed automated DNA synthesis systems and improved the production efficiency.

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Genetic Engineering Services

The principal components of cost of sales of our genetic engineering service segment include cost of raw materials, labour costs and other costs. Other costs mainly consist of depreciation and amortisation charges, as well as utilities. The percentage of cost of sales of our genetic engineering service segment to the segment revenue generally increased from 2011 to 2013, primarily attributable to an increase in cost of raw materials in relation to the mix of our projects and an increase in labour costs as a result of the increased average salary level of our service employees. The percentage of cost of sales of our genetic engineering service segment to the segment revenue for the six months ended 30 June 2014 was relatively lower, compared to that for the six months ended 30 June 2013, primarily attributable to decreases in costs of raw materials of our DNA sequencing and next-generation sequencing service lines as we adjusted the mix of our suppliers for more competitive prices.

Gross profit of our genetic engineering service segment, which equals segment revenue less segment cost of sales, increased from RMB13.6 million for the year ended 31 December 2011 to RMB14.5 million for the year ended 31 December 2012, and further to RMB20.2 million for the year ended 31 December 2013, representing a 2011-2013 CAGR of 21.8%. Gross profit of our genetic engineering service segment increased by RMB2.1 million, or 22.3%, from RMB9.4 million for the six months ended 30 June 2013 to RMB11.5 million for the six months ended 30 June 2014.

Gross profit margin of our genetic engineering service segment, which equals segment gross profit divided by segment revenue, generally decreased from 2011 to 2013, primarily due to: (i) decreases in the selling prices of our DNA sequencing and next-generation sequencing services mainly due to the introduction of advanced production technology and the increased market competition, and (ii) an increase in labour costs as a result of the increased average salary level of our service employees. Gross profit margin of our genetic engineering service segment increased from 50.5% for the six months ended 30 June 2013 to 51.5% for the six months ended 30 June 2014, primarily attributable to: (i) decreases in costs of raw materials of our DNA sequencing and next-generation sequencing service lines as we adjusted the mix of our suppliers for more competitive prices; and (ii) increases in the selling prices of our molecular biology services in relation to the mix of our projects, the effects of which were partially offset by decreases in the selling prices of our DNA sequencing and next-generation sequencing services mainly due to the introduction of advanced production technology and the increased market competition.

Life Sciences Research Consumables

The principal components of cost of sales of our life sciences research consumable segment include cost of raw materials, labour costs and other costs. The percentage of cost of sales of our life sciences research consumable segment to the segment revenue generally decreased during the Track Record Period, primarily due to decreases in unit costs of sales of our biochemical reagent and labware product lines mainly as a result of our economies of scale operation.

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Gross profit of our life sciences research consumable segment, which equals segment revenue less segment cost of sales, increased from RMB24.5 million for the year ended 31 December 2011 to RMB30.3 million for the year ended 31 December 2012, further to RMB35.7 million for the year ended 31 December 2013, representing a 2011-2013 CAGR of 20.7%. Gross profit of our life sciences research consumable segment increased by RMB2.9 million, or 19.5%, from RMB14.9 million for the six months ended 30 June 2013 to RMB17.8 million for the six months ended 30 June 2014.

Gross profit margin of our life sciences research consumable segment, which equals segment gross profit divided by segment revenue, increased from 41.7% for the year ended 31 December 2011 to 49.1% for the year ended 31 December 2012, and remained relatively stable at 50.3% for the year ended 31 December 2013. Gross profit margin of our life sciences research consumable segment increased from 45.3% for the six months ended 30 June 2013 to 48.6% for the six months ended 30 June 2014. The general increase in such segment gross profit margin during the Track Record Period were mainly due to: (i) a general increasing trend in the selling prices of our labware products and research kits as an increasing number of customers purchased our quality products; and (ii) decreases in unit costs of sales of our biochemical reagent line mainly as a result of our economies of scale operation.

Protein and Antibody Related Products and Services

The principal components of cost of sales of our protein and antibody related product and service segment include cost of raw materials, labour costs and other costs. As our protein and antibody related product and service business has been in an early development stage, cost of raw materials accounted for a large portion of the segment cost of sales during the Track Record Period. The percentage of cost of sales of our protein and antibody related product and service segment to the segment revenue fluctuated from 2011 to 2013, primarily attributable to the relevant service types (such as standard or customised service) and project mix (such as polypeptide synthesis, recombinant protein production service and custom antibody service).

Gross profit of our protein and antibody related product and service segment, which equals segment revenue less segment cost of sales, generally increased from RMB4.1 million for the year ended 31 December 2011 to RMB5.3 million for the year ended 31 December 2013, representing a 2011-2013 CAGR of 13.7%. Gross profit of our protein and antibody related product and service segment increased by RMB1.9 million, or 55.9%, from RMB3.4 million for the six months ended 30 June 2013 to RMB5.3 million for the six months ended 30 June 2014.

Gross profit margin of our protein and antibody related product and service segment, which equals segment gross profit divided by segment revenue, for each of the reporting periods is generally related to the relevant service types and project mix. It decreased from 51.4% for the year ended 31 December 2011 to 32.7% for the year ended 31 December 2012, primarily because in 2012 we commenced to provide protein and antibody related products and services which we used to outsource to third-party suppliers. Gross profit margin of our protein and antibody related product and service segment increased from 32.7% for the year ended 31 December 2012 to 33.0% for the year ended 31

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December 2013, but decreased from 45.2% for the six months ended 30 June 2013 to 43.1% for the six months ended 30 June 2014. The segment gross profit margin fluctuated primarily because our protein and antibody related product and service business was in an early development stage for these periods.

Selling and Distribution Costs

Our selling and distribution costs primarily consist of sales and marketing staff costs, freight and port charges, travel and business development expenses, office administration expenses, depreciation and amortisation charges, advertising and promotion expenses, and others. The following table sets forth a breakdown of the major components of our selling and distribution costs for the periods indicated.

	Year ended 31 December						Six months ended 30 June				
	2011		2012		2013		2013		2014		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>
Sales and marketing staff costs	13,242	55.7	16,155	56.3	22,955	63.0	11,219	63.1	14,465	67.5	
Freight and port charges	3,664	15.4	4,458	15.5	5,253	14.4	2,375	13.4	2,844	13.3	
Travel and business development expenses	3,209	13.5	4,695	16.4	4,445	12.2	2,507	14.1	2,052	9.6	
Office administration expenses	1,328	5.6	1,355	4.7	855	2.3	414	2.3	490	2.3	
Depreciation and amortisation charges	621	2.6	679	2.4	477	1.3	140	0.8	332	1.6	
Advertising and promotion expenses	863	3.6	551	1.9	711	1.9	444	2.5	314	1.5	
Others	861	3.6	818	2.8	1,788	4.9	677	3.8	917	4.2	
TOTAL	23,788	100.0	28,711	100.0	36,484	100.0	17,776	100.0	21,414	100.0	

Sales and marketing staff costs consist primarily of salaries and benefit expenses for our sales and marketing personnel. Freight and port charges consist primarily of costs and expenses incurred in relation to delivery of our products and services from our production facilities and direct sales points to customers. Travel and business development expenses consist primarily of travel and communication expenses for our sales and marketing staff, and expenses incurred for attending business meetings and conferences by sales and marketing staff, as well as reception expenses. Depreciation and amortisation expenses are primarily related to properties for sales and marketing activities. Advertising and promotional expenses consist primarily of fees associated with advertisements placed in various media outlets, expenses incurred in conducting marketing and other promotional activities for our products, and fees paid to third-party professional agencies for sales planning and marketing. Others include primarily labour fees, and other miscellaneous fees for sales and marketing.

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Our selling and distribution costs increased during the Track Record Period, mainly because (i) the expansion of our direct sales network and our efforts to strengthen our sales team, which resulted in larger sales team compensation and benefit expenses; and (ii) our efforts to provide our life sciences research products and services through our direct sales team rather than through third-party distributors to increase our sales volume and profitability, which resulted in higher freight and port charges, travel expenses and business development expenses. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, our selling and distribution costs were approximately 14.9%, 15.4%, 16.6%, 17.5% and 17.8% of our total revenue for the same periods, respectively.

Administrative Expenses

Overview

Our administrative expenses primarily consist of administrative staff costs, research and development expenses, legal and professional fees, depreciation and amortisation charges, office and communication expenses, travel expenses, tax expenses, expenses for consumables, provision/(reversal of provision) for impairment of trade receivables, and others. The following table sets forth a breakdown of the major components of our administrative expenses for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Administrative staff costs	8,291	30.0	8,683	24.3	7,806	26.8	4,358	30.9	7,282	39.6
Research and development expenses	10,970	39.5	12,571	35.1	10,208	34.7	4,432	31.5	5,986	32.6
Legal and professional fees	701	2.5	4,585	12.8	2,623	8.9	1,486	10.6	1,795	9.8
Depreciation and amortisation charges	1,706	6.1	2,560	7.2	3,069	10.4	1,742	12.4	1,588	8.6
Office and communication expenses	1,234	4.4	1,185	3.3	1,189	4.0	562	4.0	646	3.5
Travel expenses	1,844	6.6	1,051	2.9	808	2.7	349	2.5	606	3.3
Tax expenses	568	2.0	725	2.0	1,461	5.0	379	2.7	368	2.0
Expenses for consumables	9	0.0	102	0.3	735	2.5	398	2.8	178	1.0
Provision/(reversal of provision) for impairment of trade receivables	1,602	5.8	1,268	3.5	(987)	(3.4)	(37)	(0.3)	(1,448)	(7.9)
Others	872	3.1	3,061	8.6	2,481	8.4	410	2.9	1,387	7.5
TOTAL	27,797	100.0	35,791	100.0	29,393	100.0	14,079	100.0	18,388	100.0

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Administrative staff costs consist primarily of salaries and employee benefit expenses for our management, administrative, finance and accounting staff. Research and development expenses are discussed in details below. Legal and professional fees consist primarily of fees paid to finance, accounting and legal professionals in relation to our prior attempts for listing. Depreciation and amortisation charges are related primarily to properties, facilities and intangible assets. Office and communication expenses consist primarily of business administrative expenses, office rental fees and communication expenses incurred by our administrative personnel. Travel expenses consist primarily of expenses incurred for attending business meetings, conferences, trainings and other social events by our management, directors and other administrative personnel. Tax expenses consist primarily of property taxes, land use taxes, stamp duty, and vehicle and vessel taxes incurred for business purposes. Expenses for consumables consist primarily of expenses for low-value consumables used for our general operations. Others include primarily insurance expenses, labour fees, training expenses, utility expenses, repair fees and other miscellaneous fees for general administrative purposes.

Our administrative expenses generally increased during the Track Record Period primarily due to: (i) an increase in administrative staff costs as the average salary level of our administrative employees increased and we also increased the employee headcount for our expanded business; and (ii) an increase in research and development expenses in relation to our new product and service development activities. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, our administrative expenses were approximately 17.4%, 19.2%, 13.4%, 13.9% and 15.3% of our total revenue for the same periods, respectively.

Research and Development Expenses

Research and development expenses consist primarily of costs, expenses and fees incurred in relation to our new product and service development. There was no research and development cost capitalised during the Track Record Period. The following table sets forth a breakdown of the major components of our research and development expenses for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Staff costs	2,356	21.5	4,578	36.4	4,164	40.8	2,076	46.8	3,135	52.4
Expenses for consumables	8,310	75.8	6,953	55.3	5,573	54.6	2,144	48.4	2,551	42.6
Others	304	2.7	1,040	8.3	471	4.6	213	4.8	300	5.0
TOTAL	10,970	100.0	12,571	100.0	10,208	100.0	4,433	100.0	5,986	100.0

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According to our accounting policy, costs associated with research activities are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable assets controlled by our Group are recognised as intangible assets when the following criteria are met:

- (i) it is technically feasible to complete the intangible asset so that such asset will be available for use or sale;
- (ii) our management intends to complete the intangible asset and use or sell it;
- (iii) we have the ability to use or sell the intangible asset;
- (iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;
- (v) we have adequate technical, financial and other resources to complete the development and use or sale of the intangible asset; and
- (vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense cannot be recognised as an asset in a subsequent period. Capitalised development costs recognised as intangible assets are amortised over their estimated useful lives.

We consider the research and development expenditures incurred during the Track Record Period did not fulfil some of the above conditions, such as the technical feasibility condition. As a result, we expensed all of the research and development expenditures incurred during the Track Record Period.

Employee Benefit Expenses

The 103 employees involved in the following transactions from September to October 2011 indirectly owned a total of 4.88% equity interest in Sangon Biotech:

- *BBI Asia*. In September 2011, BBI Asia issued 4,251 shares to three employees of our Group. In October 2011, Shanghai Shengjie transferred a certain equity interest in Sangon Biotech to BBI Asia. As a result of the share issue and transfer, these three employees through BBI Asia indirectly owned a total of 0.16% equity interest in Sangon Biotech.
- *Shanghai Shengji*. In October 2011, Shanghai Shengjie transferred a 1.1% equity interest in Sangon Biotech to Shanghai Shengji. 50 employees of Sangon Biotech owned the entire share capital of Shanghai Shengji. As a result of the share transfer, these 50 employees through Shanghai Shengji indirectly owned a total of 1.1% equity interest in Sangon Biotech.

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- *Shanghai Shengjie*. After the above two share transfers, Shanghai Shengjie held a 3.62% equity interest in Sangon Biotech. In October 2011, Mr. Wang Qisong transferred the entire share capital of Shanghai Shengjie to another 50 employees of Sangon Biotech. As a result of the share transfer, these 50 employees through Shanghai Shengjie indirectly owned a total of 3.62% equity interest in Sangon Biotech.

The excess amount of fair value with respect to the transferred equity interests in Sangon Biotech over the aggregate amount of paid considerations in connection with the above transactions was treated as a vested equity-settled share-based payment to these 103 employees. For the year ended 31 December 2011, we recognised the share-based payment of approximately RMB1.5 million as employee benefit expenses which were allocated among cost of sales, selling and distribution costs, and administrative expenses in the consolidated statement of comprehensive income according to the relevant accounting standards.

In January 2014, the Board granted 3,269,000 share options to the executive Directors and certain employees of our Group at an exercise price of NT\$ 38 per share in relation to our prior attempt for listing in Taiwan. These share options consist of 2,097,000 plan A and 1,172,000 plan B share options, respectively. The plan A share options would have been exercisable after our Company's shares had been listed on the GreTai Securities Market in Taiwan and should have been exercised no later than 17 January 2019. The plan B share options would have been exercisable in accordance with the vesting schedule which were to be implemented after the listing of our Company's shares on the GreTai Securities Market in Taiwan and should have been exercised no later than 17 January 2020. See Note 20 to the Accountant's Report in Appendix I for further details on the relevant vesting schedule. The share options are treated as an equity-settled share-based payment to these executive Directors and employees, and the fair value of these share options are amortised within the respective vesting periods under the relevant plans. For the six months ended 30 June 2014, we recognised the share-based payment of approximately RMB4.3 million as employee benefit expenses which were allocated among cost of sales, selling and distribution costs, and administrative expenses in the consolidated statement of comprehensive income according to the relevant accounting standards.

Other Income

Other income includes government grants and amortisation of deferred income. During the Track Record Period, we received government grants from local government authorities in relation to our product research and development, as well as our tax contribution. As at the Latest Practicable Date, there were no unfulfilled conditions or contingencies for our receipt of the government grants. Going forward, we expect to continue to receive these government grants.

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Other (Losses)/Gains — Net

Other losses/gains — net, consisted primarily of net losses on disposal of property, plant and equipment, exchange losses or gains, and others.

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Losses on disposal of property, plant and equipment net	(359)	(45)	(440)	(52)	(31)
Exchange (losses)/gains	(168)	224	(838)	(208)	322
Others	<u>(30)</u>	<u>(31)</u>	<u>(5)</u>	<u>(139)</u>	<u>(66)</u>
TOTAL	<u><u>(557)</u></u>	<u><u>148</u></u>	<u><u>(1,283)</u></u>	<u><u>(399)</u></u>	<u><u>225</u></u>

We had net other losses of RMB557,000, RMB1.3 million and RMB399,000 for the years ended 31 December 2011 and 2013 and the six months ended 30 June 2013, respectively, primarily attributable to our exchange losses. We had net other gains of RMB148,000 and RMB225,000 for the year ended 31 December 2012 and the six months ended 30 June 2014, respectively, primarily attributable to our exchange gains.

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Finance (Costs)/Income — Net

Our finance costs represent our finance costs, net of our finance income. Our finance costs consist primarily of interest expenses on bank borrowings, net foreign exchanges losses and other finance costs. Our finance income consists primarily of interest income on short-term bank deposits and available-for-sale financial assets, and net foreign exchanges gains. The following table sets forth a breakdown of the major components of our finance costs, net of our finance income, for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Finance costs:					
- Interest expense on bank borrowings	(180)	(359)	(335)	(321)	—
- Net foreign exchanges losses	(1,528)	—	(225)	(184)	—
- Other finance costs	(184)	(367)	(460)	(167)	(688)
	<u>(1,892)</u>	<u>(726)</u>	<u>(1,020)</u>	<u>672</u>	<u>(688)</u>
Finance income:					
- Interest income on bank deposits and available-for-sale financial assets	1,090	419	1,081	478	1,774
- Net foreign exchange gains	—	166	—	—	15
	<u>1,090</u>	<u>585</u>	<u>1,081</u>	<u>478</u>	<u>1,789</u>
Net finance (costs)/income	<u>(802)</u>	<u>(141)</u>	<u>61</u>	<u>(194)</u>	<u>1,101</u>

Share of Profit of an Associate

Share of profit of an associate consisted primarily of our proportional share of profit of PrimeGene during the Track Record Period. We held a 33.0% equity interest in the company in March 2011 and disposed of a 2.0% equity interest in December 2011 as part of our internal restructuring. The company provides recombinant protein and antibody related products and services for life sciences research. In April 2014, we disposed of the remaining 31.0% equity interest to a third-party company.

We had share of profit of an associate of RMB1.0 million, RMB3.3 million, RMB4.7 million, RMB1.6 million and RMB1.7 million for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, respectively, which primarily consisted of our share of profit of PrimeGene from the sale of its protein and antibody related products and services for each reporting period in proportion to the 31.0% equity interests we held in the associate company.

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(Loss)/Gain on Disposal of an Associate

(Loss)/gain on disposal of an associate consisted primarily of our loss or gain in relation to our disposal of certain equity interests in PrimeGene. We had loss on disposal of an associate of RMB33,000 as a result of our disposal of a 2.0% equity interest in the company in December 2011 as part of our internal restructuring. We had gain on disposal of an associate of RMB26.4 million as a result of our disposal of the remaining 31.0% equity interest in the associate company to a third-party acquiring company in April 2014.

Income Tax Expense

Income tax expenses consist primarily of the current income tax and deferred income tax at the PRC statutory rates applicable to our assessable profit before taxation as determined under relevant laws and regulations and the movement in deferred tax assets or liabilities recognised for the reporting periods. The following table sets forth a breakdown of the major components of our income tax expenses for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	6,757	5,285	6,329	3,217	10,182
Deferred income tax	(99)	1,480	900	70	214
TOTAL	6,658	6,765	7,229	3,287	10,396

Canada Profits Tax

Our Canadian subsidiary was subject to profits tax at the rates ranging from 26.25% to 28.00% on the estimated assessable profits arising in Canada during the Track Record Period.

Cayman Islands Tax

The Cayman Islands currently levy no taxes on corporations based on profits, income, gains or appreciations. Therefore, we are not subject to any Cayman Islands income tax.

PRC Corporate Income Tax

We primarily conduct our businesses in the PRC and are subject to taxation in the PRC. Under the EIT Law, which became effective on 1 January 2008, all types of businesses are generally subject to a uniform tax rate of 25.0%. Our PRC operating subsidiary, Sangon Biotech, was entitled to certain preferential income tax rates as granted by relevant tax authorities during the Track Record Period. The subsidiary was qualified as “High and New Technology Enterprises” under the EIT Law from

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2010 to 2012 and entitled to a preferential income tax rate of 15.0%. The subsidiary was also qualified as foreign-investment enterprise from 2011 to 2012 and entitled to the preferential EIT rate of 12.5%. It adopted the preferential EIT rate of 12.5% as foreign-investment enterprise on its estimated assessable profits for the years ended 31 December 2011 and 2012. The subsidiary's qualification as "High and New Technology Enterprises" has been extended from 2013 to 2015 and it has enjoyed the preferential EIT rate of 15.0% on its estimated assessable profits for the year ended 31 December 2013 and the year ending 31 December 2014.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of tax assets and tax liabilities in the financial statements and the corresponding tax basis. Deferred income tax liabilities are generally recognised for all taxable temporary differences, and deferred income tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets and liabilities are determined 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 regulations that have been enacted or substantially enacted at the balance sheet date.

PRC Withholding Income Tax

Pursuant to the EIT Law, the dividends which foreign investment enterprises in the PRC declared to foreign investors are subject to a 10% withholding tax. A lower withholding tax rate of 5% may be applied if there is a tax treaty between the PRC and the jurisdictions of the foreign investors.

U.S. Profits Tax

Our U.S. subsidiary was subject to profits tax at the rate of 15.0% on the estimated assessable profits arising in the United States during the Track Record Period.

Effective Tax Rate

As a result of the foregoing, our effective tax rate, representing income tax expense divided by profit before taxation, was 16.1%, 16.1%, 14.6%, 16.3% and 19.5% for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, respectively. Our effective income tax rate increased from 16.3% for the six months ended 30 June 2013 to 19.5% for the six months ended 30 June 2014, primarily attributable to: (i) additional taxable income as a result of the disposal of our equity interests in the associate company, PrimeGene, in April 2014; and (ii) the non-deductible expense of share-based payment in the amount of RMB4.3 million in relation to 3,198,000 share options granted by our Company to employees under our Pre-IPO Share Option Schemes. During the Track Record Period, we paid all relevant taxes and there were no disputes or unresolved tax issued with the relevant tax authorities.

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Six Months Ended 30 June 2014 Compared to Six Months Ended 30 June 2013

Revenue

Our total revenue increased by RMB18.4 million, or 18.1%, from RMB101.6 million for the six months ended 30 June 2013 to RMB120.0 million for the six months ended 30 June 2014. Increased sales of our products and services across all our business segments contributed to such revenue growth.

By Business Segment

- *DNA synthesis products.* Revenue from our DNA synthesis product business increased by RMB6.0 million, or 14.1%, from RMB42.6 million for the six months ended 30 June 2013 to RMB48.6 million for the six months ended 30 June 2014, primarily due to: (i) an increase in revenue from our oligonucleotide synthesis product line of RMB4.9 million, or 15.6%, from RMB31.4 million for the six months ended 30 June 2013 to RMB36.3 million for the six months ended 30 June 2014, mainly because we implemented our online oligonucleotide order system, developed automated oligonucleotide production line with fast delivery of products and provided our customers with 100% mass spectrum quality control reports for all oligonucleotide synthesis products for these periods; (ii) an increase in revenue from our gene synthesis product line of RMB1.1 million, or 9.8%, from RMB11.2 million for the six months ended 30 June 2013 to RMB12.3 million for the six months ended 30 June 2014, mainly because our self-developed software provides automated optimisation, analysis and design of gene sequences and also enables us to reduce our service delivery time; and (iii) an increase in sales volume of our DNA synthesis products as an increasing number of customers purchased our products in 2014 due to our price competitiveness after our prior promotional activities.
- *Genetic engineering services.* Revenue from our genetic engineering service business increased by RMB3.7 million, or 19.9%, from RMB18.6 million for the six months ended 30 June 2013 to RMB22.3 million for the six months ended 30 June 2014, primarily due to: (i) an increase in revenue from our DNA sequencing service line of RMB2.4 million, or 18.2%, from RMB13.2 million for the six months ended 30 June 2013 to RMB15.6 million for the six months ended 30 June 2014 as we have adopted new methods to purify DNA sequencing samples, provided online download services and established more sequencing facilities which provide technical support and fast delivery to customers; (ii) the expansion of our DNA sequencing service portfolio as we have offered more types of molecular biology services which have higher sales growth potential and hired more trained technicians who provide technical support to meet customer requirements; and (iii) an increasing demand from our existing customers of DNA synthesis products for our genetic engineering services as a result of the synergistic effect of our broad product and service portfolio.

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- *Life sciences research consumables.* Revenue from our life sciences research consumable business increased by RMB3.6 million, or 10.9%, from RMB33.0 million for the six months ended 30 June 2013 to RMB36.6 million for the six months ended 30 June 2014, primarily due to: (i) an increase in revenue from our biochemical reagent product line of RMB1.7 million, or 7.6%, from RMB22.8 million for the six months ended 30 June 2013 to RMB24.5 million for the six months ended 30 June 2014 as we have continued to develop and launch new types of biochemical reagents to expand our product portfolio and meet customer demands; and (ii) an increasing demand from our existing customers of DNA synthesis products for our life sciences research consumable products as a result of the synergistic effect of our broad product and service portfolio.
- *Protein and antibody related products and services.* Revenue from our protein and antibody related product and service business increased by RMB5.0 million, or 67.6%, from RMB7.4 million for the six months ended 30 June 2013 to RMB12.4 million for the six months ended 30 June 2014, primarily due to: (i) an increase in revenue from our protein related product and service line of RMB2.1 million, or 65.7%, from RMB3.2 million for the six months ended 30 June 2013 to RMB5.3 million for the six months ended 30 June 2014 and an increase in revenue from our polypeptide synthesis line of RMB871,000 for these two periods as we have developed and launched new kinds of protein research kits and polypeptide and provided new types of protein services to meet customer demands; and (ii) an increase in revenue from our antibody related service line of RMB1.9 million for these two periods as we have developed and provided new types of antibody services (such as customised antibody production and immunology experiments) to customers.

By Region

- *PRC.* Revenue from our businesses in the PRC increased by RMB14.6 million, or 19.9%, from RMB73.3 million for the six months ended 30 June 2013 to RMB87.9 million for the six months ended 30 June 2014, primarily attributable to: (i) an increase in revenue from our oligonucleotide synthesis product line in our DNA synthesis product segment for these two periods as we have implemented our online oligonucleotide order system, developed automated oligonucleotide production line with fast delivery of products and provided our customers with 100% mass spectrum quality control reports for all oligonucleotide synthesis products; (ii) an increase in revenue from our DNA sequencing service line in our genetic engineering service segment for these two periods as we have adopted new methods to purify DNA sequencing samples, provided online download services and established more sequencing facilities which provide technical support and fast delivery to customers; and (iii) an increase in revenue from our protein related product and service line in our protein and antibody related product and service segment for these two periods as we have developed and launched new types of protein research kits as well as provided new kinds of protein services to meet customer demands.

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- *America.* Revenue from our businesses in North America and South America increased by RMB2.7 million, or 19.3%, from RMB14.0 million for the six months ended 30 June 2013 to RMB16.7 million for the six months ended 30 June 2014, primarily attributable to an increase in revenue from the sale of our DNA synthesis products in North America as an increasing number of customers purchased our products due to our price competitiveness and the sales volume increased in 2014 after our prior promotional activities.
- *Europe.* Revenue from our businesses in Europe slightly decreased by RMB0.4 million, or 5.3%, from RMB7.6 million for the six months ended 30 June 2013 to RMB7.2 million for the six months ended 30 June 2014, primarily attributable to a slight decrease in revenue from the sale of our gene synthesis products in our DNA synthesis product segment due to the increased market competition to some extent in the region.
- *Asia (excluding the PRC).* Revenue from our businesses in other Asian countries increased by RMB1.6 million, or 30.8%, from RMB5.2 million for the six months ended 30 June 2013 to RMB6.8 million for the six months ended 30 June 2014, primarily attributable to increases in revenues from our DNA synthesis product, genetic engineering service and life sciences research consumable businesses as we have increased our sales to more biotech companies in these countries.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales increased by RMB5.7 million, or 11.2%, from RMB51.0 million for the six months ended 30 June 2013 to RMB56.7 million for the six months ended 30 June 2014 which was in line with the increase in sales of our products and services for the these two periods.

Our gross profit increased by RMB12.7 million, or 25.1%, from RMB50.6 million for the six months ended 30 June 2013 to RMB63.3 million for the six months ended 30 June 2014. Our gross profit margin increased from 49.8% for the six months ended 30 June 2013 to 52.8% for the six months ended 30 June 2014.

By Business Segment

- *DNA synthesis products.* Cost of sales of our DNA synthesis product segment remained relatively stable from RMB19.7 million for the six months ended 30 June 2013 to RMB20.0 million for the six months ended 30 June 2014, primarily attributable to a decrease in cost of raw materials as we developed automated DNA synthesis systems and improved the production efficiency.

Gross profit of our DNA synthesis product segment increased by RMB5.8 million, or 25.3%, from RMB22.9 million for the six months ended 30 June 2013 to RMB28.7 million for the six months ended 30 June 2014. Gross profit margin of our DNA synthesis product segment increased from 53.7% for the six months ended 30 June 2013 to 59.0% for the six months ended 30 June 2014, primarily due to a decrease in cost of raw materials as we developed automated DNA synthesis systems and improved the production efficiency.

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- *Genetic engineering services.* Cost of sales of our genetic engineering service segment increased by RMB1.6 million, or 17.4%, from RMB9.2 million for the six months ended 30 June 2013 to RMB10.8 million for the six months ended 30 June 2014, primarily due to an increase in cost of sales of our molecular biology service line of RMB852,000 for our expanded operational scale.

Gross profit of our genetic engineering service segment increased by RMB2.1 million, or 22.3%, from RMB9.4 million for the six months ended 30 June 2013 to RMB11.5 million for the six months ended 30 June 2014. Gross profit margin of our genetic engineering service segment increased from 50.5% for the six months ended 30 June 2013 to 51.5% for the six months ended 30 June 2014, primarily attributable to: (i) decreases in costs of raw materials of our DNA sequencing and next-generation sequencing service lines as we adjusted the mix of our suppliers for more competitive prices; and (ii) increases in the selling prices of our molecular biology services in relation to the mix of our projects, the effects of which were partially offset by decreases in the selling prices of our DNA sequencing and next-generation sequencing services mainly due to the introduction of advanced production technology and the increased market competition.

- *Life sciences research consumables.* Cost of sales of our life sciences research consumable segment increased by RMB0.8 million, or 4.4%, from RMB18.0 million for the six months ended 30 June 2013 to RMB18.8 million for the six months ended 30 June 2014, primarily due to an increase in cost of sales of our research kit business for our expanded operational scale.

Gross profit of our life sciences research consumable segment increased by RMB2.9 million, or 19.5%, from RMB14.9 million for the six months ended 30 June 2013 to RMB17.8 million for the six months ended 30 June 2014. Gross profit margin of our life sciences research consumable segment increased from 45.3% for the six months ended 30 June 2013 to 48.6% for the six months ended 30 June 2014, primarily attributable to: (i) increases in the selling prices of our biochemical reagents as an increasing number of customers purchased our quality products; and (ii) decreases in unit costs of sales of our biochemical reagent product line mainly as a result of our economies of scale operation.

- *Protein and antibody related products and services.* Cost of sales of our protein and antibody related product and service segment increased by RMB2.9 million, or 70.7%, from RMB4.1 million for the six months ended 30 June 2013 to RMB7.0 million for the six months ended 30 June 2014, primarily due to an increase in cost of sales of our protein related product and service line of RMB1.9 million and an increase in cost of sales of our customised antibody service line of RMB1.2 million as our protein and antibody related product and service business was in an early development stage for these two periods.

Gross profit of our protein and antibody related product and service segment increased by RMB1.9 million, or 55.9%, from RMB3.4 million for the six months ended 30 June 2013 to RMB5.3 million for the six months ended 30 June 2014. Gross profit margin of our protein and antibody related product and service segment decreased from 45.2% for the six months ended 30 June 2013 to 43.1% for the six months ended 30 June 2014, primarily

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attributable to a decrease in gross profit margin of our protein related product and service line and a decrease in gross profit margin of our polypeptide synthesis line as our protein and antibody related product and service business was in an early development stage for these two periods.

Selling and Distribution Costs

Our selling and distribution costs increased by RMB3.6 million, or 20.2%, from RMB17.8 million for the six months ended 30 June 2013 to RMB21.4 million for the six months ended 30 June 2014, primarily attributable to an increase in sales and marketing staff costs as we expanded our direct sales network and strengthened our sales team and the average salary level of our sales and marketing staff increased.

Administrative Expenses

Our administrative expenses increased by RMB4.3 million, or 30.5%, from RMB14.1 million for the six months ended 30 June 2013 to RMB18.4 million for the six months ended 30 June 2014, primarily attributable to an increase in administrative staff costs as the average salary level of our administrative staff increased and we also increased the employee headcount for our expanded business.

Other Income

Other income decreased by RMB0.2 million, or 50.0%, from RMB0.4 million for the six months ended 30 June 2013 to RMB0.2 million for the six months ended 30 June 2014, primarily attributable to a decrease in amortisation of certain government grants as deferred income according to the relevant terms from local government authorities.

Other (Losses)/Gains — Net

We had net other losses of RMB399,000 for the six months ended 30 June 2013, primarily attributable to our exchange losses. We had net other gains of RMB225,000 for the six months ended 30 June 2014, primarily attributable to our exchange gains.

Finance (Costs)/Income — Net

Our finance income increased by RMB1.3 million, or 260.0%, from RMB0.5 million for the six months ended 30 June 2013 to RMB1.8 million for the six months ended 30 June 2014, primarily due to an increase in interest income on available-for-sale financial assets as we purchased certain wealth management products in the first half of 2014 and the underlying assets consisted primarily of debenture securities. The wealth management products were matured in July 2014. Our finance costs remained relatively stable from RMB672,000 for the six months ended 30 June 2013 to RMB688,000 for the six months ended 30 June 2014. As a result, we had net finance costs of RMB194,000 for the six months ended 30 June 2013 and net finance income of RMB1.1 million for the six months ended 30 June 2014.

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Share of Profit of an Associate

Share of profit of an associate increased by RMB0.1 million, or 6.3%, from RMB1.6 million for the six months ended 30 June 2013 to RMB1.7 million for the six months ended 30 June 2014, primarily attributable to our proportional share of profit of PrimeGene for these two periods. In April 2014, we disposed of the remaining 31.0% equity interest to a third-party company.

(Loss)/Gain on Disposal of an Associate

We had gain on disposal of an associate of RMB26.4 million as a result of our disposal of a 31.0% equity interest in PrimeGene to a third-party company in April 2014.

Profit before Income Tax

As a result of the foregoing, our profit before income tax increased by RMB33.1 million, or 164.7%, from RMB20.1 million for the six months ended 30 June 2013 to RMB53.2 million for the six months ended 30 June 2014.

Income Tax Expense

Our income tax expense increased by RMB7.1 million, or 215.2%, from RMB3.3 million for the six months ended 30 June 2013 to RMB10.4 million for the six months ended 30 June 2014, primarily attributable to our increased profit before tax. Our effective income tax rate increased from 16.3% for the six months ended 30 June 2013 to 19.5% million for the six months ended 30 June 2014, primarily attributable to: (i) additional taxable income as a result of the disposal of our equity interests in the associate company, PrimeGene, in April 2014; and (ii) the non-deductible expense of share-based payment in the amount of RMB4.3 million in relation to 3,198,000 share options granted by our Company to employees under our Pre-IPO Share Option Schemes.

Profit for the Period

As a result of the foregoing, our profit for the year increased by RMB25.9 million, or 153.3%, from RMB16.9 million for the six months ended 30 June 2013 to RMB42.8 million for the six months ended 30 June 2014.

Year Ended 31 December 2013 Compared to Year Ended 31 December 2012

Revenue

Our total revenue increased by RMB33.6 million, or 18.0%, from RMB186.4 million for the year ended 31 December 2012 to RMB220.0 million for the year ended 31 December 2013. Increased sales of our DNA synthesis products, genetic engineering services and life sciences research consumable products contributed primarily to such revenue growth.

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By Business Segment

- *DNA synthesis products.* Revenue from our DNA synthesis product business increased by RMB9.9 million, or 12.2%, from RMB81.2 million for the year ended 31 December 2012 to RMB91.1 million for the year ended 31 December 2013, primarily due to: (i) an increase in revenue from our oligonucleotide synthesis product line of RMB6.8 million, or 10.9%, from RMB62.3 million for the year ended 31 December 2012 to RMB69.1 million for the year ended 31 December 2013, mainly because we implemented our online oligonucleotide order system, developed automated oligonucleotide production line with fast delivery of products and provided our customers with 100% mass spectrum quality control reports for all oligonucleotide synthesis products for these periods; and (ii) the expansion of our DNA synthesis product portfolio as we have provided the HPLC purification method for oligonucleotides in addition to traditional DNA purification methods (such as PAGE purification method) and have also offered more types of modified oligonucleotides which have higher sales growth potential.
- *Genetic engineering services.* Revenue from our genetic engineering service business increased by RMB10.3 million, or 32.6%, from RMB31.6 million for the year ended 31 December 2012 to RMB41.9 million for the year ended 31 December 2013, primarily due to: (i) an increase in revenue from our DNA sequencing service line of RMB4.5 million and an increase in revenue from our molecular biology service line of RMB2.8 million from 2012 to 2013, as we have adopted new methods to purify DNA sequencing samples, provided online download services and established more sequencing facilities providing technical support and fast delivery to customers; (ii) an increase in revenue from our next-generation sequencing service line of RMB2.9 million, or 152.6%, from RMB1.9 million for the year ended 31 December 2012 to RMB4.8 million for the year ended 31 December 2013 as we provided customised services to meet the individualised demands of our customers; (iii) the expansion of our DNA sequencing service portfolio as we have offered more types of molecular biology services which have higher sales growth potential and hired more trained technicians who provide technical support to meet customer requirements; and (iv) an increasing demand from our existing customers of DNA synthesis products for our genetic engineering services as a result of the synergistic effect of our broad product and service portfolio.
- *Life sciences research consumables.* Revenue from our life sciences research consumable business increased by RMB9.0 million, or 14.6%, from RMB61.8 million for the year ended 31 December 2012 to RMB70.8 million for the year ended 31 December 2013, primarily due to: (i) an increase in revenue from our biochemical reagent product line of RMB5.4 million and an increase in revenue from our labware product line of RMB2.3 million from 2012 to 2013, as we have continued to develop and launch new types of biochemical reagents and offer new kinds of labware as well as engaged more distributors to expand the distribution of these products to meet customer demands; and (ii) an increasing demand from our existing customers of DNA synthesis products for our life sciences research consumable products as a result of the synergistic effect of our broad product and service portfolio.

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- *Protein and antibody related products and services.* Revenue from our protein and antibody related product and service business increased by RMB4.4 million, or 37.3%, from RMB11.8 million for the year ended 31 December 2012 to RMB16.2 million for the year ended 31 December 2013, primarily due to: (i) an increase in revenue from our protein related product and service line of RMB2.3 million and an increase in revenue from our polypeptide synthesis line of RMB1.7 million from 2012 to 2013, as we have developed and launched new kinds of protein research kits and polypeptides and provided new types of protein services to meet customer demands; and (ii) revenue from our antibody related service line of RMB609,000 for the year ended 31 December 2013 as we commenced to provide antibody services (such as customised antibody production and immunology experiments) to customers in that year.

By Region

- *PRC.* Revenue from our businesses in the PRC increased by RMB25.8 million, or 18.5%, from RMB139.4 million for the year ended 31 December 2012 to RMB165.2 million for the year ended 31 December 2013, primarily attributable to: (i) an increase in revenue from our oligonucleotide synthesis product line in our DNA synthesis product segment from 2012 to 2013, mainly because we implemented our online oligonucleotide order system, developed automated oligonucleotide production line with fast delivery of products and provided our customers with 100% mass spectrum quality control reports for all oligonucleotide synthesis products; (ii) increases in revenues from our biochemical reagent and labware product lines in our life sciences research consumable segment from 2012 to 2013, as we have continued to develop and launch hundreds of new types of biochemical reagents and new kinds of labware to meet customer demands; and (iii) increases in revenues from our DNA sequencing and molecular biology service lines in our genetic engineering service segment from 2012 to 2013, as we have adopted new methods to purify DNA sequencing samples, provided online download services and established more sequencing facilities providing technical support and fast delivery to customers.
- *America.* Revenue from our businesses in North America and South America decreased by RMB6.4 million, or 19.0%, from RMB33.6 million for the year ended 31 December 2012 to RMB27.2 million for the year ended 31 December 2013, primarily attributable to a decrease in revenue from sale of our DNA synthesis products mainly because we carried out promotional and marketing strategies to strengthen our market position in 2013 as the competition among suppliers increased in the North American market.
- *Europe.* Revenue from our businesses in Europe increased by RMB7.7 million, or 130.5%, from RMB5.9 million for the year ended 31 December 2012 to RMB13.6 million for the year ended 31 December 2013, primarily attributable to an increase in revenue from the sale of our gene synthesis products in our DNA synthesis product segment as a new customer which is an European biotech company specialising in DNA synthesis placed large purchase orders with us in 2013.

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- *Asia (excluding the PRC).* Revenue from our businesses in other Asian countries increased by RMB5.2 million, or 85.2%, from RMB6.1 million for the year ended 31 December 2012 to RMB11.3 million for the year ended 31 December 2013, primarily attributable to an increase in revenue from the sale of our gene synthesis products in our DNA synthesis product segment and an increase in revenue from the sale of our labware products in our life sciences research consumable segment as we have increased our sales to more biotech companies in these countries.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales increased by RMB25.1 million, or 30.0%, from RMB83.8 million for the year ended 31 December 2012 to RMB108.9 million for the year ended 31 December 2013. Increases in cost of sales for each of our DNA synthesis product, genetic engineering service and life sciences research consumable business segments contributed primarily to the increase in our overall cost of sales for these periods.

Our gross profit increased by RMB8.6 million, or 8.4%, from RMB102.5 million for the year ended 31 December 2012 to RMB111.1 million for the year ended 31 December 2013. Our gross profit margin decreased from 55.0% for the year ended 31 December 2012 to 50.5% for the year ended 31 December 2013.

By Business Segment

- *DNA synthesis products.* Cost of sales of our DNA synthesis product segment increased by RMB13.8 million, or 50.4%, from RMB27.4 million for the year ended 31 December 2012 to RMB41.2 million for the year ended 31 December 2013, primarily due to an increase in cost of raw materials in relation to the mix of our projects and an increase in labour costs as a result of the increased average salary level of our production employees.

Gross profit of our DNA synthesis product segment decreased by RMB3.9 million, or 7.2%, from RMB53.8 million for the year ended 31 December 2012 to RMB49.9 million for the year ended 31 December 2013. Gross profit margin of our DNA synthesis product segment decreased from 66.3% for the year ended 31 December 2012 to 54.8% for the year ended 31 December 2013, primarily due to: (i) an increase in cost of raw materials in relation to the mix of our projects and an increase in labour costs as a result of the increased average salary level of our production employees; and (ii) decreases in the selling prices of our oligonucleotide synthesis products and gene synthesis products from 2012 to 2013 primarily because we carried out promotional and marketing strategies to strengthen our market position in 2013 as the competition among suppliers increased.

- *Genetic engineering services.* Cost of sales of our genetic engineering service segment increased by RMB4.6 million, or 26.9%, from RMB17.1 million for the year ended 31 December 2012 to RMB21.7 million for the year ended 31 December 2013, primarily due to an increase in cost of sales of our next-generation sequencing service line of RMB2.3 million and an increase in cost of sales of our molecular biology service line of RMB1.4 million mainly as a result of an increase in cost of raw materials in relation to the mix of our projects and an increase in labour costs as a result of the increased average salary level of our service employees.

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Gross profit of our genetic engineering service segment increased by RMB5.7 million, or 39.3%, from RMB14.5 million for the year ended 31 December 2012 to RMB20.2 million for the year ended 31 December 2013. Gross profit margin of our genetic engineering service segment increased from 45.9% for the year ended 31 December 2012 to 48.3% for the year ended 31 December 2013, primarily attributable to (i) decreases in unit costs of sales of our DNA sequencing service line as we adjusted the mix of our suppliers for more competitive prices; and (ii) increases in the selling prices of our molecular biology services, the effects of which were partially offset by decreases in the selling prices of our DNA sequencing and next-generation sequencing services mainly due to the introduction of advanced production technology and the increased market competition.

- *Life sciences research consumables.* Cost of sales of our life sciences research consumable segment increased by RMB3.8 million, or 12.1%, from RMB31.4 million for the year ended 31 December 2012 to RMB35.2 million for the year ended 31 December 2013, primarily due to an increase in cost of sales of our biochemical reagent product line of RMB3.0 million mainly as a result of the increased cost of raw materials for our expanded operational scale.

Gross profit of our life sciences research consumable segment increased by RMB5.4 million, or 17.8%, from RMB30.3 million for the year ended 31 December 2012 to RMB35.7 million for the year ended 31 December 2013. Gross profit margin of our life sciences research consumable segment remained relatively stable from 49.1% for the year ended 31 December 2012 to 50.3% for the year ended 31 December 2013, primarily attributable to (i) increases in the selling prices of our biochemical reagents because we had developed and launched over a thousand types of new biochemical reagents in 2012 and an increasing number of customers purchased our quality products in 2013; and (ii) decreases in unit costs of sales of our research kit line mainly as a result of our economies of scale operation.

- *Protein and antibody related products and services.* Cost of sales of our protein and antibody related product and service segment increased by RMB2.9 million, or 36.7%, from RMB7.9 million for the year ended 31 December 2012 to RMB10.8 million for the year ended 31 December 2013, primarily due to an increase in cost of sales of our protein related product and service line of RMB980,000 as our protein and antibody related product and service business was in an early development stage.

Gross profit of our protein and antibody related product and service segment increased by RMB1.4 million, or 35.9%, from RMB3.9 million for the year ended 31 December 2012 to RMB5.3 million for the year ended 31 December 2013. Gross profit margin of our protein and antibody related product and service segment increased slightly from 32.7% for the year ended 31 December 2012 to 33.0% for the year ended 31 December 2013, primarily attributable to an increase in gross profit margin of our protein related product and service line and an increase in gross profit margin of our polypeptide synthesis line as our protein and antibody related product and service business was in an early development stage.

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Selling and Distribution Costs

Our selling and distribution costs increased by RMB7.8 million, or 27.2%, from RMB28.7 million for the year ended 31 December 2012 to RMB36.5 million for the year ended 31 December 2013, primarily attributable to an increase in sales and marketing staff costs as we expanded our direct sales network and strengthened our sales team and the average salary level of our sales and marketing staff increased.

Administrative Expenses

Our administrative expenses decreased by RMB6.4 million, or 17.9%, from RMB35.8 million for the year ended 31 December 2012 to RMB29.4 million for the year ended 31 December 2013, primarily attributable to a decrease in research and development expenses after the completion of our research project of automated DNA synthesis systems in 2012, the effect of which was partially offset by an increase in administrative staff costs as the average salary level of our administrative staff increased and we also increased the employee headcount for our expanded business.

Other Income

Other income increased by RMB86,000, or 10.8%, from RMB797,000 for the year ended 31 December 2012 to RMB883,000 for the year ended 31 December 2013. This increase was primarily attributable to a decrease in amortisation of certain government grants as deferred income according to the relevant terms from local government authorities.

Other (Losses)/Gains — Net

We had net other gains of RMB148,000 for the year ended 31 December 2012, primarily attributable to our exchange gains. We had net other losses of RMB1.3 million for the year ended 31 December 2013, primarily attributable to our exchange losses.

Finance (Costs)/Income — Net

Our finance income increased by RMB496,000, or 84.8%, from RMB585,000 for the year ended 31 December 2012 to RMB1,081,000 for the year ended 31 December 2013, primarily attributable to an increase in interest income on available-for-sale financial assets. Our finance costs increased by RMB294,000, or 40.5%, from RMB726,000 for the year ended 31 December 2012 to RMB1,020,000 for the year ended 31 December 2013, primarily attributable to an increase in net foreign exchange losses of RMB1.1 million. As a result, we had net finance cost of RMB141,000 for the year ended 31 December 2012 and net finance income of RMB61,000 for the year ended 31 December 2013.

Share of Profit of an Associate

Share of profit of an associate increased by RMB1.4 million, or 42.4%, from RMB3.3 million for the year ended 31 December 2012 to RMB4.7 million for the year ended 31 December 2013, primarily attributable to our proportional share of profit of PrimeGene for these two periods.

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(Loss)/Gain on Disposal of an Associate

We had no loss or gain on disposal of an associate for the years ended 31 December 2012 and 2013.

Profit before Income Tax

As a result of the foregoing, our profit before income tax increased by RMB7.5 million, or 17.8%, from RMB42.1 million for the year ended 31 December 2012 to RMB49.6 million for the year ended 31 December 2013.

Income Tax Expense

Our income tax expense increased by RMB0.4 million, or 5.9%, from RMB6.8 million for the year ended 31 December 2012 to RMB7.2 million for the year ended 31 December 2013, primarily attributable to our increased profit before tax. Our effective income tax rate decreased from 16.1% for the year ended 31 December 2012 to 14.6% for the year ended 31 December 2013, primarily because Sangon Biotech adopted a preferential EIT rate of 12.5% as foreign-investment enterprise for the year ended 31 December 2012 and then a preferential EIT rate of 15% as the High and New Technology Enterprise for the year ended 31 December 2013.

Profit for the Year

As a result of the foregoing, our profit for the year increased by RMB7.0 million, or 19.8%, from RMB35.3 million for the year ended 31 December 2012 to RMB42.3 million for the year ended 31 December 2013.

Year Ended 31 December 2012 Compared to Year Ended 31 December 2011

Revenue

Our total revenue increased by RMB26.3 million, or 16.4%, from RMB160.1 million for the year ended 31 December 2011 to RMB186.4 million for the year ended 31 December 2012. Increased sales of our DNA synthesis products and genetic engineering services contributed primarily to such revenue growth.

By Business Segment

- *DNA synthesis products.* Revenue from our DNA synthesis product business increased by RMB11.1 million, or 15.8%, from RMB70.1 million for the year ended 31 December 2011 to RMB81.2 million for the year ended 31 December 2012, primarily due to: (i) an increase in revenue from our oligonucleotide synthesis product line of RMB7.4 million and an increase in revenue from our gene synthesis product line of RMB3.7 million for these periods, as we commenced to provide our customers with 100% mass spectrum quality control reports for all oligonucleotide synthesis products in 2012; and (ii) the expansion of

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our DNA synthesis product portfolio as we have provided the HPLC purification method for oligonucleotides in addition to traditional DNA purification methods (such as PAGE purification method) and have also offered more types of modified oligonucleotides which have higher sales growth potential.

- *Genetic engineering services.* Revenue from our genetic engineering service business increased by RMB8.3 million, or 35.6%, from RMB23.3 million for the year ended 31 December 2011 to RMB31.6 million for the year ended 31 December 2012, primarily due to: (i) an increase in revenue from our DNA sequencing service line of RMB3.7 million and an increase in revenue from our molecular biology service line of RMB2.8 million for these periods, as we have adopted new methods to purify DNA sequencing samples, provided online download services and established more sequencing facilities which provide technical support and fast delivery to customers; (ii) revenue from our next-generation sequencing service line of RMB1.9 million for the year ended 31 December 2012 as we commenced to provide customised services to meet the individualised demands of our customers in that year; (iii) the expansion of our DNA sequencing service portfolio as we have offered more types of molecular biology services which have higher sales growth potential and hired more trained technicians who provide technical support to meet customer requirements; and (iv) an increasing demand from our existing customers of DNA synthesis products for our genetic engineering services as a result of the synergistic effect of our broad product and service portfolio.
- *Life sciences research consumables.* Revenue from our life sciences research consumable business increased by RMB3.0 million, or 5.1%, from RMB58.8 million for the year ended 31 December 2011 to RMB61.8 million for the year ended 31 December 2012, primarily due to: (i) an increase in revenue from our labware product line of RMB5.1 million and an increase in revenue from our research kit line of RMB3.7 million for these periods, as we have offered new types of research kits and labware to meet customer demands; and (ii) an increasing demand from our existing customers of DNA synthesis products for our life sciences research consumable products as a result of the synergistic effect of our broad product and service portfolio.
- *Protein and antibody related products and services.* Revenue from our protein and antibody related product and service business increased by RMB3.8 million, or 47.5%, from RMB8.0 million for the year ended 31 December 2011 to RMB11.8 million for the year ended 31 December 2012, primarily due to: (i) an increase in revenue from our protein related product and service line of RMB1.5 million and an increase in revenue from our polypeptide synthesis line of RMB1.4 million from 2011 to 2012 as we have developed and launched new kinds of protein research kits and polypeptide and provided new types of protein services to meet customer demands; and (ii) an increase in revenue from our antibody related product line of RMB947,000 from 2011 to 2012 as we developed and launched new types of monoclonal and polyclonal antibodies for life sciences research.

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By Region

- *PRC.* Revenue from our businesses in the PRC increased by RMB17.4 million, or 14.3%, from RMB122.0 million for the year ended 31 December 2011 to RMB139.4 million for the year ended 31 December 2012, primarily attributable to (i) an increase in revenue from our oligonucleotide synthesis product line in our DNA synthesis product segment from 2011 to 2012, as we have implemented our online oligonucleotide order system, developed automated oligonucleotide production line with fast delivery of products and provided our customers with 100% mass spectrum quality control reports for all oligonucleotide synthesis products; (ii) increases in revenues from our labware and research kit lines in our life sciences research consumable segment from 2011 to 2012, as we have offered new types of labware and research kits to meet customer demands; and (iii) increases in revenues from our DNA sequencing and molecular biology service lines in our genetic engineering service segment from 2011 to 2012, as we have adopted new methods to purify DNA sequencing samples, provided online download services and established more sequencing facilities which provide technical support and fast delivery to customers.
- *America.* Revenue from our businesses in North America and South America increased by RMB16.2 million, or 93.1%, from RMB17.4 million for the year ended 31 December 2011 to RMB33.6 million for the year ended 31 December 2012, primarily attributable to an increase in revenue from the sale of biochemical reagents in our life sciences research consumable segment as we expanded our sales network in North America.
- *Europe.* Revenue from our businesses in Europe remained relatively stable, from RMB6.1 million for the year ended 31 December 2011 to RMB5.9 million for the year ended 31 December 2012, primarily attributable to revenue from the sale of our gene synthesis products in our DNA synthesis product segment in Europe.
- *Asia (excluding the PRC).* Revenue from our businesses in other Asian countries decreased by RMB2.7 million, or 30.7%, from RMB8.8 million for the year ended 31 December 2011 to RMB6.1 million for the year ended 31 December 2012, primarily attributable to decreases in revenues from our DNA synthesis product, genetic engineering service and life sciences research consumable businesses as a result of the competition among suppliers increased in these countries.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales increased by RMB16.1 million, or 23.8%, from RMB67.7 million for the year ended 31 December 2011 to RMB83.8 million for the year ended 31 December 2012, primarily attributable to increases in costs of sales of each of our DNA synthesis product and genetic engineering service business segments.

Our gross profit increased by RMB10.1 million, or 10.9%, from RMB92.4 million for the year ended 31 December 2011 to RMB102.5 million for the year ended 31 December 2012. Our gross profit margin decreased from 57.7% for the year ended 31 December 2011 to 55.0% for the year ended 31 December 2012.

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By Business Segment

- *DNA synthesis products.* Cost of sales of our DNA synthesis product segment increased by RMB7.5 million, or 37.7%, from RMB19.9 million for the year ended 31 December 2011 to RMB27.4 million for the year ended 31 December 2012, primarily due to an increase in cost of raw materials in relation to the mix of our projects.

Gross profit of our DNA synthesis product segment increased by RMB3.6 million, or 7.2%, from RMB50.2 million for the year ended 31 December 2011 to RMB53.8 million for the year ended 31 December 2012. Gross profit margin of our DNA synthesis product segment decreased from 71.6% for the year ended 31 December 2011 to 66.3% for the year ended 31 December 2012, primarily due to: (i) an increase in cost of raw materials in relation to the mix of our projects; and (ii) decreases in the selling prices of our gene synthesis products, mainly due to the introduction of advanced production technology and the increased market competition.

- *Genetic engineering services.* Cost of sales of our genetic engineering service segment increased by RMB7.4 million, or 76.3%, from RMB9.7 million for the year ended 31 December 2011 to RMB17.1 million for the year ended 31 December 2012, primarily due to an increase in cost of sales of our next-generation sequencing service line of RMB1.1 million and an increase in cost of sales of our molecular biology service line of RMB1.6 million, mainly as a result of an increase in cost of raw materials in relation to the mix of our projects.

Gross profit of our genetic engineering service segment increased by RMB0.9 million, or 6.6%, from RMB13.6 million for the year ended 31 December 2011 to RMB14.5 million for the year ended 31 December 2012. Gross profit margin of our genetic engineering service segment decreased from 58.5% for the year ended 31 December 2011 to 45.9% for the year ended 31 December 2012, primarily attributable to: (i) decreases in the selling prices of our DNA sequencing services mainly due to the introduction of advanced production technology and the increased market competition, and (ii) an increase in cost of raw materials in relation to the mix of our projects.

- *Life sciences research consumables.* Cost of sales of our life sciences research consumable segment decreased by RMB2.9 million, or 8.5%, from RMB34.3 million for the year ended 31 December 2011 to RMB31.4 million for the year ended 31 December 2012, primarily due to a decrease in cost of sales of our biochemical reagent product line as we enhanced the overall management of our expanded production in 2012.

Gross profit of our life sciences research consumable segment increased by RMB5.8 million, or 23.7%, from RMB24.5 million for the year ended 31 December 2011 to RMB30.3 million for the year ended 31 December 2012. Gross profit margin of our life sciences research consumable segment increased from 41.7% for the year ended 31 December 2011 to 49.1% for the year ended 31 December 2012, primarily attributable to: (i) increases in the selling prices of our labware products and biochemical reagents as we

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developed and launched over a thousand types of new biochemical reagents, as well as offered new kinds of labware, and an increasing number of customers purchased our products in 2012; and (ii) a decrease in cost of raw materials mainly as a result of our economies of scale operation.

- *Protein and antibody related products and services.* Cost of sales of our protein and antibody related product and service segment increased by RMB4.0 million, or 102.6%, from RMB3.9 million for the year ended 31 December 2011 to RMB7.9 million for the year ended 31 December 2012, primarily due to an increase in cost of sales of our polypeptide synthesis line of RMB2.3 million as in 2012 we commenced to provide protein and antibody related products and services which we used to outsource to third-party suppliers.

Gross profit of our protein and antibody related product and service segment decreased by RMB0.2 million, or 4.9%, from RMB4.1 million for the year ended 31 December 2011 to RMB3.9 million for the year ended 31 December 2012. Gross profit margin of our protein and antibody related product and service segment decreased from 51.4% for the year ended 31 December 2011 to 32.7% for the year ended 31 December 2012, primarily attributable to a decrease in gross profit margin of our protein related product and service line and a decrease in gross profit margin of our polypeptide synthesis line as in 2012 we commenced to provide protein and antibody related products and services which we used to outsourcing to third-party suppliers.

Selling and Distribution Costs

Our selling and distribution costs increased by RMB4.9 million, or 20.6%, from RMB23.8 million for the year ended 31 December 2011 to RMB28.7 million for the year ended 31 December 2012, primarily attributable to: (i) an increase in sales and marketing staff costs as we expanded our direct sales network and strengthened our sales team and the average salary level of our sales and marketing staff increased; and (ii) an increase in travel and business development expenses as we provided our life sciences research products and services through our direct sales team for higher sales volume and profitability.

Administrative Expenses

Our administrative expenses increased by RMB8.0 million, or 28.8%, from RMB27.8 million for the year ended 31 December 2011 to RMB35.8 million for the year ended 31 December 2012, primarily attributable to: (i) an increase in research and development expenses in relation to our research project of automated DNA synthesis systems in 2012; and (ii) an increase in administrative staff costs as the average salary level of our administrative staff increased and we also increased the employee headcount for our expanded business.

Other Income

Other income decreased by RMB226,000, or 22.1%, from RMB1,023,000 for the year ended 31 December 2011 to RMB797,000 for the year ended 31 December 2012, primarily attributable to a decrease in amortisation of government grants as deferred income.

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Other (Losses)/Gains — Net

We had net other losses of RMB557,000 for the years ended 31 December 2011, primarily attributable to our exchange losses. We had net other gains of RMB148,000 for the year ended 31 December 2012, primarily attributable to our exchange gains.

Finance (Costs)/Income — Net

Our finance income decreased by RMB505,000, or 46.3%, from approximately RMB1.1 million for the year ended 31 December 2011 to RMB585,000 for the year ended 31 December 2012, primarily attributable to a decrease in interest income on bank deposits and available-for-sale financial assets. Our finance costs decreased by approximately RMB1.2 million, or 61.6%, from approximately RMB1.9 million for the year ended 31 December 2011 to RMB726,000 for the year ended 31 December 2012, primarily attributable to the net foreign exchange losses of RMB1.5 million in 2011. As a result, we had net finance costs of RMB802,000 for the year ended 31 December 2011 and net finance cost of RMB141,000 for the year ended 31 December 2012.

Share of Profit of an Associate

Share of profit of an associate increased by RMB2.3 million, or 230.0%, from RMB1.0 million for the year ended 31 December 2011 to RMB3.3 million for the year ended 31 December 2012, primarily attributable to our proportional share of profit of PrimeGene for these two periods.

(Loss)/Gain on Disposal of an Associate

We had loss on disposal of an associate of RMB33,000 as a result of our disposal of a 2.0% equity interest in PrimeGene in December 2011 as part of our internal restructuring.

Profit before Income Tax

As a result of the foregoing, our profit before income tax increased by RMB0.6 million, or 1.4%, from RMB41.5 million for the year ended 31 December 2011 to RMB42.1 million for the year ended 31 December 2012.

Income Tax Expense

Our income tax expense increased by RMB0.1 million, or 1.5%, from RMB6.7 million for the year ended 31 December 2011 to RMB6.8 million for the year ended 31 December 2012, primarily attributable to our increased profit before tax. Our effective income tax rate remained relatively stable at 16.1% for the years ended 31 December 2011 and 2012.

Profit for the Year

As a result of the foregoing, our profit for the year increased by RMB0.5 million, or 1.4%, from RMB34.8 million for the year ended 31 December 2011 to RMB35.3 million for the year ended 31 December 2012.

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DISCUSSION OF SELECTED ITEM FROM THE CONSOLIDATED BALANCE SHEETS

Net Current Assets Position

Our current assets consist primarily of inventories, trade and bills receivables, prepayments, deposits and other receivables, due from related parties, available-for-sale financial assets, and cash and cash equivalents. Our current liabilities consist primarily of trade payables, accruals and other payables, current income tax liabilities, borrowings, and due to related parties.

The table below sets forth our current assets, current liabilities and net current assets for the dates indicated. This information should be read together with our consolidated financial information included in Appendix I — “Accountant’s Report” to this prospectus.

	As at 31 December			As at 30 June	As at 31 October
	2011	2012	2013	2014	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current assets					
Inventories	35,026	41,120	41,938	47,594	46,261
Trade and bills receivables	34,283	35,812	41,905	60,827	63,605
Prepayments, deposits and other receivables	12,015	7,953	8,745	20,001	17,979
Due from related parties	23,919	18,366	1,999	—	—
Available-for-sale financial assets	—	—	—	40,000	—
Cash and cash equivalents (excluding bank overdrafts)	84,883	55,500	109,566	99,910	120,232
Total current assets	<u>190,126</u>	<u>158,751</u>	<u>204,143</u>	<u>268,332</u>	<u>248,077</u>
Current liabilities					
Trade payables	8,806	4,901	6,824	8,064	5,909
Accruals and other payables	45,168	40,416	59,881	68,246	72,680
Current income tax liabilities	3,066	1,448	—	2,668	783
Borrowings	51	11,251	—	—	—
Due to related parties	102,933	67,631	24	—	—
Current portion of deferred income	412	585	216	216	267
Total current liabilities	<u>160,436</u>	<u>126,232</u>	<u>66,945</u>	<u>79,194</u>	<u>79,639</u>
Net current assets	<u>29,690</u>	<u>32,519</u>	<u>137,198</u>	<u>189,138</u>	<u>168,438</u>
Total assets less current liabilities	<u>158,444</u>	<u>196,192</u>	<u>306,681</u>	<u>353,162</u>	<u>333,876</u>

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Our net current assets increased by RMB51.9 million, or 37.8%, from approximately RMB137.2 million as at 31 December 2013 to approximately RMB189.1 million as at 30 June 2014. The increase was primarily due to: (i) available-for-sale financial assets in the amount of RMB40.0 million as at 30 June 2014 as a result of our purchase of debenture securities in 2014; (ii) an increase in trade and bills receivables of RMB18.9 million as at 30 June 2014, compared to that as at 31 December 2013, mainly attributable to increased sales of our products and services to meet growing demands from customers; and (iii) an increase in prepayments, deposits and other receivables of RMB11.3 million as at 30 June 2014, compared to that as at 31 December 2013, mainly attributable to the current portion of receivables for disposal of an associate of RMB9.4 million as a result of our disposal of a 31.0% equity interest in PrimeGene to a third-party company.

Our net current assets increased by RMB104.7 million, or 322.2%, from approximately RMB32.5 million as at 31 December 2012 to approximately RMB137.2 million as at 31 December 2013. The increase was primarily due to: (i) an increase in cash and cash equivalents of RMB54.1 million as at 31 December 2013, compared to that as at 31 December 2012; and (ii) a decrease in due to related parties of RMB67.6 million as at 31 December 2013, compared to that as at 31 December 2012, mainly as a result of our repayment to the Controlling Party, the effects of which were partially offset by an increase in accruals and other payables of RMB19.5 million as at 31 December 2013, compared to that as at 31 December 2012, mainly attributable to an increase in advance from customers as an increasing number of customers participated in our prepayment scheme.

Our net current assets increased by RMB2.8 million, or 9.4%, from approximately RMB29.7 million as at 31 December 2011 to approximately RMB32.5 million as at 31 December 2012. The increase was primarily due to a decrease in due to related parties of RMB35.3 million as at 31 December 2012, compared to that as at 31 December 2011, mainly attributable to our repayment to the Controlling Party, the effect of which was partially offset by a decrease in cash and cash equivalents of RMB29.4 million mainly attributable to capital expenditures for our expanded business (primarily construction of buildings, purchases of equipment and machinery, and prepayment for land use rights).

Inventories

Our inventories include raw materials, work in progress and finished goods. The following table sets forth a breakdown of our inventories as at the dates indicated.

	As at 31 December			As at
	2011	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	27,147	25,498	28,819	31,166
Work in progress	—	732	289	183
Finished goods	9,126	17,778	17,146	19,346
Less: inventory provision	(1,247)	(2,888)	(4,316)	(3,101)
TOTAL	<u>35,026</u>	<u>41,120</u>	<u>41,938</u>	<u>47,594</u>

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Raw materials consist of a variety of materials (primarily nucleotide monomers, specialised sequencing reagents and plastic particles). Work-in-progress mainly comprises semi-finished labware manufactured by us. Finished goods represent products ready to be sold by us (primarily life sciences research consumables and standard antibody products).

Our inventory of raw materials is primarily used for the manufacture of our products and rendering of our services as well as trading products we have procured but before being further processed. Our inventory of raw materials decreased by RMB1.6 million, or 5.9%, from RMB27.1 million as at 31 December 2011 to RMB25.5 million as at 31 December 2012 as we increased our purchases of raw materials in 2011 to prepare for our strategic efforts of developing and launching over a thousand types of new biochemical reagents. Our inventory of raw materials increased by RMB3.3 million, or 12.9%, from RMB25.5 million as at 31 December 2012 to RMB28.8 million as at 31 December 2013, and further by RMB2.4 million, or 8.3%, to RMB31.2 million as at 30 June 2014, primarily because we increased purchases of raw materials and maintained a reasonable inventory level according to our production needs.

Our inventory of finished goods primarily includes our finished life sciences research consumables (including, among others, trading products we have repackaged or conducted certain quality control tests) and standard antibody products. Our inventory of finished goods increased by RMB8.7 million, or 95.6%, from RMB9.1 million as at 31 December 2011 to RMB17.8 million as at 31 December 2012. Our inventory of finished goods remained relatively stable from RMB17.8 million as at 31 December 2012 to RMB17.1 million as at 31 December 2013. Our inventory of finished goods increased by RMB2.2 million, or 12.9%, from RMB17.1 million as at 31 December 2013 to RMB19.3 million as at 30 June 2014. It generally increased during the Track Record Period primarily because we increased our inventory of finished goods as we expanded our life sciences research consumable product offerings and continuously developed and launched new types of biochemical reagents to meet customer demands.

Our inventory of work in progress remained relatively low during the Track Record Period. The fluctuation of our inventory of work in progress primarily reflected the inventory of semi-finished labware for the manufacture of our life sciences research consumable products.

We maintain inventory control with respect to the ordering, storing, retrieving and purchase of raw materials and the storing and retrieving of finished products. We actively monitor and review our inventory levels on a regular basis and seek to maintain a reasonable level of inventories throughout our production process. In order to avoid risk and undue expenses arising from over-stocking, we normally places purchase orders for raw materials and trading products and maintain a proper level of inventories according to our sales forecasts which are based on the historical sales of our existing products as well as our experience and market information for new products. With respect to our finished products, we estimate production volume and maintain a proper level of inventories according to our sales forecasts. We closely monitor and assess the sales performance of relevant products so that we can adjust our product mix and relevant production plans.

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We track inventory levels and ensure adequate levels of raw materials and finished products through our information system. According to our inventory policy, for most of our finished products, we typically maintain an inventory level sufficient to meet expected orders from our customers for three to four months. In order to manage market price fluctuations, we typically maintain an inventory level of imported raw materials which is sufficient to meet our production needs for three months and an inventory level of domestic raw materials which is sufficient to meet our production needs for one month. We regularly monitor the inventory levels of finished products and raw materials as well as review the historical performance of relevant products and services taking into account our projections and market demographics. We also perform semi-annual stock counts and monitor the life of our products by conducting periodic review to assess our inventory control measures and costs. If any inventory discrepancy is discovered during each inventory check, we require our responsible staff to find specific reasons and take rectifying actions accordingly.

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overhead, based on normal operating capacity. Inventories are stated at cost, which is calculated using the weighted average method, or net realisable value, whichever is lower. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs for sale. We review the carrying value of our inventories from time to time. Based on conditions of goods, including aging and expiry, and estimated net realisable value of our inventories, we make provision for impairment of inventories when the inventories become obsolete or damaged and the carrying value declines below the net realisable value. We generally recognise inventory provision as cost of sales in the consolidated income statement of our Group. As at 31 December 2011, 2012 and 2013 and 30 June 2014, our inventory provision was RMB1.2 million, RMB2.9 million, RMB4.3 million and RMB3.1 million, respectively. Our inventory provision as at 31 December 2013 was relatively high because as our protein and antibody related product and service business were in an early development stage from 2012 to 2013, our costs incurred in relation to preparation of the inventories for the development and launch of new products were relatively high and the selling prices of certain products (including certain protein and antibody related products) decreased in these two years.

The inventory provision process involves the collaboration of multiple internal departments including the sales, finance, procurement, warehouse, quality control, production and project execution. The effective life of our life sciences research products generally ranges from six to 60 months, subject to the expiry and effectiveness periods of relevant products. Our warehouse keepers and financial personnel monthly prepare the information on inventories as well as the aging and expected usability. The vice presidents responsible for production and inventory management and relevant department heads evaluate such information and propose the inventory provision. Our chief financial officer then reviews and approves the proposed inventory provision before it is implemented. When the proposed amount of provision is higher than a specific amount, the additional approval from our chief executive officer is required.

If we fail to manage our inventories effectively, we may be subject to certain risks. See the subsection headed “Risk Factors — Risks relating to Our Business — We may not be able to maintain proper inventory levels for our operations” for further discussion.

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We actively monitor and review our inventory levels on a regular basis and seek to maintain a reasonable level of inventories throughout our production process. We closely monitor and assess the sales performance of our products and services so that we can adjust our product and service mix and relevant production plans. We will increase the purchases of raw materials when we believe it is prudent to do so based on the raw material prices and our estimated production volumes and sales.

The following table sets forth the average inventory turnover days for the periods indicated.

	For the year ended 31 December			For the six months ended 30 June
	2011	2012	2013	2014
Average inventory turnover days ⁽¹⁾	165	166	139	142

Note:

- (1) The average inventory turnover days are calculated by dividing the average of the opening and closing balances of inventories for the relevant period by the corresponding cost of sales for the period and then multiplying by 365 days for a year or multiplying by 180 days with respect to average inventory turnover days for a six-month period.

Our average inventory turnover days generally decreased during the Track Record Period, primarily because we enhanced our overall management of inventories and maintained a reasonable inventory level for our expanded production. Our average inventory turnover days for the year ended 31 December 2012 were relatively high, primarily because we increased our inventory of finished products in 2012 as we developed and launched over a thousand types of new biochemical reagents to meet customer demands in that year.

As at 31 October 2014, the latest date for liquidity disclosure, approximately RMB29.5 million, or 58.1%, of our inventories as at 30 June 2014, were subsequently sold.

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Trade and Bills Receivables

The table below sets forth a breakdown of our trade and bills receivable balances as at the dates indicated.

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	37,657	40,454	45,560	63,034
Less: provision for impairment of trade receivables	<u>(3,374)</u>	<u>(4,642)</u>	<u>(3,655)</u>	<u>(2,207)</u>
Trade and bills receivables - net	<u><u>34,283</u></u>	<u><u>35,812</u></u>	<u><u>41,905</u></u>	<u><u>60,827</u></u>

Our trade and bills receivable balances represented the outstanding amounts receivable by us from our customers. Our trade and bills receivables are initially recognised at fair value and subsequently measured at amortised costs less provision for impairment of trade receivables. Our management has maintained a strict control over outstanding balances of trade and other receivables and reviewed overdue amounts regularly.

Our trade and bills receivables as at 31 December 2011, 2012 and 2013 and 30 June 2014 were approximately 19.8%, 25.5%, 22.3% and 23.5% of our total current assets as at the same dates, respectively. Our trade and bills receivables increased by RMB2.8 million, or 7.4%, from RMB37.7 million as at 31 December 2011 to RMB40.5 million as at 31 December 2012; further by RMB5.1 million, or 12.6%, to RMB45.6 million as at 31 December 2013; and further by RMB17.4 million, or 38.2%, to RMB63.0 million as at 30 June 2014. The increase in our trade and bills receivables primarily reflected the increased sales of our products and services to meet growing demands from customers, while we enhanced our overall management of trade receivables during the Track Record Period.

Our policy for impairment on trade receivables is based on an evaluation of collectability and aging analysis of the receivables that requires the use of judgement and estimates of our management. Our management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assesses the collectability of overdue balances. After fully considering the nature of trade receivables and their collectability on a case-by-case basis, we have made provision for the impairment of certain long overdue trade receivables in order to ensure the quality of our assets. Provision would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. We recognise provision for impairment of trade receivables as administrative expenses in the consolidated income statement of our Group. As at 31 December 2011, 2012 and 2013 and 30 June 2014, we made provision for impairment of trade and bills receivables of approximately RMB3.4 million, RMB4.6 million, RMB3.7 million and RMB2.2 million, respectively. We did not hold any collateral or other security over such impaired amount. We

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believe that we have made sufficient provision for the unsettled trade receivables based on our assessment and impairment provision policy, and no additional provision is necessary for the Track Record Period. See “— Critical Accounting Policies — Impairment of Trade and Other Receivables” in this section for details of our impairment provision policy.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, trade receivables of RMB9.4 million, RMB18.9 million, RMB13.9 million and RMB17.4 million, respectively, were past due but not impaired. These relate to a number of independent customers for whom there were no recent history of default.

The following table sets forth the aging analysis of our trade and bills receivable balances as at the dates indicated.

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within three months	15,752	17,625	29,457	41,885
Three to six months	10,509	8,868	6,872	11,658
Six to 12 months	8,007	10,429	6,092	7,327
Over 12 months	3,389	3,532	3,139	2,164
TOTAL	37,657	40,454	45,560	63,034

We generally grant a credit period of one to six months to our customers after delivery of our products and services. Our trading terms with our customers vary depending on a number of factors, including their historical payments, business performance, market positions, significant financial difficulties of debtors, possibility of default or delinquent payments, as well as probability of filing for bankruptcy by debtors or being subject to a financial reorganisation. We have taken into account the impact on our working capital position when granting the credit limits to our customers. During the Track Record Period, we did not experience any difficulties in working capital requirement and maintained sufficient cash flow to support our operation through product sales and capital contribution by our shareholders.

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The following table sets forth our average trade receivable turnover days for the periods indicated.

	For the year ended 31 December			For the six months ended 30 June
	2011	2012	2013	2014
Average trade receivable turnover days ⁽¹⁾	88	76	71	81

Note:

- (1) The average trade receivable turnover days are calculated by dividing the average of the opening and closing balances of trade receivables (before adjustment of provision for impairment of trade receivables) for the relevant period by the corresponding revenue for the period and then multiplying by 365 days for a year or multiplying by 180 days with respect to average trade receivable turnover days for a six-month period.

Our average trade receivable turnover days decreased from 88 days for the year ended 31 December 2011 to 76 days for the year ended 31 December 2012, and further to 71 days for the year ended 31 December 2013, primarily because we enhanced our overall management of trade receivables and reduced our exposure to bad debts. Our average trade receivable turnover days for the six months ended 30 June 2014 were relatively high, primarily because we generally settle outstanding balances with customers by the end of each year.

As at 31 October 2014, the latest date for liquidity disclosure, approximately RMB45.7 million, or 72.5%, of our trade and bills receivables as at 30 June 2014 were settled.

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Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables consisted primarily of: (i) receivables for disposal of an associate; (ii) prepayments for purchases of raw materials; and (iii) prepaid value-added tax, current income tax and other taxes. The table below sets forth a breakdown of the balances of our prepayments, deposits and other receivables as at the dates indicated.

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current:				
Receivables for disposal of an associate	—	—	—	13,146
Others	83	442	364	485
	83	442	364	13,631
Current:				
Receivables for disposal of an associate	—	—	—	9,441
Prepayments for purchases of raw materials	7,867	2,930	4,143	4,991
Prepaid value-added tax, current income tax and other taxes	3,464	4,529	3,542	2,589
Others	684	494	1,060	2,980
TOTAL	12,015	7,953	8,745	20,001

Receivables for Disposal of an Associate

In April 2014, we disposed of a 31.0% equity interest in PrimeGene to a third-party company with the consideration of US\$7.1 million and a disposal gain of RMB26.4 million pursuant to the terms of relevant agreement. The acquiring company paid us US\$3.1 million on 30 June 2014 and will pay us US\$604,000, US\$930,000, US\$1.2 million and US\$1.2 million on 31 October 2014, 30 April 2015, 30 April 2016 and 30 April 2017, respectively. As at 30 June 2014, part of receivables for disposal of an associate with the carrying amount of RMB21.0 million was guaranteed by an affiliate of the acquiring company, an Independent Third Party. As at the same date, the current portion of RMB9.4 million represented the payments from the acquiring company in 2014 and 2015, and the non-current portion of RMB13.1 million represented the present discounted value of future payments in 2016 and 2017.

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Prepayments for Purchases of Raw Materials

Our prepayments for purchases of raw materials as at 31 December 2011 were relatively high, primarily due to our purchase of specialised sequencing reagents for our DNA sequencing business that year. Our prepayments for purchases of raw materials increase steadily by RMB1.2 million, or 41.4%, from RMB2.9 million as at 31 December 2012 to RMB4.1 million as at 31 December 2013; and further by RMB0.9 million, or 22.0%, to 5.0 million as at 30 June 2014, primarily because we increased our purchases of raw materials as we expanded our operational scale and developed and launched new products and services to meet customer demands.

Prepaid Value-added Tax, Current Income Tax and Other Taxes

Our prepaid value-added tax, current income tax and other taxes were primarily related to value-added tax, current income tax and other taxes prepaid on our product sales and rendering services. Our prepaid value-added tax, current income tax and other taxes were RMB3.5 million, RMB4.5 million, RMB3.5 million and RMB2.6 million as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively. Our prepaid value-added tax, current income tax and other taxes as at 31 December 2012 were relatively high, primarily because we transitioned from business tax payment to value-added tax payment with respect to our life sciences research services in 2012 in accordance with the PRC tax regulations.

Available-for-sale Financial Assets

Our available-for-sale financial assets which we purchased during the Track Record Period represented RMB denominated wealth management products with floating interests ranging from 3.4% to 5.9% per annum and with maturity dates between six days and 111 days. These products did not guarantee the return of principals upon maturity, and none of them was either past due or impaired during the Track Record Period. As at 30 June 2014, our available-for-sale financial assets amounted to RMB40.0 million. These wealth management products were purchased from a major state-owned bank in the PRC, and the underlying assets consisted primarily of debenture securities.

For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our purchases of available-for-sale financial assets in our consolidated cash flow statement were RMB135.0 million, nil, RMB116.0 million and RMB150.0 million, respectively. During the Track Record Period, we purchased and redeemed wealth management products by using the same amount of surplus funds for multiple times within the respective periods, and therefore each of these amounts relating to purchase and collection of available-for-sale financial assets in our consolidated cash flow statement represents the cumulative balance of multiple purchases and redemptions we made by using the same amount of surplus funds for each year or period. Our Directors confirm that for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the maximum amount of surplus funds which we used to purchase and redeem wealth management products for

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multiple times was RMB45.0 million, nil, RMB40.0 million and RMB70.0 million, respectively. The table below sets forth the purchase and collection of available-for-sale financial assets in our consolidated quarterly cash flow statement for the periods indicated:

Period	Purchase of available-for-sale financial assets	Collection of available-for-sale financial assets
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
2011 — first quarter	45,000	30,000
second quarter	90,000	105,000
third quarter	—	—
fourth quarter	—	—
Subtotal	<u>135,000</u>	<u>135,000</u>
2012⁽¹⁾	Nil	Nil
2013 — first quarter	40,000	20,000
second quarter	36,000	40,000
third quarter	—	16,000
fourth quarter	40,000	40,000
Subtotal	<u>116,000</u>	<u>116,000</u>
2014 — first quarter	80,000	40,000
second quarter	70,000	70,000
Subtotal	<u>150,000</u>	<u>110,000</u>
2014 — third quarter	<u>—</u>	<u>40,000</u>

Note:

- (1) We did not purchase any wealth management product in 2012 because our management considered that the underlying conditions did not meet our requirements.

As part of our treasury management, we have purchased wealth management products as an auxiliary means to improve utilisation of our cash on hand on a short-term basis. We have made such purchases only when (i) we have surplus funds after we have fully considered the cash requirement of our operations for the relevant periods and allocated accordingly; and (ii) our management have carefully assessed the risks and benefits and decided to make such purchases (including, among others, the availability of certain wealth management products which have high liquidity and generate interest income meeting our standards). Our management have regularly reviewed the historical performance of wealth management products from major and reputable financial institutions and before any of our purchases, have ensured that the wealth management products we have selected can meet our requirement of guaranteed capital preservation and expected return.

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We have implemented our internal policies which provide the following guidelines, requirements and approval process with respect to our treasury investment activities. As we assessed the effectiveness of our treasury management policies on an on-going basis during the Track Record Period and up to the Latest Practicable Date, we gradually and continuously enhanced and implemented relevant guidelines, procedures and measures so as to ensure that our investments can meet our relevant requirements. We amended our treasury management policies in November 2014 and have implemented such policies since then.

- *Type of investment.* During the Track Record Period, all investments shall be made in low risk instruments issued or managed by major and reputable financial institutions. The maximum term of a proposed investment shall be not more than one year. The total investment amount in each year and the investment amount at any time shall not exceed 50% and 30%, respectively, of the net assets value of our Group in the audited financial statements for the immediately preceding financial year. Subsequently, for the purpose of the Listing, we have amended our treasury management policies and require that all investments shall be made only in low risk products which provide the guaranteed capital preservation and expected return, and the total investment amount in each year and the investment amount at any time cannot exceed 25% and 10%, respectively, of the net assets value of our Group in the audited consolidated financial statements for the immediately preceding financial year.
- *Approval process.* When any of our subsidiaries plans to use surplus funds to purchase a wealth management product which meet our requirement, the financial department of that subsidiary must submit to our management an application which provides an assessment of the relevant risks (such as counterparty risk, credit risk and market risk) and detailed mitigating measures for specific risks. Depending on the purchased amount, the subsidiary must obtain the approval by our chief financial officer, Mr. Zhang Hao, and our chief executive officer, Ms. Wang Luoia, and under certain circumstances, even the approval by our chairman of the Board, Mr. Wang Qisong, and the Board. Our current chief financial officer has over 20 years of financial and accounting experience.
- *Monitoring.* Our chief executive officer and chief financial officer monitor the performance of wealth management products which we have purchased on a regular basis and take immediate actions as soon as they are aware of any event which may affect adversely the expected return and risk profile of such wealth management products.
- *Redemption.* Our chief executive officer and chief financial officer may suggest redemption of our investment in wealth management products after they have assessed our cash position as well as relevant risks and benefits on a regular basis. Any redemption of our investment shall be reviewed and approved by our chief executive officer, chief financial officer, chairman of the Board and our Board, depending on the redeemed amount.

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During the Track Record Period, we only invested in wealth management products issued or sold by major reputable financial institutions in the PRC, and we preserved all our investment capital in these products and did not encounter any default by the issuing financial institutions. We had not invested, and are prohibited, under our treasury management policies, from directly investing, in any equity instrument, listed financial product or derivative financial instrument, and our investments had not been pledged to secure our bank borrowings during the Track Record Period.

For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we recorded the interest income on available-for-sale financial assets of RMB561,000, nil, RMB666,000 and RMB1.4 million, respectively. The available-for-sale financial assets in the amount of RMB40.0 million as at 30 June 2014 were matured in July 2014 with the interest income of RMB475,000. Pursuant to our amended treasury management policies, we plan not to continue our investment in wealth management products in the future, primarily because there exists a certain risk to some extent that these products may not provide us the guaranteed capital preservation and expected return. In anticipation of the Listing, for the prudent reason, we will continue to enforce our implementing measures and place our surplus funds primarily in bank deposit or, when opportunity arises and it is in the best interests of our Group as a whole, purchase investment products which meet our requirements. Our Directors further confirm that we will implement effectively the guidelines, procedures and systems to ensure that upon the Listing, our purchases of bank deposits and other investment products which meet the requirements pursuant to our amended treasury management policies will comply with the Listing Rules (in particular Chapter 14) and other relevant legal and regulatory requirements.

Trade Payables

Our trade payables consist mainly of amounts outstanding for our purchases of raw materials in relation to our manufacture and sale of products and rendering of services. We recognise our trade payables initially at fair value and subsequently measure them at amortised cost using the effective interest method.

Our trade payables as at 31 December 2011, 2012 and 2013 and 30 June 2014 were approximately 5.5%, 3.9%, 10.2% and 10.2% of our total current liabilities as at the same dates, respectively. Our trade payables decreased by RMB3.9 million, or 44.3%, from RMB8.8 million as at 31 December 2011 to RMB4.9 million as at 31 December 2012. Our trade payables as at 31 December 2011 were relatively high, primarily because we increased our purchases of raw materials at the end of 2011 for our expanded production, and increased our purchases of life sciences research consumables and services for our new product and service development. Our trade payables increased by RMB1.9 million, or 38.8%, from RMB4.9 million as at 31 December 2012 to RMB6.8 million as at 31 December 2013, and further by RMB1.3 million, or 19.1%, to RMB8.1 million as at 30 June 2014, primarily because we have increased our purchases of raw materials as we have expanded our operational scale, developed and launched over a thousand types of new biochemical reagents in 2012 as well as provided next-generation sequencing service since that year.

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The following table sets forth the aging analysis of our trade payables balances as at the dates indicated.

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within three months	8,806	4,861	6,732	8,062
Three months to six months	—	—	35	—
Six months to 1 years	—	—	1	2
Over one year	—	40	56	—
TOTAL	8,806	4,901	6,824	8,064

Our suppliers generally grant us a credit period of 20 to 60 days. The following table sets forth our average trade payable turnover days for the periods indicated.

	For the year ended 31 December			For the six months ended 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Average trade payable turnover days ⁽¹⁾	44	30	20	24

Note:

- (1) The average trade payable turnover days are calculated by dividing the average of the opening and closing balances of trade payables for the relevant period by the corresponding cost of sales for the period and then multiplying by 365 days for a year or multiplying by 180 days with respect to average trade payable turnover days for a six-month period.

Our average trade payable turnover days decreased from 2011 to 2013, primarily because we paid in full our purchased amounts to suppliers in order to maintain a close relationship with them and to ensure a stable and adequate supply of raw materials for our expanded production.

As at 31 October 2014, the latest date for liquidity disclosure, approximately RMB8.0 million, or 99.2%, of our trade payables as at 30 June 2014 were settled.

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Accruals and Other Payables

Our trade and other payables primarily consist of: (i) advance from customers; (ii) salary and staff welfare payables; (iii) other taxes payables; (iv) payables for purchase of property, plant and equipment; (v) dividend payables; and (vi) other payables. The following table sets forth a breakdown of our trade and other payables as at the dates indicated.

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Advance from customers	33,829	31,627	52,649	54,323
Salary and staff welfare payables	3,473	4,178	4,758	5,257
Other taxes payables	1,318	514	1,811	3,489
Payables for purchase of property, plant and equipment	4,320	289	114	286
Dividend payables	1,180	—	—	1,716
Other payables	1,048	3,808	549	3,175
TOTAL	45,168	40,416	59,881	68,246

Advance from Customers

Our advances from customers increased by RMB21.0 million, or 66.5%, from RMB31.6 million as at 31 December 2012 to RMB52.6 million as at 31 December 2013, and further by RMB1.7 million, or 3.2%, to RMB54.3 million as at 30 June 2014, primarily because an increasing number of customers participated in our prepayment scheme for their purchases.

We have a prepayment scheme to facilitate customer purchases of our products and services. We offer certain incentives to customers who make prepayments according to our promotional and marketing strategies. As at 31 December 2011, 2012 and 2013 and 30 June 2014, 998, 818, 1,157 and 1,323 customers participated in the prepayment scheme. See the sections headed “Business — Customers — Payment Method and Credit Terms” and “Industry Overview — Overview — Payment Practice and Settlement Procedure” in this prospectus for further details. According to the Frost & Sullivan Report, such payment arrangement is one of the commercial practices adopted by customers in the PRC.

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Salary and Staff Welfare Payables

Our salary and staff welfare payables consist primarily of employee salary and other benefit payables. Our salary and staff welfare payables generally increased during the Track Record Period, primarily because we increased the employee headcount for our expanded business and the average salary level of our employees increased.

Other Payables

Our other payables consist primarily of payables to customers in respect of deposits and fee payables to professionals in respect of services they have provided. Our other payables increased by RMB2.8 million, or 280.0%, from RMB1.0 million as at 31 December 2011 to RMB3.8 million as at 31 December 2012, primarily due to the fee payables to professional parties in 2012 in relation to our prior attempts for listing. Our other payables decreased by RMB3.3 million, or 85.6%, from RMB3.8 million as at 31 December 2012 to RMB549,000 as at 31 December 2013. Our other payables increased by RMB2.6 million, or 478.3%, from RMB549,000 as at 31 December 2013 to RMB3.2 million as at 30 June 2014, primarily due to the fee payables of RMB1.4 million to professional parties in the first half of 2014 in relation to our prior attempts for listing.

Investment in an Associate

The following table sets forth the carrying amount of our interest in the associate company, PrimeGene, for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	—	12,776	16,033	16,033	20,425
Addition	12,560	—	—	—	—
Disposal	(823)	—	—	—	(14,580)
Dividend declared	—	—	(310)	(310)	(7,579)
Share of profit	1,039	3,257	4,702	1,640	1,734
At 31 December/30 June	<u>12,776</u>	<u>16,033</u>	<u>20,425</u>	<u>17,363</u>	<u>—</u>

In March 2011, we invested RMB12.6 million to acquire a 33.0% equity interest in PrimeGene. The associate company provides recombinant protein and antibody related products and services for life sciences research. We disposed of a 2.0% equity interest in December 2011. We further disposed of the remaining 31.0% equity interest to a third-party company in April 2014. The remaining consideration which the acquiring company will pay us according to the terms of relevant agreement was recognised as “receivables for disposal of an associate” in the consolidated balance sheets of our

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Group. See “— Discussion of Selected Item from the Consolidated Balance Sheets — Prepayments, Deposits and Other Receivables” in this section for further discussion. The associate company declared a dividend payment for the six months ended 30 June 2014 and paid RMB7.6 million to us.

We had share of profit of the associate company during the Track Record Period. See “— Description of Certain Consolidated Income Statement Items” in this section for further discussion.

Due from/to Related Parties

The following table sets forth the net balance of due from/to related parties as at the dates indicated:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NET BALANCE				
Trade related:				
An associate	(831)	(382)	(9)	—
Non-trade related:				
The Controlling Party	(39,431)	(12,074)	1,984	—
Other related parties	<u>(38,752)</u>	<u>(36,809)</u>	<u>—</u>	<u>—</u>
TOTAL	<u><u>(79,014)</u></u>	<u><u>(49,265)</u></u>	<u><u>1,975</u></u>	<u><u>—</u></u>

Trade Related

The net balances of trade related transactions with other related parties during the Track Record Period included primarily the amounts due to PrimeGene of RMB831,000, RMB382,000 and RMB9,000 as at 31 December 2011, 2012 and 2013, respectively, which were mainly related to our purchases of protein from the associate company.

Non-trade Related

The net balances of non-trade related transactions with the Controlling Party during the Track Record Period included: (i) the amounts due to the Controlling Party of RMB39.4 million and RMB12.1 million as at 31 December 2011 and 2012, which represented primarily the borrowings from Mr. Wang Qisong to us; and (ii) the amounts due from the Controlling Party of RMB2.0 million as at 31 December 2013, which represented our loans to Mr. Wang Qisong.

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The net balances of non-trade related transactions with other related parties during the Track Record Period included primarily the amounts due to these related parties of RMB38.8 million and RMB36.8 million as at 31 December 2011 and 2012, which represented shareholder loans from QVP II, QVP II-C and QMDF II to one of our group companies and subsequently capitalised as equity. See the section headed “History and Reorganisation — Our Corporate History and Shareholding Changes of Our Group” for further discussion.

All these amounts due from and amounts due to related parties were fully settled as at 30 June 2014.

Our Directors confirm that the foregoing related party transactions were conducted in the ordinary and usual course of business and on normal commercial terms. Our Directors further confirm that relevant terms of such transactions were no less favourable to us than terms available to Independent Third Parties and were fair and reasonable and in the interests of our Shareholders as a whole. For a discussion of related party transactions, see Note 37 to the Accountant’s Report in Appendix I. Our Directors further confirm that all the related party transactions did not distort our results of operations during the Track Record Period.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

We have historically met our working capital and other capital requirements principally with a combination of capital contributions by shareholders and cash generated from our operations. In the future, we expect to continue to mainly rely on our cash flow from operations to fund our working capital needs and will use the proceeds from the Global Offering to finance part of our business expansion.

General economic conditions may affect our ability to settle payment obligations with our customers. In the event of any cancellation of purchase orders and/or default on payment obligations by our customers, our cash flow, business operations and profitability would be adversely affected.

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The following table sets forth selected cash flow data from our consolidated cash flow statements for the periods indicated. For more information, see Appendix I — “Accountant’s Report” to this prospectus.

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Cash and cash equivalents at beginning of year/period	130,184	84,832	55,249	55,249	109,556
Net cash inflow from operating activities	31,306	32,055	61,046	13,822	6,451
Net cash (outflow)/inflow from investing activities	(79,255)	(44,333)	2,822	(24,347)	(16,710)
Net cash inflow/(outflow) from financing activities	3,970	(17,266)	(9,684)	(7,000)	—
Effect of foreign exchange rate changes on cash and cash equivalents and bank overdrafts	(1,373)	(39)	123	544	613
Cash and cash equivalents at end of the year/period	<u>84,832</u>	<u>55,249</u>	<u>109,556</u>	<u>38,268</u>	<u>99,910</u>

Operating Activities

Our cash inflow from our operating activities is generated from sales of our products and rendering of our services, and advance payments from customers for their purchases of our products and services. Our cash used in our operating activities primarily includes payment for purchases of raw materials, labour costs and other expenses.

For the six months ended 30 June 2014, our net cash inflow from operating activities was RMB6.5 million, while our net cash inflow from operating activities after adjustment for non-cash items but before changes in working capital was RMB32.1 million. The difference of RMB25.6 million was primarily attributable to: (i) an increase in trade and bills receivables of RMB17.5 million mainly because we generally settle outstanding balances with our customers by the end of each year; and (ii) an increase in inventories of RMB5.7 million as we increased purchases of raw materials and maintained a reasonable inventory level according to our production needs, the effects of which were partially offset by an increase in accruals and other payables of RMB5.8 million mainly attributable to an increase in advance from customers as an increasing number of customers participated in our prepayment scheme for their purchases.

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For the six months ended 30 June 2013, our net cash inflow from operating activities was RMB13.8 million, while our net cash inflow from operating activities after adjustment for non-cash items but before changes in working capital was RMB24.4 million. The difference of RMB10.6 million was primarily attributable to an increase in trade and bills receivables of RMB7.6 million mainly because we generally settle outstanding balances with our customers by the end of each year.

For the year ended 31 December 2013, our net cash inflow from operating activities was RMB61.0 million, while our net cash inflow from operating activities after adjustment for non-cash items but before changes in working capital was RMB56.6 million. The difference of RMB4.4 million was primarily attributable to an increase in trade and bills receivables of RMB5.1 million mainly attributable to increased sales of our products and services to meet growing demands from customers, the effect of which was partially offset by an increase in accruals and other payables of RMB19.6 million mainly attributable to increased advance from customers as more customers participated in the scheme for their purchases.

For the year ended 31 December 2012, our net cash inflow from operating activities was RMB32.1 million, while our net cash inflow from operating activities after adjustment for non-cash items but before changes in working capital was RMB51.1 million. The difference of RMB19.0 million was primarily attributable to: (i) a decrease in amounts due to related parties of RMB8.2 million; and (ii) an increase in inventories of RMB7.7 million as we increased purchases of raw materials and maintained a reasonable inventory level according to our production needs, the effects of which were partially offset by: (i) a decrease in amounts due from related parties of RMB6.0 million in 2012; and (ii) a decrease in prepayments, deposits and other receivables of RMB4.1 million mainly because we increased our purchases of specialised sequencing reagents for our DNA sequencing business and the balance of our prepayments for purchases of raw materials was relatively high as at 31 December 2011.

For the year ended 31 December 2011, our net cash inflow from operating activities was RMB31.3 million, while our net cash inflow from operating activities after adjustment for non-cash items but before changes in working capital was RMB52.8 million. The difference of RMB21.5 million was primarily attributable to: (i) an increase in inventories of RMB10.0 million as we increased purchases of raw materials and maintained a reasonable inventory level according to our production needs; (ii) an increase in trade and bills receivables of RMB9.2 million mainly attributable to increased sales of our products and services to meet growing customer demands; and (iii) an increase in amounts due from related parties of RMB6.0 million, the effects of which were partially offset by an increase in accruals and other payables of RMB7.3 million mainly attributable to an increase in prepayments for purchases of raw materials as we increased our purchases of specialised sequencing reagents for our DNA sequencing business in 2011.

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Investing Activities

Our cash inflow from investing activities consists primarily of collection of available-for-sale financial assets, repayment from the Controlling Party and proceeds from disposal of our equity interests in PrimeGene. Our net cash used in investing activities consists primarily of purchases of available-for-sale financial assets, purchase of property, plant and equipment, purchase of land use rights, loans to the Controlling Party and acquisition of equity interests in PrimeGene.

For the six months ended 30 June 2014, our net cash used in investing activities was RMB16.7 million, which was primarily attributable to purchases of available-for-sale financial assets in the amount of RMB150.0 million as we purchased debenture securities, the effect of which was partially offset by: (i) collection of available-for-sale financial assets in the amount of RMB110.0 million as we redeemed our investment in the debenture securities in that year; and (ii) proceeds from disposal of an associate in the amount of RMB19.1 million mainly as we disposed of our equity interest in PrimeGene at a gain; and (iii) dividends received from an associate in the amount of RMB7.6 million as PrimeGene declared a dividend and paid us the above amount in the first half of 2014.

For the six months ended 30 June 2013, our net cash used in investing activities was RMB24.3 million, which was primarily attributable to: (i) purchases of available-for-sale financial assets in the amount of RMB76.0 million as we purchased debenture securities; and (ii) purchase of property, plant and equipment in the amount of RMB7.1 million as we purchased equipment and machinery for our expanded operational scale, the effects of which were partially offset by collection of available-for-sale financial assets in the amount of RMB60.0 million as we redeemed our investment in the debenture securities in that year.

For the year ended 31 December 2013, our net cash inflow from investing activities was RMB2.8 million, which was primarily attributable to: (i) collection of available-for-sale financial assets in the amount of RMB116.0 million as we sold the debenture securities which we had purchased earlier in 2013; and (ii) repayment from the Controlling Party in the amount of RMB17.4 million, the effects of which were partially offset by: (i) purchases of available-for-sale financial assets in the amount of RMB116.0 million as we purchased the debenture securities; and (ii) purchase of property, plant and equipment in the amount of RMB14.2 million as we purchased equipment and machinery for our expanded operational scale.

For the year ended 31 December 2012, our net cash used in investing activities was RMB44.3 million, which was primarily attributable to: (i) purchase of property, plant and equipment in the amount of RMB23.2 million as we purchased equipment and machinery for our expanded operational scale; (ii) purchase of land use rights in the amount of RMB20.8 million in relation to our acquisition of a land parcel in Shanghai to expand our production facilities and construct our staff dormitories; and (iii) loan to the Controlling Party in the amount of RMB19.0 million, the effects of which were partially offset by repayment from the Controlling Party in the amount of RMB18.6 million for the same year.

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For the year ended 31 December 2011, our net cash used in investing activities was RMB79.3 million, which was primarily attributable to: (i) purchases of available-for-sale financial assets in the amount of RMB135.0 million as we purchased the debenture securities; (ii) purchase of property, plant and equipment in the amount of RMB44.8 million mainly in relation to construction of new production facilities, laboratories and office buildings in the PRC, Canada and the U.S., as well as our purchases of production equipment; (iii) loan to the Controlling Party in the amount of RMB17.9 million; and (iv) acquisition of an associate in the amount of RMB12.6 million as we acquired a 33.0% equity interest in PrimeGene, the effects of which were partially offset by collection of available-for-sale financial assets in the amount of RMB135.0 million as we redeemed our investment in the debenture securities which we had purchased earlier in that year.

Financing Activities

Our cash inflow from financing activities is mainly generated from proceeds from bank borrowings and proceeds from equity holders of certain subsidiaries. Our cash used in financing activities consists primarily of repayment of bank borrowings and repayment to the Controlling Party for the prior shareholder loans.

For the six months ended 30 June 2014, we had no net cash inflow from, or used in, financing activities.

For the six months ended 30 June 2013, our net cash used in financing activities was RMB7.0 million, which was primarily attributable to repayment of bank borrowings.

For the year ended 31 December 2013, our net cash used in financing activities was RMB9.7 million, primarily attributable to: (i) repayment to the Controlling Party in the amount of RMB30.4 million; and (ii) repayment of bank borrowings in the amount of RMB11.0 million for the loan for our working capital needs in 2012, the effects of which were partially offset by proceeds from equity holders of certain subsidiaries of RMB31.7 million mainly in relation to a capital contribution.

For the year ended 31 December 2012, our net cash used in financing activities was RMB17.3 million, primarily attributable to repayment to the Controlling Party in the amount of RMB24.7 million, the effect of which was partially offset by proceeds from bank borrowings in the amount of RMB11.0 million for our working capital needs.

For the year ended 31 December 2011, our net cash inflow from financing activities was RMB4.0 million, primarily attributable to: (i) borrowings from the Controlling Party in the amount of RMB31.0 million; (ii) proceeds from bank borrowings in the amount of RMB20.0 million for our acquisition of a land parcel for our expanded business in Canada; and (iii) proceeds from equity holders of certain subsidiaries of RMB17.9 million mainly in relation to a capital contribution, the effects of which were partially offset by repayment of bank borrowings in the amount of RMB20.0 million after our acquisition of the land parcel in that year.

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Capital Expenditures

During the Track Record Period, our capital expenditures were primarily related to: (i) purchases of property, plant and equipment in relation to construction of buildings and purchases of equipment and machinery at our production facilities in the PRC, Canada and the U.S.; (ii) prepayment for land use rights in the land parcel where our operations are located in the PRC; and (iii) purchases of software and upgrading of our system. The following table sets forth a breakdown of our capital expenditure for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Property, plant and equipment	49,113	19,177	14,049	7,147	5,030
Land use rights	—	25,773	621	621	—
Intangible assets	443	—	347	347	2,274
TOTAL	<u>49,556</u>	<u>44,950</u>	<u>15,017</u>	<u>8,115</u>	<u>7,304</u>

Between 30 June 2014 and the Latest Practicable Date, we did not make any material capital expenditures. We estimate that our total capital expenditures for the year ending 31 December 2014 and thereafter will increase as our business operations continue to expand. Our projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please see the section headed “Future Plans and Use of Proceeds” in this prospectus for further details.

We anticipate that these capital expenditures will be financed primarily by cash flow generated from our operating activities and proceeds from the Global Offering. If necessary, we may raise additional funds on at commercially acceptable terms. Our estimated annual capital expenditures for the years ending 31 December 2014 and 2015 are RMB13.0 million and RMB65.0 million, respectively.

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Commitments

Capital Commitments

The following table sets forth the outstanding balances of capital commitments as at the end of the relevant reporting periods:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	1,130	—	537	13,307

Operating Lease Commitments

We lease a number of offices and warehouses under non-cancellable operating lease arrangements, with lease terms negotiated primarily ranging from one to five years. The majority of these lease agreements are renewable at the end of the lease period at market rate.

The following table sets forth our future aggregate minimum lease payment receivables under non-cancellable operating leases as at the end of the relevant reporting periods:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
No later than one year	114	241	577	728
Later than one year and no later than five years	94	—	719	824
Later than five years	—	—	30	—
	208	241	1,326	1,552

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INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as at the dates indicated.

	As at 31 December			As at	
	2011	2012	2013	30 June 2014	31 October 2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
Current					
Bank overdrafts	51	251	—	—	—
Bank borrowings, secured	—	11,000	—	—	—
TOTAL	<u>51</u>	<u>11,251</u>	<u>—</u>	<u>—</u>	<u>—</u>

As at 31 December 2012, the outstanding balance of our secured bank borrowings was RMB11.0 million with the weighted average effective interest rate per annum of 6.31%. Our outstanding bank borrowings as at 31 December 2013, 30 June 2014, and 31 October 2014, the latest date for liquidity disclosure, were nil. Our Directors confirm that there is no material change in our indebtedness position since 31 October 2014, up to the date of this prospectus.

Our Directors confirm that we had no material defaults in payment of trade and non-trade payables and bank borrowings or any withdrawal or request for early repayment of bank loans or borrowings, nor did we breach any financial covenants during the Track Record Period.

We intend to continue to finance portions of our capital expenditure primarily with cash generated from our operating activities and proceeds from the Global Offering. We currently do not have plans for other material external debt financing.

Except as disclosed in this section, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, loan from government, debt securities or other similar indebtedness, finance lease on hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees on other material contingent liabilities outstanding as at 31 October 2014, the latest date for liquidity disclosure.

FINANCIAL INFORMATION

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. 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 or hedging or research and development services with us.

WORKING CAPITAL

As at 31 December 2011, 2012 and 2013 and 30 June 2014, we had cash and cash equivalents of RMB84.8 million, RMB55.2 million, RMB109.6 million and RMB99.9 million, respectively. Taking into account the estimated net proceeds from the Global Offering and cash flow generated from our operations, our Directors are of the view that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

KEY FINANCIAL RATIOS

The following table sets forth certain key financial ratios as at the dates or for the periods indicated.

	As at 31 December			As at 30 June		
	2011	2012	2013	2014		
Current ratio ⁽¹⁾	118.5%	125.8%	304.9%	338.8%		
	For the year ended 31 December			For the six months ended 30 June		
	2011	2012	2013	2013	2014	
				<i>(unaudited)</i>	<i>(adjusted)</i> ⁽⁹⁾	
Gross profit margin (%) ⁽²⁾	57.7	55.0	50.5	49.8	52.8	52.8
Net profit margin (%) ⁽³⁾	21.7	18.9	19.2	16.6	35.7	17.9
Effective tax rate (%) ⁽⁴⁾	16.1	16.1	14.6	16.3	19.5	19.7
Return on equity (%) ⁽⁵⁾	25.8	20.1	17.1	N/A	26.4	13.2
Return on total assets (%) ⁽⁶⁾	11.8	11.0	12.2	N/A	21.2	10.6
EBITDA margin (%) ⁽⁷⁾	30.1	27.7	27.7	25.9	49.2	27.2
Interest coverage ⁽⁸⁾	231.3	118.2	149.0	63.8	N/A	N/A

FINANCIAL INFORMATION

Notes:

- (1) Current ratio as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively, was calculated based on our total current assets as at the respective dates divided by our total current liabilities as at the same dates.
- (2) Gross profit margin for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively, was calculated based on our gross profit for the respective periods divided by our revenue for the same periods.
- (3) Net profit margin for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively, was calculated based on our profit for the respective periods divided by our revenue for the same periods.
- (4) Effective tax rate for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively, was calculated based on our income tax expenses for the respective periods divided by our profit before taxation for the same periods.
- (5) Return on equity for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively, was calculated based on our profit for the respective periods divided by the average total equity for the same periods (sum of the opening and closing balances of our total equity for the respective periods and then divided by two) and multiplied by 100%. Return on equity ratio was not available for the six months ended 30 June 2013 as our total equity as at 30 June 2013 was not available in the Accountant's Report. Our return on equity ratio for the six months ended 30 June 2014 is annualised by multiplying the ratio of 13.2% by two, for comparison with that for the years ended 31 December 2011, 2012 and 2013, respectively.
- (6) Return on total assets for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively, was calculated based on our profit for the respective periods divided by the average total assets for the same periods (sum of the opening and closing balances of our total assets for the respective periods and then divided by two) and multiplied by 100%. Return on total assets ratio was not available for the six months ended 30 June 2013 as our total assets as at 30 June 2013 were not available in the Accountant's Report. Our return on total assets ratio for the six months ended 30 June 2014 is annualised by multiplying the ratio of 10.6% by two, for comparison with that for the years ended 31 December 2011, 2012 and 2013, respectively.
- (7) EBITDA is the result of our profit before income tax adding back interest expenses, depreciation and amortisation. EBITDA margin for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively, was calculated based on EBITDA divided by our revenue for the respective periods.
- (8) Interest coverage for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively, was calculated based on our profit before interest and tax divided by interest expenses arising from interest-bearing bank borrowings for the respective periods. Interest coverage was not available for the six months ended 30 June 2014 because our total interest-bearing bank borrowings were nil as at 30 June 2014.
- (9) The calculation of key financial ratios for the six months ended 30 June 2014 excludes gains on disposal of our equity interests in the associate company, PrimeGene, in the amount of RMB26.4 million.

FINANCIAL INFORMATION

The following is a brief analysis of the salient aspects of the above financial ratios:

- *Current ratio.* Our current ratio increased from 118.5% as at 31 December 2011 to 125.8% as at 31 December 2012, further to 304.9% as at 31 December 2013, and further to 338.8% as at 30 June 2014, primarily because our cash and cash equivalent increased and our total bank borrowings decreased to nil as at 31 December 2013.
- *Gross profit margin.* See the subsection headed “— Description of Certain Consolidated Income Statement Items” in this section for further discussion.
- *Net profit margin.* Our net profit margin decreased from 21.7% for the year ended 31 December 2011 to 18.9% for the year ended 31 December 2012, primarily attributable to a decrease in our overall gross profit margin from 2011 to 2012. Our net profit margin for the year ended 31 December 2013 increased slightly to 19.2%. Our net profit margin increased from 16.6% for the six months ended 30 June 2013 to 35.7% for the six months ended 30 June 2014, primarily attributable to gains on disposal of our equity interests in the associate company, PrimeGene, in April 2014. If such gains were excluded, our net profit margin would have been 17.9% for the six months ended 30 June 2014, which was relatively higher compared to that for the six months ended 30 June 2013, primarily attributable to an increase in our overall gross profit margin for these two periods.
- *Effective tax rate.* See the subsection headed “— Description of Certain Consolidated Income Statement Items” in this section for further discussion. If gains on disposal of our equity interests PrimeGene were excluded, our effective tax rate would have been 19.7% for the six months ended 30 June 2014, which was relatively higher compared to that for the six months ended 30 June 2013, primarily attributable to the expense of share-based payment in the amount of RMB4.3 million.
- *Return on equity.* Our return on equity ratio decreased from 25.8% for the year ended 31 December 2011 to 20.1% for the year ended 31 December 2012, and further to 17.1% for the year ended 31 December 2013, primarily due to our increased share capital as a result of capital contributions from our shareholders and capitalisation of shareholder loans for these periods. Our return on equity ratio increased from 17.1% for the year ended 31 December 2013 to 26.4% for the six months ended 30 June 2014, primarily due to gains on disposal of our equity interests in the associate company, PrimeGene, in April 2014. If such gains were excluded, our return on equity ratio would have been 13.2% for the six months ended 30 June 2014.
- *Return on total assets.* Our return on total assets ratio remained relatively stable at 11.8% and 11.0% for the years ended 31 December 2011 and 2012, respectively, and further increased to 12.2% for the year ended 31 December 2013, primarily due to our increased profit for these periods. Our return on total assets ratio increased from 12.2% for the year ended 31 December 2013 to 21.2% for the six months ended 30 June 2014, primarily due to gains on disposal of our equity interests in the associate company, PrimeGene, in April 2014. If such gains were excluded, our return on total assets ratio would have been 10.6% for the six months ended 30 June 2014.

FINANCIAL INFORMATION

- *EBITDA margin.* Our EBITDA margin decreased from 30.1% for the year ended 31 December 2011 to 27.7% for the year ended 31 December 2012, and remained relatively stable at 27.7% for the year ended 31 December 2013, primarily due to decreased gross profit margin for these periods, as well as legal and professional fees in relation to our prior attempts for listing. Our EBITDA margin increased from 25.9% for the six months ended 30 June 2013 to 49.2% for the six months ended 30 June 2014, primarily due to gains on disposal of our equity interests in the associate company, PrimeGene, in April 2014. If such gains were excluded, our EBITDA margin would have been 27.2% for the six months ended 30 June 2014, which was relatively higher compared to that for the six months ended 30 June 2013, primarily attributable to an increase in our overall gross profit margin for these two periods.
- *Interest coverage.* Our interest coverage ratio decreased from 231.3 for the year ended 31 December 2011 to 118.2 for the year ended 31 December 2012, primarily due to our increased interest expenses incurred in 2012. Our interest coverage ratio increased from 118.2 for the year ended 31 December 2012 to 149.0 for the year ended 31 December 2013, primarily due to our decreased interest expenses as we improved our financial performance and had nil bank borrowings as at 31 December 2013.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk, liquidity risk and price risk. Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance.

Foreign Exchange Risk

We mainly operate in the PRC and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars, U.S. dollars and Canadian dollars. Foreign exchange risk arises from trade receivables, cash and cash equivalents, trade payables and borrowings of our Group in foreign currencies. Our Group did not hedge against any fluctuation in foreign currency during the Track Record Period. Management may consider entering into currency hedging transactions to manage our exposure to fluctuations in exchange rates in the future. We have conducted a sensitivity analysis to determine our exposure to changes in foreign currency exchange rates. As at 31 December 2011, 2012 and 2013 and 30 June 2013 and 2014, respectively, if RMB had strengthened/weakened by 10% against U.S. dollars with all other variables remain constant, our net profit for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 would have increased/decreased by RMB106,000, RMB876,000, RMB436,000, RMB433,000 and RMB802,000, respectively.

FINANCIAL INFORMATION

Cash Flow and Fair Value Interest Rate Risk

Other than cash and cash equivalent, we have no other significant interest-bearing assets. Management does not anticipate significant impact on interest-bearing assets resulting from the changes in interest rates, because the interest rates of cash and cash equivalent are not expected to change significantly.

Our interest rate risk arises from borrowings, including interest-free loans received from a related party. Borrowings issued at variable rates expose us to cash flow interest rate risk. Borrowings obtained at fixed rates expose us to fair value interest rate risk. We have not hedged our cash flow and fair value interest rate risks. At 31 December 2011 and 2012, all the bank borrowings were at fixed rates.

Credit Risk

As at 31 December 2011, 2012 and 2013 and 30 June 2014, we had no significant concentration risk. The carrying amounts of cash and cash equivalents, and trade and bills receivables included in the Accountant's Report in Appendix I to this prospectus represent our maximum exposure to credit risk in relation to our financial assets. The objective of our measures to manage credit risk is to control potential exposure to recoverability problems.

Certain of our sales are settled in cash by our customers on delivery of goods and services. Credit sales are made only to selected customers with good credit history. We have policies in place to ensure that trade receivables are followed up on a timely basis.

In respect of trade and bills receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments, and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. We grant credit limits or credit terms to certain customers in consideration of their payment history, business performance and market position. We have monitoring procedures in place to evaluate the performance of our customers, which include maintaining customer credit profiles and periodically assessing customer creditworthiness ranging from monthly to annually primarily based on their payment history and overall creditworthiness. In the event of credit deteriorations, we may request our customer to provide guarantees and/or collateral to secure their payment obligations and may reduce or cancel shipments that have already been ordered. During the Track Record Period, no incident of material credit deterioration occurred and we did not request any guarantee or collateral from our customers. In addition, we review the recoverable amount of each individual trade and bills receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

At 31 December 2011, 2012 and 2013 and 30 June 2014, all cash and cash equivalents were placed in highly reputable and sizable banks and financial institutions without significant credit risk.

FINANCIAL INFORMATION

Liquidity Risk

Our policy is to regularly monitor current and expected liquidity requirements to ensure that we have sufficient cash to meet operational needs at all times and do not breach borrowing limits or covenants on any of our borrowing facilities. Our management believes there is no significant liquidity risk, as we have sufficient committed facilities to fund our operations.

Price Risk

We are exposed to commodity price risk, mainly due to the fluctuations in prices of raw materials. During the Track Record Period, management considers the price risk exposure is not material, and we have the flexibility to pass the increases in raw material costs to our customers.

Capital Risk Management

With respect to capital management, our objectives include primarily: (i) to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders; and (ii) to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the PRC life sciences research product and service industry, we monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings (including “borrowings” as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as “equity” as shown in the consolidated balance sheet plus net debt. Gearing ratio has not been applicable during the Track Record Period and up to the Latest Practicable Date since our Group has a net cash position.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the equity owners of our Company as at 30 June 2014 as if the Global Offering had taken place on that date.

FINANCIAL INFORMATION

The unaudited pro forma adjusted net tangible assets have been prepared for illustrative purposes only and, because of their hypothetical nature, they may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at 30 June 2014 or at any future dates. The unaudited pro forma adjusted net tangible assets are prepared based on the audited consolidated net tangible assets of the Group attributable to the equity owners of the Company as at 30 June 2014 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix II to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to the equity owners of the Company as at 30 June 2014⁽¹⁾	Estimated net proceeds from the Global Offering⁽²⁾	Unaudited pro forma adjusted net tangible to the equity owners of the Company	Unaudited pro forma adjusted net tangible assets per Share⁽³⁾	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
Based on an Offer					
Price of HK\$					
1.56 per Share	331,545	128,106	459,651	0.88	1.10
Based on an Offer					
Price of HK\$					
2.21 per Share	331,545	193,898	525,443	1.00	1.26

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the equity owners of the Company as at 30 June 2014 are extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the equity owners of the Company as at 30 June 2014 of RMB334,155,000 with an adjustment for the intangible assets as at 30 June 2014 of RMB2,610,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$1.56 and HK\$2.21 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of (i) any Shares which may fail to be issued upon the exercise of the Over-allotment Option or (ii) any Shares which may be issued upon the exercise of any option which has been or may be granted under the Share Option Schemes or (iii) any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate to Issue Shares and General Mandate to Purchase Shares.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 524,663,100 Shares were in issue assuming that the Global Offering has been completed on 30 June 2014 but takes no account of any Shares which may fail to be issued upon the exercise of the Over-allotment Option or of any Shares which may be issued upon the exercise of any option which have been or may be granted under the Share Option Schemes or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate to Issue Shares and the General Mandate to Purchase Shares.

FINANCIAL INFORMATION

- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2014.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of RMB1.000 to HK\$0.7958.

DIVIDEND POLICY

Subject to the Companies Law and our Memorandum and Articles of Association, through a general meeting, we may declare dividends in any currency but no dividend may be declared in excess of the amount recommended by our Directors. Our Directors may from time to time also declare interim dividends as appear to our Directors to be justified by our profits. The amount of any dividends to be declared or paid in the future will depend on, among other things, our results of operations, cash flows, financial condition, operating and capital requirements, future prospects and other factors that our Directors deem relevant. We cannot guarantee then, if and in what form dividends will be paid in the future. During the Track Record Period, we have not declared and/or paid any dividends to our Shareholders.

DISTRIBUTABLE RESERVES

Our Company's distributable reserves consist of share premium and retained earnings, if any. As at 30 June 2014, we had reserves of RMB191.4 million, which are available for distribution to our equity shareholders.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this prospectus, we confirm that, as at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business model, revenue structure and cost structure remained unchanged since 30 June 2014. Our business maintains a stable growth and the contribution by each business segment is in line with the historical record.

In recent years in the PRC life sciences research products and services market, according to the Frost & Sullivan Report, demand for DNA synthesis products remains on a steady growth path with emphasis on gene function analysis driving more rapid expansion in the gene synthesis sector. Wider adoption of RNA interference technology is expected to become the new growth engine for DNA synthesis product market. Suppliers providing sequencing services started to purchase new next-generation sequencers to deliver affordable human genome sequencing and further increasing affordability will continue to promote the application of next-generation sequencing. Custom recombinant protein production service is becoming increasingly popular driven by its more important role in biopharmaceutical field and maturity of protein expression platform.

FINANCIAL INFORMATION

Based on our unaudited consolidated financial information for the ten months ended 31 October 2014, our revenue amounted to approximately RMB204.4 million, representing a 15.7% increase compared to that for the ten months ended 31 October 2013. The increase in revenue was primarily attributable to increased sales of our products and services across all our business segments mainly as a result of the increased sales volume of our DNA synthesis products in 2014 after our prior promotional activities, our expanded offering of protein research kits and polypeptides, and the synergistic effect of our broad product and service portfolio. Our overall gross profit margin for the ten months ended 31 October 2014 was 52.1%, representing a 2.1% increase compared to that for the ten months ended 31 October 2013, primarily attributable to decreases in costs of raw materials mainly as a result of our automated DNA synthesis systems for higher production efficiency, our adjustment of supplier mix for genetic engineering services, and our economies of scale production of life sciences research consumables. Our overall gross profit margin for the ten months ended 31 October 2014 remained relatively stable, compared to that for the six months ended 30 June 2014. The financial information disclosed above is derived from the Company's unaudited condensed consolidated interim financial information for the ten months ended 31 October 2014, which has been reviewed by our Reporting Accountant in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

For the ten months ended 31 October 2014, we had incurred expense of share-based payment in the amount of RMB8.4 million in relation to the Pre-IPO Share Option Schemes. We expect to incur additional expenses of share-based payment to approximately RMB10.8 million in relation to the Pre-IPO Share Option Schemes for the year ending 31 December 2014.

As far as we are aware, there was no material change in the general economic, market and regulatory conditions in our industry that had materially and adversely affected our business operations or financial conditions since 30 June 2014 and up to the Latest Practicable Date. Our Directors confirm that, save as the expenses incurred in connection with the Listing (the "**Listing Expenses**") and expenses of share-based payment, up to the date of this prospectus, there has been no other material adverse change in our financial or trading position or prospects since 30 June 2014, being the date to which our latest audited financial statements were prepared.

LISTING EXPENSES

We had not incurred any Listing Expenses during the Track Record Period. We expect to incur Listing Expenses and underwriting commissions of approximately RMB34.7 million, of which RMB23.8 million will be recognised as administrative expenses in the six months ending 31 December 2014 and RMB10.9 million will be charged against equity.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business — Our Strategies” on page 166 of this prospectus for a detailed description of our future plans.

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\$1.88 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus) will be approximately HK\$201.7 million. We currently intend to apply such net proceeds for the following purposes:

- approximately 30.50%, or HK\$61.5 million, will be used for deepening our product and service portfolio. We intend to apply the net proceeds to this purpose in 2016. The planned allocation of this portion of the net proceeds is primarily as follows:

Intended Applications	Percentage of Proceeds
Advancing DNA synthesis product <ul style="list-style-type: none">• developing new types of modifications for oligonucleotide products;• integrating our oligonucleotide synthesizers into a highly automated system;• implementing chip-based oligonucleotide synthesis technologies for high throughput gene synthesis; and• enlarging our portfolio by including gene fragment products and gene fragment library products.	9.25%
Advancing DNA sequencing technique <ul style="list-style-type: none">• enhancing the next-generation sequencing technical platform through introducing advanced technologies; and• optimising sample preparation process and enhancing our production capacity.	12.00%
Enriching our diagnostic reagents including antibodies used for laboratory diagnosis <ul style="list-style-type: none">• developing approximately 2,000 antibodies and 500 recombinant proteins; and• developing diagnosis-related reagents such as media and buffers.	9.25%

FUTURE PLANS AND USE OF PROCEEDS

- approximately 18.60%, or HK\$37.5 million, will be used for broadening our product and service portfolio. We intend to apply the net proceeds to this purpose in 2016. The planned allocation of this portion of the net proceeds is primarily as follows:

Intended Applications	Percentage of Proceeds
Developing kits for testing and diagnosis <ul style="list-style-type: none"> • developing approximately 100 protein-related kits, 50 molecular biology kits, and immunology research kits. 	5.80%
Enriching our consumables used for laboratory diagnosis <ul style="list-style-type: none"> • developing approximately 50 types of labware in the cell biology field for use in hospitals and government testing centres. 	7.00%
Expanding DNA synthesis products to pharmaceutical and diagnostic fields of applications <ul style="list-style-type: none"> • widening the product portfolio of oligonucleotides to serve customers in the pharmaceutical and diagnostic fields; and • developing RNA synthesis products. 	5.80%

- approximately 36.20%, or HK\$73.0 million, will be used for constructing a new factory in connection with the above strategies to deepen and broaden our product and service portfolio. We intend to apply the net proceeds to this purpose as soon as practicable following the completion of the Global Offering. The planned allocation of this portion of the net proceeds is as follows:

Intended Applications	Percentage of Proceeds
Constructing a DNA sequencing and next-generation sequencing production facility	18.10%
Constructing a protein and antibody related products and services research and development and production facility	18.10%

- approximately 4.50%, or HK\$9.1 million, will be used for enhancing our information technology capability. We intend to apply the net proceeds to this purpose as soon as practicable following the completion of the Global Offering. The planned allocation of this portion of the net proceeds is as follows:

Intended Applications	Percentage of Proceeds
Streamlining information technology capability, including our SAP and MES systems	4.50%

FUTURE PLANS AND USE OF PROCEEDS

- approximately 7.20%, or HK\$14.5 million, will be used for expanding our direct sales network by establishing new branches. We intend to apply the net proceeds to this purpose as soon as practicable following the completion of the Global Offering. The planned allocation of this portion of the net proceeds is as follows:

<u>Intended Applications</u>	<u>Percentage of Proceeds</u>
Establishing additional branches and production facilities in China	2.80%
Establishing overseas operating subsidiaries	4.40%

- approximately 3.00%, or HK\$6.1 million, will be used for strengthening our online sales platform and cultivating an online customer base. We strive to upgrade our electronic commerce system. We will continue to provide our customers with the same array of products and services online with additional features and science and knowledge tools. We intend to apply the net proceeds to this purpose as soon as practicable following the completion of the Global Offering.

If the Over-allotment Option is exercised in full, the net proceeds of the Global Offering would increase to approximately HK\$237.5 million (based on the mid-point Offer Price of HK\$1.88 per Share). We intend to apply the additional net proceeds to the above uses in the proportions stated above.

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\$42.0 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\$40.7 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.

In the event that any of our projects does not proceed as planned, including as a result of circumstances such as changes in government policies that would render any of our plans not commercially viable, or force majeure, our Directors will carefully evaluate the situation and may reallocate such funds for other purposes.

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.

FUTURE PLANS AND USE OF PROCEEDS

We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

As at the Latest Practicable Date, we have not identified any potential acquisition targets or entered into any definitive agreement with any party to acquire any business or entity.

UNDERWRITING

HONG KONG UNDERWRITER

Haitong International Securities Company 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 Underwriter on a conditional basis on the terms and conditions set out in this prospectus, the related Application Forms and the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriter. If, for any reason, the Offer Price is not agreed among our Company and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 13,119,000 Hong Kong Public Offer Shares and the International Offering of initially 118,047,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in “Structure of the Global Offering” as well as to the Over-allotment Option in the case of the International Offering.

RESTRICTIONS ON THE OFFER SHARES

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

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. Accordingly, this prospectus may not be used for the purpose 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 authorised or to any person to whom it is unlawful to make such an offer or invitation.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is initially offering 13,119,000 Hong Kong Public Offer Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions set out in this prospectus and the related Application Forms.

UNDERWRITING

Subject to (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be made available pursuant to the exercise of the Over-allotment Option) and the Shares to be issued upon the exercise of the options which have been or may be granted under the Share Option Schemes and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Sole Global Coordinator (on behalf of the Underwriters) and our Company agreeing on the Offer Price), the Hong Kong Underwriter has agreed to subscribe or procure subscribers (set out in the Hong Kong Underwriting Agreement) of the Hong Kong Public Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering, on the terms and the conditions set out in this prospectus, the related Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed, becoming unconditional and not having been terminated.

Grounds for Termination of the Hong Kong Underwriting Agreement

The obligations of the Hong Kong Underwriter to subscribe or procure subscribers for the Hong Kong Public Offer Shares will be subject to termination with immediate effect by notice in writing, from the Sole Global Coordinator, for itself and on behalf of the Underwriters, if any of the following events occurs 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 series of events, in the nature of force majeure (including, without limitation, acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemics, pandemics, outbreaks of diseases, economic sanctions, strikes, lock-outs, fire, explosion, flooding, civil commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism); or
 - (ii) any change or development involving a prospective change or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency credit or market conditions (including, without limitation, any or conditions affecting stock and bond markets money and foreign exchange markets, investment markets and credit markets); or
 - (iii) any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ National Markets, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies, or any disruption in monetary or trading or securities settlement or clearance services, procedures or matters; or

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- (iv) any moratorium, suspension or restriction on trading in any securities of our Company listed or quoted on a stock exchange or an over-the-counter market, if applicable; or
- (v) any general moratorium, on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authorities), New York (imposed at Federal or New York State level or other competent authorities), London, the European Union, Japan, Canada, the PRC or any other jurisdiction relevant to any member of our Group, or there is a disruption in commercial banking foreign exchange trading or securities settlement or clearance services in those places; or
- (vi) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authorities in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union, Japan or any other jurisdiction relevant to any member of our Group; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States, Canada, Japan, the United Kingdom or the European Union (taken as a whole or any member thereof) on the PRC or any other jurisdiction relevant to any member of our Group; or
- (viii) a change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollars or the Renminbi against any foreign currencies), or the implementation of any exchange control in Hong Kong, the PRC, the United States, Canada, Japan, the United Kingdom or the European Union or any other jurisdictions relevant to any member of our Group; or
- (ix) any litigation, legal action, claim or legal proceeding of any third-party being threatened or instigated against any member of our Group; or
- (x) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or president of our Company vacating his or her office; or
- (xii) the commencement by any governmental, law enforcement agency, regulatory or political body or organisation of any action against a Director or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xiii) a contravention by any member of our Group of the Listing Rules or applicable laws; or

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- (xiv) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or
- (xv) non-compliance of the prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation by our Company; or
- (xvi) the issue or requirement to issue by our Company of a supplement or amendment to the prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) pursuant to the Hong Kong Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; 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 our 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 opinion of the Sole Global Coordinator:

- (A) is or will or may have a material adverse effect on the business, financial or other condition or prospects of our Group as a whole, or
 - (B) 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
 - (C) makes it or will make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering, or
 - (D) has or will have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents 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 Sole Global Coordinator:
- (i) that any statement contained in the PHIP (as defined in the Hong Kong Underwriting Agreement), the prospectus, the Application Forms and the formal notice or any announcement or advertisement issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment

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thereto) was, when it was issued, or has become, untrue, incorrect in any material respect or misleading, or that any forecast, expression of opinion, intention or expectation expressed in the PHIP, the prospectus, the Application Forms and the formal notice and/or any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest in any material respect and based on reasonable assumptions, when taken as a whole; or

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the prospectus, constitute a material omission therefrom; or
- (iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than on the Hong Kong Underwriter or the International Underwriter); or
- (iv) any event, act or omission which gives or is likely to give rise to any material liability of our Company; or
- (v) any material adverse change or development involving a prospective change in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any member of our Group; or
- (vi) any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties given by our Company in the Hong Kong Underwriting Agreement; or
- (vii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Offer Shares to be issued or sold (including any additional Offer 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) our Company withdraws the prospectus (and any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or the Global Offering;

then the Sole Global Coordinator, in its sole and absolute discretion, may, for itself and on behalf of the Hong Kong Underwriter, upon giving notice in writing, to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

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Undertakings

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 no further shares or securities convertible into our equity securities may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and us that, except pursuant to the Global Offering and the Over-allotment Option or the Stock Borrowing Agreement, it/he/she shall not and shall procure that the relevant registered holder shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the Listing Rules:

- (a) within the period commencing on the date with reference to which disclosure of its/his/her shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those shares or securities of our Company in respect of which it/he/she is shown by this prospectus to be the beneficial owner; or
- (b) within the period of six months commencing on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he/she would cease to be a Controlling Shareholder of our Company.

In addition, in accordance with Note 3 to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange and us that, within the period commencing on the date with reference to which disclosure of its/his/her shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will:

- (a) when it/he/she pledges or charges any of the shares or of other securities of our Company beneficially owned by it/he/she in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such shares or other securities so pledged or charged; and

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- (b) when it receives any indication, either verbal or written, from any pledgee or chargee of any of the shares or of other securities of our Company pledged or charged that such shares or other securities will be disposed of, immediately inform us of any such indication.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) and disclose such matters by way of an announcement which is published in accordance with the Listing Rules.

Undertakings to the Hong Kong Underwriter pursuant to the Hong Kong Underwriting Agreement

Except for the offer and sale of the Offer Shares pursuant to the Capitalization Issue as defined in this prospectus and the Global Offering (including pursuant to the Over-Allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months from the Listing Date (the “**First Six-Month Period**”), our Company has undertaken to each of the Sole Sponsor, Sole Global Coordinator, Sole Bookrunner, Sole Lead Manager, and the Hong Kong Underwriter not to, and to procure each other member of our Group not to, without the prior written consent of the Sole Sponsor, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) 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 Shares or other securities of our Company or any shares or other securities of such other member of our Group, 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 Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts, except where such transaction is made solely among members of our Group; 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 Shares or other securities of our Company or any shares or other securities of such other member of our Group, 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 Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing); or

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- (c) enter into any transaction with the same economic effect as any transaction specified in (a) and (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b), and (c) above,

in each case, whether any of the transactions specified in (a), (b), and/or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of shares or securities will be completed within the First Six-Month Period).

During the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-Month Period**”), our Company shall not enter into any of the transactions specified in (a), (b), and (c) above or offer to or agree to or announce any intention to effect any such transaction such that any Controlling Shareholder, directly or indirectly, would cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of our Company without first having obtained the prior written consent of the Sole Global Coordinator and unless in compliance with the requirements of the Listing Rules. In the event that our Company enters into any of the transactions specified in (a), (b), and (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or any other securities of our Company.

Undertakings by the Controlling Shareholders pursuant to the Hong Kong Underwriting Agreement

Restriction on disposal of shares

Each of the Controlling Shareholders has jointly and severally undertaken to and covenanted with our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter), without the prior written consent of the Sole Global Coordinator and unless in compliance with the requirements of the Listing Rules, that:

- (i) it/he/she will not, and will procure that none of its/his/her close associates (as defined in the Listing Rules) or companies controlled by it/him/her will, in the period commencing on the date with reference to which disclosure of its/his/her shareholding is made in the prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of but save pursuant to a pledge or charge as security for a bona fide commercial loan) any of the Shares or any interests therein owned by it/him/her or in which it/he/she is, directly or indirectly, interested immediately after the completion of the Hong Kong Public Offering and the Capitalisation Issue (or any other shares or securities of or interest in our Company arising or deriving therefrom) or dispose of, or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of but save pursuant to a pledge or charge

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as security for a bona fide commercial loan) any shares in any company controlled by it/him/her which is the beneficial owner of any of such Shares provided that the foregoing restriction shall not apply to any Shares which it/he/she or any of its/his/her close associates (as defined in the Listing Rules) may acquire following the Listing Date;

- (ii) within a further six months commencing on the date of expiry of the six-month period referred to in paragraph (i) above, it/he/she will not, and will procure that none of its/his/her close associates (as defined in the Listing Rules) or the companies controlled by it/him/her will, dispose of, or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of but save pursuant to a pledge or charge as security for a bona fide commercial loan) any Shares or any interests therein referred to in paragraph (i) above or dispose of, or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of but save pursuant to a pledge or charge as security for a bona fide commercial loan) any shares in any company controlled by it/him/her which is the beneficial owner of such Shares if, immediately following such disposal, any of them, either individually or taken together with the others, would cease to be a Controlling Shareholder or cease to hold a controlling interest (that is to say, an interest of at least 30% or such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) in any of the companies controlled by it/him/her that owns any such Shares;
- (iii) in the event of any disposal of Shares or any such interests referred to in paragraph (ii) above after expiry of the six-month period referred to in paragraph (i) above, all reasonable steps will be taken to ensure that such disposal will not create a false or disorderly market in the Shares; and
- (iv) it/he/she will, and will procure that its/his/her close associates (as defined in the Listing Rules) or companies controlled by it/him/her will, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/him/her or by the registered holder controlled by it/him/her of any Shares.

Each of the Controlling Shareholders has undertaken to the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriter that, save as pursuant to the Global Offering, and the Stock Borrowing Agreement, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriter) and unless in compliance with the requirements of the Listing Rules:

- (i) it/he/she will not and, will procure that none of its/his/her Affiliates will (save as pursuant to the Global Offering, including pursuant to the Stock Borrowing Agreement), at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge (other than any mortgage, pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Cap. 155 of the Laws of Hong Kong)) not involving a change of legal ownership of such Shares other than on enforcement) for a bona fide commercial loan in compliance with the Listing Rules), hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant,

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contract or right to 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 Shares or any 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 Shares or any other securities of our Company, as applicable), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or any other securities of our Company or any interest therein (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 Shares or any other securities of our Company), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the foregoing transactions is to be settled by delivery of the Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the First Six-Month Period);

- (ii) it/he/she will not, and shall procure that none of its/his/her Affiliates will, at any time during the Second Six-Month Period, enter into any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it/he/she will cease to be a Controlling Shareholder of our Company; and
- (iii) until the expiry of the Second Six-Month Period, in the event that it/he/she enters into any of the transactions specified in paragraphs (i) and (ii) above or offers to or agrees to or announces any intention to effect any such transaction it/he/she will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of our Company. Without limiting the above, each of the Controlling Shareholders has further undertaken to the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriter that, it/he/she will, at any time during the Second Six-Month Period:
 - (A) if it/he/she intends to create in favour of any third party any pledge or charge over any Shares or securities or interests in the Shares or securities of our Company beneficially owned by it/he/she, immediately inform the Sole Sponsor and the Sole Global Coordinator in writing of such pledge or charge together with the number of Shares or securities so pledged or charged prior to entering into such arrangement; and
 - (B) upon any indication received by it/he/she, either verbal or written, from any pledgee or charge that any of the pledged or charged Shares or securities or interests in the Shares or securities of our Company will be disposed of, immediately inform the Sole Sponsor and the Sole Global Coordinator in writing of such indications.

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Restrictions on pledges of shares

Each of the Controlling Shareholders has further undertaken to the Stock Exchange, our Company and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) that it/he/she will, within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date:

- (i) when it/he/she pledges or charges any Shares or other securities or interests in any securities of our Company beneficially owned by it/him/her in favour of any authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of such Shares or securities of our Company so pledged or charged; and
- (ii) when it/he/she receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in any securities of our Company will be disposed of, immediately inform our Company of such indications.

International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with, among others, the International Underwriter. Under the International Underwriting Agreement, it is expected that the International Underwriter would, subject to certain conditions, agree to purchase the International Offer Shares being offered pursuant to the International Offering or procure purchasers of International Offering Shares.

Under the International Underwriting Agreement, our Company intends to grant to the International Underwriter the Over-allotment Option, exercisable by the Sole Global Coordinator (on behalf of the International Underwriter) for up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require us to issue up to an aggregate of 19,674,900 additional Shares, representing in aggregate 15% of the number of Offer Shares initially available under the Global Offering. These additional Shares will be sold at the Offer Price per Offer Share (plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price) and will be for the purpose of covering over-allocations, if any, in the International Offering.

Commissions and Expenses

Our Company shall pay to the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) an underwriting commission equal to 3% of the aggregate Offer Price in respect of all of the Hong Kong Public Offer Shares. Our Company may agree to pay to the Sole Global Coordinator for its account an incentive fee of up to 1% of the Offer Price for each Offer Share.

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Assuming an Offer Price of HKD1.88 per Offer Share (being the mid-point of the indicative offer price range of HKD1.56 to HKD2.21 per Offer Share), the aggregate underwriting commissions, together with the Stock Exchange listing fee, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expense relating to the Global Offering, are estimated to amount to approximately HKD43.6 million (assuming that the Over-allotment Option is not exercised) in total.

The commission and expenses were determined after arm's length negotiations between our Company and the Hong Kong Underwriter by reference to the current market conditions.

Indemnity

We have agreed to indemnify the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor, the Sole Lead Manager and Hong Kong Underwriter for certain losses which they may suffer, including, among other matters, losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Hong Kong Underwriter's Interests

Except as disclosed in this prospectus and except for its obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriter has no shareholding interests in our Company or in any of our subsidiaries or has any right, legally enforceable or not, to subscribe for or to nominate persons to subscribe for our securities or securities of any of our subsidiaries.

Following the completion of the Global Offering, the Underwriters and their affiliates may hold a certain portion of our Shares in connection with the performance of their obligations under the Underwriting Agreements.

Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. The Global Offering comprises (assuming the Over-allotment Option is not exercised):

- the Hong Kong Public Offering of initially 13,119,000 Shares (subject to adjustment as mentioned below) (representing approximately 10% of the initial total number of Offer Shares) in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” of this section; and
- the International Offering of initially 118,047,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) (representing approximately 90% of the initial total number of Offer Shares) (a) in the United States with QIBs in reliance on available exemption; and (b) outside the United States in reliance on Regulation S.

Investors may apply for Hong Kong Public Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest in International Offering Shares under the International Offering, but may not do both.

Haitong International Securities Company Limited is the Sole Global Coordinator and Sole Bookrunner of the Global Offering. Haitong International Securities Company Limited is the Sole Lead Manager for the Hong Kong Public Offer. Haitong International Securities Company Limited is the Sole Lead Manager for the International Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation and, in the case of the International Offering only, the Over-allotment Option as described below in the paragraph headed “Over-Allotment and Stabilisation” of this section.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (on behalf of the Underwriters), agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed “Underwriting.”

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

Under the Hong Kong Public Offering, our Company is initially offering 13,119,000 Shares at the Offer Price for subscription by the public in Hong Kong, representing approximately 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of

STRUCTURE OF THE GLOBAL OFFERING

Offer Shares between (i) the International Offering and (ii) the Hong Kong Public Offering, the Hong Kong Public Offer Shares will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

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 and 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 as set out in the paragraph headed "Conditions of the Hong Kong Public Offering" of this section.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for the Hong Kong Public Offer Shares in the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering (including any Shares which may be made available pursuant to the exercise of the Over-allotment Option), the Shares to be issued upon the exercise of the options which have been or may be granted under the Share Option Schemes, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements 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 respective Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed on or before Wednesday, 24 December 2014 between our Company and the Sole Global Coordinator (on behalf of the Underwriters), 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 and remaining unconditional and not having been terminated in accordance with their respective terms.

STRUCTURE OF THE GLOBAL OFFERING

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 us in *The Standard* (in English) and the *Hong Kong Economic Times* (in Chinese) on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Public Offer Shares.” In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Tuesday, 30 December 2014 provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination of the Hong Kong Underwriting Agreement” has not been exercised.

Allocation

Allocation of Hong Kong Public 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 Public 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 Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Hong Kong Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of HKD5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of more than HKD5 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 Public Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for the 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 Public 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 6,559,500 Hong Kong Public Offer Shares (being 50% of the 13,119,000 Hong Kong Public Offer Shares initially comprised in the Hong Kong Public Offering) are liable to be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

Paragraph 4.2 of the 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 Hong Kong Public Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached as further described below:

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 13,119,000 Offer Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering;
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 39,351,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 52,467,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 65,583,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator. If either the Hong Kong Public Offering or the International Offering is not fully subscribed for, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Offer Shares from such offering to the other, in such proportions as the Sole Global Coordinator deems appropriate.

STRUCTURE OF THE GLOBAL OFFERING

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 or her that he or she and any person(s) for whose benefit he or she 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 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 if he or she 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 HKD2.21 per Hong Kong Public Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Hong Kong Public Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" of this section below, is less than the maximum price of HKD1.56 per Hong Kong Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "How to Apply for Hong Kong Public Offer Shares."

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 Shares offered

Subject to reallocation as described above, the International Offering will consist of 118,047,000 Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering, assuming that the Over-allotment Option is not exercised. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Offering will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

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 Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing of the Global Offering" 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 relevant sector and whether or not it is expected that the relevant investor is likely to buy further

STRUCTURE OF THE GLOBAL OFFERING

Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the 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 our Shareholders as a whole.

The Sole Global Coordinator (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 Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, the Company is expected to grant an Over-allotment Option to the International Underwriter exercisable by the Sole Global Coordinator (on behalf of the International Underwriter).

Pursuant to the Over-allotment Option, the Sole Global Coordinator has the right, exercisable at any time from the day on which trading of the Shares commences on the Stock Exchange until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to issue up to 19,674,900 additional Shares, representing in aggregate 15% 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. If the Over-allotment Option is exercised in full, the additional Shares will represent approximately 3.75% of our enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a public announcement will be made.

PRICING OF THE GLOBAL OFFERING

The International Underwriter will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of the 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 around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, 19 December 2014, and in any event on or before Wednesday, 24 December 2014, by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

STRUCTURE OF THE GLOBAL OFFERING

The Offer Price will not be more than HKD2.21 per Offer Share and is expected to be not less than HKD1.56 per Offer Share unless otherwise announced, as further explained below, not 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 Sole Global Coordinator (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 the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range 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 case, our Company will, as soon as practicable following the decision to make any such reduction, and 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, cause there to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and the Company at <http://www.bbi-lifesciences.com>, an announcement, or a supplemental prospectus (as appropriate), in connection with such reduction. Upon issue of such an announcement or supplemental prospectus (as appropriate), the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. **Applicants should have regard to the possibility that any announcement or supplemental prospectus (as appropriate) in connection with any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.** Such announcement or supplemental prospectus (as appropriate) will also include confirmation or revision, as appropriate, of the working capital statement, the use of proceeds and the Global Offering statistics as currently set out in this prospectus and any other financial information which may change as a result of such reduction. If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application may or may not (depending on the information contained in the announcement or supplemental prospectus(as appropriate)) be notified that they are required to confirm their applications. All applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement or supplemental prospectus (as appropriate) and all unconfirmed applications will not be valid. In the absence of any such notice or supplemental prospectus (as appropriate) published in relation to the reduction in the Offer Price, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by our Company and the Sole Global Coordinator (on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees, SFC transaction levy and the Stock Exchange trading fees in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HKD243.7 million, assuming an Offer Price per Offer Share of HKD2.21, or approximately HKD161.0 million, assuming an Offer Price per Offer Share of HKD1.56.

STRUCTURE OF THE GLOBAL OFFERING

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Hong Kong Public Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Monday, 29 December 2014, in the manner set out in the paragraph “How to Apply for Hong Kong Public Offer Shares — Publication of results” in this prospectus.

OVER-ALLOTMENT AND STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, 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 market price of the securities below the offer price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

Haitong International Securities Company Limited has been appointed by us as the Stabilising Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. Short sales involve the sale by the Stabilising Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilising Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilising Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilising transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of our Offer Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, or any person acting for it to conduct any such stabilising action. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilisation Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares which may be made available upon exercise of the Over-allotment Option, being up to 19,674,900 Shares, which is in aggregate 15% of the Shares initially available under the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilising) Rules. Stabilising actions permitted pursuant to the Securities and Futures (Price Stabilising) Rules include:

- (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares;
- (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares;
- (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our 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 Shares for the sole purpose of preventing or minimising any reduction in the market price;
- (v) selling or agreeing to sell any of our 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 paragraphs (ii), (iii), (iv) or (v) above.

Stabilising actions by the Stabilising Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

As a result of effecting transactions to stabilise or maintain the market price of the Shares, the Stabilising Manager or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilising Manager or any person acting for it, which may include a decline in the market price of the Shares.

Stabilisation cannot be used to support the price of the Shares for longer than the stabilisation period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the thirtieth day after the last day for lodging of applications under the Hong Kong Public Offering. The stabilisation period is expected to expire on Sunday, 18 January 2015. As a result, demand for the Shares, and their market price, may fall after the end of the stabilising period. These activities by the Stabilising Manager may stabilise, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilising action taken by the Stabilising Manager or any person acting for it, may not necessarily result in the market share of the Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of the Shares by the Stabilising Manager or any person acting for it may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

STRUCTURE OF THE GLOBAL OFFERING

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Sole Global Coordinator (or its affiliate(s)) may choose to borrow Shares from Shareholders of our Company under stock borrowing arrangements, or acquire Shares from other sources, including the exercise of the Over-allotment Option.

The Stabilising Manager will enter into the Stock Borrowing Agreement with LJ Peace, one of the Controlling Shareholders, whereby the Stabilising Manager may borrow Shares from LJ Peace on the following conditions:

- (a) the stock borrowing will only be effected by the Stabilising Manager for the settlement of over-allocations in connection with the International Offering;
- (b) the maximum number of Shares borrowed from LJ Peace will be limited to 19,674,900 Shares, being the maximum number of Shares which may be allotted and issued by the Company upon full exercise of the Over-allotment Option;
- (c) the same number of Shares borrowed from LJ Peace must be returned to it or its nominees (as the case may be) no later than the three Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; (ii) the date on which the Over-allotment Option is exercised in full and the Shares to be allotted and issued upon exercise of the Over-allotment Option have been allotted and issued; or (iii) such earlier time as may be agreed in writing between LJ Peace and the Stabilising Manager;
- (d) the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- (e) no payments will be made to LJ Peace by the Stabilising Manager in relation to such stock borrowing arrangement.

The Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. The Stock Borrowing Arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that it complies with the requirements set forth in Rule 10.07(3) of the Listing Rules. No payment will be made to LJ Peace by the Stabilising Manager or its agent in relation to such stock.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 30 December 2014, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 30 December 2014.

The Shares will be traded in board lots of 1,500 Shares each.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Offering Shares.

To apply for Hong Kong Public 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.

The Company, the Sole Global Coordinator, 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 Public 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, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); 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: (i) have a valid Hong Kong identity card number and (ii) 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 authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public 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 Public 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 between 9:00 a.m. on Tuesday, 16 December 2014 until 12:00 noon on Friday, 19 December 2014:

- (i) any of the following offices of the Sole Bookrunner:

<u>Sole Bookrunner</u>	<u>Address</u>
Haitong International Securities Company Limited	22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(ii) any of the branches of the following receiving bank:

Standard Chartered Bank (Hong Kong) Limited

	<u>Branch</u>	<u>Address</u>
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
	North Point Centre Branch	Shop G, G/F, North Point Centre, 284 King's Road, North Point
	Aberdeen Branch	Shop 4A, G/F and Shop 1, 1/F, Aberdeen Centre Site 5, No.6-12 Nam Ning Street, Aberdeen
Kowloon	Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong, Kowloon.
	Tsimshatsui Branch	G/F, 8A-10 Granville Road, Tsimshatsui
	68 Nathan Road Branch	Basement, Shop B1, G/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
New Territories	Metroplaza Branch	Shop No. 175 - 176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
	Tuen Mun Town Branch	Shop No. G047 - G052, Tuen Mun Town Plaza Phase I, Tuen Mun
	Tai Po Branch	G/F shop No. 2, 23 - 25 Kwong Fuk Road, Tai Po Market, Tai Po

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 16 December 2014, 2014 until 12:00 noon on Friday, 19 December 2014 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited — BBI Life Sciences Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- 9:00 a.m. to 5:00 p.m. on Tuesday, 16 December 2014.
- 9:00 a.m. to 5:00 p.m. on Wednesday, 17 December 2014.
- 9:00 a.m. to 5:00 p.m. on Thursday, 18 December 2014.
- 9:00 a.m. to 12:00 noon on Friday, 19 December 2014.

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 19 December 2014, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications 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:

- undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- 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;
- 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;
- confirm that you are aware of the restrictions on the Global Offering in this prospectus;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (vi) agree that none of the Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers 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 the Company, our Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and/or their respective advisers 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 the Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters nor any of their respective officers or advisers 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 Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(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 chosen to collect the share certificate(s) and/or refund cheque(s) in person;

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- (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 the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public 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 Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “Who can apply” 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, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise 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 Tuesday, 16 December 2014 until 11:30 a.m. on Friday, 19 December 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 19 December 2014 or such later time under the “Effects of Bad Weather on the Opening of the Applications Lists” in this section.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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 Public 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, the 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).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the White Form eIPO Service Provider, will contribute HK\$2.00 per each “BBI Life Sciences Corporation” White Form eIPO application submitted via www.eipo.com.hk to support the funding of “Source of Dong Jiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

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 Public Offer Shares and to arrange payment of the money 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 +852 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).

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre

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 Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public 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 Public 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 Public 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 authorised to give those instructions as their agent;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send 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 the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers 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 the Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisers 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 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 the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is 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;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- 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 the 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 the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the 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 and the Articles of Association; 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 the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- instructed and authorised 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 authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this prospectus.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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 1,500 Hong Kong Public Offer Shares. Instructions for more than 1,500 Hong Kong Public 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 Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m.⁽¹⁾ on Tuesday, 16 December 2014
- 8:00 a.m. to 8:30 p.m.⁽¹⁾ on Wednesday, 17 December 2014
- 8:00 a.m. to 8:30 p.m.⁽¹⁾ on Thursday, 18 December 2014
- 8:00 a.m.⁽¹⁾ to 12:00 noon on Friday, 19 December 2014

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 16 December 2014 until 12:00 noon on Friday, 19 December 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 19 December 2014, the last application day or such later time as described in “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 Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public 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 Public 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.

Note: (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the 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 the Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisers 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 Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public 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. The Company, the Directors, the Sole Bookrunner, the Sole Sponsor, the Sole Global Coordinator 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 Public 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 Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 19 December 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public 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,

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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 **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 PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for 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 1,500 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 1,500 Hong Kong Public 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).

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For further details on the Offer Price, see the section headed “Structure of the Global Offering — Pricing of the Global Offering.”

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 Friday, 19 December 2014. 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 Friday, 19 December 2014 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”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication 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 Public Offer Shares on Monday, 29 December 2014 in The Standard (in English) and Hong Kong Economic Times (in Chinese) on the Company’s website at <http://www.bbi-lifesciences.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 the Company’s website at <http://www.bbi-lifesciences.com> and the Stock Exchange’s website at www.hkexnews.hk by no later than 8 a.m. on Monday, 29 December 2014;
- from the designated results of allocations website at www.iporesults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, 29 December 2014 to 12:00 midnight on Sunday, 4 January 2015;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, 29 December 2014 to Thursday, 1 January 2015;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 29 December 2014 to Wednesday, 31 December 2014 at all the receiving bank branches and sub-branches.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

If the 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 Public 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”.

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 Public 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 **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 Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the 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 Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies 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 the Company or its agents exercise their discretion to reject your application:**

The Company, the Sole Global Coordinator, 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.

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(iii) **If the allotment of Hong Kong Public Offer Shares is void:**

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the 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 the 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 Public Offer Shares and International Offering 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;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believes 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 Public 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 HKD2.21 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 "Structure of the Global Offering - Conditions of the Hong Kong Public 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 cheque or banker's cashier order will not be cleared.

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Any refund of your application monies will be made on Monday, 29 December 2014.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public 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 share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the 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:

- share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for YELLOW Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour 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 Public 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 cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Monday, 29 December 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 30 December 2014 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from 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 Monday, 29 December 2014 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 authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched 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 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, 29 December 2014, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, 29 December 2014, 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 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 Monday, 29 December 2014, 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 Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS participant.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

If you are applying as a CCASS investor participant

The 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 "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 pm, on Monday, 29 December 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public 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 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 29 December 2014, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/ e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, 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 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, 29 December 2014 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 despatched 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 despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) *If you apply via Electronic Application Instructions to HKSCC*

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public 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.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your 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 Monday, 29 December 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the 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 "Publication of Results" above on Monday, 29 December 2014. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 29 December 2014 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 Public 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 Public 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 Monday, 29 December 2014. Immediately following the credit of the Hong Kong Public 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 Public 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 Monday, 29 December 2014.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. 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 adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

16 December 2014

The Directors
BBI Life Sciences Corporation

Haitong International Capital Limited

Dear Sirs,

We report on the financial information of BBI Life Sciences Corporation (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as at 31 December 2011, 2012 and 2013 and 30 June 2014, the balance sheets of the Company as at 31 December 2013 and 30 June 2014, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in section I to III below for inclusion in Appendix I to the prospectus of the Company dated 16 December 2014 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 10 July 2013 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation" below, which was completed on 31 December 2013, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 39 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

No audited financial statements have been prepared by the Company as it has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of other companies comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 39 of Section II.

The directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRS. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSA”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors’ Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant’s Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2013 and 30 June 2014, and of the consolidated state of affairs of the Group as at 31 December 2011, 2012 and 2013 and 30 June 2014, and of the Group’s consolidated profit and cash flows for the Relevant Periods then ended.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for the six months ended 30 June 2013 and a summary of significant accounting policies and other explanatory information (the “Stub Period Comparative Financial Information”).

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with 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 of the Stub Period Comparative 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 HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2011, 2012 and 2013 and 30 June 2014 and for each of the years ended 31 December 2011, 2012 and 2013 and each of the six months ended 30 June 2013 and 2014 (the "Financial Information").

(a) Consolidated Balance Sheets

	<i>Note</i>	As at 31 December			As at
					30 June
		2011	2012	2013	2014
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS					
Non-current assets					
Property, plant and equipment	6	103,342	113,975	114,689	114,482
Land use rights	7	6,246	31,877	31,520	31,185
Intangible assets	8	636	465	641	2,610
Investment in an associate	10	12,776	16,033	20,425	—
Deferred income tax assets	25	671	881	1,844	2,116
Prepayment for land use right	7	5,000	—	—	—
Other non-current assets	13	83	442	364	13,631
		<u>128,754</u>	<u>163,673</u>	<u>169,483</u>	<u>164,024</u>
Current assets					
Inventories	11	35,026	41,120	41,938	47,594
Trade and bills receivables	12	34,283	35,812	41,905	60,827
Prepayments, deposits and other receivables	13	12,015	7,953	8,745	20,001
Due from related parties	14	23,919	18,366	1,999	—

	Note	As at 31 December			As at
		2011	2012	2013	30 June
		RMB'000	RMB'000	RMB'000	2014
				RMB'000	
Available-for-sale financial assets	15	—	—	—	40,000
Cash and cash equivalents (excluding bank overdrafts)	16	84,883	55,500	109,556	99,910
		190,126	158,751	204,143	268,332
Total assets		318,880	322,424	373,626	432,356
EQUITY					
Share capital	17	—	—	89,631	89,631
Share premium	17	—	—	191,363	191,363
Other reserves	19	84,953	127,829	(82,416)	(73,735)
Retained earnings	18	63,513	54,246	90,254	126,896
		148,466	182,075	288,832	334,155
Non-controlling interests		9,102	11,036	12,921	13,701
Total equity		157,568	193,111	301,753	347,856
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	25	—	1,690	3,553	4,039
Deferred income	21	876	1,391	1,375	1,267
		876	3,081	4,928	5,306
Current liabilities					
Trade payables	22	8,806	4,901	6,824	8,064
Accruals and other payables	23	45,168	40,416	59,881	68,246
Current income tax liabilities		3,066	1,448	—	2,668
Borrowings	24	51	11,251	—	—
Due to related parties	26	102,933	67,631	24	—
Current portion of deferred income	21	412	585	216	216
		160,436	126,232	66,945	79,194
Total liabilities		161,312	129,313	71,873	84,500
Total equity and liabilities		318,880	322,424	373,626	432,356
Net current assets		29,690	32,519	137,198	189,138
Total assets less current liabilities		158,444	196,192	306,681	353,162

(b) Balance Sheets

		As at 31 December	As at 30 June
	<i>Note</i>	2013	2014
		<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		—	5
Investments in subsidiaries	9	<u>281,543</u>	<u>288,428</u>
		<u>281,543</u>	<u>288,433</u>
Current assets			
Other receivables		<u>1,670</u>	<u>936</u>
Total assets		<u><u>283,213</u></u>	<u><u>289,369</u></u>
EQUITY			
Share capital	17	89,631	89,631
Share premium	17	191,363	191,363
Other reserves	19	552	7,432
Accumulated losses	18	<u>(149)</u>	<u>(771)</u>
Total equity		<u><u>281,397</u></u>	<u><u>287,655</u></u>
Current liabilities			
Other payables		<u>1,816</u>	<u>1,714</u>
Total liabilities		<u><u>1,816</u></u>	<u><u>1,714</u></u>
Total equity and liabilities		<u><u>283,213</u></u>	<u><u>289,369</u></u>
Net current liabilities		<u><u>(146)</u></u>	<u><u>(778)</u></u>
Total assets less current liabilities		<u><u>281,397</u></u>	<u><u>287,655</u></u>

(c) Consolidated Statements of Comprehensive Income

	Note	Year ended 31 December			Six months ended 30 June	
		2011	2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	5	160,116	186,357	219,988	101,589	119,986
Cost of sales	29	(67,741)	(83,837)	(108,898)	(51,031)	(56,673)
Gross profit		92,375	102,520	111,090	50,558	63,313
Selling and distribution costs	29	(23,788)	(28,711)	(36,484)	(17,776)	(21,414)
Administrative expenses	29	(27,797)	(35,791)	(29,393)	(14,079)	(18,388)
Other income - net	27	1,023	797	883	393	238
Other (losses)/ gains - net	28	(557)	148	(1,283)	(399)	225
Operating profit		41,256	38,963	44,813	18,697	23,974
Finance income		1,090	585	1,081	478	1,789
Finance costs		(1,892)	(726)	(1,020)	(672)	(688)
Finance (costs)/ income - net	31	(802)	(141)	61	(194)	1,101
Share of profit of an associate	10	1,039	3,257	4,702	1,640	1,734
(Loss)/gain on disposal of an associate	10	(33)	—	—	—	26,386
Profit before income tax		41,460	42,079	49,576	20,143	53,195
Income tax expense	32	(6,658)	(6,765)	(7,229)	(3,287)	(10,396)
Profit for the year/period		34,802	35,314	42,347	16,856	42,799
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss						
- Currency translation differences		(391)	229	(2,023)	(788)	717

	<i>Note</i>	Year ended 31 December			Six months ended 30 June	
		2011	2012	2013	2013	2014
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total comprehensive income for the year/period		<u>34,411</u>	<u>35,543</u>	<u>40,324</u>	<u>16,068</u>	<u>43,516</u>
Total profit attributable to:						
Equity holders of the Company		33,009	33,431	40,249	16,017	40,682
Non-controlling interests		<u>1,793</u>	<u>1,883</u>	<u>2,098</u>	<u>839</u>	<u>2,117</u>
		<u>34,802</u>	<u>35,314</u>	<u>42,347</u>	<u>16,856</u>	<u>42,799</u>
Total comprehensive income attributable to:						
Equity holders of the Company		32,685	33,609	38,439	15,258	41,020
Non-controlling interests		<u>1,726</u>	<u>1,934</u>	<u>1,885</u>	<u>810</u>	<u>2,496</u>
		<u>34,411</u>	<u>35,543</u>	<u>40,324</u>	<u>16,068</u>	<u>43,516</u>
Earnings per share for profit attributable to equity holders of the Company						
- Basic and diluted earnings per share (expressed in RMB per share)	33	<u>0.76</u>	<u>0.77</u>	<u>0.93</u>	<u>0.37</u>	<u>0.94</u>
Dividends	34	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(d) Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company					Non- controlling interests	Total Equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
	RMB'000 (Note 17)	RMB'000 (Note 17)	RMB'000 (Note 19)	RMB'000 (Note 18)	RMB'000		
Balance at 1 January 2011	—	—	61,799	41,684	103,483	9,031	112,514
Comprehensive income							
Profit for the year	—	—	—	33,009	33,009	1,793	34,802
Currency translation differences	—	—	(324)	—	(324)	(67)	(391)
Total comprehensive income	—	—	(324)	33,009	32,685	1,726	34,411
Transactions with owners							
Share-based payment	—	—	1,401	—	1,401	69	1,470
Capital injection by then equity holder of a subsidiary	—	—	17,882	—	17,882	—	17,882
Dividends	—	—	—	—	—	(1,180)	(1,180)
Acquisition of non-controlling interests	—	—	38	—	38	(544)	(506)
Deem distribution to the Controlling Party	—	—	(1)	(7,022)	(7,023)	—	(7,023)
Appropriation to statutory reserve	—	—	4,158	(4,158)	—	—	—
Total transactions with owners	—	—	23,478	(11,180)	12,298	(1,655)	10,643
Balance at 31 December 2011	<u>—</u>	<u>—</u>	<u>84,953</u>	<u>63,513</u>	<u>148,466</u>	<u>9,102</u>	<u>157,568</u>
Balance at 1 January 2012	—	—	84,953	63,513	148,466	9,102	157,568
Comprehensive income							
Profit for the year	—	—	—	33,431	33,431	1,883	35,314
Currency translation differences	—	—	178	—	178	51	229

	<u>Attributable to equity holders of the Company</u>						<u>Non-controlling interests</u>	<u>Total Equity</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>			
	<i>RMB'000</i> <i>(Note 17)</i>	<i>RMB'000</i> <i>(Note 17)</i>	<i>RMB'000</i> <i>(Note 19)</i>	<i>RMB'000</i> <i>(Note 18)</i>	<i>RMB'000</i>	<i>RMB'000</i>		
Total comprehensive income	—	—	178	33,431	33,609	1,934	35,543	
Transactions with owners								
Capitalisation of retained earnings of a subsidiary	—	—	42,698	(42,698)	—	—	—	
Balance at 31 December 2012	<u>—</u>	<u>—</u>	<u>127,829</u>	<u>54,246</u>	<u>182,075</u>	<u>11,036</u>	<u>193,111</u>	
Balance at 1 January 2013	—	—	127,829	54,246	182,075	11,036	193,111	
Comprehensive income								
Profit for the year	—	—	—	40,249	40,249	2,098	42,347	
Currency translation differences	—	—	(1,810)	—	(1,810)	(213)	(2,023)	
Total comprehensive income	<u>—</u>	<u>—</u>	<u>(1,810)</u>	<u>40,249</u>	<u>38,439</u>	<u>1,885</u>	<u>40,324</u>	
Transactions with owners								
Reorganisation (Note 1.2)	89,631	191,363	(280,994)	—	—	—	—	
Capital injection by then equity holder of a subsidiary	—	—	31,730	—	31,730	—	31,730	
Capitalisation of amounts due to then shareholders of a subsidiary	—	—	36,588	—	36,588	—	36,588	
Appropriation to statutory reserve	—	—	4,241	(4,241)	—	—	—	
Total transactions with owners	<u>89,631</u>	<u>191,363</u>	<u>(208,435)</u>	<u>(4,241)</u>	<u>68,318</u>	<u>—</u>	<u>68,318</u>	
Balance at 31 December 2013	<u>89,631</u>	<u>191,363</u>	<u>(82,416)</u>	<u>90,254</u>	<u>288,832</u>	<u>12,921</u>	<u>301,753</u>	

	<u>Attributable to equity holders of the Company</u>						
	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total Equity</u>
	<i>RMB'000</i> <i>(Note 17)</i>	<i>RMB'000</i> <i>(Note 17)</i>	<i>RMB'000</i> <i>(Note 19)</i>	<i>RMB'000</i> <i>(Note 18)</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2014	<u>89,631</u>	<u>191,363</u>	<u>(82,416)</u>	<u>90,254</u>	<u>288,832</u>	<u>12,921</u>	<u>301,753</u>
Comprehensive income							
Profit for the period	—	—	—	40,682	40,682	2,117	42,799
Currency translation differences	—	—	338	—	338	379	717
Total comprehensive income	—	—	338	40,682	41,020	2,496	43,516
Transactions with owners							
Share-based payment	—	—	4,303	—	4,303	—	4,303
Dividends	—	—	—	—	—	(1,716)	(1,716)
Appropriation to statutory reserve	—	—	4,040	(4,040)	—	—	—
Total transactions with owners	—	—	8,343	(4,040)	4,303	(1,716)	2,587
Balance at 30 June 2014	<u>89,631</u>	<u>191,363</u>	<u>(73,735)</u>	<u>126,896</u>	<u>334,155</u>	<u>13,701</u>	<u>347,856</u>
(Unaudited)							
Balance at 1 January 2013	—	—	127,829	54,246	182,075	11,036	193,111
Comprehensive income							
Profit for the period	—	—	—	16,017	16,017	839	16,856
Currency translation differences	—	—	(759)	—	(759)	(29)	(788)
Total comprehensive income	—	—	(759)	16,017	15,258	810	16,068
Transactions with owners							
Appropriation to statutory reserve	—	—	4,241	(4,241)	—	—	—
Balance at 30 June 2013	—	—	131,311	66,022	197,333	11,846	209,179

(e) Consolidated Cash Flow Statements

	Note	Year ended 31 December			Six months ended 30 June	
		2011	2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(Unaudited)</i>						
Cash flows from operating activities						
Cash generated from operations	35	37,028	39,317	70,958	17,726	12,165
Interest paid		(180)	(359)	(335)	(321)	—
Income tax paid		(5,542)	(6,903)	(9,577)	(3,583)	(5,714)
Net cash inflow from operating activities		<u>31,306</u>	<u>32,055</u>	<u>61,046</u>	<u>13,822</u>	<u>6,451</u>
Cash flows from investing activities						
Acquisition of an associate		(12,560)	—	—	—	—
Purchase of land use rights		(5,000)	(20,773)	(621)	(621)	—
Purchase of property, plant and equipment		(44,793)	(23,208)	(14,224)	(7,147)	(4,858)
Acquisition of intangible assets	8	(443)	—	(347)	(347)	(2,274)
Loans to the Controlling Party	37	(17,920)	(18,984)	(1,010)	(1,010)	—
Repayments from the Controlling Party	37	—	18,564	17,366	—	1,984
Proceeds from disposal of an associate		790	—	—	—	19,067
Interest received from available-for-sale financial assets		561	—	786	418	1,621
Proceeds from disposal of property, plant and equipment	35	110	68	562	50	171
Dividends received from an associate		—	—	310	310	7,579
Purchases of available-for-sale financial assets		(135,000)	—	(116,000)	(76,000)	(150,000)
Collection of available-for-sale financial assets		<u>135,000</u>	<u>—</u>	<u>116,000</u>	<u>60,000</u>	<u>110,000</u>
Net cash (outflow)/inflow from investing activities		<u>(79,255)</u>	<u>(44,333)</u>	<u>2,822</u>	<u>(24,347)</u>	<u>(16,710)</u>

	Note	Year ended 31 December			Six months ended 30 June	
		2011	2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Cash flows from financing activities						
Proceeds from equity holders of certain subsidiaries		17,882	—	31,730	—	—
Acquisition of non-controlling interests		(506)	—	—	—	—
Proceeds from bank borrowings		20,017	11,000	—	—	—
Repayments of bank borrowings		(20,017)	—	(11,000)	(7,000)	—
Repayments to the Controlling Party	37	(12,118)	(24,689)	(30,414)	—	—
Dividends paid to the non-controlling interest		—	(1,180)	—	—	—
Borrowings from the Controlling Party	37	31,006	—	—	—	—
Repayments to other related parties	37	(24,878)	(2,397)	—	—	—
Deem distribution to the Controlling Party		(7,416)	—	—	—	—
Net cash inflow/(outflow) from financing activities		3,970	(17,266)	(9,684)	(7,000)	—
Net (decrease)/increase in cash and cash equivalents and bank overdrafts		(43,979)	(29,544)	54,184	(17,525)	(10,259)
Cash and cash equivalents and bank overdrafts at beginning of the year/period		130,184	84,832	55,249	55,249	109,556
Effect of foreign exchange rate changes on cash and cash equivalents and bank overdrafts		(1,373)	(39)	123	544	613
Cash and cash equivalents and bank overdrafts at end of the year/period	16	<u>84,832</u>	<u>55,249</u>	<u>109,556</u>	<u>38,268</u>	<u>99,910</u>

II NOTES TO THE FINANCIAL INFORMATION**1 General information of the Group and reorganisation****1.1 General information of the Group**

BBI Life Sciences Corporation (the “Company”) was incorporated in the Cayman Islands on 10 July 2013 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office was Floor 4, Willow House, Cricket Square, P.O. Box 2804 Grand Cayman KY1-1112, Cayman Islands. In September 2014, the Company’s registered office was changed to Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company, an investment holding company, and its subsidiaries (the “Group”) are principally engaged in the development, manufacture and sale of various life sciences research products used in scientific research, and the provision of life sciences related services. The products and services include mainly DNA synthesis products, genetic engineering services, life sciences research consumables and protein and antibody related products and services (the “Listing Business”).

1.2 Reorganisation

Prior to the Reorganisation and during the Relevant Periods, the Listing Business was conducted through 4 investment holding companies (LJ Venture Ltd., incorporated in Ontario, Canada, BBI Asia Limited and BBI International Limited, both incorporated in Hong Kong, and Shanghai Qisong Investment Consulting Company Limited (“BBI China”), incorporated in the PRC) and their subsidiaries. The Listing Business was controlled by Mr. Wang Qisong, Ms. Wang Luoia and Ms. Wang Jin, who were acting in concert during the Relevant Periods (the “Controlling Party”), through LJ Venture Ltd., BBI Asia Limited and BBI China with a controlling shareholding of 74.2% of the Listing Business.

In preparation of the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Listing”), the Group underwent a reorganisation (the “Reorganisation”) which principally involved:

- (a) The Company was incorporated on 10 July 2013 with an initial authorised share capital of NT\$1 billion divided into 100 million shares of NT\$10.00 each. On the date of incorporation, one share of NT\$10.00 was allotted and issued nil paid as subscriber’s share to Offshore Incorporations (Cayman) Limited which in turn transferred such one share to LJ Venture Ltd. at par. On the same day, 95 shares, 2 shares and 2 shares of NT\$10.00 each were allotted and issued as fully-paid at par to LJ Venture Ltd., LJ Hope Ltd. and LJ Peace Ltd. (LJ Hope Ltd. and LJ Peace Ltd were incorporated in Canada on 26 June 2013 by the Controlling Party) respectively.

- (b) On 25 October 2013, 10,988,730 shares of NT\$10.00 each of the Company were allotted and issued to LJ Venture Ltd. in exchange for the transfer of 5,080,640 shares of US\$1.00 each of the total issued shares of BBI Asia Limited from LJ Venture Ltd. to the Company pursuant to a share exchange agreement dated 25 October 2013. Upon completion of such share exchange, BBI Asia Limited became direct wholly-owned subsidiary of the Company.
- (c) On 22 November 2013, the Controlling Party and the non-controlling shareholders transferred the entire registered capital of BBI China to BBI Asia Limited. The consideration of such transfer was satisfied by way of BBI Asia Limited issued and allotted 7,892,158 shares to the Company, and the Company issued and allotted 934,041 shares, 20,356,608 shares and 2,060,372 shares of NT\$10.00 each to LJ Hope Ltd., LJ Peace Ltd. and LJ Venture Ltd. respectively. Upon the completion of such transfers, the entire registered capital of BBI China was owned by BBI Asia Limited, and BBI China became an indirect wholly-owned subsidiary of the Company.
- (d) On 31 December 2013, Qiming Venture Partners II L.P. ("QVP II"), Qiming Venture Partners II-C, L.P. ("QVP II-C") and Qiming Managing Directors Fund II, L.P. ("QMDF"), the then shareholders of BBI International Limited transferred their entire interest in the issued share capital of BBI International Limited, which in aggregate consisted of 45,325,655 shares of HK\$1.00 each, to the Company in consideration of the Company's allotting and issuing 8,308,372 shares, 728,001 shares and 120,876 shares of NT\$10.00 each to QVP II, QVP II-C and QMDF respectively. Upon completion of such share exchange, BBI International Limited became the direct wholly-owned subsidiary of the Company.

Upon completion of the Reorganisation, the Company became the holding company of the Group, and the shareholders of the Company were LJ Hope Ltd., LJ Peace Ltd., LJ Venture Ltd., QVP II, QVP II-C and QMDF. The ultimate controlling party was the Controlling Party with the controlling shareholding of 74.2% of the Group.

The Company's direct and indirect interests in its subsidiaries as at the date indicated and the date of this report are set out in Note 39.

1.3 *Basis of presentation*

Immediately prior to and after the Reorganisation, the Listing Business is owned and controlled by the Controlling Party. Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owner of the Listing Business remains the same. Accordingly, the consolidated financial information of the companies comprising the Group is presented using the carrying values of the Listing Business for all periods presented, as if the current group structure had been in existence throughout the Relevant Periods or since the respective dates when these companies first came under the control of the Controlling Party, whichever is the shorter period.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods.

2.1 Basis of preparation

The financial information of the Company has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) under the historical convention.

The preparation of the financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in Note 4 below.

Up to the date of issue of this report, the HKICPA has issued following new standards, amendments and interpretations which are relevant to the Group’s operations but are not yet effective for the annual accounting period beginning on 1 January 2014 and which have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 19	Defined benefit plans	1 July 2014
Annual improvements 2012	Affect the following standards	1 July 2014
	<ul style="list-style-type: none"> • HKFRS 2, ‘Share-based payment’ • HKFRS 3, ‘Business combinations’ and consequential amendments to HKFRS 9, ‘Financial instruments’, HKAS 37, ‘Provisions, contingent liabilities and contingent assets’, and HKAS 39, ‘Financial instruments — Recognition and measurement’ • HKFRS 8, ‘Operating segments’ • HKAS 16, ‘Property, plant and equipment’ and HKAS 38, ‘Intangible assets’ • HKAS 24, ‘Related Party Disclosures’ 	
Annual improvements 2013	Affect the following standards	1 July 2014
	<ul style="list-style-type: none"> • HKFRS 3, ‘Business combinations’ • HKFRS 13, ‘Fair value measurement’ • HKAS 40, ‘Investment property’ 	

		Effective for annual periods beginning on or after
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IFRS/HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Bearer plants	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendment to HKAS 27	Equity method	1 January 2016
Annual improvements 2014	Affect the following standards	1 July 2016
	<ul style="list-style-type: none"> • HKFRS 5, 'Non-current assets held for sale and discontinued operations' • HKFRS 7, 'Financial instruments: Disclosures' • HKAS 19, 'Employee benefits' 	
HKFRS15	HKAS 34, 'Interim financial reporting'	
	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

The Group is in the process of assessing the impact of these standards, amendments and interpretations on the Financial Information of the Group.

2.2 *Subsidiaries*

2.2.1 *Consolidation*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations under common control

Business combinations under common control refers to combinations where the combining entities are controlled by the same party or parties before and after the combination and that control is not transitory.

The acquirer measures both the consideration paid and net assets obtained at their carrying amounts. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid is recorded in other reserve. Any direct transaction cost attributable to the business combination is recorded in the consolidated statement of comprehensive income in the current period. However, the handling fees, commissions and other expenses incurred for the issuance of equity instruments or bonds for the business combination are recorded in the initial measurement of the equity instruments and bonds respectively.

(b) Business combinations not under common control

The Group uses the acquisition method of accounting to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable. Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 *Associated companies*

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in OCI are reclassified to profit or loss where appropriate.

The Group's share of its associated company, post-acquisition profits or losses is recognised in the consolidated statements of comprehensive income, and its share of post-acquisition movements in OCI is recognised in OCI. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'Share of profit of an associate' in the consolidated statements of comprehensive income.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associated companies are recognised in the statement of comprehensive income.

2.4 *Segment reporting*

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

2.5 *Foreign currency translation*

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Information are presented in RMB, which is the Group's presentation currency.

(b) *Transactions and balances*

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statements of comprehensive income within “finance income or cost”. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within “other (losses)/gains — net”.

(c) *Group companies*

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates the transactions); and
- (iii) all resulting exchange differences are recognised in OCI.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to OCI. When a foreign operation is partially disposed of or sold, corresponding exchange differences that are recorded in OCI are recognised in the consolidated statements of comprehensive income as part of the gains or losses on sale.

2.6 *Property, plant and equipment*

Construction-in-progress (the “CIP”) represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalised borrowing costs. No depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

Land is stated at cost less accumulated impairment losses, if any. Cost represents consideration paid for the purchase of the land. Freehold land is not subject to depreciation.

Other property, plant and equipment are stated at historical cost less depreciation and impairment (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings	20 years
- Machinery and equipment	10 years
- Office equipments	3 - 5 years
- Other equipments	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

2.7 *Land use rights*

All land in the People's Republic of China (the "PRC") is state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the rights to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as land use rights, which are amortised over the lease periods of 50 years using the straight-line method. The land use rights are stated at historical cost less accumulated amortisation and impairment.

2.8 *Intangible assets*

(a) *Computer software*

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. The costs are amortised over their estimated useful lives of 5 years.

(b) *Patent*

Separately acquired patent is shown at historical cost. Patent has finite useful lives and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patent over their estimated useful lives of 5 years.

(c) *Development costs*

Development costs that are directly attributable to the design and testing of identifiable assets controlled by the Group are recognised as intangible assets when the following criteria are met:

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

Development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs recognised as assets are amortised over their estimated useful lives.

2.9 *Impairment of investments in subsidiaries and non-financial assets*

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

2.10 *Financial assets*

(a) *Classification*

The Group classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade and bills receivables", "deposits and other receivables", "due from related parties", "cash and cash equivalents" and "other non-current assets" in the balance sheet.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(b) *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income as 'other (losses)/gains — net'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

(c) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(d) *Impairment*

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets

is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statements of comprehensive income.

Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statements of comprehensive income.

2.11 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services provided in the ordinary course of business. If collection of trade and other receivables is expected within one year, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.14 Share capital

Ordinary shares are classified as equity.

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

2.15 Trade payables

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

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

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

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18 *Current and deferred income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

(a) *Current income tax*

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

(b) *Deferred income tax*

Inside basis differences

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

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

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

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 *Employee benefits*

In accordance with the rules and regulations in the PRC, the Group has arranged for its PRC employees to join defined contribution plans, including pension, medical, housing and other welfare benefits, organised by the PRC government. According to the relevant regulations, the monthly contributions that should be borne by the PRC subsidiaries of the Company are calculated based on percentages of the total salary of employees, subject to a certain ceiling. The assets of these plans are held separately from those of the Group in independent funds managed by the PRC government.

The non-PRC employees are covered by other defined contribution pension plans sponsored by respective local governments.

The Group has no further payment obligations once the above contributions have been paid. The Group's contributions to these plans are charged to the consolidated statement of comprehensive income as incurred.

2.20 *Share-based payments*

(a) *Equity-settled share-based payment transactions*

The Group operates an equity-settled, share-based compensation plans, under which the entity receives services from directors and employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and an employee remaining on service of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions (longer of service condition and a successful initial public offering ("IPO") condition) are to be satisfied. At the end of each reporting

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

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

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity on the Company's financial statements.

(b) *Share-based payments — modification*

If the terms of an equity-settled share-based payment transaction are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

2.21 *Provisions*

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

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

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

2.22 *Revenue recognition*

Revenue comprises the fair value of the consideration received or receivables for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- (i) Revenue from the sales of goods is recognised when the risks and rewards of the goods have been transferred to the customer, which is usually at the date when a group entity has delivered products to the customer and the customer has accepted the products, the collectability of the related receivables is reasonably assumed and there is no unfulfilled obligation that could affect the customer's acceptance of the products.
- (ii) Service income is recognised when the services have been rendered and it is probable that the economic benefits will flow to the Group and the relevant fees can be measured reliably.
- (iii) Dividend income is recognised when the right to receive payment is established.

2.23 *Interest Income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.24 *Government grants*

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

Government grants relating to costs are deferred and recognised in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statements of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.25 *Operating Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

2.26 *Contingent liabilities and contingent assets*

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.27 *Dividend distribution*

Dividend distribution to the Company's shareholders is recognised as a liability in the Financial Information in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

3 Financial risk management

3.1 *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Market risk*

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. However, the Group has certain trade receivables, cash and cash equivalents, trade payables and borrowings denominated in HKD, CAD, USD, which is exposed to foreign currency translation risk. Details of the Group's trade and bills receivables, cash and cash equivalents, trade payables, borrowings are disclosed in Notes 12, 16, 22 and 24 of this section respectively.

Most foreign exchange transactions were denominated in USD. As at 31 December 2011, 2012 and 2013 and 30 June 2013 and 30 June 2014, if RMB had strengthened/weakened by 10% against the USD with all other variables held constant, net profit for the year/period would have been RMB 106,000 higher/lower, RMB 876,000 lower/higher, RMB 436,000 lower/higher, RMB 433,000 lower/higher and RMB 802,000 lower/higher respectively.

(ii) Cash flow and fair value interest rate risk

Except for cash and cash equivalents, the Group has no other significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of cash and cash equivalent are not expected to change significantly.

The Group's interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The Group does not hedge its cash flow and fair value interest rate risk. At 31 December 2011, 2012 and 2013 and 30 June 2014, all the bank borrowings are at fixed rates. The interest rates and terms of repayments of borrowings are disclosed in Note 24.

(b) *Credit risk*

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, trade and bills receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions. Certain Group's sales are settled in cash by its customers on delivery of goods. Credit sales are made only to selected customers with good credit history. The Group has policies in place to ensure that trade receivables are followed up on a timely basis.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Group has no significant concentration risk. The carrying amounts of cash and cash equivalents, trade and bills receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

At 31 December 2011, 2012 and 2013 and 30 June 2014, all cash and cash equivalents were placed in highly reputable and sizable banks and financial institutions without significant credit risk. The table below shows bank deposits and cash at bank balances by counterparties:

	As at 31 December			As at
	2011	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The Group				
Counterparties				
- Big 4 PRC banks*	52,570	38,468	104,606	83,619
- Other PRC commercial banks	2,676	12,231	1,860	1,593
- Non-PRC banks	29,563	4,528	3,055	14,660
	<u>84,809</u>	<u>55,227</u>	<u>109,521</u>	<u>99,872</u>

* Big 4 PRC banks comprise Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation.

(c) *Liquidity risk*

Cash flow is managed at group level by head office finance department (“Group Finance”). Group Finance monitors the Group’s liquidity requirements to ensure that it has sufficient cash to meet operational needs at all times and does not breach borrowing limits or covenants on any of its borrowing facilities. Group Finance usually takes into consideration the Group’s debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

Group Finance mainly invests surplus cash in time deposits, with appropriate maturities.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within			
	1 year	1-2 years	2-5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2011				
Borrowings	51	—	—	51
Trade payables	8,806	—	—	8,806
Other payables	5,368	—	—	5,368
Due to related parties	102,933	—	—	102,933
	<u>117,158</u>	<u>—</u>	<u>—</u>	<u>117,158</u>
As at 31 December 2012				
Borrowings	11,251	—	—	11,251
Interest payments on borrowings	359	—	—	359
Trade payables	4,901	—	—	4,901
Other payables	4,097	—	—	4,097
Due to related parties	67,631	—	—	67,631
	<u>88,239</u>	<u>—</u>	<u>—</u>	<u>88,239</u>
As at 31 December 2013				
Trade payables	6,824	—	—	6,824
Other payables	663	—	—	663
Due to related parties	24	—	—	24
	<u>7,511</u>	<u>—</u>	<u>—</u>	<u>7,511</u>
As at 30 June 2014				
Trade payables	8,064	—	—	8,064
Other payables	3,461	—	—	3,461
	<u>11,525</u>	<u>—</u>	<u>—</u>	<u>11,525</u>

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's abilities to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheets) less cash and cash equivalents, and restricted cash. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt.

	As at 31 December			As at
				30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Total bank borrowings (Note 24)	51	11,251	—	—
Less: Cash and cash equivalents (Note 16(a))	(84,883)	(55,500)	(109,556)	(99,910)
Net cash	<u>(84,832)</u>	<u>(44,249)</u>	<u>(109,556)</u>	<u>(99,910)</u>

Gearing ratio is not applicable since the Group has a net cash position.

3.3 Fair value estimation

There are no assets or liabilities that are measured at fair value as at 31 December 2011, 2012, and 2013. The carrying value of cash and cash equivalents, trade and bills receivables less impairment, trade payables, due from/to related parties, and borrowings are assumed to approximate their fair values. The table below analyses financial instruments carried at fair value by valuation method as at 30 June 2014.

The different levels for valuation method have been defined as follows:

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

The table below presents the Group's financial assets that are measured at fair value at 30 June 2014.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Available-for-sale financial assets				
- Debenture securities (note 15)	<u>—</u>	<u>—</u>	<u>40,000</u>	<u>40,000</u>

As at 30 June 2014, the fair value of available-for-sale financial assets approximated the carrying value due to short maturity date.

4 Critical accounting estimates and judgements

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

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

(i) *Useful lives of property, plant and equipment*

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) *Estimated write-downs of inventories*

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying values of inventories and write-downs of inventories in the period in which such estimate has been changed.

(iii) *Impairment of trade and other receivables*

The Group's management estimates the provision of impairment of trade and other receivables by assessing their recoverability. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivable and impairment charge in the period in which such estimate has been changed.

(iv) *Current tax and deferred tax*

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and provisions in the period in which such determination is made.

Deferred income tax assets and liabilities are determined using tax rates that are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled. The expected applicable tax rate is determined based on the enacted tax laws and regulations and the actual situation of the Group. The management of the Group will revise the expectation where the intending tax rate is different from the original expectation.

5 Segment information

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on the internal reports provided for review by the Executive Directors. The Executive Directors consider the performance of the Group from a product perspective. The Executive Directors assess the performance of the operating segments based on a measure of gross profit for the year and for the period which is consistent with that in the consolidated financial statements.

The Group's operations are mainly organised under the following business segments: DNA synthesis products, genetic engineering services, life sciences research consumables and protein and antibody related products and services.

The amounts provided to Executive Directors with respect to total assets, total liabilities and capital expenditure are measured in a manner consistent with that of consolidated financial statements. Executive Directors review the total assets, total liabilities and capital expenditure at Group level, therefore no segment information of total assets, total liabilities and capital expenditure information was presented.

(a) *Revenue*

The Group's revenue which represents turnover for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 is as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
DNA synthesis products	70,082	81,187	91,117	42,610	48,649
Genetic engineering services	23,263	31,603	41,872	18,574	22,330
Life sciences research consumables	58,761	61,768	70,838	32,984	36,647
Protein and antibody related products and services	8,010	11,799	16,161	7,421	12,360
Total	<u>160,116</u>	<u>186,357</u>	<u>219,988</u>	<u>101,589</u>	<u>119,986</u>

(b) *Segment information*

The segment information for the year ended 31 December 2011 is as follows:

	DNA synthesis products	Genetic engineering services	Life science research consumables	Protein and antibody related products and services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment sales	<u>70,082</u>	<u>23,263</u>	<u>58,761</u>	<u>8,010</u>	<u>160,116</u>
Segment cost of sales	<u>(19,919)</u>	<u>(9,650)</u>	<u>(34,283)</u>	<u>(3,889)</u>	<u>(67,741)</u>
Segment gross profit	<u>50,163</u>	<u>13,613</u>	<u>24,478</u>	<u>4,121</u>	<u>92,375</u>

The segment information for the year ended 31 December 2012 is as follows:

	DNA synthesis products	Genetic engineering services	Life science research consumables	Protein and antibody related products and services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment sales	<u>81,187</u>	<u>31,603</u>	<u>61,768</u>	<u>11,799</u>	<u>186,357</u>
Segment cost of sales	<u>(27,366)</u>	<u>(17,087)</u>	<u>(31,442)</u>	<u>(7,942)</u>	<u>(83,837)</u>
Segment gross profit	<u>53,821</u>	<u>14,516</u>	<u>30,326</u>	<u>3,857</u>	<u>102,520</u>

The segment information for the year ended 31 December 2013 is as follows:

	DNA synthesis products	Genetic engineering services	Life science research consumables	Protein and antibody related products and services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment sales	<u>91,117</u>	<u>41,872</u>	<u>70,838</u>	<u>16,161</u>	<u>219,988</u>
Segment cost of sales	<u>(41,226)</u>	<u>(21,661)</u>	<u>(35,181)</u>	<u>(10,830)</u>	<u>(108,898)</u>
Segment gross profit	<u>49,891</u>	<u>20,211</u>	<u>35,657</u>	<u>5,331</u>	<u>111,090</u>

The segment information for the six months ended 30 June 2014 is as follows:

	DNA synthesis products	Genetic engineering services	Life science research consumables	Protein and antibody related products and services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment sales	<u>48,649</u>	<u>22,330</u>	<u>36,647</u>	<u>12,360</u>	<u>119,986</u>
Segment cost of sales	<u>(19,955)</u>	<u>(10,831)</u>	<u>(18,848)</u>	<u>(7,039)</u>	<u>(56,673)</u>
Segment gross profit	<u>28,694</u>	<u>11,499</u>	<u>17,799</u>	<u>5,321</u>	<u>63,313</u>

The segment information for the six months ended 30 June 2013 is as follows:

(Unaudited)	DNA	Genetic	Life	Protein and	Total
	synthesis	engineering	science	antibody	
	products	services	research	related	
	and services		consumables	products	
				and services	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment sales	42,610	18,574	32,984	7,421	101,589
Segment cost of sales	(19,730)	(9,200)	(18,036)	(4,065)	(51,031)
Segment gross profit	22,880	9,374	14,948	3,356	50,558

(c) *Entity-Wide information*

Analysis of the Group's sales to external customers in different countries is as follows:

	Year ended 31 December			Six months ended	
				30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
PRC	122,015	139,445	165,164	73,303	87,946
Overseas countries	38,101	46,912	54,824	28,286	32,040
	160,116	186,357	219,988	101,589	119,986

The total of non-current assets other than financial assets and deferred income tax assets located in different countries is as follows:

	As at 31 December			As at 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
Total non-current assets other than deferred income tax assets					
- PRC	107,668	141,713	149,015	144,686	143,402
- Overseas countries	20,415	21,079	18,624	19,792	18,506
Deferred income tax assets	671	881	1,844	1,583	2,116
	128,754	163,673	169,483	166,061	164,024

6 Property, plant and equipment — Group

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipments</u>	<u>Others</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2011							
Cost	—	37,650	31,124	2,499	2,130	—	73,403
Accumulated depreciation	—	(6,045)	(4,406)	(1,039)	(375)	—	(11,865)
Net book amount	—	31,605	26,718	1,460	1,755	—	61,538
Year ended							
31 December 2011							
Opening net book amount	—	31,605	26,718	1,460	1,755	—	61,538
Additions	7,968	23,599	13,324	878	3,344	—	49,113
Disposals (Note 35)	—	—	(143)	(8)	(318)	—	(469)
Depreciation (Note 35)	—	(1,942)	(3,354)	(498)	(500)	—	(6,294)
Exchange difference	(209)	(337)	—	(1)	1	—	(546)
Closing net book amount	7,759	52,925	36,545	1,831	4,282	—	103,342
At 31 December 2011							
Cost	7,759	60,905	44,268	3,362	4,982	—	121,276
Accumulated depreciation	—	(7,980)	(7,723)	(1,531)	(700)	—	(17,934)
Net book amount	7,759	52,925	36,545	1,831	4,282	—	103,342
Year ended							
31 December 2012							
Opening net book amount	7,759	52,925	36,545	1,831	4,282	—	103,342
Additions	—	846	16,404	664	1,263	—	19,177
Disposals (Note 35)	—	—	(46)	(1)	(66)	—	(113)
Depreciation (Note 35)	—	(2,661)	(4,618)	(512)	(1,074)	—	(8,865)
Exchange difference	176	251	7	—	—	—	434
Closing net book amount	7,935	51,361	48,292	1,982	4,405	—	113,975

APPENDIX I

ACCOUNTANT'S REPORT

	Land	Buildings	Machinery and equipment	Office equipments	Others	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2012							
Cost	7,935	62,012	60,622	3,984	6,190	—	140,743
Accumulated depreciation	—	(10,651)	(12,330)	(2,002)	(1,785)	—	(26,768)
Net book amount	<u>7,935</u>	<u>51,361</u>	<u>48,292</u>	<u>1,982</u>	<u>4,405</u>	<u>—</u>	<u>113,975</u>
Year ended							
31 December 2013							
Opening net book amount	7,935	51,361	48,292	1,982	4,405	—	113,975
Additions	—	132	11,145	778	709	1,285	14,049
Disposals (Note 35)	—	(50)	(926)	(14)	(12)	—	(1,002)
Depreciation (Note 35)	—	(2,627)	(5,450)	(635)	(1,250)	—	(9,962)
Exchange difference	(332)	(1,074)	(911)	(21)	(33)	—	(2,371)
Closing net book amount	<u>7,603</u>	<u>47,742</u>	<u>52,150</u>	<u>2,090</u>	<u>3,819</u>	<u>1,285</u>	<u>114,689</u>
At 31 December 2013							
Cost	7,603	60,859	70,054	4,726	6,855	1,285	151,382
Accumulated depreciation	—	(13,117)	(17,904)	(2,636)	(3,036)	—	(36,693)
Net book amount	<u>7,603</u>	<u>47,742</u>	<u>52,150</u>	<u>2,090</u>	<u>3,819</u>	<u>1,285</u>	<u>114,689</u>
Six months ended							
30 June 2014							
Opening net book amount	7,603	47,742	52,150	2,090	3,819	1,285	114,689
Additions	—	6	2,350	537	733	1,404	5,030
Disposals (Note 35)	—	—	(120)	—	(82)	—	(202)
Depreciation (Note 35)	—	(1,305)	(2,841)	(326)	(682)	—	(5,154)
Exchange difference	(358)	67	336	46	28	—	119
Closing net book amount	<u>7,245</u>	<u>46,510</u>	<u>51,875</u>	<u>2,347</u>	<u>3,816</u>	<u>2,689</u>	<u>114,482</u>
At 30 June 2014							
Cost	7,245	60,902	72,587	5,299	7,527	2,689	156,249
Accumulated depreciation	—	(14,392)	(20,712)	(2,952)	(3,711)	—	(41,767)
Net book amount	<u>7,245</u>	<u>46,510</u>	<u>51,875</u>	<u>2,347</u>	<u>3,816</u>	<u>2,689</u>	<u>114,482</u>

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipments</u>	<u>Others</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)							
Six months ended							
30 June 2013							
Opening net book amount	7,935	51,361	48,292	1,982	4,405	—	113,975
Additions	—	—	6,938	—	—	209	7,147
Disposals (Note 35)	—	(50)	(47)	(1)	(4)	—	(102)
Depreciation (Note 35)	—	(1,326)	(2,946)	(238)	(606)	—	(5,116)
Exchange difference	(535)	(745)	(59)	(67)	(119)	—	(1,525)
Closing net book amount	<u>7,400</u>	<u>49,240</u>	<u>52,178</u>	<u>1,676</u>	<u>3,676</u>	<u>209</u>	<u>114,379</u>
At 30 June 2013							
Cost	7,400	61,217	67,454	3,916	6,068	209	146,264
Accumulated depreciation	—	(11,977)	(15,276)	(2,240)	(2,392)	—	(31,885)
Net book amount	<u>7,400</u>	<u>49,240</u>	<u>52,178</u>	<u>1,676</u>	<u>3,676</u>	<u>209</u>	<u>114,379</u>

(a) Depreciation expense has been charged to the consolidated statements of comprehensive income as follows:

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013</u>	<u>2014</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales	4,239	5,939	7,565	3,961	3,874
Administrative expenses	1,434	2,247	1,920	1,015	948
Selling and distribution costs	621	679	477	140	332
	<u>6,294</u>	<u>8,865</u>	<u>9,962</u>	<u>5,116</u>	<u>5,154</u>

7 Land use rights — Group

Land use rights represent the net book amount of prepaid operating lease payments. All the land use rights of the Group are located in the PRC and are held on leases of 50 years.

Movements in land use rights are as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Opening	6,388	6,246	31,877	31,877	31,520
Transfer from prepayment for land use right	—	5,000	—	—	—
Additions	—	20,773	621	621	—
Amortisation (Note 35)	(142)	(142)	(978)	(643)	(335)
	<u>6,246</u>	<u>31,877</u>	<u>31,520</u>	<u>31,855</u>	<u>31,185</u>

(a) Amortisation expense has been charged to “general and administrative expenses” in the consolidated statements of comprehensive income.

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
General and administrative expenses	<u>142</u>	<u>142</u>	<u>978</u>	<u>643</u>	<u>335</u>

8 Intangible assets — Group

	Computer software	Patent	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2011			
Cost	350	59	409
Accumulated amortisation	(71)	(15)	(86)
Net book amount	<u>279</u>	<u>44</u>	<u>323</u>
Year ended 31 December 2011			
Opening net book amount	279	44	323
Additions	443	—	443
Amortisation (Note 35)	(118)	(12)	(130)
Closing net book amount	<u>604</u>	<u>32</u>	<u>636</u>
At 31 December 2011			
Cost	793	59	852
Accumulated amortisation	(189)	(27)	(216)
Net book amount	<u>604</u>	<u>32</u>	<u>636</u>
Year ended 31 December 2012			
Opening net book amount	604	32	636
Amortisation (Note 35)	(159)	(12)	(171)
Closing net book amount	<u>445</u>	<u>20</u>	<u>465</u>
At 31 December 2012			
Cost	793	59	852
Accumulated amortisation	(348)	(39)	(387)
Net book amount	<u>445</u>	<u>20</u>	<u>465</u>
Year ended 31 December 2013			
Opening net book amount	445	20	465
Additions	—	347	347
Amortisation (Note 35)	(159)	(12)	(171)
Closing net book amount	<u>286</u>	<u>355</u>	<u>641</u>
At 31 December 2013			
Cost	793	406	1,199
Accumulated amortisation	(507)	(51)	(558)
Net book amount	<u>286</u>	<u>355</u>	<u>641</u>

	Computer software	Patent	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 30 June 2014			
Opening net book amount	286	355	641
Additions	2,274	—	2,274
Amortisation (Note 35)	(67)	(238)	(305)
Closing net book amount	<u>2,493</u>	<u>117</u>	<u>2,610</u>
At 30 June 2014			
Cost	3,067	406	3,473
Accumulated amortisation	(574)	(289)	(863)
Net book amount	<u>2,493</u>	<u>117</u>	<u>2,610</u>
(Unaudited)			
Six months ended 30 June 2013			
Opening net book amount	445	20	465
Additions	—	347	347
Amortisation (Note 35)	(79)	(5)	(84)
Closing net book amount	<u>366</u>	<u>362</u>	<u>728</u>
At 30 June 2013			
Cost	793	406	1,199
Accumulated amortisation	(427)	(44)	(471)
Net book amount	<u>366</u>	<u>362</u>	<u>728</u>

Amortisation expense has been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Administrative expenses	<u>130</u>	<u>171</u>	<u>171</u>	<u>84</u>	<u>305</u>

9 Investments in subsidiaries — Company

(a) Investments in subsidiaries

	As at 31 December 2013	As at 30 June 2014
	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted investments, at cost	281,543	284,125
Capital contribution relating to share-based payment	—	4,303
	<u>281,543</u>	<u>288,428</u>

The capital contribution relating to share based payment refers to 3,198,000 share options granted by the Company to employees of subsidiary undertakings in the Group. Refer to note 20 for further details on the Group's share option schemes.

During the Relevant Periods, the non-controlling interests are Shanghai Shengjie Investment Company Limited and Shanghai Shengji Investment Company Limited, which are both non-controlling shareholders of Sangon Biotech Engineering (Shanghai) Company Limited (“Sangon Biotech”), the only major operating sub-group of the Group.

10 Investment in an associate — Group

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
At 1 January	—	12,776	16,033	16,033	20,425
Addition	12,560	—	—	—	—
Disposal	(823)	—	—	—	(14,580)
Dividend declared	—	—	(310)	(310)	(7,579)
Share of profit	1,039	3,257	4,702	1,640	1,734
At 31 December/ 30 June	<u>12,776</u>	<u>16,033</u>	<u>20,425</u>	<u>17,363</u>	<u>—</u>

The assets and liabilities and results of the associate are as follows:

In March 2011, the Group invested RMB 12,560,000 into Shanghai PrimeGene Bio-Tech Co., Ltd. (“PrimeGene”) and obtained 33% equity interest in PrimeGene.

In December 2011, the Group disposed 2% equity interest in PrimeGene to another then shareholder of PrimeGene with the consideration of RMB 791,000 and recorded a disposal loss of RMB 33,000.

In April 2014, the Group disposed its remaining equity interest in PrimeGene to a third-party company, with the consideration of USD 7,114,000 and recorded a disposal gain of RMB 26,386,000. As at 30 June 2014, the Group has collected USD 3,100,000 for the disposal consideration. For the remaining consideration, the buyer committed to pay USD 604,000, USD 930,000, USD 1,240,000 and USD 1,240,000, respectively on 31 October 2014, 30 April 2015, 30 April 2016 and 30 April 2017.

Set out below is the associate of the Group as at 31 December 2011, 2012 and 2013, which, in the opinion of the directors, is material to the Group. The associate as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group and the country of incorporation or registration is also its principal place of business.

Nature of investment in an associate as at 31 December 2011, 2012 and 2013:

<u>Name of entity</u>	<u>Place of business/country of incorporation</u>	<u>% of ownership interest</u>	<u>Nature of the relationship</u>	<u>Measurement method</u>
PrimeGene	Shanghai, China	31	Note 1	Equity

Note 1: PrimeGene provides products and services for protein categories. PrimeGene was strategic to the Group for variety of products the Group provides.

PrimeGene is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the associate.

Summarised balance sheets

	<u>As at 31 December</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current			
Total current assets	<u>18,361</u>	<u>24,638</u>	<u>12,628</u>
Total current liabilities	<u>1,431</u>	<u>1,532</u>	<u>1,877</u>
Non-current			
Total non-current assets	<u>17,928</u>	<u>22,259</u>	<u>49,271</u>
Total non-current liabilities	<u>—</u>	<u>—</u>	<u>490</u>

Summarised statements of comprehensive income

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	11,273	20,436	26,849
Profit for the year	<u>3,397</u>	<u>10,507</u>	<u>15,166</u>
Total comprehensive income	<u>3,397</u>	<u>10,507</u>	<u>15,166</u>
Dividend received from associate	<u>—</u>	<u>—</u>	<u>310</u>

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associate:

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening net assets 1 January	31,461	34,858	45,366
Profit for the year	3,397	10,507	15,166
Dividend	—	—	(1,000)
Closing net assets	<u>34,858</u>	<u>45,365</u>	<u>59,532</u>
Interest in the associate (31%)	10,806	14,063	18,455
Goodwill	1,970	1,970	1,970
Carrying value	<u>12,776</u>	<u>16,033</u>	<u>20,425</u>

11 **Inventories — Group**

	As at 31 December			As at
	2011	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	27,147	25,498	28,819	31,166
Work in progress	—	732	289	183
Finished goods	9,126	17,778	17,146	19,346
	36,273	44,008	46,254	50,695
Less: inventory provision	(1,247)	(2,888)	(4,316)	(3,101)
	<u>35,026</u>	<u>41,120</u>	<u>41,938</u>	<u>47,594</u>

Inventory provision of RMB1,247,000, RMB 1,641,000, RMB1,428,000 and RMB0 were recognised for the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2014 respectively. Inventory provision/reversal of inventory provision has been included in “cost of sales” in the consolidated statements of comprehensive income.

The cost of inventory amounting to approximately RMB 66,494,000, RMB 82,196,000, RMB 107,470,000 and RMB 56,673,000 for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 (for the six months ended 30 June 2013 (unaudited): RMB 51,031,000) respectively has been recognised as cost of sales.

12 Trade and bills receivables — Group

	As at 31 December			As at
	2011	2012	2013	30 June
	RMB'000	RMB'000	RMB'000	2014
Trade and bills receivables	37,657	40,454	45,560	63,034
Less: provision for impairment of trade receivables	(3,374)	(4,642)	(3,655)	(2,207)
Trade and bills receivables - net	<u>34,283</u>	<u>35,812</u>	<u>41,905</u>	<u>60,827</u>

The carrying amounts of the trade and bills receivables are denominated in the following currencies:

	As at 31 December			As at
	2011	2012	2013	30 June
	RMB'000	RMB'000	RMB'000	2014
RMB	28,601	31,507	38,212	53,946
CAD	1,090	1,666	713	1,017
USD	7,966	7,281	6,635	8,071
	<u>37,657</u>	<u>40,454</u>	<u>45,560</u>	<u>63,034</u>

The maximum exposure to credit risk at the reporting date is the carrying value of trade and bills receivables, net off the according provision. The Group does not hold any collateral as security as at each balance sheet date.

The majority of the Group's sales are on credit with credit terms ranging from 1 month to 6 months. Trade receivables are non-interest bearing.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the ageing analysis of the trade and bills receivables based on invoice date was as follows:

	As at 31 December			As at
	2011	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	15,752	17,625	29,457	41,885
3 to 6 months	10,509	8,868	6,872	11,658
6 to 12 months	8,007	10,429	6,092	7,327
Over 12 months	3,389	3,532	3,139	2,164
	<u>37,657</u>	<u>40,454</u>	<u>45,560</u>	<u>63,034</u>

As at 31 December 2011, 2012 and 2013, and 30 June 2014, trade receivables of RMB 9,392,000, RMB 18,877,000, RMB 13,917,000 and RMB 17,435,000, respectively, were past due but not impaired. These relate to a number of independent customers for whom there were no recent history of default.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, trade receivables of RMB 5,845,000, RMB 7,553,000 and RMB 5,324,000 and RMB 3,346,000 were impaired and provided for. The amount of the provision was RMB 3,374,000, RMB 4,642,000 and RMB 3,655,000 and RMB 2,207,000. The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations and are therefore provided for. The ageing analysis of these receivables was as follows:

	As at 31 December			As at
	2011	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
6 to 12 months	2,456	4,021	2,185	1,182
Over 12 months	3,389	3,532	3,139	2,164
	<u>5,845</u>	<u>7,553</u>	<u>5,324</u>	<u>3,346</u>

Movements on the Group's provision for impairment of trade and bills receivables are as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	1,772	3,374	4,642	4,642	3,655
Provision/(reversal of provision) for impairment	1,602	1,268	(987)	(37)	(1,448)
At 31 December/ 30 June	<u>3,374</u>	<u>4,642</u>	<u>3,655</u>	<u>4,605</u>	<u>2,207</u>

The provision for impaired receivables has been included in general and administrative expenses.

Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

13 Prepayments, deposits and other receivables — Group

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current:				
Receivables for disposal of an associate	—	—	—	13,146
Others	83	442	364	485
	<u>83</u>	<u>442</u>	<u>364</u>	<u>13,631</u>
Current:				
Prepayments for purchases of raw materials	7,867	2,930	4,143	4,991
Receivables for disposal of an associate	—	—	—	9,441
Prepaid value-added tax, current income tax and other taxes	3,464	4,529	3,542	2,589
Others	684	494	1,060	2,980
	<u>12,015</u>	<u>7,953</u>	<u>8,745</u>	<u>20,001</u>

As at 30 June 2014, part of receivables for disposal of an associate with the amount of RMB20,975,000 were guaranteed by an affiliate of the acquiring company.

The carrying amount and fair value of non-current other receivables as at each balance sheet date are set out as follows:

	As at 31 December			As at
	2011	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount	83	442	364	13,631
Fair value	83	442	364	13,631

The fair values of non-current other receivables are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates and are within level 2 of the fair value hierarchy.

14 Due from related parties — Group

	As at 31 December			As at
	2011	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade related:				
An associate	3	26	15	—
Non-trade related:				
The Controlling Party	23,463	18,340	1,984	—
Other related parties	453	—	—	—
	<u>23,919</u>	<u>18,366</u>	<u>1,999</u>	<u>—</u>
Maximum outstanding receivable balance during the year/period				
The Controlling Party	23,463	23,883	19,350	1,984
Other related parties	453	453	—	—
	<u>23,916</u>	<u>24,336</u>	<u>19,350</u>	<u>1,984</u>

As at 31 December 2011, 2012 and 2013 and 30 June 2014, amounts due from related parties are unsecured, interest-free and without fixed terms of repayment.

15 Available-for-sale financial assets — Group

	At 30 June 2014
	<i>RMB'000</i>
Unlisted debenture securities, at fair value	<u>40,000</u>
	Six months ended 30 June 2014
	<i>RMB'000</i>
At beginning of the period	—
Additions	150,000
Disposals	<u>(110,000)</u>
At end of the period	<u>40,000</u>

As at 30 June 2014, available-for-sale financial assets are RMB denominated wealth management products with maturity date of 85 days. None of these assets is either past due or impaired.

16 Cash and cash equivalents — Group

a) *Cash and cash equivalents*

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and on hand	34,006	18,185	47,420	48,717
Short-term bank deposits	<u>50,877</u>	<u>37,315</u>	<u>62,136</u>	<u>51,193</u>
Cash and cash equivalents (excluding bank overdrafts)	<u>84,883</u>	<u>55,500</u>	<u>109,556</u>	<u>99,910</u>

Cash and cash equivalents (including bank overdrafts) include the following for the purposes of the statement of cash flows:

	As at 31 December			As at
	2011	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents (excluding bank overdrafts)	84,883	55,500	109,556	99,910
Bank overdrafts (Note 24)	(51)	(251)	—	—
Cash and cash equivalents (including bank overdrafts)	<u>84,832</u>	<u>55,249</u>	<u>109,556</u>	<u>99,910</u>

The maximum exposure to credit risk at the reporting periods end approximate the carrying value of the cash and cash equivalents.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	As at 31 December			As at
	2011	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	52,400	48,984	105,091	81,158
CAD	2,258	135	598	1,636
USD	<u>30,225</u>	<u>6,381</u>	<u>3,867</u>	<u>17,116</u>
	<u>84,883</u>	<u>55,500</u>	<u>109,556</u>	<u>99,910</u>

The RMB is not freely convertible into other currencies. However, under the PRC'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 to conduct foreign exchange transactions.

17 Share capital and share premium — Group and Company

	<i>Note</i>	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share Premium
			<i>NT\$</i>	<i>RMB'000</i>	<i>RMB'000</i>
Authorised:					
Ordinary shares of NT\$10 each		100,000,000	1,000,000,000	206,062	—
At 10 July 2013 (date of incorporation)	(i)	100	1,000	—	—
Reorganisation	(ii)(iii)(iv)	<u>43,497,000</u>	<u>434,970,000</u>	<u>89,631</u>	<u>191,363</u>
Balance at 31 December 2013 and 30 June 2014		<u>43,497,100</u>	<u>434,971,000</u>	<u>89,631</u>	<u>191,363</u>

- (i) The Company was incorporated on 10 July 2013 with an initial authorised share capital of NT\$1 billion divided into 100 million shares of NT\$10.00 each. On the date of incorporation, one share of NT\$10.00 was allotted and issued nil paid as subscriber's share to Offshore Incorporations (Cayman) Limited which in turn transferred such one share to LJ Venture Ltd. at par. On the same day, 95 shares, 2 shares and 2 shares of NT\$10.00 each were allotted and issued as fully-paid at par to LJ Venture Ltd., LJ Hope Ltd. and LJ Peace Ltd., respectively.
- (ii) On 25 October 2013, the Company issued and allotted 10,988,730 shares of NT\$10.00 each to LJ Venture Ltd. in exchange for the transfer of 5,080,640 shares of US\$1.00 each of the total issued shares of BBI Asia Limited from LJ Venture Ltd. to the Company.
- (iii) On 22 November 2013, the Company issued and allotted 934,041 shares, 20,356,608 shares and 2,060,372 shares of NT\$10.00 each to LJ Hope Ltd., LJ Peace Ltd. and LJ Venture Ltd. respectively, in exchange for 7,892,158 shares issued and allotted by BBI Asia Limited to the Company.
- (iv) On 31 December 2013, the Company issued and allotted 8,308,372 shares, 728,001 shares and 120,876 shares of NT\$10.00 each to QVP II, QVP II-C and QMDF respectively, in exchange for the transfer of 45,325,655 shares of HK\$1.00 each, in BBI International Limited from QVP II, QVP II-C and QMDF, the then shareholders of BBI International Limited to the Company.

The share premium represented the difference between the carrying value of the Company's equity interests in the subsidiaries as at 31 December 2013, the completion date of Reorganisation, and the par value of ordinary shares issued, net of issuance costs.

As approved by the Board meeting on 26 September 2014, the authorised share capital of the Company was increased by HKD434,971 by creation of 43,497,100 new ordinary shares with a par value of HKD0.01 each. Following the increase of the authorised share capital, the Company issued an aggregate of 43,497,100 new shares to the existing shareholders of the Company at a subscription price of HKD0.01 per new share. And following the issue of the new shares, the Company repurchased

from the existing shareholders of the Company an aggregate of 43,497,100 existing shares of NT\$10 each in issue immediately prior to the increase of authorised share capital as mentioned above. The 43,497,100 new shares issued at a subscription price of HKD0.01 each constituted the consideration for the repurchase of the 43,497,100 existing shares of NT\$10 each.

All the 43,497,100 existing shares repurchased were cancelled. And following the repurchase, the authorised but unissued share capital with par value of NT\$10 each of the Company was cancelled. Following the cancellation, the authorised share capital of the Company became HKD434,971 divided into 43,497,100 ordinary shares of HKD0.01 each, all of which have been issued and allotted.

The difference of the total nominal value between the repurchased shares and the newly issued shares with the amount of 89,286,000 was credited as share premium of the Company.

18 Retained earnings/(Accumulated losses) — Group and Company

	Group				
	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
At 1 January	41,684	63,513	54,246	54,246	90,254
Profit for the year/period	33,009	33,431	40,249	16,017	40,682
Capitalisation of retained earnings of a subsidiary	—	(42,698)	—	—	—
Appropriation to statutory reserve	(4,158)	—	(4,241)	(4,241)	(4,040)
Deem distribution to the Controlling Party (i)	(7,022)	—	—	—	—
At 31 December/30 June	<u>63,513</u>	<u>54,246</u>	<u>90,254</u>	<u>66,022</u>	<u>126,896</u>

- (i) In order to integrate and consolidate the Group's US and Canada businesses of the different companies held by the Controlling Party, on 1 January 2011, BIO Basic Canada Inc. ("Bio Basic (Canada)") purchased all the inventories and equipment, being all of the assets and businesses of BIO Basic Inc. ("BBI Canada", the former Canada entity engaged in the Listing Business) and on 31 March 2011, BIO Basic Inc. ("Bio Basic (US)") acquired all the inventories, being all or substantially all of the assets and businesses of BIO Basic USA Inc. ("BBI US", the former US entity engaged in the Listing Business). Upon the completion of these purchases, BBI Canada and BBI US ceased their operation and did not form part of the Listing Business since then. Therefore, BBI Canada and BBI US were de-consolidated from the Financial Information with effect from the date of the completion of the transfer of their businesses and assets. BBI Canada and BBI US were subsequently dissolved.

	Company	
	Period from 10 July 2013 (date of incorporation) to 31 December	Six months ended 30 June
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	—	(149)
Loss for the year / period	(149)	(622)
At 31 December/30 June	(149)	(771)

19 Other reserves - Group and Company

	Group				
	Capital reserve (i)	Statutory reserve (ii)	Share-based payment reserve	Currency translation reserve	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2011	53,533	3,364	—	4,902	61,799
Share-based payment (Note 20)	—	—	1,401	—	1,401
Capital injection by then equity holder of a subsidiary	17,882	—	—	—	17,882
Acquisition of non-controlling interests	38	—	—	—	38
Currency translation differences	—	—	—	(324)	(324)
Appropriation to statutory reserve	—	4,158	—	—	4,158
Deem distribution to the Controlling party (Note 18(i))	(1)	—	—	—	(1)
At 31 December 2011	<u>71,452</u>	<u>7,522</u>	<u>1,401</u>	<u>4,578</u>	<u>84,953</u>
Currency translation differences	—	—	—	178	178
Capitalisation of retained earnings of a subsidiary	50,220	(7,522)	—	—	42,698
At 31 December 2012	<u>121,672</u>	<u>—</u>	<u>1,401</u>	<u>4,756</u>	<u>127,829</u>
Currency translation differences	—	—	—	(1,810)	(1,810)
Appropriation to statutory reserve	—	4,241	—	—	4,241

	Group				Total
	Capital reserve (i)	Statutory reserve (ii)	Share-based payment reserve	Currency translation reserve	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Capital injection by then equity holder of a subsidiary	31,730	—	—	—	31,730
Capitalisation of amounts due to then shareholders of a subsidiary	36,588	—	—	—	36,588
Reorganisation	(280,994)	—	—	—	(280,994)
At 31 December 2013	<u>(91,004)</u>	<u>4,241</u>	<u>1,401</u>	<u>2,946</u>	<u>(82,416)</u>
Currency translation differences	—	—	—	338	338
Share-based payment (Note 20)	—	—	4,303	—	4,303
Appropriation to statutory reserve	—	4,040	—	—	4,040
At 30 June 2014	<u>(91,004)</u>	<u>8,281</u>	<u>5,704</u>	<u>3,284</u>	<u>(73,735)</u>
(Unaudited)					
At 1 January 2013	121,672	—	1,401	4,756	127,829
Currency translation differences	—	—	—	(759)	(759)
Appropriation to statutory reserve	—	4,241	—	—	4,241
At 30 June 2013	<u>121,672</u>	<u>4,241</u>	<u>1,401</u>	<u>3,997</u>	<u>131,311</u>

- (i) Capital reserve represents the difference between the share capital and premium issued by the Company for acquisition of the subsidiaries pursuant to the Reorganisation and the aggregate capital of the subsidiaries being acquired at the time of the Reorganisation.

As approved by the Board meeting on 2 September 2013, BBI International Limited capitalised borrowings from its then shareholders as share capital, with the amount of HKD 45,316,000 (RMB equivalent 36,588,000).

- (ii) In accordance with the PRC regulations and the articles of association of the companies of the Group, before distributing the net profit of each year, companies of the Group registered in the PRC are required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under relevant PRC accounting standards to the statutory reserve. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional.

	Company		Total
	Share-based payment reserve	Currency translation reserve	
	RMB'000	RMB'000	
At 10 July 2013 (date of incorporation)	—	—	—
Currency translation differences	—	552	552
At 31 December 2013	—	552	552
Share-based payment	4,303	—	4,303
Currency translation differences	—	2,577	2,577
At 30 June 2014	4,303	3,129	7,432

20 Share-based payment — Group

In September 2011, BBI Asia Limited issued 4,251 shares to 3 then employees of the Group. In October 2011, Shanghai Shengjie Investment Company Limited transferred certain shareholdings in Sangon Biotech to BBI Asia Limited, which led to the 3 then employees owned 0.16% shares of Sangon Biotech indirectly through BBI Asia Limited.

In October 2011, Shanghai Shengjie Investment Company Limited transferred 1.1% shareholdings in Sangon Biotech to Shanghai Shengji Investment Company Limited, which was owned by 50 then employees of the Group. Upon the completion of such share transfer, those then employees owned 1.1% shares of Sangon Biotech indirectly through Shanghai Shengji Investment Company Limited.

In October 2011, Mr. Wang Qisong transferred its entire shareholdings in Shanghai Shengjie Investment Company Limited to another 50 then employees of the Group. Upon the completion of such share transfer, those then employees owned 3.62% shares of Sangon Biotech indirectly through Shanghai Shengjie Investment Company Limited.

The excess of fair value of 4.88% shares of Sangon Biotech mentioned above, against the considerations paid by those then employees of RMB 1,470,000 was regarded as a vested equity settled share base payment to those then employees and was fully recorded as employee expenses in the consolidated statement of comprehensive income at the date of transaction.

On 17 January 2014, the Board approved the grant of 3,269,000 share options to the executive directors and certain employees of the Group at an exercise price of NT\$ 38 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The share options are divided into two sub-plans, which are plan A and plan B with 2,097,000 and 1,172,000 share options granted respectively. For plan A, the options are exercisable upon listing of the Company's shares on the GreTai Securities Market of Taiwan Stock Exchange. For plan B, the options are exercisable during the following periods upon listing of the Company's shares on the GreTai Securities Market of Taiwan Stock Exchange:

- (a) up to 20% on or after 17 January 2015;
- (b) up to 40% on or after 17 January 2016;
- (c) up to 60% on or after 17 January 2017;
- (d) up to 80% on or after 17 January 2018;
- (e) all the remaining options on or after 17 January 2019;

and no later than 17 January 2019 and 17 January 2020 for share options granted under plan A and plan B respectively.

On 17 January 2014, all the directors and employees accepted the share options.

Movement in the number of share options outstanding and their related weighted average exercise prices for the six months ended 30 June 2014 was as follows:

	For the six months ended 30 June 2014	
	<i>Average exercise price in NT\$</i>	<i>Number of options</i>
At 1 January	—	—
Granted	38	3,269,000
Forfeited	<u>38</u>	<u>(71,000)</u>
At 30 June	<u><u>38</u></u>	<u><u>3,198,000</u></u>

Share options outstanding at 30 June 2014 have the following expiry dates and exercise prices:

Expiry date	Exercise price	Number of options
	<i>(NT\$ per share)</i>	2014
17 January 2019	38	2,059,000
17 January 2020	38	<u>1,139,000</u>
		<u><u>3,198,000</u></u>

The fair value of share options granted in 2014 determined by using the binomial model was NT\$14.8 per option. The significant inputs into the model were share prices at the grant date, the exercise price shown above, volatility of 41.71% to 43.71%, dividend yield of 0.00%, and annual risk-free interest rate of 1.24% to 1.39%. The volatility measured at the standard deviation of the underlying stock over a time period corresponding to the remaining life of the share options.

As approved by the Board meeting on 4 September 2014, the share option plans above were modified. According to the modified plans, the exercise price was modified to HKD 9.8 per share, and 71,000 additional share options were granted to certain employees. For plan A, the options are exercisable upon listing of the Company's shares onto the Main Board of The Stock Exchange of Hong Kong Limited. For plan B, the options are exercisable upon listing of the Company's shares onto the Main Board of The Stock Exchange of Hong Kong Limited during the same periods of the original plan B, and no later than 17 January 2019 and 17 January 2020 for plan A and plan B respectively.

On 4 September 2014, all the directors and employees accepted the modified share option plans.

The amount of RMB 2,474,000 which represented the incremental fair value of the share-based payment plans, as measured at the date of modification, will be included in the measurement of the amount recognised for the services received over the remainder of the vesting period.

21 Deferred income — Group

	As at 31 December			As at 30 June	
	2011	2012	2013	2014	
	RMB'000	RMB'000	RMB'000	RMB'000	
Deferred income on government grants					
Current portion	412	585	216	216	
Non-current portion	876	1,391	1,375	1,267	
	<u>1,288</u>	<u>1,976</u>	<u>1,591</u>	<u>1,483</u>	
				Six months ended 30 June	
	Year ended 31 December			30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
As at 1 January	305	1,288	1,976	1,976	1,591
Grant during the year/ period (i)	1,620	1,100	200	—	—
Amortisation	<u>(637)</u>	<u>(412)</u>	<u>(585)</u>	<u>(292)</u>	<u>(108)</u>
As at 31 December/ 30 June	<u>1,288</u>	<u>1,976</u>	<u>1,591</u>	<u>1,684</u>	<u>1,483</u>

- (i) These mainly represented government grants received from certain municipal governments of the PRC as an encouragement for the Group's purchase of property, plant and equipment relating to R&D activities.

22 Trade payables — Group

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 December			As at
	2011	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	8,806	4,861	6,732	8,062
3 months to 6 months	—	—	35	—
6 months to 1 year	—	—	1	2
Over 1 year	—	40	56	—
	<u>8,806</u>	<u>4,901</u>	<u>6,824</u>	<u>8,064</u>

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	As at 31 December			As at
	2011	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	6,662	4,151	6,022	5,773
USD	316	379	25	977
CAD	<u>1,828</u>	<u>371</u>	<u>777</u>	<u>1,314</u>
	<u>8,806</u>	<u>4,901</u>	<u>6,824</u>	<u>8,064</u>

Trade payables are non-interest bearing and are generally on terms of 30 to 60 days.

23 Accruals and other payables — Group

	As at 31 December			As at
	2011	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Payables for purchase of property, plant and equipment	4,320	289	114	286
Salary and staff welfare payables	3,473	4,178	4,758	5,257
Payables for value-added tax and other taxes	1,318	514	1,811	3,489
Advance from customers	33,829	31,627	52,649	54,323
Dividend payables	1,180	—	—	1,716
Other payables	1,048	3,808	549	3,175
	<u>45,168</u>	<u>40,416</u>	<u>59,881</u>	<u>68,246</u>

24 Borrowings — Group

	As at 31 December			As at
	2011	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current				
Bank overdrafts	51	251	—	—
Bank borrowings, secured	—	11,000	—	—
	<u>51</u>	<u>11,251</u>	<u>—</u>	<u>—</u>

As at 31 December 2012, the bank borrowings were guaranteed by the Controlling Party.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Group's borrowings were repayable as follows:

	As at 31 December			As at
	2011	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	<u>51</u>	<u>11,251</u>	<u>—</u>	<u>—</u>

The weighted average effective interest rates per annum at the balance sheet dates were as follows:

	As at 31 December			As at
	2011	2012	2013	30 June
				2014
Bank borrowings	—	6.31%	—	—

The fair values of current borrowings approximate their carrying amounts as the impact of discounting is not significant.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December			As at
	2011	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	—	11,000	—	—
CAD	51	251	—	—
	51	11,251	—	—

25 Deferred income tax — Group

	As at 31 December			As at
	2011	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets:				
- Deferred income tax assets to be recovered within 12 months	671	881	1,844	2,116
Deferred tax liabilities:				
- Deferred income tax liabilities to be settled after 12 months	—	(1,690)	(3,553)	(4,039)

The movements on the deferred income tax assets are as follows:

	Write down of inventories to net realisable value	Impairment of trade receivables	Unpaid wages	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2011	—	225	347	—	572
Credited to the consolidated statements of comprehensive income	33	54	12	—	99
At 31 December 2011	<u>33</u>	<u>279</u>	<u>359</u>	—	<u>671</u>
(Charged)/credited to the consolidated statements of comprehensive income	(12)	71	151	—	210
At 31 December 2012	<u>21</u>	<u>350</u>	<u>510</u>	—	<u>881</u>
Credited to the consolidated statements of comprehensive income	511	178	274	—	963
At 31 December 2013	<u>532</u>	<u>528</u>	<u>784</u>	—	<u>1,844</u>
(Charged)/credited to the consolidated statements of comprehensive income	(128)	(211)	(40)	651	272
At 30 June 2014	<u>404</u>	<u>317</u>	<u>744</u>	<u>651</u>	<u>2,116</u>
(Unaudited)					
At 1 January 2013	21	350	510	—	881
Credited to the consolidated statements of comprehensive income	309	263	130	—	702
At 30 June 2013	<u>330</u>	<u>613</u>	<u>640</u>	—	<u>1,583</u>

The movements of the deferred tax liabilities are as follows:

	Withholding tax on unremitted earnings of PRC subsidiaries <i>RMB'000</i>
At 1 January 2011 and 31 December 2011	—
Charged to the consolidated statements of comprehensive income	1,690
At 31 December 2012	1,690
Charged to the consolidated statements of comprehensive income	1,863
At 31 December 2013	3,553
Withholding tax paid	(1,610)
Charged to the consolidated statements of comprehensive income	2,096
At 30 June 2014	4,039
(Unaudited)	
At 1 January 2013	1,690
Charged to the consolidated statements of comprehensive income	772
At 30 June 2013	2,462

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group did not recognise deferred income tax assets of RMB 115,000, RMB 1,016,000 and RMB 1,023,000 and RMB 1,104,000 in respect of the tax losses amounting to RMB 650,000, RMB 4,950,000, RMB 4,390,000 and RMB 4,916,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014 respectively. Tax losses amounting to approximately RMB 90,000, RMB 4,300,000 and RMB 526,000 will expire in 2016, 2017 and 2018, respectively.

All profits earned by Sangon Biotech are distributable to its shareholders, other than those profits earned before 2011 that were capitalised. According to Board resolutions, all profits earned by BBI China will be retained in the PRC for future business expansion. Accordingly, no provision of withholding tax was made for the portion of unremitted earnings of Sangon Biotech that attributed to BBI China in the Relevant Periods.

26 Due to related parties — Group

	As at 31 December			As at
				30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade related:				
An associate	834	408	24	—
Non-trade related:				
The Controlling Party	62,894	30,414	—	—
Other related parties	39,205	36,809	—	—
	<u>102,933</u>	<u>67,631</u>	<u>24</u>	<u>—</u>
Maximum outstanding payable balance during the year/period				
The Controlling Party	62,894	62,894	30,414	—
Other related parties	39,205	39,205	36,809	—
	<u>102,099</u>	<u>102,099</u>	<u>67,223</u>	<u>—</u>

As at 31 December 2011, 2012 and 2013 and 30 June 2014, amounts due to related parties are unsecured, interest-free and without fixed terms of repayment.

27 Other income — net

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Government grants	386	385	298	101	130
Amortisations of deferred income (Note 21)	637	412	585	292	108
	<u>1,023</u>	<u>797</u>	<u>883</u>	<u>393</u>	<u>238</u>

28 Other (losses)/gains — net

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Losses on disposal of property, plant and equipment - net (Note 35)	(359)	(45)	(440)	(52)	(31)
Exchange (losses)/gains	(168)	224	(838)	(208)	322
Others	(30)	(31)	(5)	(139)	(66)
	<u>(557)</u>	<u>148</u>	<u>(1,283)</u>	<u>(399)</u>	<u>225</u>

29 Expenses by nature

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Employee benefit expenses (Note 30)	38,302	44,136	56,444	27,755	35,963
Raw materials used	38,396	41,422	69,657	26,925	35,040
Changes in inventories of finished goods and work in progress	714	9,384	(1,075)	5,742	879
Depreciation and amortisation charges (Notes 6, 7 & 8)	6,566	9,178	11,111	5,843	5,794
Provision/(reversal of provision) for impairment of trade and bills receivables (Note 12)	1,602	1,268	(987)	(37)	(1,448)
Provision for write-down of inventory (Note 11)	1,247	1,641	1,428	—	—
Transportation expenses	5,339	5,454	6,082	2,751	3,349
Utilities	2,038	1,995	1,952	977	964
Professional service fees	306	4,205	2,336	1,343	1,730
Research and development expenses	10,970	12,571	10,208	4,432	5,986
Taxes and surcharges	2,695	1,565	2,462	740	695
Operating leases	800	887	919	380	647
Office expenses	2,857	2,750	2,241	1,081	1,235
Auditor's remuneration	395	380	287	143	65
Other expenses	7,099	11,503	11,710	4,811	5,576
Total cost of sales, selling and distribution costs and administrative expenses	<u>119,326</u>	<u>148,339</u>	<u>174,775</u>	<u>82,886</u>	<u>96,475</u>

30 Employee benefit expenses

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Fair value of share-based payment	1,470	—	—	—	4,303
Wages and salaries	30,866	36,550	46,974	22,523	25,928
Social security costs	4,359	5,985	6,383	3,274	3,340
Staff welfare	1,607	1,601	3,087	1,958	2,392
	<u>38,302</u>	<u>44,136</u>	<u>56,444</u>	<u>27,755</u>	<u>35,963</u>

(a) *Directors' emoluments*

The remuneration of each director of the Company paid/payable by the Group for the year ended 31 December 2011 are set out as follows:

<u>Name of Directors</u>	<u>Fees</u>	<u>Salary</u>	<u>Bonus</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Wang Qisong	—	108	—	108
Ms. Wang Luojia (CEO)	—	274	—	274
Ms. Wang Jin	—	292	—	292
Mr. Hu Xubo	—	—	—	—
	—	674	—	674

The remuneration of each director of the Company paid/payable by the Group for the year ended 31 December 2012 are set out as follows:

<u>Name of Directors</u>	<u>Fees</u>	<u>Salary</u>	<u>Bonus</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Wang Qisong	—	158	—	158
Ms. Wang Luojia (CEO)	—	313	—	313
Ms. Wang Jin	—	359	—	359
Mr. Hu Xubo	—	—	—	—
	—	830	—	830

The remuneration of each director of the Company paid/payable by the Group for year ended 31 December 2013 are set out as follows:

<u>Name of Directors</u>	<u>Fees</u>	<u>Salary</u>	<u>Bonus</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Wang Qisong	—	206	—	206
Ms. Wang Luojia (CEO)	—	303	—	303
Ms. Wang Jin	—	301	—	301
Mr. Hu Xubo	—	—	—	—
	—	810	—	810

The remuneration of each director of the Company paid/payable by the Group for the six months ended 30 June 2014 are set out as follows:

<u>Name of Directors</u>	<u>Fees</u>	<u>Salary</u>	<u>Bonus</u>	<u>Fair value of share options granted</u>	<u>Total</u>
				<i>RMB'000</i>	<i>RMB'000</i>
Mr. Wang Qisong	—	108	—	130	238
Ms. Wang Luojia (CEO)	—	98	—	45	143
Ms. Wang Jin	—	172	—	—	172
Mr. Hu Xubo	—	—	—	—	—
Mr. Chen Shih-Ying*	60	—	—	—	60
Mr. Ko Shun-Hsiung*	60	—	—	—	60
Mr. Xia Lijun	60	—	—	—	60
	180	378	—	175	733

The remuneration of each director of the Company paid/payable by the Group for the six months ended 30 June 2013 (unaudited) are set out as follows:

<u>Name of Directors</u>	<u>Fees</u>	<u>Salary</u>	<u>Bonus</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Wang Qisong	—	103	—	103
Ms. Wang Luojia (CEO)	—	173	—	173
Ms. Wang Jin	—	135	—	135
Mr. Hu Xubo	—	—	—	—
	—	411	—	411

* Mr. Chen Shih-Ying and Mr. Ko Shun-Hsiung were appointed as directors of the Company on 16 January 2014, and resigned as directors from the Company on 26 September 2014.

For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, no directors received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or had agreed to waive any emoluments.

(b) *Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 include two, two, two and nil (for the six months ended 30 June 2013 (unaudited): two) directors respectively, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three, three, three and five (for the six months ended 30 June 2013 (unaudited): three) individuals during the respective years/periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Basic salary, housing allowances, other allowances and benefit-in-kind	1,068	1,067	1,138	698	875
Bonuses	—	30	30	—	—
Fair value of employee share options granted	—	—	—	—	1,221
	<u>1,068</u>	<u>1,097</u>	<u>1,168</u>	<u>698</u>	<u>2,096</u>

(Unaudited)

The emoluments of the non-director, highest paid employees fell within the following bands:

	Number of individuals			
	2011	2012	2013	30 June 2014
Nil to HKD1,000,000 (equivalent to approximately RMB793,000)	<u>3</u>	<u>3</u>	<u>3</u>	<u>5</u>

For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, no emoluments were paid by the Group to the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office.

31 Finance (costs)/income — net

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Finance costs					
- Interest expense on bank borrowings (Note 35)	(180)	(359)	(335)	(321)	—
- Net foreign exchange losses	(1,528)	—	(225)	(184)	—
- Other finance costs	(184)	(367)	(460)	(167)	(688)
	<u>(1,892)</u>	<u>(726)</u>	<u>(1,020)</u>	<u>(672)</u>	<u>(688)</u>
Finance income:					
- Interest income on available-for-sale financial assets	561	—	666	279	1,400
- Interest income on bank deposits	529	419	415	199	374
- Net foreign exchange gains	—	166	—	—	15
	<u>1,090</u>	<u>585</u>	<u>1,081</u>	<u>478</u>	<u>1,789</u>
Net finance (costs)/income	<u>(802)</u>	<u>(141)</u>	<u>61</u>	<u>(194)</u>	<u>1,101</u>

32 Income tax expense

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Current income tax	6,757	5,285	6,329	3,217	10,182
Deferred income tax (Note 25)	(99)	1,480	900	70	214
Income tax expense	<u>6,658</u>	<u>6,765</u>	<u>7,229</u>	<u>3,287</u>	<u>10,396</u>

(i) *Cayman Islands profits tax*

The Company is not subject to any taxation of Cayman Islands income tax.

(ii) *Hong Kong profits tax*

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits during the Relevant Periods.

(iii) *PRC corporate income tax*

The corporate income tax ("CIT") is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes.

Pursuant to the PRC Corporate Income Tax Law ("the CIT Law"), the CIT is unified at 25% for all type of entities, effective from 1 January 2008. Under the CIT Law, certain subsidiaries of the Group were entitled to preferential treatment or reduced tax rates granted by relevant tax authorities, and are subject to the CIT rate gradually increased to 25% within 5 years from 1 January 2008.

Sangon Biotech had enjoyed a preferential CIT rate of 12.5% as foreign-investment enterprise for 2011 and 2012, and enjoyed a preferential CIT rate of 15% for 2013 and 2014, as it was certified as High and New Technology Enterprises ("HNTE") in 2013 by local authorities.

(iv) *PRC withholding income tax*

Pursuant to the CIT Law, a 10% withholding tax will be levied on the dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007.

(v) *Canada profits tax*

Canada profits tax has been provided for at the rates of 26.25% to 28.00% on the estimated assessable profits during the Relevant Periods.

(vi) *The United States profits tax*

The United States profits tax has been provided for at the rate of 15% on the estimated assessable profits during the Relevant Periods.

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

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Profit before income tax	41,460	42,079	49,576	20,143	53,195
Tax calculated at applicable statutory tax rates in respective regions	10,347	10,657	12,354	5,030	13,701
Effect of preferential tax rates and tax exemption	(5,235)	(5,741)	(4,989)	(1,957)	(5,547)
Expenses not deductible for tax purposes	92	182	282	177	727
Temporary difference not recognised as deferred tax assets	992	155	—	—	—
Utilisation of temporary difference not recognised as deferred tax assets	—	—	(739)	(162)	(437)
Tax losses for which no deferred income tax asset was recognised	115	901	7	35	81
Utilisation of previously unrecognised tax losses	—	—	(92)	(44)	—
Share of profit of an associate, which is not subject to tax	(130)	(407)	(706)	(232)	—
Withholding tax paid/payable on the profits attributable to the investors outside PRC	1,134	1,690	1,863	772	2,096
Super-deduction on research and development expenses	(657)	(672)	(751)	(332)	(225)
Income tax expenses	<u>6,658</u>	<u>6,765</u>	<u>7,229</u>	<u>3,287</u>	<u>10,396</u>

The weighted average applicable tax rates were 16.1%, 16.1%, and 14.6% and 19.5% for the years ended 31 December 2011, 2012, and 2013 and the six months period ended 30 June 2014.

33 Earnings per share

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
				<i>(Unaudited)</i>	
Net profit attributable to the equity holders of the Company (RMB'000)	33,009	33,431	40,249	16,017	40,682
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	43,497	43,497	43,497	43,497	43,497
Basic and diluted earnings per share (RMB per share)	0.76	0.77	0.93	0.37	0.94

Basic earnings per share is calculated by dividing the net profit attributable to the Company's equity holders by the weighted average number of ordinary shares deemed to be in issue during the Relevant Periods.

The Company has no potential dilutive ordinary shares as at 31 December 2011, 2012 and 2013 and 30 June 2014. Diluted earnings per share is therefore equal to basic earnings per share.

34 Dividends

Dividends disclosed for the year ended 31 December 2011 and for the six months ended 30 June 2014 represented dividends declared by one PRC subsidiary of the Group to its minority shareholders.

35 Cash generated from operating activities

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Profit before income tax	41,460	42,079	49,576	20,143	53,195
Adjustments for:					
- Depreciation (Note 6)	6,294	8,865	9,962	5,116	5,154
- Amortisation (Notes 7 and 8)	272	313	1,149	727	640
- Losses on disposal of property, plant and equipment (Note 28)	359	45	440	52	31

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
- Losses/(gains) on disposal of an associate (Note 10)	33	—	—	—	(26,386)
- Interest expense (Note 31)	180	359	335	321	—
- Interest income on available-for-sale financial assets	(561)	—	(786)	(418)	(1,621)
- Net foreign exchange losses/(gains)	1,528	(166)	225	184	(15)
- Share of profit of an associate	(1,039)	(3,257)	(4,702)	(1,640)	(1,734)
- Provision for/(reversal of) impairment of receivables and inventory (Notes 11 and 12)	2,849	2,909	441	(37)	(1,448)
- Share-based payment (Note 30)	1,470	—	—	—	4,303
Change in working capital:					
- (Increase)/decrease in inventories	(10,040)	(7,735)	(2,246)	2,304	(5,656)
- (Increase)/decrease in amounts due from related parties	(5,999)	5,973	11	26	15
- Increase in trade and bills receivables	(9,235)	(2,797)	(5,106)	(7,647)	(17,474)
- (Increase)/decrease in prepayments, deposits and other receivables	(6,042)	4,062	1,008	1,278	(3,615)
- (Increase)/decrease in other non-current assets	(83)	(359)	78	297	(121)
- (Decrease)/Increase in trade payables	(1,301)	(3,905)	1,923	523	1,240
- Increase/(decrease) in accruals and other payables	7,275	459	19,640	(2,900)	5,789
- Increase/(decrease) in deferred income - current portion	107	173	(369)	(585)	—
- Increase/(decrease) in deferred income - non-current portion	876	515	(16)	293	(108)
- Increase/(decrease) in amounts due to related parties	8,625	(8,216)	(605)	(311)	(24)
Cash generated from operations	<u>37,028</u>	<u>39,317</u>	<u>70,958</u>	<u>17,726</u>	<u>12,165</u>

In the cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Net book amount (Note 6)	469	113	1,002	102	202
Losses on disposal of property, plant and equipment (Note 28)	<u>(359)</u>	<u>(45)</u>	<u>(440)</u>	<u>(52)</u>	<u>(31)</u>
Proceeds from disposal of property, plant and equipment	<u>110</u>	<u>68</u>	<u>562</u>	<u>50</u>	<u>171</u>

Non-cash transactions

Major non-cash transactions during the Relevant Periods included mainly capitalisation of amount due to then shareholders of a subsidiary with amount of RMB 36,588,000 in 2013 (Note 19).

36 Commitments

(a) Capital commitments

Capital expenditure contracted for at each balance sheet date but not yet incurred is as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	<u>1,130</u>	<u>—</u>	<u>537</u>	<u>13,307</u>

(b) *Operating lease commitments*

The Group's future aggregate minimum lease payments under these non-cancellable operating leases were as follows:

	As at 31 December			As at
	2011	2012	2013	30 June
	RMB'000	RMB'000	RMB'000	2014
No later than 1 year	114	241	577	728
Later than 1 year and no later than 5 years	94	—	719	824
Later than 5 years	—	—	30	—
	<u>208</u>	<u>241</u>	<u>1,326</u>	<u>1,552</u>

37 **Related-party transactions**

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

Save as disclosed elsewhere in this report, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014.

(a) *Name and relationship with related parties*(i) *Controlling Party*

Mr. Wang Qisong, Ms. Wang Luojia, Ms. Wang Jin*

(ii) *Associates of the Group*

PrimeGene**

(iii) *Controlled by the Controlling Party*

LJ Hope Ltd.

LJ Peace Ltd.

LJ Venture Ltd.

Shanghai Sangon Biological Engineering Technology & Services Co., Ltd. (“SSBETS”) ***

BBI US ****

BBI Canada *****

(iv) *Other shareholders*

QVP II
QVP II-C
QMDF

* As Mr. Wang Qisong, Ms. Wang Luoia, and Ms. Wang Jin entered into an agreement for acting in concert, they are collectively regarded as the Controlling Party.

** The Group disposed its investment in the associate in April 2014, and since then PrimeGene is no longer a related party of the Group.

*** SSBETS (the old PRC entity of the Listing Business) was dissolved on 12 May 2013.

**** BBI US (the old US entity of the Listing Business) was dissolved on 1 February 2012.

***** BBI Canada (the old Canada entity of the Listing Business) was dissolved on 30 November 2011.

(b) *The following transactions were carried out with related parties:*(i) *Sales of goods and services*

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
An associate	<u>107</u>	<u>228</u>	<u>153</u>	<u>92</u>	<u>30</u>

(ii) *Purchases of goods and services*

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
An associate	<u>1,073</u>	<u>1,629</u>	<u>2,567</u>	<u>1,191</u>	<u>1,353</u>

(iii) *Payment of consulting service*

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
The Controlling Party	—	2,000	—	—	—

(iv) *Purchases of property, plant and equipment*

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
An associate	176	—	81	24	26

The above sale and purchase transactions with related parties are carried out based on mutually agreed prices between respective parties.

(v) *Treasury transactions with related parties*

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Loans to the Controlling Party	17,920	18,984	1,010	1,010	—
Repayments from the Controlling Party	—	18,564	17,366	—	1,984
Borrowings from the Controlling Party	31,006	—	—	—	—
Repayments to the Controlling Party	12,118	24,689	30,414	—	—
Repayments to other related parties	24,878	2,397	—	—	—

Borrowings guaranteed by related parties

	As at 31 December			As at
	2011	2012	2013	30 June
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
The Controlling Party	—	11,000	—	—

The Controlling Party provided the guarantee in respect of a credit limit provided by the bank to a subsidiary of the Group as follows:

Guarantor	Guarantee	Value of guarantee	Commencement	Expiry date of guarantee
			date of guarantee	
		RMB'000		
The Controlling Party	Sangon Biotech	20,000	2012/6/13	2015/6/12

On 29 September 2014, the Controlling Party made an agreement with the bank to cease the guarantee, with an immediate effect.

(c) **Key management compensation**

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December			Six months ended	
	2011	2012	2013	30 June	
	RMB'000	RMB'000	RMB'000	2013	2014
				RMB'000	RMB'000
				<i>(Unaudited)</i>	
Salaries and other employee benefits	2,344	2,569	2,633	1,282	2,929

38 **Contingent liabilities**

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Group did not have any significant contingent liabilities.

39 Principal subsidiaries and associates

Upon completion of the Reorganisation, the Group had direct or indirect interests in the following subsidiaries as at 31 December 2011, 2012 and 2013 and 30 June 2014:

Company name	Country/ Place and date of incorporation	Paid in capital (000') as at 30 June 2014	Effective interests held %				Principal activities
			31 December			30 June	
			2011	2012	2013	2014	
Directly Owned:							
BBI International Limited	Hong Kong 2007.12.31	USD 5,843	100	100	100	100	Investment holding
BBI Asia Limited	Hong Kong 2009.10.20	USD 12,973	99.32	99.32	100	100	Investment holding
Indirectly Owned:							
Sangon Biotech*	PRC 2003.10.28	RMB 90,000	95.2816	95.2816	95.2816	95.2816	Manufacturing and sales of various life sciences research products and provide life sciences related services
BBI China	PRC 2009.11.17	RMB 52,420	100	100	100	100	Investment holding and management consulting
Bio Basic (Canada)	CAN 2010.11.22	CAD 3,000	100	100	100	100	Manufacturing and sales of various life sciences research products and provide life sciences related services
Bio Basic (US)	USA 2010.12.14	USD 2,000	100	100	100	100	Manufacturing and sales of various life sciences research products and provide life sciences related services

* As approved by the Board meeting on 3 September 2014, BBI China acquired 4.7084% shares in Sangon Biotech with the consideration of RMB 23,306,580 from Shanghai Shengji Investment Company Limited, a minority shareholder of Sangon Biotech. After completion of the acquisition, the Company had indirect interest in Sangon Biotech with shareholding percentage of 99.99%.

The companies that have statutory audited financial statements during the Relevant Periods and the name of the auditors are as follows:

Company name	Name of statutory auditors		
	2011	2012	2013
Directly Owned:			
Subsidiaries incorporated in Hong Kong			
BBI International Limited	Wong CHI Keung, Dennis	Wong CHI Keung, Dennis	Wong CHI Keung, Dennis
BBI Asia Limited	Wong CHI Keung, Dennis	Wong CHI Keung, Dennis	Wong CHI Keung, Dennis
Indirectly Owned:			
Subsidiaries incorporated in the PRC			
Sangon Biotech	BDO China Shu Lun Pan Certified Public Accountants LLP	BDO China Shu Lun Pan Certified Public Accountants LLP	BDO China Shu Lun Pan Certified Public Accountants LLP
BBI China	Shanghai Mingyu-Daya Certified Public Accountants LLP	Shanghai Mingyu-Daya Certified Public Accountants LLP	BDO China Shu Lun Pan Certified Public Accountants LLP

Except for the above companies, no audited statutory financial statements were prepared for other subsidiaries as they were not required to issue audited financial statements under the local statutory requirements.

The English names of the PRC companies and statutory auditors referred to above in this Note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

40 Subsequent Events

Save as disclosed in Note 1.1, 17, 20, 30(a), 37(b) and 39 in this report, the following significant events took place subsequent to 30 June 2014:

Pursuant to the written resolution passed by the Company's board of directors and shareholders on 8 December 2014,

- (i) the authorised share capital of the Company increased from HK\$434,971 divided into 43,497,100 shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each by the creation of an additional 1,956,502,900 Shares;
- (ii) conditional on the share premium account of the Company being credited as a result of the global offering, the sum of HK\$3,500,000 be capitalised and be applied in paying up in full at par 350,000,000 shares for allotment and issue to the shareholders whose names were on the register of members of the Company at the close of business on 29 December 2014 (or another date as the directors may direct) in proportion to their respective shareholdings.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and any of the companies now comprising the Group in respect of any period subsequent to 30 June 2014 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2014.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, the Reporting Accountant of the Company, as set forth in Appendix I to this prospectus, 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 set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2014 as if the Global Offering had taken place on 30 June 2014 assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 June 2014 or at any future dates following the Global Offering. It is prepared based on the consolidated net assets of the Group as at 30 June 2014 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2014	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company as at 30 June 2014	Unaudited pro forma adjusted net tangible assets per Share	Unaudited pro forma adjusted net tangible assets per Share
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
Based on an Offer					
Price of HK\$1.56 per Share	331,545	128,106	459,651	0.88	1.10
Based on an Offer					
Price of HK\$2.21 per Share	331,545	193,898	525,443	1.00	1.26

Notes:

- (1) The audited consolidated net tangible assets attributable to equity holders of the Company as at 30 June 2014 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at 30 June 2014 of RMB334,155,000 with adjustments for intangible assets of RMB2,610,000.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$1.56 and HK\$2.21 per Share after deduction of the estimated underwriting fees and other related expenses payable by us subsequent to 30 June 2014 and takes no account of any shares which may be issued upon the exercise of the Over-allotment Option, the options which have been or may be granted under the Share Option Schemes and any Shares which may be issued or repurchased by the Company pursuant to the General Mandate to Issue Shares and General Mandate to Purchase Shares.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 524,662,800 Shares were in issue assuming that the Global Offering and the Capitalisation Issue have been completed on 30 June 2014 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option, the options which have been or may be granted under the Share Option Schemes and any Share which may be issued or repurchased by the Company pursuant to the General Mandate to Issue Shares or the General Mandate to Purchase Shares as described in the section headed “Share Capital” in this prospectus.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2014.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at the rate of RMB1.000 to HK\$0.7958.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

TO THE DIRECTORS OF BBI LIFE SCIENCES CORPORATION

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of BBI Life Sciences Corporation (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 June 2014, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 16 December 2014, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in notes as set out on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 30 June 2014 as if the proposed initial public offering had taken place at 30 June 2014. 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 six months ended 30 June 2014, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 16 December 2014

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 July 2013 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 8 December, 2014. The following is a summary of certain provisions of the Articles:

- (a) **Directors**
 - (i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) ***Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) ***Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) ***Proceedings of the Board***

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) **Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) **Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

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(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

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(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

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(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

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The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

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Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a

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member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

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(p) **Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) **Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such

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members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

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3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

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(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not

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be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner

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has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

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- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 4 November 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) **Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION ABOUT OUR COMPANY**(i) Incorporation**

Our Company was incorporated on 10 July 2013 in the Cayman Islands as an exempted company with limited liability under the Companies Law. We have established a principal place of business in Hong Kong at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and registered on 24 September 2014 with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance. Ms. Ng Sau Mei has been appointed as the authorised 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 registered place of business in Hong Kong.

As we are incorporated in the Cayman Islands, our corporate structure, Memorandum of Association and Articles of Association are subject to the laws of the Cayman Islands. A summary of our constitution and the relevant aspects of the Cayman Islands company law is set out in Appendix III in this prospectus.

(ii) Changes in Share Capital of our Company

- (a) On the date of our incorporation on 10 July 2013, our authorised share capital was NT\$1 billion divided into 100 million shares, each of NT\$10.00 par value. On the same day, one share of NT\$10.00 was allotted and issued fully paid as subscriber's share to Offshore Incorporations (Cayman) Limited which in turn transferred such one share to LJ Venture at par. On the same day, 95 shares, 2 shares and 2 shares of NT\$10.00 each were allotted and issued as fully-paid at par to LJ Venture, LJ Hope Ltd. and LJ Peace respectively.
- (b) On 25 October 2013, 10,988,730 fully-paid shares of our Company of NT\$10.00 each were allotted and issued to LJ Venture.
- (c) On 6 December 2013, 2,060,372 shares, 934,041 shares and 20,356,608 shares of NT\$10.00 each were allotted and issued fully-paid to LJ Venture, LJ Hope Ltd. and LJ Peace respectively.
- (d) On 31 December 2013, 8,308,372 shares, 728,001 shares and 120,876 shares of NT\$10.00 each were allotted and issued fully-paid to QVP II, QVP II-C and QMDF II, all of which are Independent Third Parties, respectively.
- (e) On 26 September 2014, the authorised share capital of our Company was increased by HK\$434,971 by the creation of 43,497,100 ordinary Shares of a nominal or par value of HK\$0.01 each (the "**Increase**"). Following the Increase, our Company allotted and issued 20,356,610 Shares, 13,049,198 Shares, 934,043 Shares, 8,308,372 Shares, 728,001 Shares, and 120,876 Shares to LJ Peace, LJ Venture, LJ Hope Ltd., QVP II, QVP II-C and QMDF II respectively (the "**Issue**") at the subscription price of HK\$0.01 per Share. Following the Issue, our Company repurchased the 43,497,100 issued shares of NT\$10.00 each (the "**Existing Shares**") in the capital of our Company in issue immediately prior to the Increase

(the “**Repurchase**”), the consideration of which was satisfied by the issue of the aggregate of 43,497,100 new Shares pursuant to the Issue. Immediately after the Repurchase, the Existing Shares were cancelled. Following the Repurchase, the authorised but unissued share capital of our Company was diminished by the cancellation of all unissued shares of NT\$10.00 each in the capital of our Company (the “**Diminution of Authorised Capital**”). Following the Diminution of Authorised Capital, our Company has an authorised share capital of HK\$434,971 divided into 43,497,100 ordinary shares of HK\$0.01 each.

- (f) Pursuant to the resolutions in writing of our Shareholders passed on 8 December 2014, the authorised share capital of our Company was increased from HK\$434,971 divided into 43,497,100 Shares to HK\$20,000,000, divided into 2,000,000,000 Shares by the creation of an additional 1,956,502,900 new Shares.

As at the Latest Practicable Date, our Company had an authorised share capital of HK\$20,000,000, divided into 2,000,000,000 Shares, and an issued share capital of HK\$434,971, divided into 43,497,100 Shares, all fully paid or credited as fully paid.

(iii) Share Capital of our Company after the Global Offering and the Capitalisation Issue

Immediately following the completion of the Global Offering and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options that have been or may be granted under the Share Option Schemes, the authorised share capital of our Company will be HK\$20,000,000, divided into 2,000,000,000 Shares and the issued share capital of our Company will be HK\$5,246,628 divided into 524,662,800 Shares, all fully paid or credited as fully paid, and 1,475,337,200 Shares will remain unissued.

Other than the exercise of the Over-allotment Option, the exercise of any options which have been or may be granted under the Share Option Schemes or the exercise of the general mandate to issue Shares referred to in the paragraph headed “Further information about our Company — Written resolutions of our Shareholders passed on 8 December 2014” in this section, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this Appendix and the section headed “History and Reorganisation” in this prospectus, there has been no alteration in the share capital of our Company since our incorporation.

(iv) Written Resolutions of our Shareholders Passed on 8 December 2014

Pursuant to the resolutions in writing passed by our Shareholders on 8 December 2014:

- (i) our Company increased its authorised share capital from HK\$434,971 divided into 43,497,100 Shares of par value HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of par value HK\$0.01 each by the creation of an additional 1,956,502,900 new Shares of par value HK\$0.01 each, and such additional Shares shall rank pari passu in all respects with the existing Shares;

- (ii) our Company approved and adopted the amended and restated Memorandum with immediate effect, and conditionally approved and adopted the Articles of Association to take effect on the Listing Date;
- (iii) conditional on the conditions as set out in the paragraph headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” of this prospectus being fulfilled or waived:
 - (a) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares and the Shares which may be required to be allotted and issued upon the exercise of the Over-allotment Option pursuant to the terms set out in this prospectus;
 - (b) following the increase in the authorised share capital of our Company as set out in (i) above and conditional upon the share premium account of our Company, being credited as a result of the issue of the Offer Shares by our Company under the Global Offering, our Directors were authorised to allot and issue a total of 350,000,000 Shares credited as fully paid at par to the holder(s) of Shares whose name(s) appear(s) on the register of members of our Company at close of business on 29 December 2014 (or another date as the Directors may direct), in proportion (as nearly as possible without involving fractions, to their then respective existing shareholding in our Company) by way of capitalisation of the sum of HK\$3,500,000 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares;
- (iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to any exercise of the Over-allotment Option or the options which have been or may be granted under the Share Option Schemes), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or it is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest;
- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to any exercise of the Over-allotment Option or the options which have been or may be granted under the Share Option Schemes), such mandate to remain in

effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or it is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest; and

- (vi) the general mandate mentioned in paragraph (iv) above be extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to any exercise of the Over-allotment Option or the options which have been or may be granted under the Share Option Schemes).

2. OUR PRINCIPAL SUBSIDIARIES

The particulars of our principal subsidiaries are provided in the Accountant's Report, the text of which is set out in Appendix I in this prospectus.

3. CHANGES IN THE SHARE CAPITAL OF OUR SUBSIDIARIES

For the details of changes in the share capital of our subsidiaries, please see the section headed "History and Reorganisation" of this prospectus. Save as disclosed in the paragraph headed "History and Reorganisation" of this prospectus, there has been no alterations in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

4. FURTHER INFORMATION ABOUT OUR PRC SUBSIDIARIES

Set out below is a summary of the corporate information of the PRC subsidiaries of our Company:

(a) BBI China

Name of subsidiary	上海啟松投資諮詢有限公司 (BBI China Limited)
Date of establishment	17 November 2009
Place of establishment	PRC
Nature of the company	Limited liability company (Wholly-owned by Taiwan, Hong Kong and Macao Corporation)
Registered capital	RMB52,420,385
Total paid-up capital	RMB52,420,385
Attributable interest to our Group	100%
Term of business operation	17 November 2009 to 20 September 2032

Scope of business	Investment consulting, corporate management consulting, corporate image planning, economic information consulting, business information consultation, exhibition business services (excluding organising and co-organising) (approval from relevant departments must be obtained before commencement of business in respect of projects subject to the approval in accordance with law)
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(b) **Sangon Biotech**

Name of subsidiary	生工生物工程(上海)股份有限公司 (Sangon Biotech Engineering (Shanghai) Company Limited*)
Date of establishment	28 October 2003
Place of establishment	PRC
Nature of the company	Joint stock limited company (Joint venture with the territory of Taiwan, Hong Kong and Macao, not listed)
Registered capital	RMB90,000,000
Total paid-up capital	RMB90,000,000
Attributable interest to our Group	99.99% (upon completion of purchase of shares from Shanghai Shengji)
Term of business operation	From 28 October 2003 to term not agreed
Scope of business	Research and development and production of chemical reagents, biochemical reagents, biological reagents, consumables, small instruments and biological engineering related products (the above operation in relation to dangerous chemicals is only limited to packaging business), sale of company products and provision of after-sale technical service; engagement in import and export, wholesale, commission agency (excluding auction) and related services of similar goods of above products (within the scope prescribed in dangerous chemical licence); provision of biological engineering and technical services, technology development, technical consulting; provision of warehouse business (approval from relevant departments must be obtained before commencement of business in respect of projects subject to the approval in accordance with law)

* For identification purpose only

5. SHARE REPURCHASE MANDATE

This section includes information relating to the repurchase by our Company of the Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

A. Relevant Legal and Regulatory Requirements

The Listing Rules permit a company whose primary listing is on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) *Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed by our Shareholders on 8 December 2014, a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to any exercise of the Over-allotment Option or the options which have been or may be granted under the Share Option Schemes), such mandate to remain in effect until (i) the conclusion of the next annual general meeting of our Company, or (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held, or (iii) such mandate being revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first (the “**Relevant Period**”).

(ii) *Source of Funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles of Association of our Company, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, such repurchases by our Company may only be made out of our Company's profits, our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase. Any amount of premium payable on a purchase over the par value of the Shares to be purchased must have been provided for out of either or both of the profits of our Company or our Company's share premium account.

(iii) *Trading Restrictions*

A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) *Suspension of Repurchase*

Pursuant to the Listing Rules, a listed company may not make any repurchases of shares after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required by the Listing Rules); and (b) the deadline for a listed company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange unless the circumstances are exceptional.

(v) *Reporting Requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vi) *Core Connected Persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person" (as defined in the Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the company on the Stock Exchange.

B. Reasons for Repurchases

Our Directors believe that it is in our Company's and our Shareholders' best interests for our Directors to have general authority from the Shareholders to enable our Company to execute repurchases of the Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or its earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

C. Funding of Repurchases

In repurchasing securities, a listed company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account our Company's current working capital position, our Directors consider that, if the repurchase mandate were to be exercised in full, there might have a material adverse effect on our Company's working capital and/or our Company's gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our Company's working capital requirements or the gearing position which in the opinion of our Directors are from time to time appropriate for our Company.

D. General

Exercise in full of the current repurchase mandate, on the basis of 524,663,100 Shares in issue immediately following the completion of the Global Offering and the Capitalisation and assuming the Over-allotment Option is not exercised, could accordingly result in up to approximately 52,446,310 Shares being repurchased by our Company during the Relevant Period.

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules) have any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Codes on Takeovers and Mergers (the "**Takeover Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' interests, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers

Code as a result of a repurchase of Shares made immediately after the listing of Shares on the Stock Exchange. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate immediately after the listing of the Shares on the Stock Exchange.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agrees to waive the Listing Rules requirements regarding the public shareholding referred to above. A waiver of this provision is not normally granted other than in exceptional circumstances.

No core connected person (as defined in the Listing Rules) of our Company has notified us that he or she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

Save as disclosed in the paragraph headed “1. Further information about our Company — (ii) Changes in Share Capital of our Company” of this Appendix, no repurchase of Shares has been made by our Company since its incorporation.

5. CORPORATE REORGANISATION

For details of the major steps of the Reorganisation effected in preparation for the listing of our Company, please see the section headed “History and Reorganisation — Corporate Reorganisation” in this prospectus.

6. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (i) asset purchase agreement dated 5 February 2013 (“**Asset Purchase Agreement**”) entered into by Bio Basic (Canada) as purchaser and Feldan Bio Inc. (“**Feldan**”) as vendor, pursuant to which Bio Basic (Canada) agreed to purchase the assets (including, among other things, the goodwill and inventories) of Feldan pertaining to the business of manufacturing, distributing and marketing of the molecular biology product line of Feldan intended for research in Canada as carried by Feldan prior to the date of the Asset Purchase Agreement at a consideration of CA\$100,001;
- (ii) trade-name license agreement dated 5 February 2013 entered into by Bio Basic (Canada) as licensee and Feldan as licensor, under which Feldan agreed to grant Bio Basic (Canada) a royalty-free, non-exclusive, non-transferable right to use the trade-name “Feldan” in association with the distribution and marketing of the molecular biology product line acquired from Feldan by Bio Basic (Canada) as set out in the agreement described in (i) above;

- (iii) Equity Transfer Agreement 《股權轉讓協議》 dated 23 August 2013 entered into between Shanghai Shengjie Investment Company Limited* (上海生杰投資有限公司) (“**Shanghai Shengjie**”, and Shanghai Shengji Investment Company Limited* (上海生吉投資有限公司) (“**Shanghai Shengji**”), pursuant to which Shanghai Shengjie has agreed to transfer its 3.6205% equity interests in Sangon Biotech to Shanghai Shengji at a consideration of RMB9,253,998;
- (iv) share exchange agreement dated 25 October 2013 entered into between our Company, BBI Asia and LJ Venture, pursuant to which our Company has agreed to allot and issue a maximum of 10,988,730 ordinary shares of par value NT\$10.00 each of our Company fully-paid to LJ Venture as consideration shares in exchange for the transfer of 5,080,640 ordinary shares of US\$1.00 each in the issued share capital of BBI Asia from LJ Venture to our Company;
- (v) share exchange agreement dated 5 November 2013 entered into amongst Wang Jin, Wang Luojia, Mai Jun, LJ Peace, LJ Venture, LJ Hope Ltd., our Company, BBI Asia and BBI China, pursuant to which Wang Jin, Wang Luojia, Mai Jun have agreed to transfer all their equity interests in BBI China to BBI Asia in consideration for which:-
- a. upon the transfer of all the equity interests in BBI China, BBI Asia to allot and issue 7,892,158 ordinary shares of par value of US1.00 each in the capital of BBI Asia fully paid to our Company;
 - b. upon the allotment and issuance pursuant to sub-paragraph (a) above, our Company to allot and issue an aggregate of 23,351,021 ordinary shares of par value NT\$10.00 each in the capital of our Company fully paid to LJ Peace, LJ Hope Ltd. and LJ Venture;
 - c. upon the allotment and issuance pursuant to sub-paragraph (b) above, LJ Peace to allot and issue an aggregate of 709,784,100 ordinary shares in the capital of LJ Peace fully paid to Wang Jin and Wang Luojia;
 - d. upon the allotment and issuance pursuant to sub-paragraph (b) above, LJ Hope Ltd. to allot and issue an aggregate of 32,567,678 ordinary shares in the capital of LJ Hope Ltd. fully paid to Wang Luojia and Mai Jun; and
 - e. upon the allotment and issuance pursuant to sub-paragraph (b) above, LJ Venture to allot and issue an aggregate of 718,400 ordinary shares in the capital of LJ Venture fully paid to Wang Jin and Wang Luojia;
- (vi) Equity Transfer Agreement 《股權轉讓協議》 dated 5 November 2013 entered into between Wang Luojia and BBI Asia, pursuant to which Wang Luojia agreed to transfer her 49% equity interest in BBI China to BBI Asia at a consideration of RMB29,761,196;
- (vii) Equity Transfer Agreement 《股權轉讓協議》 dated 5 November 2013 entered into between Wang Jin and BBI Asia, pursuant to which Wang Jin agreed to transfer her 49% equity interest in BBI China to BBI Asia at a consideration of RMB29,761,196;

- (viii) Equity Transfer Agreement 《股權轉讓協議》 dated 5 November 2013 entered into between Mai Jun and BBI Asia, pursuant to which Mai Jun agreed to transfer his 2% equity interest in BBI China to BBI Asia at a consideration of RMB1,214,742;
- (ix) share exchange agreement dated 9 December 2013 entered into amongst QVP II, QVP II-C, QMDF II, our Company and BBI International, pursuant to which QVP II, QVP II-C and QMDF II, being the shareholders of BBI International, have agreed to transfer all their entire interest in the issued share capital of BBI International, which in aggregate consisted of 45,325,655 ordinary shares at a value of HK\$1.00 each, to our Company in consideration of our Company allotting and issuing 8,308,372 shares, 728,001 shares and 120,876 shares of NT\$10.00 each in the share capital of our Company fully paid to QVP II, QVP II-C and QMDF II respectively;
- (x) loan agreement 《借款合同》 entered into between Sangon Biotech and PrimeGene dated 8 September 2013, pursuant to which Sangon Biotech agreed to lend RMB1,000,000 to PrimeGene for the purpose of purchasing a factory for a term from 9 September 2013 to 30 September 2013;
- (xi) stock purchase agreement dated 12 April 2014 entered into among Sangon Biotech, Wang HuiSheng, Liang XiaoFeng, Xiao QiShi, Liu ZhenQing, Zhong YiPing and Zhu Lin as sellers, R&D Systems China Co., Ltd. as purchaser and PrimeGene, pursuant to which the sellers have agreed to sell and transfer all of the equity ownership (of which 31% will be transferred by Sangon Biotech) in PrimeGene to R&D Systems China Co., Ltd. at a total consideration of US\$21,000,000;
- (xii) Equity Transfer Agreement 《股權轉讓協議》 dated 3 September 2014 entered into between BBI China and Shanghai Shengji, pursuant to which Shanghai Shengji agreed to transfer its 4.7084% equity interest in Sangon Biotech to BBI China at a consideration of RMB23,306,580;
- (xiii) construction project supervision contract 《建設工程監理合同》 dated 25 April 2014 entered into between Sangon Biotech and Shanghai Huang Pu Construction Consulting Co., Ltd.* (上海煌浦建設諮詢有限公司), pursuant to which Shanghai Huang Pu Construction Consulting Co., Ltd.* (上海煌浦建設諮詢有限公司) agreed to provide construction consulting services to Sangon Biotech for new facilities at No. 698, Xiangmin Road, Songjiang District, Shanghai at a consideration of RMB355,000;
- (xiv) a cornerstone investment agreement dated 10 December 2014 entered into among the Company, the Sole Sponsor, the Sole Global Coordinator and Pine River China Master Fund Ltd. pursuant to which Pine River China Master Fund Ltd. agreed to subscribe for such number of Shares at the Offer Price for an aggregate subscription amount equal to the Hong Kong dollars equivalent of US\$5,000,000 (calculated at the exchange rate published by The Hongkong Shanghai Banking Corporation at 9:00 a.m. Hong Kong time on the Price Determination Date), rounded down to the nearest whole board lot of 1,500 Shares, on the terms as more particularly set out in the section headed “Cornerstone Investors”;

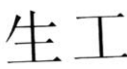


- (xv) a cornerstone investment agreement dated 10 December 2014 entered into among the Company, the Sole Sponsor, the Sole Global Coordinator and China New Economy Fund Limited pursuant to which China New Economy Fund Limited agreed to subscribe for such number of Shares at the Offer Price for an aggregate subscription amount equal to the Hong Kong dollars equivalent of US\$2,500,000 (calculated at the exchange rate published by The Hongkong Shanghai Banking Corporation at 9:00 a.m. Hong Kong time on the Price Determination Date), rounded down to the nearest whole board lot of 1,500 Shares, on the terms as more particularly set out in the section headed “Cornerstone Investors”;
- (xvi) a cornerstone investment agreement dated 12 December 2014 entered into among the Company, the Sole Sponsor, the Sole Global Coordinator, China New Rich Medicine Holding Co. Limited and New Ray Medicine International Holding Limited (as a guarantor) pursuant to which China New Rich Medicine Holding Co. Limited agreed to subscribe for such number of Shares at the Offer Price for an aggregate subscription amount equal to the Hong Kong dollars equivalent of US\$2,500,000 (calculated at the exchange rate published by The Hongkong Shanghai Banking Corporation at 9:00 a.m. Hong Kong time on the Price Determination Date), rounded down to the nearest whole board lot of 1,500 Shares, on the terms as more particularly set out in the section headed “Cornerstone Investors”;
- (xvii) the Deed of Indemnity;
- (xviii) the Deed of Non-competition; and
- (xix) the Hong Kong Underwriting Agreement.

B. Our Intellectual Property Rights

As at the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.






(i) Trademarks

As at the Latest Practicable Date, members of our Group have registered the following trademarks in the PRC and U.S., which are material to our business:



No.	Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1.		1	Sangon Biotech	PRC	4399686	27 February 2018
2.		1	Sangon Biotech	PRC	1901279	20 November 2022
3.	 <small>商標顏色</small>	1	Sangon Biotech	PRC	9014839	20 January 2022


APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
4.		42	Sangon Biotech	PRC	9949921	13 November 2022
5.		1	Sangon Biotech	PRC	8753349	13 October 2023
6.	ULTRAPAGE	1	Sangon Biotech	PRC	11147539	20 November 2023
7.	ULTRAPAGE	42	Sangon Biotech	PRC	11147538	20 November 2023
8.	生工生物	42	Sangon Biotech	PRC	11357010	13 January 2024
9.		42	Sangon Biotech	PRC	9949920	13 March 2024
10.		1	Sangon Biotech	PRC	11147535	20 July 2024
11.	生工生物	1	Sangon Biotech	PRC	11356988	27 May 2024
12.		1	Sangon Biotech	US	4415968	8 October 2023

As at the Latest Practicable Date, our Group has applied for the registration of the following trademarks in Hong Kong and Canada, which are material to our business:

No.	Trademark	Type and Class	Name of Applicant	Place of Application	Application Number	Application Date
1.	(A)  (B) 	1, 42	BBI Life Sciences Corporation Limited	HK	303115890	27 August 2014
2.	生工	1, 42	BBI Life Sciences Corporation Limited	HK	303117104	28 August 2014

No.	Trademark	Type and Class	Name of Applicant	Place of Application	Application Number	Application Date
3.	BIO BASIC	N/A	Sangon Biotech	Canada	1657866	27 December 2013
4.		N/A	Sangon Biotech	Canada	1598810	19 October 2012

(ii) *Domain Names*

As at the Latest Practicable Date, our Group has registered the following domain names which are material to our business

Domain Name	Owner	Date of Registration	Expiry Date
sangon.com	Sangon Biotech	30 December 2000	30 December 2015
life-biotech.com	Sangon Biotech	15 May 2013	16 May 2019
bbiantibody.com	Sangon Biotech	3 June 2013	4 June 2017
bbi-lifesciences.com	Sangon Biotech	17 March 2014	17 March 2024

Information contained in the above websites does not form part of this prospectus. Save as disclosed above, there are no other trademarks or other intellectual property rights which are material in relation to the business of our Company.

(iii) *Patents*

As at the Latest Practicable Date, members of our Group have registered the following patents which are material to our business:

No.	Type	Registered Owner	Patent number	Place of Registration	Expiry Date
1.	A type of T vector preparation method for T-A cloning* (用於T-A克隆的T載體製備方法)	Sangon Biotech	ZL200510123112.7	PRC	14 December 2025
2.	A type of method for maintaining the activity of protein activity at normal temperature * (一種常溫保持活性蛋白活性的方法)	Sangon Biotech	ZL200610023565.7	PRC	23 January 2026

No.	Type	Registered Owner	Patent number	Place of Registration	Expiry Date
3.	HAP-DNA purification column* (HAP-DNA純化柱)	Sangon Biotech	ZL200820150699.X	PRC	9 July 2018
4.	A type of synthesis method of the gene containing the repeat sequence* (一種含重複序列基因的合成方法)	Sangon Biotech	ZL201010286658.5	PRC	18 September 2030
5.	A type of kit and method for rapid detection of DNA methylation* (一種快速檢測DNA甲基化的試劑盒及方法)	Sangon Biotech	ZL201010286647.7	PRC	18 September 2030
6.	A type of fluorescent screening cloning vector and its preparation and application * (一種熒光篩選克隆載體及其製備與應用)	Sangon Biotech	ZL201010592374.9	PRC	14 December 2030
7.	PCR reaction device for preventing solution from evaporating* (防止溶液蒸發的PCR反應裝置)	Sangon Biotech	ZL201320081273.4	PRC	20 February 2023
8.	Magnetic separation device for separating biological material * (用於分離生物材料的磁性分離裝置)	Sangon Biotech	ZL201320405288.1	PRC	8 July 2023

No.	Type	Registered Owner	Patent number	Place of Registration	Expiry Date
9	A type of DNA marker plasmid and its preparation and application* (一種DNA marker 質粒及其製備與應用)	Sangon Biotech	ZL201310066305.8	PRC	28 February 2033
10.	A type of ampicillin resistance plasmid vector and its preparation and application* (一種氨苄青黴素抗性 質粒載體及其製備與 應用)	Sangon Biotech	ZL201110273904.8	PRC	14 September 2031

As at the Latest Practicable Date, members of our Group have applied for the registration of the following patents, which are material to our business:

No.	Type	Name of Applicant	Application number	Place of Application	Application Date
1.	A type of plasmid for the preparation DNA Marker and its construction method and uses* (一種用於DNA Marker 製備的質粒及其構建 方法與用途)	Sangon Biotech	201110297625.5	PRC	30 September 2011
2.	A type of method of the preparation of the double-stranded DNA molecule with overhangs* (一種製備帶有突出末 端的雙鏈DNA分子的 方法)	Sangon Biotech	201210014407.0	PRC	17 January 2012

No.	Type	Name of Applicant	Application number	Place of Application	Application Date
3.	A type of improved cloning vector and its application* (一種改造的克隆載體及其應用)	Sangon Biotech	201210550352.5	PRC	17 December 2012
4.	A type of method of separating the chloroplast DNA* (一種分離葉綠體DNA的方法)	Sangon Biotech	201310066333.X	PRC	1 March 2013

Save as disclosed above, there are no other copyrights, patents, trademarks or other intellectual property rights which are material in relation to the business of our Company.

C. Material Properties

Among our owned and leased properties, 6 of them are considered material by our Group as we operate our head office, factories and warehouses thereon. Details of the material properties are set out as below:

Owner	Property Name, Address	Use	Approximate Area (sq.m.)	Method of Acquisition of Land Use Right/Expiry Date of Land Use Right of Owned Land
Sangon Biotech	上海市松江區車墩鎮香閔路698號* (698 Xiangmin Road, Chedun town, Songjiang District, Shanghai)	Factory	22,884.07	Land Grant until 25 December 2055

Owner	Property Name, Address	Use	Approximate Area <i>(sq.m.)</i>	Method of Acquisition of Land Use Right/Expiry Date of Land Use Right of Owned Land
Sangon Biotech	上海市松江區車墩鎮21街坊12/1丘* (12/1 Mound, 21 neighbourhood, Chedun Town, Songjiang District, Shanghai)	Industrial	27,539	Land Grant until 6 October 2063
Sangon Biotech	北京市通州區環科東一路14號2幢2層201* (Room 201, 2/F, Block 2, 14 East Huanke First Road, Tongzhou District, Beijing)	Factory	747.34	Land Grant until 29 June 2057
Sangon Biotech	武漢市東湖高新區高新大道858號A1-2號(No. A1-2, 858 Gaoxin Avenue, Donghu Gaoxin District, Wuhan)	Warehousing and logistics, manufacturing, research and development and office	1,285.7	Land Grant until 19 March 2060
Bio Basic (Canada)	20 Konrad Crescent, Markham, Ontario, Canada	Manufacturing and warehouse	2,017	N/A
Bio Basic (US)	4160 Bailey Avenue, Amherst, New York	Warehouse	608	N/A

None of the above material properties is related to property activities (as defined in the Chapter 5 of the Hong Kong Listing Rules). To the best of our knowledge and belief, except as otherwise disclosed in this prospectus, none of our material properties have:

- third-party rights such as encumbrances, liens, pledges or mortgages;
- restrictions on its use or conflicts with its actual use;
- environmental violation issues;
- investigations, notices, pending litigations, breaches of law or title defects;
- plans for construction, renovation, improvement or development;
- plans to dispose of or change the use; or
- any other information considered material for investors to enable them to make a properly informed assessment on the properties of our Company.

7. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

A. Disclosure of Interests

- (i) *Disclosure of interests and short positions of our Directors and our chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations*

Immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which have been or may be granted under the Share Option Schemes), the interests or short positions of Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions 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 into in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed will be as follows:

<u>Name of Director</u>	<u>Nature of Interest</u>	<u>Number of Shares/underlying Shares held</u>	<u>Shareholding percentage</u> (%)
Wang Luojia (<i>Notes 1,2,3</i>)	Trustee of a trust, interest in a controlled corporation and interests held jointly with another person	312,221,948	59.51
Wang Jin (<i>Notes 1,2,4</i>)	Trustee of a trust and interests held jointly with another person	312,221,948	59.51
Wang Qisong (<i>Notes 1,2,5</i>)	Settlor of trusts and interests held jointly with another person	312,221,948	59.51

Notes:

1. Wang J Family Trust is an irrevocable trust constituted under the laws of the Province of Ontario, lauded with Wang Qisong as the settlor, Wang Luojia as the trustee and Jin Wang and her children as the beneficiaries. Wang J Family Trust owns 51.15% of the total issued shares of LJ Peace and 50% of the total issued shares of LJ Venture.
2. Wang L Family Trust is an irrevocable trust established under the laws of the Province of Ontario, lauded with Wang Qisong as the settlor, Wang Jin as the trustee and Wang Luojia and her children as the beneficiaries. Wang L Family Trust owns 48.85% of the issued shares of LJ Peace and 50% of the issued shares of LJ Venture.
3. Wang Luojia (i) is the trustee of Wang J Family Trust which owns 51.15% of the total issued shares of LJ Peace and 50% of the total issued shares of LJ Venture; (ii) owns 50% of the total issued shares of LJ Hope Ltd. which in turn holds 934,043 Shares (representing 2.15% of the total issued Shares) immediately before completion of the Global Offering and the Capitalisation Issue and 8,449,833 Shares (representing approximately 1.61% of the total issued Shares after completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the options which have been or may be granted under the Share Option Schemes)); (iii) is the grantee of an option granted pursuant to the Pre-IPO Share Option Schemes pursuant to which 89,012 Shares as at the date of this prospectus and 805,248 Shares upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the options which have been or may be granted under the Share Option Schemes) will be issued to Wang Luojia upon exercise of the same and (iv) is a party to the Acting in Concert Deed pursuant to which each of Wang Qisong, Wang Luojia and Wang Jin has agreed to consolidate their respective interests in our Company and to vote on any resolution to be passed at any shareholders' meeting of our Company in a unanimous manner. Wang Luojia

is therefore deemed to be interested in the Shares held by LJ Peace, LJ Venture and LJ Hope Ltd. respectively and the underlying Shares in respect of the options granted to herself and to Wang Qisong pursuant to the Pre-IPO Share Option Schemes under the SFO. Each of Wang Luojia, Wang Jin and Wang Qisong is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

4. Wang Jin is the trustee of Wang L Family Trust which owns 48.85% of the total issued shares of LJ Peace and 50% of the total issued shares of LJ Venture. Accordingly, Wang Jin, being the trustee of Wang L Family Trust, is deemed to be interested in the Shares held by LJ Peace and LJ Venture respectively under the SFO. Pursuant to the Acting in Concert Deed, each of Wang Qisong, Wang Luojia and Wang Jin has agreed to consolidate their respective interests in our Company and to vote on any resolution to be passed at any shareholders' meeting of our Company in a unanimous manner and hence each of Wang Luojia, Wang Jin and Wang Qisong is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.
5. In light of notes 1 and 2, Wang Qisong, being the settlor of both Wang L Family Trust and Wang J Family Trust, is deemed to be interested in the Shares held by LJ Venture and LJ Peace, respectively. Wang Qisong is also the grantee of an option granted pursuant to the Pre-IPO Share Option Schemes pursuant to which 84,096 Shares as at the date of this prospectus and 760,776 Shares upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the options which have been or may be granted under the Share Option Schemes) will be issued to Wang Qisong upon exercise of the same. Pursuant to the Acting in Concert Deed, each of Wang Qisong, Wang Luojia and Wang Jin has agreed to consolidate their respective interests in our Company and to vote on any resolution to be passed at any shareholders' meeting of our Company in a unanimous manner and hence each of Wang Luojia, Wang Jin and Wang Qisong is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

(ii) ***Disclosure of interests under the SFO and disclosure of interests for Substantial Shareholders***

So far as is known to any Director or chief executive of our Company, immediately following completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options that have been or may be granted under the Shares Option Schemes, the following persons (other than a Director or chief executive of our Company) will have an interest or short position in the Shares or the underlying Shares which must be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or are, directly or indirectly, 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:

<u>Name</u>	<u>Type of Interest</u>	<u>Number of Shares/underlying Shares held</u>	<u>Percentage of shareholding in our Company</u> (%)
LJ Peace (<i>Note 1</i>)	Beneficial owner	184,156,346	35.10
LJ Venture (<i>Note 2</i>)	Beneficial owner	118,049,745	22.50
Mai Jun (<i>Note 3</i>)	Interest of a spouse and interest in a controlled corporation	312,221,948	59.51

Name	Type of Interest	Number of Shares/underlying Shares held	Percentage of shareholding in our Company (%)
Lu Guang Yi (<i>Note 4</i>)	Interest of a spouse	312,221,948	59.51
Qiming Venture Partners II, L.P. (“QVP II”) (<i>Note 5</i>)	Beneficial owner and person acting in concert	82,841,176	15.79
Qiming Venture Partners II-C, L.P. (“QVP II-C”) (<i>Note 5</i>)	Beneficial owner and person acting in concert	82,841,176	15.79
Qiming Managing Directors Fund II, L.P. (“QMDF II”) (<i>Note 5</i>)	Beneficial owner and person acting in concert	82,841,176	15.79

Notes:

1. Wang J Family Trust is an irrevocable trust constituted under the laws of the Province of Ontario with Wang Qisong as the settlor, Wang Luojia as the trustee and Wang Jin and her children as the beneficiaries. Wang J Family Trust owns 51.15% of the total issued shares of LJ Peace and 50% of the total issued shares of LJ Venture.
2. Wang L Family Trust is an irrevocable trust established under the laws of the Province of Ontario with Wang Qisong as the settlor, Wang Jin as the trustee and Wang Luojia and her children as the beneficiaries. Wang L Family Trust owns 48.85% of the issued shares of LJ Peace and 50% of the issued shares of LJ Venture.
3. Mai Jun is the spouse of Wang Luojia and is deemed to be interested in the Shares which are deemed to be interested by Wang Luojia under the SFO. Mai Jun also owns 50% of LJ Hope Ltd. and is therefore also deemed to be interested in approximately the Shares held by LJ Hope Ltd.
4. Mr. Lu Guang Yi is the spouse of Wang Jin. Accordingly, Mr. Lu Guang Yi is deemed to be interested in the Shares which are deemed to be interested by Wang Jin under the SFO.
5. QVP II, QVP II-C and QMDF II will beneficially hold 75,161,799 Shares, 6,585,871 Shares and 1,093,506 Shares respectively, representing approximately 14.33%, 1.26% and 0.21% respectively of the total issued share capital of our Company immediately after the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the options that have been or may be granted under the Share Option Schemes). By virtue of QVP II acting in concert with QVP II-C and QMDF II, each of QVP II, QVP II-C and QMDF II is deemed to be interested in all the Shares held by them in aggregate under the SFO.

As at the Latest Practicable Date, so far as is known to our Directors, other than our Company, no other 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 our subsidiaries.

B. Directors' Service Contracts

Each of our executive Directors has entered into a service contract with our Company for a fixed term of three years commencing from the Listing Date which can be terminated before the expiration of the term by not less than three months' notice in writing served by either party on the other.

The non-executive Director has signed an appointment letter with our Company for a term of three years with effect from the Listing Date. Under his appointment letter, the non-executive Director is entitled to a fixed Directors fee of RMB1.00 per annum. His appointment is subject to the provisions of retirement and rotation of Directors under the Articles.

Each of the Independent Non-executive Directors has signed an appointment letter with our Company for a term of two years with effect from the Listing Date. Under their respective appointment letters, each of the Independent Non-executive Directors is entitled to a fixed Directors fee of RMB120,000 per annum. Their appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

Save as disclosed above, none of our Directors has entered into a service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

C. Directors' Remuneration

The aggregate remuneration (including fees, salaries, housing allowances and other allowances and benefits in kind, bonuses and fair value of options granted) paid to our Directors for the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014 were approximately RMB0.67 million, RMB0.83 million, RMB0.81 million and RMB0.73 million, respectively.

There was no arrangement under which a director waived or agreed to waive any remuneration for any of the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014.

Save as disclosed above, no other payments have been made or are payable in respect of the three years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014 by any member of our Group to any of our Directors.

Under the arrangements currently in force, our Company estimates the aggregate remuneration payable to, and benefits in kind receivable by (excluding any discretionary bonuses), our Directors in respect of the year ending 31 December 2014 to be approximately RMB1.2 million.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

D. Personal Guarantees

Save as disclosed the paragraph headed “Relationship with Controlling Shareholders — Financial Independence” in this prospectus, our directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to us.

E. Agency Fees or Commission Received

Save as disclosed in this prospectus, no commissions, discounts, agency fees brokerages or other special terms have been granted in connection with the issue or sale of any of our capital within the two years ended on the date of this prospectus.

F. Connected and Related-Party Transactions

During the two years preceding the date of this prospectus, we were engaged in related party transactions as described under note 37 to the Accountant’s Report set out in Appendix I to this prospectus.

G. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is 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 in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, 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;
- (c) none of our Directors nor any of the persons listed in the paragraph headed “*Qualifications of Experts*” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, 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;

- (d) none of our Directors is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group;
- (e) save in connection with Underwriting Agreements, none of the persons listed in the paragraph headed “Qualifications of Experts” below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) save for the Underwriting Agreements, none of the persons listed in the paragraph headed “Qualifications of Experts” below 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; and
- (g) so far as is known to our Directors, none of our Directors or their close associates or any Shareholder (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest suppliers or customers of our Group.

8. PRE-IPO SHARE OPTION SCHEMES

(a) Introduction

The purpose of the Pre-IPO Share Option Schemes is to recognise the contribution of certain of our employees, executives and officers made or may have made to the growth of our Group and/or the Listing. The principal terms of the Pre-IPO Share Option Schemes were approved by board’s meeting held on 4 September 2014.

(b) Summary of the major terms of the Pre-IPO Share Option Schemes

(i) Purpose

The Pre-IPO Share Option Schemes are share incentive schemes and are established to recognise and acknowledge the contributions that the eligible participants (as described in (c) below) have or may have made to our Group. The Pre-IPO Share Option Schemes will provide the eligible participants with an opportunity to have a personal stake in our Company with a view to achieving the following objectives:

- (1) motivate the eligible participants to optimise their performance efficiency for the benefit of our Group; and
- (2) attracting and retaining or otherwise maintaining relationships with the eligible participants whose contributions are or will be beneficial to the long-term growth of our Group.

(ii) Conditions

The exercise of the options granted under the Pre-IPO Share Option Schemes shall be conditional upon (1) the commencement of dealing of the Shares on the Stock Exchange; and (2) the full payment of the Subscription Price set out in paragraph (iv) below to the bank account designated by our Company within the designated period.

(iii) Time of exercise of options and duration of the Pre-IPO Share Option Schemes

Subject to the conditions in paragraph (ii) above, the grantees to whom options have been granted pursuant to the terms and conditions as set out in the First 2014 Employee Stock Option Plan A of our Company (“**Option A**”) will be entitled to exercise his/her options at any time and from time to time up to the last day of the 5th anniversary of 16 January 2014.

Subject to the conditions in paragraph (ii) above, the grantees to options whom have been granted pursuant to the terms and conditions as set out in the First 2014 Employee Stock Option Plan B of our Company (“**Option B**”) will be entitled to exercise his/her options in the following manner:

- (1) up to 20% of the options so granted to him/her (rounded down to the nearest whole number) at any time after a period of 12 months commencing from the 1st anniversary of 16 January 2014;
- (2) up to 40% of the options so granted to him/her (rounded down to the nearest whole number) at any time after a period of 24 months commencing from the 2nd anniversary of 16 January 2014;
- (3) up to 60% of the options so granted to him/her (rounded down to the nearest whole number) at any time after a period of 36 months commencing from the 3rd anniversary of 16 January 2014;
- (4) up to 80% of the options so granted to him/her (rounded down to the nearest whole number) at any time after a period of 48 months commencing from the 4th anniversary of 16 January 2014; and
- (5) such number of unexercised options so granted to him/her at any time after a period of 60 months commencing from the 5th anniversary of 16 January 2014.

(iv) Subscription Price

Subject to any adjustment as a result of any capital increase and reduction as set out in (h) below, the subscription price of Shares under both Option A and Option B (the “Subscription Price”) shall be HK\$9.80 per Share and upon completion of the Global Offering and the Capitalisation Issue (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options that have been or may be granted under the Share Option Schemes), the Subscription Price of Shares under both Option A and Option B shall be adjusted to HK\$1.1 per Share.

(v) Rights are personal to grantee

An option is personal to the grantee and all rights hereunder may not be transferred, pledged, or given as a gift, in whole or in part, to any third party or disposed in any other manner, except that his/her heir(s) is/are entitled to exercise the grantee’s rights within three months from the date of death of the grantee.

(vi) Expiry of option

Since the exercise of options granted under the Pre-IPO Share Option Scheme shall be conditional upon the commencement of dealing of our Shares on the Stock Exchange, should any of the following events (2) to (7) happen before such condition is fulfilled, the options granted shall lapse automatically on the date the event happens. If dealing of our Shares has commenced on the Stock Exchange, an option shall lapse automatically and not be exercisable (only to the extent not already exercised, but has become exercisable pursuant to paragraph (iii) above) on the earliest of:

- (1) the last day of the 5th anniversary of 16 January 2014;
- (2) the last day of the 3rd month from the date of the termination of employment by the grantees;
- (3) the last day of the 3rd month from the date of the termination of employment by way of severance;
- (4) the date of termination of employment by our Company and/or any of the subsidiaries due to his/her breach of the employment contract, work rules, or non-compete obligations, act of gross negligence, or deterioration of performance;
- (5) the last day of the 3rd month from the date of the retirement of the grantee;
- (6) the last day of the 3rd month from the date of the death of the Grantee;
- (7) the last day of the 3rd month from the date of the occurrence of occupational accident if the Grantee is unable to continue his/her employment at our Company due to the physical damage caused by an occupational accident; and
- (8) the date on which the Board shall exercise our right to cancel the option in accordance with paragraph (j) below.

If the grantee is on leave without pay, the grantee may exercise his/her rights within three months from the first day of such leave, and the options not exercised within the prescribed period shall be suspended and shall resume from the date of his/her return. Provided that to the extent the options have not become exercisable pursuant to paragraphs (ii) and (iii) above, the Registered Holder's right hereunder shall be suspended on the first day of such leave and shall resume from the date of his/her return.

(c) Who may join

Participants of the Pre-IPO Share Option Schemes include (1) our Executive Directors, (2) senior management of our Group and (3) other employees of our Group who, in the sole opinion of the Board, have contributed or will contribute to our Company and/or any of the subsidiaries.

(d) No grant of options on or after the Listing Date

Save for the options which have been granted before the Listing Date, no further options will be granted under the Pre-IPO Share Option Schemes on or after the Listing Date under any circumstances.

(e) Maximum number of Shares

The total number of Shares subject to the Pre-IPO Share Option Schemes is 3,269,000 Shares. However, as 2 of the Grantees, none of them is our Director, our senior management or connected person of our Company, have left our Group in October 2014 and November 2014, respectively, the options granted to them lapsed according to the terms of the Pre-IPO Share Option Schemes. Accordingly, the total number of Shares to be subject to the Pre-IPO Share Option Schemes, after deducting the 2 resigned employees' right to subscribe for 12,471 Shares pursuant to the options granted to them, shall be 3,256,529 Shares, representing approximately 7.5% of the issued share capital of our Company immediately before completion of the Capitalisation Issue and the Global Offering. The adjusted total number of Shares to be subjected to the Pre-IPO Share Option Schemes (the "Adjusted Shares") shall be 29,460,249 Shares, representing approximately 5.6% of the issued share capital of our Company immediately upon completion of the Capitalisation Issue and the Global Offering and taking no account of any shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which have been or may be granted under Share Option Schemes;

Amongst 3,256,529 Shares or 29,460,249 Adjusted Shares granted under the Pre-IPO Share Option Schemes, 2,097,000 and 1,159,529 Shares or 18,970,531 and 10,489,718 Adjusted Shares were granted under Option A and Option B respectively.

(f) Consideration of Shares

All Shares granted under Pre-IPO Share Options Schemes are for nil consideration.

(g) Outstanding options

As at the date of this prospectus, options to subscribe for an aggregate of 3,256,529 Shares at an exercise price of HK\$9.80 have been conditionally granted by our Company under the Pre-IPO Share Option Schemes. Upon completion of the Global Offering and the Capitalisation Issue (but without taking into account any shares which may be issued upon the exercise of the Over-allotment Option and the options that have been or may be granted under Share Option Schemes), the Adjusted Shares to be subjected to the Pre-IPO Share Option Schemes and the adjusted exercise price shall be 29,460,249 Shares and HK\$1.1 respectively. A total of 162 eligible participants (excluding the 2 resigned employees) including 2 grantees who are our Directors, 9 grantees who are members of the senior management of our Group, 3 Grantees who are connected persons of our Company (not

including our executive Directors and members of senior management) and 148 grantees who are employees of our Group. Among the grantees who are employees of our Group, 12 of which have the right to subscribe for 30,000 Shares or more or shall have the right to subscribe for 271,395 Adjusted Share or more under the Pre-IPO Share Option Schemes and the remaining 136 Grantees (the “Remaining Grantees” and each an “Remaining Grantee”) have the rights to subscribe for less than 30,000 Shares or shall have the rights to subscribe for less than 271,395 Adjusted Shares under the Pre-IPO Share Option Schemes. The total number of Shares and Adjusted Shares subject to the options granted to the Remaining Grantees are 1,447,252 Shares and 13,092,598 Shares, respectively, among which, 784,633 Shares and 7,098,184 Adjusted Shares are subject to Option A and 662,619 Shares and 5,994,414 Adjusted Shares are subject to Option B.

Below is a list of the Directors who are grantees under the Pre-IPO Share Option Schemes:

<u>Directors</u>	<u>Position held with our Group</u>	<u>Address</u>	<u>Number of underlying Shares under the options granted</u>	<u>Number of underlying Adjusted Shares under the options granted</u>	<u>Option type</u>	<u>Approximate percentage of issued Shares immediately after completion of Global Offering</u>
1. Wang Qisong	Executive Director and chairman	Rm 505, No. 14, Nong 158, Baocheng Road Minhang District, Shanghai China	84,096	760,776	A	0.15%
2. Wang Luojia	Executive Director and chief executive officer	Rm 1306, No. 14, Nong 158, Baocheng Road Minhang District, Shanghai China	89,012	805,248	B	0.15%

Below is a list of the senior management who are grantees under the Pre-IPO Share Option Schemes:

	Senior Management	Position held within our Group	Address	Number of underlying Shares under the options granted	Number of underlying Adjusted Shares under the options granted	Option type	Approximate percentage of issued Shares immediately after completion of Global Offering
3.	Li Ruifeng (李瑞峰) (Note 1)	Vice president	Rm 1301, Bldg. 3, Lane 1111, Xinsongjiang Road SongJiang District, Shanghai China	163,679	1,480,724	A	0.28%
4.	Yan Hua (顏華)	Vice president	698 Xiang Min Road, SongJiang District, Shanghai China	116,998	1,058,424	A	0.20%
5.	Zhou Mi (周密)	Senior manager	Unit 26-50 Brookmill BLVD, Toronto, Ontario M1W 2L4 Canada	60,276	545,288	A	0.10%
6.	Wang Zhi (王志)	Senior manager	Rm 1001, Bldg. 56, Lane 257, Ronglong Road SongJiang District, Shanghai China	55,875	505,474	A	0.10%
7.	Hu Xuyu (胡旭宇) (Note 2)	Vice president	Rm 202, Bldg. 77, Lane 1728, Chengshan Road Pudongxin District, Shanghai China	152,044	1,375,468	A	0.26%
8.	Li Wei (李威)	Vice president	Rm 502, Bldg. 20, Lane 469 Zhuansheng Road Zhuanqiao Town Minhang District, Shanghai China	116,998	1,058,424	A	0.20%

	Senior Management	Position held within our Group	Address	Number of underlying Shares under the options granted	Number of underlying Adjusted Shares under the options granted	Option type	Approximate percentage of issued Shares immediately after completion of Global Offering
9.	Zhang Hao (張昊)	Chief financial officer	Rm 501, Bldg. 15, Lane 6780, Humin Road Shanghai China	152,044	1,375,468	A	0.26%
10.	Jiao Qingfeng (焦青峰)	Vice president	Rm 702, Bldg. 20, Lane 5, Yulan Road Nanjing Jiang Su China	152,044	1,375,468	A	0.26%
11.	Teng Yuantung (鄧元東)	Internal auditor	Floor 9, Bldg. 6 Lane 372, Jinmen Street Banqiao District, Xinbei City Taiwan	23,383	211,535	B	0.04%

Notes:

1. Li Ruifeng has been a director of Sangon Biotech since May 2008 and hence a connected person of our Company.
2. Hu Xuyu is the brother of Hu Xubo, a non-executive Director of our Company and hence a connected person of our Company.

Below is a list of the connected persons of our Company (not including our executive Directors and member of senior management) who are grantees under the Pre-IPO Share Option Schemes:

	Connected person	Relationship with our Company	Address	Number of underlying Shares under the options granted	Number of underlying Adjusted Shares under the options granted	Option type	Approximate percentage of issued Shares immediately after completion of Global Offering
12.	Wang Zezhou (王則周)	Nephew of Wang Qisong	Rm 301, Bldg. 38, Shijihuayuan 4 villages, Yexie Town, Shanghai China	19,300	174,598	A	0.03%
13.	Min Qijun (閔啟俊)	Cousin of Wang Luoia and Wang Jin	Rm 601, Bldg. 58, Wutangxincun Gulou, Nanjin China	10,419	94,256	A	0.02%
14.	Min Qining (閔啟寧)	Cousin of Wang Luoia and Wang Jin	Bldg. 25, Xima Road, Jiang An ,Wu Han, Hu Bei China	7,033	63,624	A	0.01%

Below is a list of the employees who had been granted share options representing the right to subscribe for 30,000 Shares or more or shall have the right to subscribe for 271,395 Adjusted Shares or more under the Pre-IPO Share Option Schemes:

	Employees	Position held with our Group	Address	Number of underlying Shares under the options granted	Number of underlying Adjusted Shares under the options granted	Option type	Approximate percentage of issued Shares immediately after completion of Global Offering
15.	Liu Hanyu (劉寒雨)	Department manager	698 Xiang Min Road, Songjiang District, Shanghai China	103,923	940,141	B	0.18%

							Approximate percentage of issued Shares immediately after completion of Global Offering
	Employees	Position held with our Group	Address	Number of underlying Shares under the options granted	Number of underlying Adjusted Shares under the options granted	Option type	
16.	Min Jiayi (閔嘉嶷)	Deputy manager	Rm 101, Bldg. 80, Lane 70, Zhongshan Dong Road SongJiang District, Shanghai China	39,376	356,216	A	0.07%
17.	Wang Xuhui (王緒慧)	Department manager	Rm 302, Bldg. 110, Lane 420, Gumeixi Road Minhang District, Shanghai China	31,492	284,893	A	0.05%
18.	Jiang Shuqin (蔣淑琴)	Department manager	Rm 502, Bldg. 2, Lane 37, Keyuanxiaogu, Huayang Road, Jinan China	59,756	540,583	B	0.10%
19.	Ren Guodong (任國棟)	Department manager	Rm 0105, Bldg. 9, Unit 1, Mianfang Road Zhongyuan District, Zhengzhou, Henan China	41,569	376,055	B	0.07%
20.	Liu Wei (劉偉)	Sales manager	Rm 305, Bldg. 178, Changfu Road Tianhe Guangzhou China	33,775	305,546	B	0.06%
21.	Ling Yuntao (凌雲濤)	Department manager	Rm 401, Bldg. 15, Beiqijiawangdouxindi, Changpin Beijing China	31,177	282,043	B	0.05%

							Approximate percentage of issued Shares immediately after completion of Global Offering
Employees	Position held with our Group	Address	Number of underlying Shares under the options granted	Number of underlying Adjusted Shares under the options granted	Option type		
22.	Peng Yueliang (彭岳亮)	Software engineer	Rm 301, Bldg. 11, Lane 14, Guilin West Street, Xuhui, China	41,569	376,055	B	0.07%
23.	Tang Chuanhui (唐傳惠)	Department manager	698 Xiang Min Road, SongJiang District, Shanghai China	31,177	282,043	B	0.05%
24.	Xu Zhengwei (徐正偉)	Software engineer	Rm 101, Lane 1565, Liyuanxiaoqu, Jiang Chuan Road Minhang District, Shanghai China	41,569	376,055	B	0.07%
25.	Fu Kang (付康)	Department manager	698 Xiang Min Road, SongJiang District, Shanghai China	116,998	1,058,424	A	0.20%
26.	Zou Ziliang (鄒自良)	Department manager	698 Xiang Min Road, SongJiang District, Shanghai China	33,695	304,822	A	0.06%

The remaining 136 Grantees (excluding the 2 resigned employees) have the rights to subscribe for less than 30,000 Shares or shall have the rights to subscribe for less than 271,395 Adjusted Shares under the Pre-IPO Share Option Schemes. The total number of Shares and Adjusted Shares subject to the options granted to the Remaining Grantees are 1,447,252 Shares and 13,092,598 Shares, respectively, among which, 784,633 Shares and 7,098,184 Adjusted Shares are subject to Option A and 662,619 Shares and 5,994,414 Adjusted Shares are subject to Option B.

<u>Number of employees</u>	<u>Option type</u>	<u>Number of underlying Shares under the options granted</u>	<u>Number of underlying Adjusted Shares under the options granted</u>	<u>Approximate percentage of issued Shares immediately after completion of Global Offering</u>
136	A	784,633	7,098,184	1.35%
	B	662,619	5,994,414	1.14%
Total: 162	A	2,097,000	18,970,531	3.62%
	B	1,159,529	10,489,718	2.00%

(h) **Ranking of Shares**

The Shares to be delivered under both Option A and Option B shall be issued with such rights and restrictions as those attached to the Shares previously issued by our Company and shall rank *pari passu* with them.

(i) **Effect of alterations to capital**

In the event of (a) an alteration in the capital structure of our Company whilst any option granted under the Pre-IPO Share Option Schemes remains exercisable by way of capitalisation of profits or reserves, issuance of shares pursuant to a scrip dividend scheme, subdivision of shares, rights offering or reduction of capital, the number of Shares subject to the options granted under the Pre-IPO Share Option Schemes so far as unexercised shall be adjusted accordingly; and (b) a distribution of dividends or an alteration in the capital structure of our Company whilst any option granted under the Pre-IPO Share Option Schemes remains exercisable by way of capitalisation of profits or reserves, issuance of shares pursuant to a scrip dividend scheme, subdivision of shares, rights offering or reduction of capital, the Subscription Price shall be adjusted accordingly.

(j) **Cancellation of Options**

Any rights foregone under the options granted under the Pre-IPO Share Option Schemes shall be cancelled by our Company and our Company shall have right to re-issue new options(s) to any eligible person under the Pre-IPO Share Option Schemes provided that such new options are granted within the limit prescribed in and otherwise comply with the terms of the Pre-IPO Share Option Schemes.

(k) Dilution effect and impact on earnings per Share

Assuming all outstanding options as at Latest Practicable Date were exercised as at 1 January 2014, this would have a dilutive effect on the shareholdings of our Shareholders of approximately 7.5% and, as a result of the adjustment in share-based compensation expenses for the six months ended 30 June 2014, an anti-dilutive effect of approximately 2.4% on our earnings per Share for the six months ended 30 June 2014.

(l) Disclosure in annual and interim reports

We will disclose details of the Pre-IPO Share Option Schemes in our annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(m) Waiver and Exemption

Our Company has applied for and has been granted a waiver from (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption from the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Please see the section headed “Waiver and Exemptions from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and Exemption in relation to Pre-IPO Share Option Schemes” in this prospectus for details.

9. POST-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally approved and adopted by written resolutions of our Shareholders on 8 December 2014. The terms of our Post-IPO Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The following summary does not form, nor is intended to be, part of the Post-IPO Share Option Scheme nor should it be taken as affective the interpretation of the rules of the Post-IPO Share Option Scheme. For the purpose of this paragraph 9, references to “Board” shall mean the board of Directors or a committee thereof appointed for the purpose of administering the Post-IPO Share Option Scheme; references to “Participant” shall mean any Director (including executive Directors, non-executive Directors and Independent Non-executive Directors) and employees of any member of our Group; references to “Grantee” shall mean any Participants who accepts an offer of the grant of an option in accordance with the terms of the Post-IPO Share Option Scheme or (where the context so permits) any person who is entitled to any such option in consequence of the death of the original Grantee, or the legal representative of such person.

(i) Purpose

The purpose of the Post-IPO Share Option Scheme is to provide Participants with the opportunity to acquire proprietary interests in our Company and to encourage Participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and its Shareholders as a whole. The Post-IPO Share Option Scheme will provide our Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

(ii) Who may join

On and subject to the terms of the Post-IPO Share Option Scheme and the requirements of the Listing Rules, the Board may offer to grant an option to any Participants as the Board may in its absolute discretion select.

(iii) Administration

The Post-IPO Share Option Scheme shall be subject to the administration of the Board. The Board shall have the right to:

- (a) interpret and construe the provisions of the Post-IPO Share Option Scheme;
- (b) determine the persons who will be offered options under the Post-IPO Share Option Scheme, the number of Shares and the subscription price, subject to paragraph (vi) below, in relation to such options;
- (c) subject to paragraphs (xiv) and (xv) below, make such appropriate and equitable adjustments to the terms of the options granted under the Post-IPO Share Option Scheme as it deems necessary; and
- (d) make such other decisions or determinations as it shall deem appropriate in the administration of the Post-IPO Share Option Scheme.

(iv) Grant of options

On and subject to the terms of the Post-IPO Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of options to Directors, chief executives and Substantial Shareholders of our Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Post-IPO Share Option Scheme to make an offer for the grant of an option to any Participant as the Board may in its absolute discretion select. The offer shall specify the terms on which the option is granted. Such terms may include any minimum periods for which an option must be held and/or any minimum performance targets that must be reached, before the options can be exercised in whole or in part, and may include at the discretion of the Board other terms imposed (or not imposed) either on a case by case basis or generally.

No offer shall be made and no option shall be granted to any Participant after inside information has come to our Company's knowledge until it has announced the information. In particular, our Company shall not grant any option during the period commencing one month immediately preceding the earlier of:

- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company's results for any year, half year, quarter or any other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for our Company to publish an announcement of, its results for any year or half-year under the Listing Rules, or quarter or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. For the avoidance of doubt, the period during which no options shall be granted mentioned above shall include any period of delay in the publication of a results announcement.

(v) Payment on acceptance of option offer

An offer shall remain open for acceptance by the Participant concerned for a period of 14 days from the date of the offer HK\$1.00 is payable by the Grantee to our Company on acceptance of the offer of the option.

(vi) Subscription price

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the offer of new Shares shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and (c) the nominal value of a Share on the date of grant.

(vii) Option period

The period within which the Shares must be taken up under an option shall be the period of time to be notified by the Board to each Grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

(viii) Rights are personal to grantee

An option shall be personal to the Grantee and shall not be assignable or transferable.

(ix) Rights attaching to Shares allotted

The Shares to be allotted and issued upon the exercise of an option shall be subject to all the provisions of the Memorandum and Articles of Association of our Company for the time being in force and will rank *pari passu* with the fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of our Company. Prior to the Grantee being registered on the register of members of our Company, the Grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company), in respect of the Shares to be issued upon the exercise of the option.

(x) Exercise of option

Subject to the terms and conditions upon which an option is granted, an option may be exercised by the Grantee at any time during the option period, provided that:

- (a) in the event the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant for any reason other than (1) his or her death or (2) on one or more of the grounds of termination of employment or engagement specified in paragraph (xi)(f) below, the option shall lapse on the date of cessation of such employment or engagement and not be exercisable unless the Board otherwise determines in which event the option shall be exercisable to the extent and within such period as the Board may determine. The date of cessation of employment of a Grantee (being an employee and who may or may not be a director of any member of our Group) shall be the last actual working day on which the Grantee was physically at work with our Company or the relevant subsidiary, whether salary is paid in lieu of notice or not;
- (b) in the event the Grantee dies before exercising the option in full and none of the events for termination of employment or engagement under paragraph (xi)(f) below then exists with respect to such Grantee, the personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death to exercise the option up to the entitlement of such Grantee as at the date of death;
- (c) if a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph (x)(d) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, our Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company at any time within such period as shall be notified by our Company;

- (d) if a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company at any time within such period as shall be notified by our Company;
- (e) in the event a notice is given by our Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company at any time within such period as shall be notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option; and
- (f) in the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph (x)(d) above, between our Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it first gives notice of the meeting to its members and/or creditors to consider such a scheme or arrangement and the Grantee may at any time thereafter but before such time as shall be notified by our Company exercise the Option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option.

(xi) **Lapse of option**

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the expiry of the option period;
- (b) the date or the expiry of the periods for exercising the option as referred to in paragraph (x) above;
- (c) subject to the scheme of arrangement (referred to in paragraph (x)(d) above) becoming effective, the expiry of the period for exercising the option as referred to in paragraph (x)(d) above;
- (d) subject to paragraph (x)(e) above, the date of the commencement of the winding-up of our Company;

- (e) the date on which the Grantee commits a breach of paragraph (viii) above;
- (f) the date on which the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty, or on any other ground on which an employer would be entitled to terminate his or her employment summarily;
- (g) the date on which the Grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally;
- (h) where the Grantee is an employee, a director, officer or contract consultant of a member of our Group (other than our Company), the date on which such member ceases to be a subsidiary; and
- (i) unless the Board otherwise determines, and other than in the circumstances referred to in paragraph (x)(a) or (b) above, the date the Grantee ceases to be a Participant (as determined by a Board resolution) for any reason.

Transfer of employment or engagement or relationship from one member of our Group to another member of our Group shall not be considered as a cessation of employment, engagement or relationship.

(xii) **Cancellation of option**

Any options granted but not exercised may be cancelled if the Grantee so agrees and new options may be granted to the Grantee provided such new options are granted within the limits prescribed by paragraph (xiii) below and otherwise comply with the terms of the Post-IPO Share Option Scheme.

(xiii) **Maximum number of Shares subject to options**

- (a) The overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Post-IPO Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (“**Scheme Limit**”);
- (b) The Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate of the Shares in issue on the date the Shares commence trading on the

Stock Exchange and any Shares which may be allotted and issued by our Company pursuant to the Over-allotment Option (the “**Scheme Mandate Limit**”). Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit;

- (c) Our Company may refresh the Scheme Mandate Limit at any time subject to prior Shareholders’ approval. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders’ approval. Options previously granted under the Post-IPO Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled, lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as refreshed. A circular must be sent to Shareholders in connection with the meeting at which their approval will be sought;
- (d) Our Company may also seek separate Shareholders’ approval for granting options beyond the Scheme Mandate Limit to Participants specifically identified by our Company before the aforesaid Shareholders’ meeting where such approval is sought. A circular shall be sent to Shareholders containing a generic description of the identified Participants, the number and terms of the Options to be granted, the purpose of granting Options to the identified Participants, and how those Options serve such purpose;
- (e) The total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised, cancelled and outstanding Options) in any 12 month period shall not exceed 1% of the Shares in issue (the “**Individual Limit**”). Any further grant of options to a Participant which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of grant of such further options exceeding the Individual Limit shall be subject to Shareholders’ approval in advance with such Participant and his close associates (or his associates if such participant is a connected person) abstaining from voting. A circular must be sent to the Shareholders disclosing the identity of such Participant and the number and terms of the Options granted and to be granted. The number and terms of Options to be granted to such Participants shall be fixed before Shareholders’ approval is sought and the date of the Board meeting for proposing such further grant shall for all purposes be the Date of Grant for the purpose of calculating the Subscription Price; and
- (f) The maximum number of Shares referred to in this paragraph (xiii) shall be adjusted, in such manner as the auditors or the financial adviser of our Company retained for such purpose shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (xiv) below by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, reduction of the share capital of our Company.

(xiv) Reorganisation of capital structure and special dividends

In the event of an alteration in the capital structure of our Company whilst any option remains exercisable by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of shares, or reduction of the share capital of our Company (other than an issue of Shares as consideration in a transaction), such corresponding alterations (if any) shall be made to: (i) the number or nominal amount of Shares subject to the option so far as unexercised; or (ii) the subscription price; or (iii) the method of exercise of the option; or any combination thereof, as the auditors or a financial adviser engaged by our Company for such purpose shall, at the request of our Company, certify in writing, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable, provided that any such adjustments give a Grantee the same proportion of the equity capital of our Company as that to which that Grantee was previously entitled, but so that no such adjustments be made to the extent that a Share would be issued at less than its nominal value.

(xv) Alteration of the Post-IPO Share Option Scheme

- (a) Subject to paragraph (xv)(b) below, the Board may amend any of the provisions of the Post-IPO Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Post-IPO Share Option Scheme, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any Grantee at that date);
- (b) Those specific provisions of the Post-IPO Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and no changes to the authority of our Directors or administrator of the Post-IPO Share Option Scheme in relation to any alteration of the terms of the Post-IPO Share Option Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature, or any change to the terms of options granted, must also, to be effective, be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme. The Post-IPO Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules; and
- (c) Notwithstanding any approval obtained pursuant to paragraph (xv)(a) above, no amendment shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to such amendment except with the consent or sanction in writing of such number of Grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to the options granted under the Post-IPO Share Option Scheme, except where such amendment takes effect automatically under the existing terms of the Post-IPO Share Option Scheme.

(xvi) Termination of Post-IPO Share Option Scheme

Our Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Post-IPO Share Option Scheme and in such event no further options will be offered or granted but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect. Options which are unexercised and unexpired immediately prior to the termination of the operation of the Post-IPO Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Post-IPO Share Option Scheme.

(xvii) Offers made to a director, chief executive or employee who is also Substantial Shareholder of our Company or any of their respective associates

Each grant of options to any director, chief executive or Substantial Shareholder of our Company (or any of their respective associates) (as the aforesaid terms are defined in rule 14A.06(2) of the Listing Rules) shall be subject to the prior approval of the Independent Non-executive Directors of our Company (excluding any Independent Non-executive Director who is a proposed recipient of the grant of options). Where any grant of options to a Substantial Shareholder or an Independent Non-executive director of our Company, or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12 month period (or such other period as may from time to time be specified by the Stock Exchange) up to and including the date of grant:

- (a) representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5 million (or such other amount as may from time to time be specified by the Stock Exchange).

Such grant of options shall be subject to prior approval by the Shareholders (voting by way of poll). The Grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting at such general meeting, except that any such person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

(xviii) Conditions of Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall take effect subject to:

- (a) the Listing Committee granting approval of the Post-IPO Share Option Scheme and the granting of options thereunder;
- (b) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of options under the Post-IPO Share Option Scheme; and

(c) the commencement of dealings in the Shares on the Stock Exchange.

(xix) Present status of the Post-IPO Share Option Scheme

As at the Latest Practicable Date, no option has been granted or agreed to be granted under the Post-IPO Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Post-IPO Share Option Scheme, being 52,466,310 Shares in total.

10. OTHER INFORMATION

A. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

B. Sole Sponsor

The Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Sponsor's fees payable by us in respect of the Sponsor's services as sponsor for the Listing is HK\$6 million.

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Schemes). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

C. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2014 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

D. Tax and other indemnities**(i) Tax on Dividends**

No tax is payable in Hong Kong in respect of dividends paid by us.

(ii) Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profit tax, which is currently imposed at the rate of 16.5% on corporations and at a rate of 15.0% on unincorporated businesses. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(iii) Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(iv) Estate Duty

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of AIAIO Estate Duty) Ordinance 2005 which came into effect on 11 February 2006. The estate of a person who died before 11 February 2006 is subject to the provisions of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), and the Shares are Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from and including 15 July 2005 to 11 February 2006 with the principal value exceeding HK\$7.5 million shall be a nominal amount of HK\$100. Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

(v) Deed of Indemnity

Pursuant to the Deed of Indemnity given by each of our Controlling Shareholders in favour of our Company (and its subsidiaries) and conditional on the fulfilment of the conditions stated in the paragraph headed “Conditions of the Hong Kong Public Offering” in the section headed “Structure of the Global Offering” in this prospectus, our Controlling Shareholders have agreed and undertaken to each of the members of our Group on a joint and several basis that they would indemnify and at all times keep the same indemnified on demand from and against any taxation falling on any members of our Group resulting from or by reference to any revenue (including any form of government financial assistance, subsidy or rebate), income, profits or gains granted, earned, accrued, received or made (or

deemed to be so granted, earned, accrued, received or made) on or before the Listing Date or any event, transaction, act or omission occurring or deemed to occur on or before the Listing Date whether alone or in conjunction with any other event, act or omission occurring or deemed to occur on or before the Listing Date and whether or not such taxation is chargeable against or attributable to any other person, firm or company. For the avoidance of doubt, the aforesaid provision shall require our Controlling Shareholders to indemnify and at all times keep each of the members of our Group indemnified, in each case, in respect of any additional taxation which may fall on our Company or any other member of our Group in respect of a taxation claim resulting from a reassessment or similar action by a taxation authority against any member of our Group of taxation due and whether or not such reassessment is effected in respect of taxation which our Company or any other members of our Group had previously reached agreement with a taxation authority.

Under the Deed of Indemnity, the Controlling Shareholders have also agreed and undertaken to each of members of our Group on a joint and several basis that they would indemnify and at all times keep the same indemnified on demand from and against all sums, outgoings, fees, demands, claims, damages, losses, costs, charges, liabilities, fines, penalties and expenses incurred or suffered by our Company or any members of our Group resulting from the Reorganisation and any and all of the non-compliances of any of the members of our Group with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance or other applicable laws, rules or regulations in their respective place of incorporations or operation which has occurred at any time on or before the Listing Date.

However, the indemnities given by our Controlling Shareholders under the Deed of Indemnity do not cover, and our Controlling Shareholders shall be under no liability in respect of, any liability on taxation and taxation claim:

- (a) to the extent that provision has been made in the audited combined accounts of our Group or the audited accounts of any of the members of our Group for an accounting period ended on or before 30 June 2014;
- (b) falling on any members of our Group in respect of any accounting period commencing on or after 30 June 2014 unless such liability would not have arisen but for some act or omission of, or transaction entered into by, our Controlling Shareholders or any members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than:
 - (i) in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets, on or before the Listing Date; or
 - (ii) pursuant to a legally binding commitment created on or before the date of the deed of indemnity or pursuant to any statement of intention made in this prospectus.
- (c) to the extent that such liability arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof by any statutory or governmental authority (in Hong Kong, the PRC, Canada, the US or elsewhere), including without limitation the Inland Revenue Department, the tax bureau of the PRC, Canada

Revenue Agency and the United States Internal Revenue Service, having retrospective effect coming into force after the Listing Date or to the extent that such liability arises or is increased by an increase in rates of taxation or other penalties after the Listing Date with retrospective effect;

- (d) to the extent that such liability is discharged by another person who is not a member of our Group and that none of the member of our Group is required to reimburse such person in respect of the discharge of such liability; or
- (e) to the extent of any provision or reserve made for such liability in the audited accounts referred to in Clause (a) above which is finally established to be an overprovision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce our Controlling Shareholders' liability in respect of such liability shall not be available in respect of any such liability arising thereafter.

(vi) *Consultation with professional advisers*

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the tax implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. None of our Company, the Sponsor, the Underwriters, any of their respective directors, or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, or dealing in, the Shares.

E. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder Shares, management Shares or deferred Shares;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
 - (v) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of any member of our Group;

- (vi) no founders, management or deferred shares of our Company or any of its subsidiaries has been issued or agreed to be issued.
- (b) None of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (c) Our Company has no outstanding convertible debt securities;
- (d) 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;
- (e) Our Directors have been advised that the use of a Chinese name by our Company does not contravene Cayman Islands law;
- (f) There is no arrangement under which future dividends are waived or agreed to be waived;
- (g) No company within our Group is presently listed on any stock exchange or traded on any trading system; and
- (h) Our principal register of members will be maintained by our principal registrar, Codan Trust Company (Cayman) Limited in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

F. Qualifications of Experts

The following are the qualifications of experts who have opined or advised on information contained in this prospectus:

Name	Qualification
Haitong International Capital Limited	Licensed to engage in Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Frost & Sullivan	Industry consultant
Howse Williams Bowers	Legal adviser as to Hong Kong law
King & Wood Mallesons	PRC legal adviser
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law

<u>Name</u>	<u>Qualification</u>
DLA Piper Hong Kong	Legal adviser as to International Sanctions laws
Ofsink, LLC	Legal adviser as to United States of America law
McMillan LLP	Legal adviser as to Canada law

G. Consents of Experts

Each of Haitong International Capital Limited, PricewaterhouseCoopers, Frost & Sullivan, Howse Williams Bowers, King & Wood Mallesons, Conyers Dill & Pearman (Cayman) Limited, DLA Piper Hong Kong, Ofsink LLC and McMillan LLP has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

H. Promoter

Our Company has no promoter for purposes of the Listing Rules. 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 are 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.

I. Preliminary Expenses

The preliminary expenses incurred by our Company were approximately US\$4,705 and were payable or paid by our Company.

J. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of binding all persons concerned by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

K. 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 Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — 6. Further Information About Our Business — A. Summary of Material Contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the section headed “Statutory and General Information — 10. Other Information — G. Consents of Experts” in Appendix IV to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Howse Williams Bowers at 27/F, Alexandra House, 18 Chater 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) the Memorandum and Articles of Association of our Company;
- (b) the audited consolidated financial statements of our Group for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 included in the Accountant’s Report prepared by PricewaterhouseCoopers, the text of which is out in Appendix I to this prospectus;
- (c) the report from PricewaterhouseCoopers relating to our unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the legal opinions issued by King & Wood Mallesons, our PRC legal adviser, in respect of certain aspects of our Group and the property interests of our Group;
- (e) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited, our special legal counsel as to the law of the Cayman Islands, summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the legal opinion issued by Ofsink, LLC in respect of certain aspects of our Group and the property interest of our Group in the U.S.;
- (g) the legal opinion issued by McMillan LLP in respect of certain aspects of our Group and the property interest of our Group in Canada;
- (h) the international sanctions memorandum issued by DLA Piper Hong Kong in respect of our Group’s sales in the Sanctioned Countries;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (i) the legal opinion issued by Howse Williams Bowers in respect of certain non-compliance aspects of our Group in Hong Kong;
- (j) the rules of the Pre-IPO Share Option Schemes;
- (k) the rules of the Post-IPO Share Option Scheme;
- (l) the list of all the grantees who have been conditionally granted options to subscribe for the Shares under the Pre-IPO Share Option Schemes, containing all the details as required under the Hong Kong Listing Rules and Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (m) the material contracts referred to in the section headed “Statutory and General Information — 6. Further Information about Our Business — A. Summary of Material Contracts” in Appendix IV to this prospectus;
- (n) the written consents referred to in the section headed “Statutory and General Information — 10. Other Information — G. Consents of Experts” in Appendix IV to this prospectus;
- (o) the service contracts and letters of appointment referred to in the section headed “Statutory and General Information — 7. Further Information about our Directors and Substantial Shareholders — B. Directors’ Service Contracts” in Appendix IV to this prospectus; and
- (p) the Cayman Companies Law.



BBI Life Sciences Corporation
BBI 生命科學有限公司