昭衍
JOINN

北京昭衍新藥研究中心股份有限公司
JOINN LABORATORIES (CHINA) CO., LTD.

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

Stock Code: 6127

GLOBAL OFFERING

Sole Sponsor, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

CITIC SECURITIES

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

BofA SECURITIES

CICC 中金公司

Joint Bookrunners and Joint Lead Managers

CMS 招商證券國際

海通國際 HAITONG

中銀國際 BOCI

招銀国际 CMB INTERNATIONAL

交銀國際 BOCOM International

ICBC 工银国际

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

JOINN Laboratories (China) Co., Ltd.
北京昭衍新藥研究中心股份有限公司

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

Global Offering

Number of Offer Shares under the Global Offering	**:**	**43,324,800 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**3,899,300 H Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**39,425,500 H Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$151.00 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H share**
Stock code	**:**	**6127**

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

A copy of this Prospectus, having attached thereto the documents specified in the section headed "Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection" in 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.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, February 19, 2021 (Hong Kong time) and, in any event, not later than Saturday, February 20, 2021 (Hong Kong time). The Offer Price will be not more than HK$151.00 and is currently expected to be not less than HK$133.00 per Offer Share. If, for any reason, the Offer Price is not agreed by Saturday, February 20, 2021 (Hong Kong time) between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate and with our consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this Prospectus (which is HK$133.00 to HK$151.00) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the website of our Company at www.joinn-lab.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.com as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus.

We are incorporated, and a majority part of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors," "Regulatory Overview" and "Appendix III — Summary of Articles of Association" in this Prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please refer to the section headed "Underwriting" in this Prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may be offered and sold only (a) in the United States to "Qualified Institutional Buyer" in reliance on Rule 144A or another exemption from, or in a transaction not subject to, registration under the U.S. Securities Act and (b) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this Prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This Prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.joinn-lab.com. If you require a printed copy of this Prospectus, you may download and print from the website addresses above.

February 16, 2021

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this Prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This Prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at www.joinn-lab.com. If you require a printed copy of this Prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or

(2) electronically cause HKSCC Nominees to apply on your behalf, including by:

i. instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

ii. (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our H Share Registrar, Tricor Investor Services Limited, at +852 3907 7333 on the following dates:

Tuesday, February 16, 2021	**–**	**9:00 a.m. to 9:00 p.m.**
Wednesday, February 17, 2021	**–**	**9:00 a.m. to 9:00 p.m.**
Thursday, February 18, 2021	**–**	**9:00 a.m. to 9:00 p.m.**
Friday, February 19, 2021	**–**	**9:00 a.m. to 12:00 noon**

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this Prospectus are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this Prospectus is available online at the website addresses above.

Please refer to the section headed "How to apply for the Hong Kong Offer Shares" in this Prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*
100	15,252.17	2,500	381,304.07	30,000	4,575,648.81	600,000	91,512,976.20
200	30,504.33	3,000	457,564.88	40,000	6,100,865.08	700,000	106,765,138.90
300	45,756.49	3,500	533,825.70	50,000	7,626,081.35	800,000	122,017,301.60
400	61,008.65	4,000	610,086.51	60,000	9,151,297.62	900,000	137,269,464.30
500	76,260.82	4,500	686,347.33	70,000	10,676,513.89	1,000,000	152,521,627.00
600	91,512.98	5,000	762,608.14	80,000	12,201,730.16	1,500,000	228,782,440.50
700	106,765.14	6,000	915,129.76	90,000	13,726,946.43	1,949,600[(1)]	297,356,164.00
800	122,017.30	7,000	1,067,651.39	100,000	15,252,162.70		
900	137,269.47	8,000	1,220,173.02	200,000	30,504,325.40		
1,000	152,521.63	9,000	1,372,694.64	300,000	45,756,488.10		
1,500	228,782.45	10,000	1,525,216.27	400,000	61,008,650.80		
2,000	305,043.25	20,000	3,050,432.54	500,000	76,260,813.50		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Hong Kong Public Offering commences ..... 9:00 a.m. on Tuesday, February 16, 2021

Latest time for completing electronic applications under the **HK eIPO White Form** service through one of the below ways[2]:

(1) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**; or

(2) the designated website at **www.hkeipo.hk** ..... 11:30 a.m. on Friday, February 19, 2021

Application lists open[3] ..... 11:45 a.m. on Friday, February 19, 2021

Latest time for (a) completing payment for the **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC[4] ..... 12:00 noon on Friday, February 19, 2021

Application lists close[3] ..... 12:00 noon on Friday, February 19, 2021

Expected Price Determination Date[5] ..... Friday, February 19, 2021

Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares to be published on the website of our Company at **www.joinn-lab.com** and the website of the Stock Exchange at **www.hkexnews.hk** on or before[6][7] ..... Thursday, February 25, 2021

Results of allocations in the Hong Kong Public Offering to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares — (D) Publication of Results" in this prospectus from[7] ..... Thursday, February 25, 2021

Results of allocations in the Hong Kong Public Offering will be available at the "IPO Results" function in the **IPO App** or at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function[4][7] ..... Thursday, February 25, 2021

Dispatch of H Share certificates and **HK eIPO White Form** e-Auto Refund payment instructions/refund checks on or before[7][8] . . . . . Thursday, February 25, 2021

Dealings in the H Shares on the Stock Exchange expected to commence at[7] . . . . . 9:00 a.m. on Friday, February 26, 2021

Notes:

(1) All dates and times refer to Hong Kong dates and times.

(2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the **IPO App** or the designated website at **www.hkeipo.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 **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning signal, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, February 19, 2021, the application lists will not open and close on that day. See the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for Hong Kong Offer Shares – 6. 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, February 19, 2021, and in any event, not later than Saturday, February 20, 2021. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or before Saturday, February 20, 2021, the Global Offering will not proceed and will lapse.

(6) None of the websites or any of the information contained on the websites forms part of this Prospectus.

(7) If there is a "black" rainstorm warning signal, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong from Tuesday, February 16, 2021 to Friday, February 26, 2021 then the day of (i) announcement of the results of allocations under the Hong Kong Public Offering; (ii) dispatch of H Share certificates/e-Auto Refund payment instructions/refund checks; and (iii) dealings in the H Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

(8) The H Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Friday, February 26, 2021, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade H Shares on the basis of publicly available allocation details or prior to the receipt of the H Share certificates or prior to the H Share certificates becoming valid do so entirely at their own risk.

e-Auto Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and in respect of successful applicants in the event that the final Offer Price is less than the price payable per Offer Share on application.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares", respectively.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

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

You should rely only on the information contained in this Prospectus to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this Prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not contained nor made in this Prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents, or representatives of any of them or any other parties involved in the Global Offering.

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

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

Various expressions used in this section are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this Prospectus.

OUR COMPANY

We are a leading non-clinical CRO focused on drug safety assessment. We are also in the process of expanding our offerings to an integrated range of services covering discovery, pre-clinical and clinical trial stages in the drug R&D service chain. Our non-clinical studies refer to pharmaceutical R&D studies other than clinical trials conducted on human subjects. Such non-clinical studies encompass all major stages of the pharmaceutical R&D process, including discovery, pre-clinical and clinical trial stages. Setting out as a CRO specialized in pharmacology and toxicology studies for innovative drugs in China, we have now become the largest CRO in non-clinical drug safety assessment in China with a market share of 15.7% in terms of revenues in 2019, according to Frost & Sullivan. In 2019, the market size of China and global non-clinical drug safety CRO market was US$415.7 million and US$4.8 billion, respectively, accounting for approximately 6.1% and 7.7% of the US$6.8 billion and US$62.6 billion market size of China and global pharmaceutical CRO in 2019, respectively, according to Frost & Sullivan. The A Shares of our Company have been listed on the Shanghai Stock Exchange (stock code: 603127) since August 2017.

Building upon our core competency in drug safety assessment, we have been expanding our service offerings with a view to becoming an integrated pharmaceutical R&D service platform capable of providing a comprehensive portfolio of CRO services including non-clinical studies, clinical trial and related services, and research model business. With our project experience and scientific expertise, we aim to help our customers reduce R&D costs and risks and improve the overall productivity and efficiency of their global pharmaceutical R&D projects. With over 25 years of operating history, we have accumulated extensive experience in regulatory requirements for new drug applications and are capable of conducting complex research projects in accordance with applicable GLP standards and guidelines promulgated by major jurisdictions around the world. In addition, our deep scientific and practical expertise, coupled with our full suite of global qualifications and capabilities, enable our customers to make global filings with a single set of research data, with a goal to greatly improve efficiency and achieve significant cost savings.

Headquartered in Beijing, we currently own and operate two GLP-certified facilities in China strategically located in Beijing and Suzhou. We are a leading CRO in China in terms of the size of GLP-compliant facilities, according to Frost & Sullivan. Our facilities located in Beijing have a total GFA of approximately 11,600 sq.m. Our facilities in Suzhou have a total GFA of approximately 61,600 sq.m. and we plan to commence the construction of approximately 20,000 sq.m. of additional laboratories and research model facilities in 2021. With a view to further expanding our service capacity and geographic reach, we are also planning to build a drug safety assessment center for innovative drugs and a central laboratory with associated platforms for bioanalytical services in Guangzhou, as well as laboratories for GLP-compliant non-clinical studies, breeding facilities for research models and central laboratories for clinical studies in Chongqing. We expect the Phase I of both facilities to commence operation in 2023. In addition to our facilities in China, we have been broadening our global footprint through organic growth and strategic acquisition. In 2019, we acquired Biomere, a discovery-based, specialty CRO located in Worcester, Massachusetts with an international customer base and strong reputation in customer services. For the nine months ended September 30, 2020, Biomere generated RMB157.8 million in revenue, accounting for 25.0% of our total revenues and substantially all of our overseas revenues during the same period. Combined with the facilities in northern California that we plan to lease and upgrade in the near term, we aim to establish a strategic bi-coastal presence in the United States with each of our U.S. facilities located within close proximity to the two prominent life science centers in the United States.

We generated substantially all of our revenues from providing services in non-clinical studies during the Track Record Period. We have also been expanding our clinical trial and related services with a view to offering a more comprehensive range of CRO services to our customers.

- *Non-clinical studies*. We currently offer a comprehensive range of non-clinical studies, including (i) drug safety assessment, (ii) DMPK studies, and (iii) pharmacology and efficacy studies, to support a variety of innovative drugs sponsored by pharmaceutical and biotechnology companies, as well as academic and research institutions in China and overseas.

- *Clinical trial and related services*. Our clinical trial and related services are still at its early stage. They currently encompass three segments, namely (i) clinical CRO services, (ii) co-managed phase I clinical research units (CRUs), and (iii) bioanalytical services. Unlike traditional CROs, we have integrated all three segments and provide our customers with an integrated platform for clinical trial services.

- *Research model business*. We engage in the development, production, breeding and sales of high-quality research models to support a wide range of non-clinical studies. Our research models currently include rodents and non-human primates. We sell rodent research models mainly to local academic and research institutions. Going forward, we do not plan to further grow or expand our sales of rodent research

models, and we are currently focused on carrying out scientific studies and breeding of non-human primate research models with a goal to producing high-quality non-human primate research models at scale in the long term. During the Track Record Period, we mainly generated revenue from sales of rodents and did not generate any revenue from sales of non-human primate research models.

We have a large, high-quality, loyal and expanding customer base. The total number of our customers increased from approximately 280 in 2017 to approximately 350 in 2018 and to approximately 450 in 2019. In the nine months ended September 30, 2020, we served approximately 520 customers. Among our expanding customer base, we have provided services to seven of the top 10 pharmaceutical companies in terms of revenue in the China pharmaceutical market in 2019, as well as a growing number of innovative biotechnology companies. As of the Latest Practicable Date, we had served our top five customers in 2019 for an average of over six years, with a 100% customer retention rate in 2019 for our top five customers in 2018. Our predominant leadership in drug safety assessment has also allowed us to attract our existing customers to our growing clinical trial services through cost-effective cross-selling efforts in a manner of seamless transition. In 2019, 100% of our top 10 customers procured more than one services from us. The contracted future revenue for our services was RMB1,776.5 million as of December 31, 2020.

Led by our Chairperson and founder Ms. Feng and our Vice Chairperson of the Board and Executive Director Mr. Zuo, our core management team has on average over 30 years of experience in toxicology and pharmacology and is dedicated to the development of novel therapies for unmet medical needs since our inception, contributing to our consistently high-quality services and industry leadership. We have also attracted a deep pool of talented and skilled research professionals, who are the most valuable assets to support our future growth. Their technical expertise, combined with extensive know-how accumulated through managing complex R&D projects, provide us with a competitive edge against our competitors.

We achieved robust growth and profitability at scale during the Track Record Period. Our total revenues increased from RMB301.3 million in 2017 to RMB408.8 million in 2018 and further to RMB639.4 million in 2019, representing a CAGR of 45.7%. Furthermore, our total revenues increased by 83.5% from RMB344.2 million in the nine months ended September 30, 2019 to RMB631.5 million in the nine months ended September 30, 2020, partly due to our acquisition of Biomere a discovery-based, specialty CRO in the United States. Our profit for the year increased from RMB79.9 million in 2017 to RMB105.3 million in 2018 and further to RMB187.7 million in 2019, representing a CAGR of 53.2%. Furthermore, our profit for the period increased by 65.1% from RMB85.9 million in the nine months ended September 30, 2019 to RMB141.9 million in the nine months ended September 30, 2020, partly due to our acquisition of Biomere, among other reasons. For additional information about Biomere's business and its magnitude, see "Business — Our Growing Overseas Operations."

OUR STRENGTHS

We believe the following strengths differentiate us from our competitors:

- Leading non-clinical CRO in drug safety assessment, with growing integrated service offerings and expanding global footprint;
- Full suite of seamlessly integrated and managed global qualifications and capabilities;
- Scientific and technical excellence accumulated over unparalleled project experience;
- Dedicated and experienced management team supported by industry-seasoned professionals;
- Large, high-quality, loyal and expanding customer base; and
- Strategic network of facilities across China and the United States with expanding global service capabilities.

OUR GROWTH STRATEGIES

We plan to execute the following strategies to fulfil our mission:

- Strengthen non-clinical service offerings and expanding facilities;
- Expand global footprint and enhance global service capabilities;
- Broaden service offerings with a focus on clinical trial services;
- Attract, train and retain talents to support rapid growth in China and the United States;
- Expand research models facilities to support our non-clinical studies; and
- Pursue acquisition and strategic opportunities.

OVERVIEW OF OUR SERVICE OFFERINGS

Founded in 1995, we set out as a CRO specialized and excelling in pharmacology and toxicology assessment for innovative drugs in China, and have now become the largest and leading CRO in non-clinical drug safety assessment services in China in terms of revenues in 2019, according to Frost & Sullivan. Building upon our core competency in drug safety assessment, we have grown our business to establish an integrated pharmaceutical R&D service platform capable of providing a comprehensive portfolio of CRO services including (i) non-clinical studies, (ii) clinical trial and related services, and (iii) research model business.

As a trusted research partner of our customers, we strive to provide high-quality, integrated, effective and customized CRO solutions to pharmaceutical and biotechnology companies as well as academic and research institutions. With our scientific expertise and accumulated first-hand project experience, we strive to productively and efficiently help them complete critical milestones of their complex R&D process and reduce the overall costs and risks associated with drug R&D. In addition, we have extensive experience and knowledge in regulatory requirements for new drug applications and capable of conducting complex research

projects in accordance with applicable GLP standards and guidelines promulgated by major jurisdictions. This capability has enabled us to support our customers' IND applications in both China and overseas, including in the United States and other major foreign jurisdictions, with a single set of research data.

The table below sets forth a breakdown of our revenue by service type for the periods indicated, both in actual terms and as a percentage of total revenue. For details of revenue generated from each type of services, please refer to "Business — Our Service Offerings."

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Non-clinical studies services	292,269	97.0	403,768	98.8	630,190	98.5	337,881	98.2	626,801	99.3
Clinical trial and related services	–	–	158	0.0	4,907	0.8	3,556	1.0	3,277	0.5
Sales of research models	9,010	3.0	4,872	1.2	4,282	0.7	2,738	0.8	1,435	0.2
Total	**301,279**	**100.0**	**408,798**	**100.0**	**639,379**	**100.0**	**344,175**	**100.0**	**631,513**	**100.0**

OUR FEE MODELS

Our service fee arrangements in relation to our non-clinical studies and clinical trial and related services are primarily in accordance with the fee-for-service ("FFS") model. Under the FFS model, we typically enter into a master service agreement with our customers and receive payments in accordance with a pre-agreed payment schedule pursuant to such master service agreement. We generally determine the fee levels for each research project based on a number of factors, including but not limited to the scope of the services required, the underlying drug candidate, the estimated costs and expenses of the required services, the estimated amount of time to be allocated to the project and the prices charged by our competitors for similar services, among other factors. Our service contracts and work orders typically include a detailed schedule that sets forth specifications of the services to be provided, the anticipated delivery time and the payment dates.

During the Track Record Period, we sold a small amount of research models to our customers, including third-party academic and research institutions, at a price per unit as specified in the relevant sales contract. The unit prices of our research models differ based on a number of factors, including but not limited to the cost to us for breeding and maintaining a particular strain or species, the weight, age and grade of "cleanness" (e.g., "clean" or "specific-pathogen free") of the research model, the purchase volume, and the prices charged

by our competitors for similar products. We typically bill our customers within two weeks following the shipment of ordered research models, and our customers are required to make a full payment within a month after they receive the bill. Revenues generated from sales of research models accounted for 3.0%, 1.2%, 0.7% and 0.2% of our revenues for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, respectively.

OUR CUSTOMERS

Most of our customers are pharmaceutical and biotechnology companies, including global and Chinese blue-chip pharmaceutical companies and small-to-medium-sized biotechnology companies. The total number of customers we served annually increased from approximately 280 in 2017 to approximately 350 in 2018 and to approximately 450 in 2019. In the nine months ended September 30, 2020, we served approximately 520 customers. Among our expanding customer base, we have provided services to seven of the top 10 pharmaceutical companies in terms of revenue in the China pharmaceutical market in 2019. We have also provided services to a growing number of innovative biotechnology companies.

As of the Latest Practicable Date, we had served our top five customers in 2019 for an average of over six years, with a 100% customer retention rate in 2019 for our top five customers in 2018. In 2019, 100% of our top ten customers procured more than one service from us within the same year. Our large and loyal customer base provides us with strong visibility into future revenue growth. Our contracted future revenue was RMB1,776.5 million as of December 31, 2020.

In 2017, 2018, 2019 and the nine months ended September 30, 2020, our five largest customers together accounted for 15.8%, 17.6%, 14.5% and 13.2%, respectively, of our total revenues, and our largest customer accounted for 4.4%, 5.2%, 4.1% and 4.2%, respectively, of our total revenues. One of our five largest customers in 2017 and 2019, which is held as to 40.29% in aggregate by Mr. Zhou, who is also the chairperson of the board of directors of and legal representative of Staidson, and Ms. Feng. For more information, see "Relationship with Our Controlling Shareholders", "Connected Transactions" and "Business — Our Customers."

OUR SUPPLIERS

To support our comprehensive services offerings, we procure a wide variety of raw materials such as experimental consumables, research models and equipment, mainly for our non-clinical studies. Our major suppliers are primarily located in China, and we have established stable relationships with many of our key suppliers.

In 2017, 2018, 2019 and the nine months ended September 30, 2020, the total amount purchased from our five largest suppliers together accounted for 49.8%, 53.5%, 46.9% and 44.6%, respectively, of our total procurements amount, and our largest supplier, which was a supplier of research models, accounted for 18.7%, 25.5%, 22.8% and 29.4%, respectively, of our total procurement amount during such periods. For more information, see "Business — Our Suppliers."

SALES AND MARKETING

We have established marketing and sales teams to increase our brand reputation and market our pharmaceutical R&D services directly to pharmaceutical and biotechnology companies. The marketing department is responsible for our brand promotion, market publicity and organizing various online and offline marketing activities and industry events. The sales department is responsible for executing and managing our sales targets and converting prospective customers. The sales work includes liaising with customers, gathering customers' needs, and tailoring contracts to reflect customers' particular needs.

Our sales and marketing personnel are strategically based in key pharmaceutical R&D centers in China and the United States. Leveraging our strong business development capabilities, we work closely across different geographic markets to attract and serve customers with cross-border or cross-region service needs and expand our customer base across local markets in both China and the United States. As of September 30, 2020, we had over 30 sales and marketing staff. As our service offerings and customer base continue to expand, we plan to further expand our sales and marketing force accordingly.

OUR FACILITIES

We are headquartered in Beijing, China. We have facilities with a total GFA of approximately 206,000 sq.m. strategically located in Beijing, Suzhou and Nanning in the PRC, as well as facilities located in Worcester, Massachusetts in the United States with a total GFA of approximately 7,800 sq.m. Our facilities in Beijing passed the NMPA initial inspections for GLP certification in 2005, received NMPA GLP certificate in 2011 (and passed regular inspections in 2014, 2017 and 2020). Our facilities in Beijing also received AAALAC certificate in 2008 (and passed inspections in 2012, 2015 and 2018), and passed GLP inspections of the U.S. FDA in 2009 and 2013. Our facilities in Suzhou received AAALAC certificate in 2008 (and passed inspections in 2012, 2015 and 2018), NMPA GLP certificate in 2013, 2014 and 2020, OECD GLP certificate in 2015 and 2017, and passed GLP inspections of the U.S. FDA in 2016 and 2019 and the NMPA GLP inspections in 2017 and 2020. Our U.S. subsidiary Biomere successfully passed its FDA inspection and started providing GLP services on specialty studies in 2019.

To further scale our operations, we are expanding our service capabilities and capacity by renovating our existing facilities in Suzhou and future northern California facilities and building new facilities in Suzhou, Wuzhou, Guangzhou and Chongqing. For further details, please see "Business — Our Facilities" and "Future Plans and Use of Proceeds."

COMPETITION

The global non-clinical drug safety assessment industry is led by two U.S. based global players with dominant market shares in the United States and other overseas markets, followed by a large number of much smaller players focused on different geographic markets and service offering segments. The China-based non-clinical drug safety assessment industry is relatively concentrated with the top six players accounting for 41.9% of the market share in terms of total revenues in 2019, followed by a large number of much smaller players in regional markets. We ranked the first in the China-based non-clinical drug safety assessment market in terms of market share by total revenues in 2019 with a market share of 15.7%. For more details, see "Business — Competition."

SUMMARY FINANCIAL INFORMATION

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

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31									Nine months ended September 30					
	2017			2018			2019			2019			2020		
	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total
							(in RMB thousand)								
Revenue	301,279	–	301,279	408,798	–	408,798	639,379	–	639,379	344,175	–	344,175	631,513	–	631,513
Cost of services	(132,465)	(3,149)	(135,614)	(192,933)	(7,206)	(200,139)	(307,097)	(3,496)	(310,593)	(167,418)	(2,987)	(170,405)	(311,588)	(1,019)	(312,607)
Gross profit	168,814	(3,149)	165,665	215,865	(7,206)	208,659	332,282	(3,496)	328,786	176,757	(2,987)	173,770	319,925	(1,019)	318,906
Other gains and losses, net	11,936	7,734	19,670	26,011	792	26,803	30,001	13,065	43,066	17,828	11,669	29,497	23,436	27,282	50,718
Selling and marketing expenses	(5,754)	–	(5,754)	(6,626)	–	(6,626)	(12,473)	–	(12,473)	(8,056)	–	(8,056)	(9,786)	–	(9,786)
General and administrative expenses	(56,564)	–	(56,564)	(80,258)	–	(80,258)	(102,651)	–	(102,651)	(67,555)	–	(67,555)	(148,634)	–	(148,634)
Research and development expenses	(25,577)	–	(25,577)	(23,690)	–	(23,690)	(39,627)	–	(39,627)	(26,744)	–	(26,744)	(48,885)	–	(48,885)
Profit from operations	92,855	4,585	97,440	131,302	(6,414)	124,888	207,532	9,569	217,101	92,230	8,682	100,912	136,056	26,263	162,319
Finance costs	(21)	–	(21)	(94)	–	(94)	(342)	–	(342)	(225)	–	(225)	(2,688)	–	(2,688)
Profit before taxation	92,834	4,585	97,419	131,208	(6,414)	124,794	207,190	9,569	216,759	92,005	8,682	100,687	133,368	26,263	159,631
Income tax	(16,885)	(617)	(17,502)	(20,206)	732	(19,474)	(27,909)	(1,173)	(29,082)	(13,694)	(1,088)	(14,782)	(16,783)	(992)	(17,775)
Profit for the year/period	75,949	3,968	79,917	111,002	(5,682)	105,320	179,281	8,396	187,677	78,311	7,594	85,905	116,585	25,271	141,856
Profit/(loss) for the year/period attributable to:															
Equity shareholders of the Company			79,917			105,471			187,838			86,415			142,935
Non-controlling interests			–			(151)			(161)			(510)			(1,079)

Our total revenue increased steadily from 2017 to 2019 as we continued to expand our facilities' capacity and our service capabilities to provide additional types of non-clinical studies to an increasing number of customers. Our total revenue increased from RMB344.2 million for the nine months ended September 30, 2019 to RMB631.5 million for the nine months ended September 30, 2020 primarily due to (i) the revenue contribution of RMB157.8 million for the nine months ended September 30, 2020 from Biomere which we acquired in December 2019 and (ii) the organic growth of the non-clinical studies business of our Group (excluding Biomere) by 38.8% from RMB337.9 million in the nine months ended September 30, 2019 to RMB469.0 million in the nine months ended September 30, 2020, primarily due to the rising customer demand for our non-clinical studies.

We have biological assets, which primarily consist of non-human primate research models that we host at our Nanning facilities, including those used for non-clinical studies, which are classified as current assets and those maintained for the purposes of breeding, which are classified as non-current assets. We host such non-human primate research models at our Nanning facilities primarily for the purposes of scientific research and breeding, with a view to achieving production at scale in the long run. We measure biological assets upon initial recognition and at the end of each reporting period at their fair value less costs of disposal. Fair value gains or losses with respect to our biological assets are attributable to changes in the market-determined prices, species, growing conditions, costs incurred and professional valuation. The fair value of our biological assets at each reporting date during the Track Record Period was determined by an independent professional appraiser. The fair value of our biological assets as of December 31, 2017, 2018 and 2019 and September 30, 2020 was RMB44.2 million, RMB22.5 million, RMB30.9 million and RMB48.0 million, respectively. As of December 31, 2017, 2018 and 2019 and September 30, 2020, the fair value of our biological assets only represented 4.5%, 1.9%, 2.0% and 2.5% of our total assets, respectively. During the Track Record Period, our gross profit margin and profit margin were not materially affected by biological assets fair value adjustments. For details on the valuation and the application of various assumptions, see "Financial Information — Valuation of Biological Assets."

For more information, see "Financial Information — Description of Key Statement of Profit or Loss Items" and "Financial Information — Discussion of Results of Operations."

Summary of Consolidated Statements of Financial Position

	As of December 31,			As of September 30,
	2017	2018	2019	2020
		(RMB in thousands)		
Current assets	619,927	714,502	715,919	936,297
Current liabilities	323,106	424,506	554,051	725,817
Net current assets	**296,821**	**289,996**	**161,868**	**210,480**
Non-current assets	354,199	462,474	854,222	981,715
Total assets less current liabilities	**651,020**	**752,470**	**1,016,090**	**1,192,195**
Non-current liabilities	74,465	85,050	166,145	173,659
Net assets	**576,555**	**667,420**	**849,945**	**1,018,536**
Share capital	81,800	114,995	161,717	226,745
Reserves	494,403	552,224	687,483	792,217
Non-controlling interests	352	201	745	(426)
Total equity	**576,555**	**667,420**	**849,945**	**1,018,536**

Our net current assets decreased to RMB161.9 million as of December 31, 2019 from RMB290.0 million as of December 31, 2018 primarily due to an increase of current liabilities by RMB129.5 million attributable to an increase of contract liabilities, trade payables, interest-bearing borrowings and other payables. Our non-current assets increased from RMB462.5 million as of December 31, 2018 to RMB854.2 million as of December 31, 2019 mainly attributable to an increase of RMB167.2 million in property, plant and equipment and an increase of RMB134.0 million in goodwill, both as a result of our acquisition of Biomere in December 2019. For more information, see "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position."

Summary of Consolidated Cash Flow Statements

	For the year ended December 31,			For the nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	(in RMB thousand)				
				(unaudited)	
Net cash generated from operating activities	118,320	160,824	148,939	101,002	234,113
Net cash used in investing activities	(220,530)	(252,045)	(103,723)	(69,500)	(178,940)
Net cash generated from/(used in) financing activities	224,218	(15,540)	(17,474)	(16,781)	(35,180)
Effect of foreign exchange rate changes on cash and cash equivalents	(90)	837	523	924	(681)
Net increase/(decrease) in cash and cash equivalents	121,918	(105,924)	28,265	15,645	19,312
Cash and cash equivalents at January 1	132,699	254,617	148,693	148,693	176,958
Cash and cash equivalents at December 31/ September 30	**254,617**	**148,693**	**176,958**	**164,338**	**196,270**

The difference between our net cash generated from operating activities and our profit before tax primarily resulted from (i) the exclusion of certain non-operating incomes and gains/losses (such as changes in fair value of biological assets, change in fair value of financial assets at FVTPL, interest income and finance cost), (ii) adjustment for non-cash items (such as depreciation and amortization and equity-settled share-based payment expenses), and (iii) changes in working capital. We measure our working capital by the aggregate amount of inventories, trade and bills receivables and contract assets less the aggregate amount of trade payables and contract liabilities. Our cash used in investing activities mainly reflects our cash used for our purchase of wealth management products to manage our cash on hand, acquisition of a subsidiary and purchase of property, plant and equipment. Our cash generated from or used in financing activities mainly comprises share issuances, payment of dividends and bank borrowings. For additional information, see "Financial Information — Liquidity and Capital Resources."

KEY FINANCIAL RATIOS

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

	Year ended December 31,			Nine months ended September 30,
	2017	2018	2019	2020
Profitability ratios				
Gross profit margin[(1)]	55.0%	51.0%	51.4%	50.5%
Net profit margin[(2)]	26.5%	25.8%	29.4%	22.5%

	As of December 31,			As of September 30,
	2017	2018	2019	2020
Liquidity ratio				
Current ratio[(3)]	1.92	1.68	1.29	1.29
Leverage ratio				
Gearing ratio[(4)]	0.0%	0.0%	2.6%	2.6%

Notes:

(1) Gross profit margin is calculated using gross profit divided by revenue and multiplied by 100%. The biological assets fair value adjustments only had a limited impact on our gross profit margin during the Track Record Period. For additional information, see "Financial Information."

(2) Net profit margin is calculated using profit for the year/period divided by revenue and multiplied by 100%. The biological assets fair value adjustments only had a limited impact on our net profit margin during the Track Record Period. For additional information, see "Financial Information."

(3) Current ratio is calculated using total current assets divided by total current liabilities.

(4) Gearing ratio is calculated using interest-bearing bank borrowings divided by total equity.

Our gross profit margins and net profit margins were primarily driven by the gross profit margins and net profit margins of our non-clinical studies services, which accounted for 97.0%, 98.8%, 98.5%, 98.2%, 99.3% of our total revenues for the years ended December 31, 2017, 2018, 2019 and nine months ended September 30, 2019 and 2020, respectively.

Our gross profit margin decreased slightly from 55.0% for the year ended December 31, 2017 to 51.0% for the year ended December 31, 2018 primarily due to increased overhead costs during such periods. Our gross profit margin remained relatively stable for the year ended December 31, 2019 at 51.4%. Our gross profit margin further decreased to 50.5% for the nine months ended September 30, 2020 primarily due to an increase in the costs of non-human primate research models procured to support our non-clinical studies and our acquisition of

Biomere which primarily offers non-GLP services with a relatively lower profit margin as compared to GLP services that we provide. Gross profit margins were not significantly affected by biological assets fair value adjustments.

Our net profit margin remained relatively stable at 26.5% in 2017 and 25.8% in 2018. Our net profit margin increased from 25.8% in 2018 to 29.4% in 2019, primarily due to the continuous improvement in the cost efficiency of our operations as we continued to scale our operations. Our net profit margin decreased from 29.4% in 2019 to 22.5% in the nine months ended September 30, 2020, primarily due to (i) the increased general and administrative expenses primarily attributable to the increased staff costs, and (ii) our acquisition of Biomere which primarily offered non-GLP services with a relatively lower profit margin. Net profit margins were not significantly affected by biological assets fair value adjustments.

SUMMARY OF MATERIAL RISK FACTORS

Our business and the Global Offering involve certain risks, which are set out in the section headed "Risk Factors." You should read that section in its entirety carefully before you decide to invest in our H Shares. Some of the major risks we face are relating to:

- We rely on our customers' demand for CRO services and their spending budget. Any reduction in our customer's demand or spending could have a material adverse effect on our business, financial condition, results of operations and prospects.
- We may not be able to execute our growth strategies or manage our growth effectively, which may materially and adversely affect our business and prospects.
- If we fail to expand our facilities or efficiently optimize utilization of our facilities to meet rising customer demands, our operating results could be adversely affected.
- Any failure to comply with existing or future changes in laws, regulations or industry standards or any adverse actions taken by government authorities against us could negatively impact our reputation, business, financial condition, results of operations and prospects.
- Our failure to obtain or renew certain regulatory approvals, licenses, assurances, permits, registrations or certificates required for our business may materially and adversely affect our business, financial condition, results of operations and prospects.
- If our service and product quality does not meet customers' standards or evolving needs, we may lose or fail to attract customers.
- We may face goodwill impairment risks in connection with our Biomere acquisition.
- The pharmaceutical CRO market is highly competitive. We may not be able to compete effectively, which may result in downward pricing pressure and reduced demand for our services.

OUR SHAREHOLDERS

Since August 25, 2017, our A Shares have been listed on the Shanghai Stock Exchange (stock code: 603127). Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes), Ms. Feng and Mr. Zhou, a group of Controlling Shareholders by virtue of their spousal relationship, will hold 98,642,454 Shares in total, representing 36.43% of our total issued Shares. Accordingly, Ms. Feng and Mr. Zhou will remain as our Controlling Shareholders immediately after the Listing. For further details, see "Relationship with Our Controlling Shareholders."

RECENT DEVELOPMENTS

The COVID-19 Outbreak and Its Effects on Our Business

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, countries across the world, including China and the United States, have imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus. As of the Latest Practicable Date, substantially all of the Chinese cities had eased or lifted domestic travel restrictions and resumed normal social activities, work and production.

To varying degrees, our business operations, including the acquisition and execution of our research projects, the procurement of supplies and consumables and the expansion and renovation of our facilities, had been affected by the COVID-19 outbreak. Despite the temporary disruptions, based on the knowledge of our Directors, there had not been any cancellation of any of our ongoing projects, material issues with collection of customer receivables, or material disputes with any customers as a result of the COVID-19 outbreak. Amid the COVID-19 outbreak, the total revenues of our Group (excluding Biomere, which we acquired in December 2019) grew by 37.6% from RMB344.2 million in the nine months ended September 30, 2019 to RMB473.7 million in the nine months ended September 30, 2020. During the same period, our total revenues (including contributions from Biomere) increased by 83.5% from RMB344.2 million to RMB631.5 million, and our gross profit increased by 83.5% from RMB173.8 million to RMB318.9 million. Since the beginning of the COVID-19 pandemic, Biomere, our U.S. subsidiary, has taken a proactive approach to protecting its employees and business. Senior management of Biomere regularly monitored federal and state policies and kept in touch with UMass Memorial Health Care to stay informed and ahead of trends of the pandemic. Although the nature of Biomere's business does not allow for a majority of the employees to work from home, those that could were encouraged to do so. During the COVID-19 outbreak and as of the date of this prospectus, Biomere was able to maintain normal operations while providing its customers with services for continued drug discovery and development. Biomere maintained normal operations by taking measures that the management deemed necessary to ensure the high standards of workplace safety. Such measures include leveraging virtual meetings for work, requiring employees who work on site

to wear masks and obey social distancing policies, informing employees with governmental guidelines, and preparing guidance materials on COVID-19 for employees. In addition, Biomere screened on-site visitors for their health conditions and encouraged employees to routinely measure their body temperature and check health conditions. It also deployed creative ways for promoting its brand and conducting business development activities virtually and through other mediums as in-person scientific or customer meetings were largely canceled and became virtual. Overall, the COVID-19 outbreak had a limited and transient impact on Biomere's operations, and its financial performance in 2020 was largely in line with its original pre-COVID-19 projections and budgets. Based on the foregoing, our Directors believe that there had not been any material adverse impacts on our business, results of operations and prospects as a result of the COVID-19 outbreak. For more details related to the COVID-19 outbreak, its effects on our business and our remedial measures, see "Financial Information — Effects of the COVID-19 Outbreak on Our Business."

In the worst case scenario of assuming nil annual revenue from customers, our Directors estimate that (i) our cash and cash equivalents as of September 30, 2020 and (ii) 10% of net proceeds from the Global Offering, based on the low end of the Offer Price range of HK$133.00 to HK$151.00 per share and assuming no Over-allotment Option is exercised are sufficient to maintain our financial viability for a 14-month period from September 30, 2020 in settling (i) our estimated net cash used in operating activities, including estimated monthly fixed costs, payment for trade payables and settlement of trade receivables, and (ii) our estimated net cash used in financing activities, including repayment of bank borrowings and lease payments.

U.S.-China Trade Disputes

In December 2019, the U.S. and China reached a partial trade deal, under which the U.S. agreed to cancel some new tariffs and reduce rates for certain other duties in exchange for China to purchase more U.S. agricultural products and to make changes in the intellectual property and technology fields. In light of the current situation and the nature of the CRO industry, the U.S.-China trade disputes have not had any material adverse impact on the CRO industry or our business operations in the Track Record Period and up to the Latest Practicable Date, and our Directors are not aware of any on-going trade-related disputes between the United States and China, any new sanctions imposed by the United States or any counter-measures imposed by China, or any expected changes in the U.S.-China policies which may adversely affect our business in the near future. Given the inherent uncertainties associated with international relations, we cannot guarantee, however, that the U.S.-China tension will not escalate in a way that may result in a material adverse effect on our results of operations in the long term. For example, our potential acquisitions and investments in the United States, if any, may be affected by heightened regulatory requirements or scrutiny if the current U.S.-China disputes continue to escalate. See "Risk Factors — Risks Relating to Our Business and Industry — Changes in international trade or investment policies and barriers to trade or investment, in particular the ongoing conflicts between the U.S. and China, may have an adverse effect on our business and expansion plans."

No Material Adverse Change

Our Directors confirm that, as of the date of this Prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since September 30, 2020, the end of the period reported on in the Accountants' Report set out in Appendix I to this Prospectus and there is no event which would materially affect the information contained in the Accountants' Report and the profit estimate of our Company set out in Appendix IIB to this Prospectus.

USE OF PROCEEDS

The net proceeds from the Global Offering which our Company will receive, after deducting the underwriting commissions, the discretionary incentive fee (assuming the full payment of the discretionary incentive fee of the aggregate Offer Price of all the Offer Shares under the Global Offering) and the estimated expenses in relation to the Global Offering (assuming the Over-allotment is not exercised), will be approximately HK$5,909.8 million, assuming an Offer Price of HK$142.00 (being the mid-point of the Offer Price Range).

Our Company intends to use such net proceeds for the following purposes:

Allocation of the estimated net proceeds	Proposed main purposes
16.0%, or HK$945.6 million (equivalent to approximately RMB789.3 million)	Expand the service capacity of our Suzhou facilities primarily by (i) renovating the existing GLP laboratory facilities and equipment, (ii) building new laboratories and research model facilities, and (iii) recruiting experienced professionals.
10.0%, or HK$591.0 million (equivalent to approximately RMB493.3 million)	Strengthen our U.S. operations to cater to the rising customer demand for services provided by Biomere.
39.0%, or HK$2,304.8 million (equivalent to approximately RMB1,923.8 million).	Further expand our facility network and service capabilities in China primarily by (i) constructing new facilities in Guangzhou and Chongqing, (ii) recruiting experienced professionals, and (iii) developing cutting-edge technologies.
5.0%, or HK$295.5 million (equivalent to approximately RMB246.6 million)	Broaden and deepen our integrated CRO service offerings with a particular focus on further expanding our clinical trial and related services.

Allocation of the estimated net proceeds	Proposed main purposes
20.0%, or HK$1,182.0 million (equivalent to approximately RMB986.6 million)	Fund potential acquisitions of suitable (i) CROs focused on non-clinical studies, (ii) CROs focused on clinical trials, and/or (iii) research model production facilities in both China and overseas to further implement our strategies to broaden our integrated service offerings along the drug R&D value chain and expand our overseas footprint.
10.0%, or HK$591.0 million (equivalent to approximately RMB493.3 million)	Working capital and general corporate purposes.

For further details, see "Future Plans and Use of Proceeds."

DIVIDENDS

During the Track Record Period, we declared cash dividends to our shareholders as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
			(RMB in thousands)		
Final dividend in respect of the previous year, declared and paid during the year/period	–	24,642	34,498	34,498	55,051
Dividend per ordinary share (RMB)	–	0.3	0.3	0.3	0.34

As of the Latest Practicable Date, all dividends declared had been fully paid.

We may declare dividends in the form of cash, stock or a combination of cash and stock after taking into account our cash flow condition, operation growth, net assets per share and other factors that are true and reasonable. When there is no planned material investments or cash expenditures, our Board should prioritize cash as the form of dividends, and the total amount of the dividends declared in the form of cash should equal or exceed 15% of the distributable net profit. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and applicable law. In general, we should declare dividends at least once in the years when our operations yield net profit. Our Shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board. In addition, our Board may from time to time propose such interim cash dividends as our Board considers to be justified by our capital condition, or special dividends of such amounts and on such dates as they think appropriate. The calculation of our distributable profits is in accordance with PRC GAAP. We do not expect that there will be significant difference between the net profit under the currently effective PRC GAAP and IFRS after Listing. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

LISTING EXPENSES

Our listing expenses mainly include underwriting fees and commissions and professional fees paid to legal, accounting and other advisors for their services rendered in relation to the Listing and the Global Offering. Assuming full payment of the discretionary incentive fee, the estimated total listing expenses (based on the mid-point of the Offer Price Range and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately HK$263.1 million, accounting for approximately of 4.28% of our gross proceeds. An estimated amount of HK$9.0 million of our listing expenses, accounting for approximately 0.15% of our gross proceeds, is expected to be expensed through the statement of profit or loss and the remaining amount of HK$254.1 million is expected to be recognized directly as a deduction from equity upon the Listing.

During the Track Record Period, we incurred listing expenses of approximately HK$7.4 million which was recognized as prepayments in the consolidated statement of financial position as of September 30, 2020, and will be accounted for as a deduction from equity upon Listing. Subsequent to the Track Record Period, we expect to further incur listing expenses of HK$255.7 million prior to and upon completion of Listing, of which (i) HK$9.0 million is expected to be recognized as expenses in our consolidated statement of profit and loss and other comprehensive income; and (ii) HK$246.7 million is expected to be accounted for as a deduction from equity upon Listing under the relevant accounting standard.

GLOBAL OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 43,324,800 new H Shares are issued pursuant to the Global Offering; and (ii) the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes.

	Based on an Offer Price of HK$133.00	Based on an Offer Price of HK$151.00
Market capitalization of our H Shares[(1)]	HK$5,762 million	HK$6,542 million
Unaudited pro forma adjusted net tangible asset per Share[(2)]	HK$23.82	HK$26.61

Notes:

(1) The calculation of market capitalization is based on 43,324,800 H shares expected to be in issue immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes).

(2) The unaudited pro forma adjusted net tangible asset per Share as at September 30, 2020 is calculated after making the adjustments referred to in "Appendix IIA – Unaudited Pro Forma Financial Information".

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2020 AND UNAUDITED PRO FORMA ESTIMATED BASIC EARNINGS PER SHARE

Our Directors estimate, on the bases set out in Appendix IIB and Appendix IIA to this prospectus, certain profit estimate data of the Company for the year ended December 31, 2020 as follows:

Estimated consolidated profit attributable to equity shareholders of the Company	not less than RMB300.9 million
Unaudited pro forma estimated basic earnings per share	not less than RMB1.12

The profit estimate, for which our Directors are solely responsible, has been prepared by them based on the audited consolidated results of our Group for the nine months ended September 30, 2020 and the unaudited consolidated results based on the management accounts of our Group for the three months ended December 31, 2020. The calculation of unaudited pro forma estimated basic earnings per Share is based on the estimated consolidated profit attributable to equity shareholders of our Company for the year ended December 31, 2020 and on the assumption that a weighted average number of 269,125,686 Shares (including weighted average number of 225,800,886 A shares in issue for the year ended December 31, 2020 and 43,324,800 H shares to be issued pursuant to the Global Offering as if such H Shares had been in issue on January 1, 2020) were in issue for the year ended December 31, 2020, and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the share option schemes.

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

"2018 Share Option and Restricted Share Award Scheme"	a share option and restricted share award scheme adopted and approved by our Company on February 27, 2018, the principal terms of which are set out in the section headed "Statutory and General Information — 2. Further Information about Our Business — C. Share Option and Restricted Share Award Schemes" in Appendix V to this Prospectus
"2019 Share Option and Restricted Share Award Scheme"	a share option and restricted share award scheme adopted and approved by our Company on August 15, 2019, the principal terms of which are set out in the section headed "Statutory and General Information — 2. Further Information about Our Business — C. Share Option and Restricted Share Award Schemes" in Appendix V to this Prospectus
"2020 Share Option Scheme"	a share option scheme adopted and approved by our Company on July 15, 2020, the principal terms of which are set out in the section headed "Statutory and General Information — 2. Further Information about Our Business — C. Share Option and Restricted Share Award Schemes" in Appendix V to this Prospectus
"A Shareholders"	holders of the A Shares
"A Shares"	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi and are listed for trading on the Shanghai Stock Exchange
"AAALAC"	the Association for Assessment and Accreditation of Laboratory Animal Care International
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix III to this Prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules

"Biomere"	Biomedical Research Models, Inc., a limited liability company incorporated in Massachusetts, the United States, on December 11, 1996 and acquired by our Company on December 10, 2019 to become a wholly-owned subsidiary of Joinn Laboratories (Delaware) Corporation, which is in turn wholly-owned by our Company
"Biorichland"	Biorichland LLC, which was incorporated in California, the United States, on September 28, 2012 with limited liability, and is wholly-owned by Mr. Zhou Fengyuan, the son of Ms. Feng and Mr. Zhou, our Controlling Shareholders
"Board" or "Board of Directors"	the Board of Directors of our Company
"business day"	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"CCASS EIPO"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS 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, Macao and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	The Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", "Issuer" or "JOINN"	JOINN Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司) which was incorporated in the PRC on February 14, 2008 and converted into a joint-stock company on December 26, 2012

"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time, which was lately amended on October 26, 2018 to take effective on the same date
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Ms. Feng and Mr. Zhou. See "Relationship with Our Controlling Shareholders"
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of our Company
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得税法), as amended, supplemented or otherwise modified from time to time
"Exchange Participant(s)"	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Frost & Sullivan Report"	a report prepared by Frost & Sullivan on the pharmaceutical outsourcing study
"FVTPL"	fair value through profit or loss
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering

"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"Group", "our Group", "we" or "us"	our Company and its subsidiaries, and their respective predecessors
"H Share Registrar"	Tricor Investor Services Limited
"H Shareholders"	holders of the H Shares
"H Shares"	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the **IPO App** or the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified in the **IPO App** or on the designated website at **www.hkeipo.hk**
"HK$", "HKD" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

"Hong Kong Offer Shares"	the 3,899,300 H Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this Prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to reallocation as described in the section headed "Structure of the Global Offering" in this Prospectus) at the Offer Price (plus brokerage, SFC transaction levies and Hong Kong Stock Exchange trading fees), on and subject to the terms and conditions described in this Prospectus and on the **GREEN** Application Form(s) as further described in the section headed "Structure of the Global Offering — Hong Kong Public Offering" in this Prospectus
"Hong Kong Stock Exchange", "HKSE" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters" in this Prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated February 11, 2021 relating to the Hong Kong Public Offering and entered into by our Company, Ms. Feng Yuxia (馮宇霞), Mr. Zhou Zhiwen (周志文), CLSA Capital Markets Limited, CLSA Limited, Merrill Lynch (Asia Pacific) Limited, China International Capital Corporation Hong Kong Securities Limited and the Hong Kong Underwriters
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board
"Independent Third Party(ies)"	party(ies) who are not our Connected Person(s) within the meaning of the Hong Kong Listing Rules, so far as our Directors are aware after having made reasonable enquiries

"International Offer Shares"	the 39,425,500 Shares initially offered by our Company for subscription pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in the section headed "Structure of the Global Offering" in this Prospectus)
"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S, and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering" in this Prospectus
"International Underwriters"	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around February 19, 2020 by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in the section headed "Underwriting — International Offering" in this Prospectus
"IPO"	initial public offering
"**IPO App**"	the mobile application for the **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
"JOINN Laboratories (CA)"	JOINN Laboratories, CA Inc., a company incorporated in California, United States on June 21, 2013, and a wholly-owned subsidiary of our Company

"JOINN Laboratories (Suzhou)"	JOINN Laboratories (Suzhou) Co., Ltd. (昭衍(蘇州)新藥研究中心有限公司), which was incorporated in the PRC on December 11, 2008 with limited liability, and a wholly-owned subsidiary of our Company
"Joint Bookrunners"	CLSA Limited, Merrill Lynch (Asia Pacific) Limited, China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited, Haitong International Securities Company Limited, BOCI Asia Limited, CMB International Capital Limited, BOCOM International Securities Limited and ICBC International Capital Limited
"Joint Global Coordinators"	CLSA Limited, Merrill Lynch (Asia Pacific) Limited and China International Capital Corporation Hong Kong Securities Limited
"Joint Lead Managers"	CLSA Limited, Merrill Lynch (Asia Pacific) Limited, China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited, Haitong International Securities Company Limited, BOCI Asia Limited, CMB International Capital Limited, BOCOM International Securities Limited and ICBC International Securities Limited
"Latest Practicable Date"	February 7, 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus prior to its publication
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or around February 26, 2021, on which our H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Macao"	the Macao Special Administrative Region of the PRC

"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Mandatory Provisions"	the "Mandatory Provisions for Articles of Association of Companies to be Listed Overseas" (《到境外上市公司章程必備條款》), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council (國務院證券委員會) and the former State Commission for Restructuring the Economic Systems (國家經濟體制改革委員會) on August 27, 1994
"Ministry of Finance" or "MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Zhou"	Mr. Zhou Zhiwen (周志文), a Controlling Shareholder and the spouse of Ms. Feng
"Ms. Feng"	Ms. Feng Yuxia (馮宇霞), a Controlling Shareholder, the chairperson of the Board and an executive Director of our Company, and the spouse of Mr. Zhou
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NMPA"	China National Medical Products Administration (國家藥品監督管理局), formerly known as the China Food and Drug Administration ("**CFDA**") (國家食品藥品監督管理總局) or State Food and Drug Administration ("**SFDA**") (國家食品藥品監督管理局) or China Drug Administration ("**CDA**") (國家藥品監督管理局); references to NMPA include CFDA, SFDA and CDA
"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"OECD"	the Organisation for Economic Co-operation and Development

"Offer Price"	the final price per Offer Share in HK dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in the section headed "Structure of the Global Offering — Pricing and Allocation" in this Prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 6,498,700 additional H Shares at the Offer Price to cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering" in this Prospectus
"PRC GAAP"	the PRC Accounting Standards and Accounting Regulations for Business Enterprises (《中國企業會計準則》) promulgated by the MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
"PRC government" or "State"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities
"PRC Legal Advisor"	Tian Yuan Law Firm
"Price Determination Agreement"	the agreement to be entered into by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date to record the Offer Price

"Price Determination Date"	the date, expected to be on or around Friday, February 19, 2021 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company may agree, but in any event no later than Saturday, February 20, 2021
"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 supervision of the central government of the PRC
"QIB" or "Qualified Institutional Buyer"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RSU(s)"	restricted share awards granted pursuant to the Share Option and Restricted Share Award Schemes
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares

"Share Option and Restricted Share Award Schemes"	the 2018 Share Option and Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme
"Shareholder(s)"	holder(s) of the Share(s)
"Sole Sponsor"	CLSA Capital Markets Limited
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》), promulgated by the State Council on August 4, 1994, as amended from time to time
"Stabilization Manager"	CLSA Limited
"Staidson"	Staidson (Beijing) Biopharmaceuticals Co., Ltd. (舒泰神(北京)生物製藥股份有限公司), a joint stock limited company incorporated under the laws of the PRC on August 16, 2002 and whose shares are listed on the Shenzhen Stock Exchange (stock code: 300204), which is held as to 40.29% in aggregate by Mr. Zhou and Ms. Feng, which includes 37.21% by Yizhao (Beijing) Medical Science & Technology Co., Ltd. (熠昭(北京)醫藥科技有限公司) (which is directly held as to 47.60% by Mr. Zhou and 37.40% by Ms. Feng, respectively), 1.97% by Mr. Zhou through Huatai Securities Asset Management – China Merchants Bank – Huatai – Juli Collective Asset Management Scheme No. 16 (華泰證券資管–招商銀行–華泰聚力16號集合資產管理計劃), and 1.11% by Mr. Zhou directly. Mr. Zhou is also the chairperson of the board of directors and legal representative of Staidson
"Staidson Group"	Staidson and its subsidiaries
"State Council"	State Council of the PRC (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Supervisor(s)"	member(s) of our Board of Supervisors
"Supervisory Committee"	the supervisory committee of our Company

"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the three years ended December 31, 2019 and the nine months ended September 30, 2020
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. FDA" or "FDA"	the U.S. Food & Drug Administration of the U.S. Department of Health and Human Services
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "U.S. dollar(s)"	United States dollar(s), the lawful currency of the United States
"VAT"	value-added tax

This glossary contains definitions of certain terms used in this Prospectus in connection with our Company and our business.

These terms and their definitions may not correspond to any industry standard definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.

"AAALAC"	means The Association for Assessment and Accreditation of Laboratory Animal Care International, a private, nonprofit organization that promotes the humane treatment of animals in science through voluntary accreditation and assessment programs
"absorption"	means within the context of drug metabolism, the process by which drug compounds and other molecules move across cells and tissues such as the gastrointestinal tract into the circulatory system
"ADME"	means Absorption, Distribution, Metabolism and Excretion, the analysis of the body's processes of altering, utilizing and eliminating ingested and administered drugs and xenobiotics
"Adverse event"	means serious adverse event, any adverse drug event (experience) occurring at any dose that in the opinion of either the investigator or sponsor results in death, is life-threatening, requires inpatient hospitalization or causes prolongation of existing hospitalization, results in persistent or significant disability/incapacity or substantial disruption of the ability to conduct normal life functions, may have caused a congenital anomaly/birth defect, or requires intervention to prevent the foregoing outcomes, according to the regulations of FDA
"agrochemicals"	means chemicals developed for use in agriculture, including pesticides and fertilizers
"antibody"	means a large, Y-shaped protein produced mainly by plasma cells that is used by the immune system to identify and neutralize pathogens such as bacteria and viruses

"assay"	means an investigative analytical process in medicine, pharmacology or biology that aims to identify either the qualitative or quantitative presence or function of the analytical target, which can be a drug or biochemical substance or a cell in an organism or organic sample
"bioanalysis"	means the analytical and quantitative chemistry of certain compounds in biological systems; covering biotics (macromolecules, proteins, DNA, large molecule drugs and metabolites) and xenobiotics
"bioanalytical"	means of or relating to the analytical chemistry covering the quantitative measurement of xenobiotics, which are drugs and their metabolites, and biological molecules in unnatural locations or concentrations, and biotics, which are macromolecules, proteins, DNA, large molecule drugs, metabolites, in biological systems
"bioavailability study"	means a studies to determine the proportion of a drug that enters circulation when introduced into the body and is therefore able to elicit an active effect
"bioequivalence"	means the absence of a significant difference in the rate and extent to which the active ingredient or active moiety in pharmaceutical equivalents or pharmaceutical alternatives becomes available at the site of drug action when administered at the same molar dose under similar conditions in an appropriately designed study
"bioequivalence studies"	means studies to assess the expected in vivo equivalence of two preparations of a drug. If two products are said to be bioequivalent, it means that there is an absence of a significant difference in the rate and extent to which the active ingredient or active moiety in products becomes available at the site of drug action when administered at the same molar dose under similar conditions in an appropriately designed study

"biologics"	means a drug that is composed of any virus, therapeutic serum, toxin, antitoxin, vaccine, blood, blood component or derivative, allergenic product, protein or analogous product or arsphenamine or k derivative of arsphenamine (or any other trivalent organic arsenic compound) applicable to the prevention, treatment or cure of diseases or conditions of human beings
"biomarker"	means a biological characteristic that may correlate with health, disease or drug treatment
"BSL"	means a set of bio-containment precautions required to isolate dangerous biological agents in an enclosed laboratory facility
"CAGR"	means compound annual growth rate
"candidate selection"	means a stage in early drug discovery where a compound that indicates highest potential for desirable effects is selected for further intensive study and analysis
"carcinogenicity"	means the ability or tendency of a chemical to induce tumours or increase the incidents of tumours or their malignancy, or shorten the time of tumour recurrence when it is inhaled, ingested, dermally applied, or injected
"cardiovascular"	means relating to the heart and blood vessels
"CAR-T cell"	means chimeric antigen receptor T cells, T cells that have been genetically engineered to produce an artificial T-cell receptor for use in immunotherapy
"CDE"	means the center of drug evaluation of China
"CDMO"	means Contract Development Manufacturing Organization, a company that mainly provides CMC and manufacturing services in the pharmaceutical industry
"central laboratory"	means a laboratory facility used for testing samples from studies conducted at multiple sites
"clinical trial"	means an experiment done in clinical research
"CNS"	means central nervous system

"contracted future revenue"	represents, at a particular point in time, future revenue from services not yet completed or performed under all signed contracts in effect at that time. Once work begins on a project, revenue is recognized over the duration of the project. Contracted future revenue is assessed by reference to signed contracts (where a customer has agreed to pay for certain services at a certain price) and by reference to the percentage of work completed in relation to such contract
"COVID-19"	means coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
"CRA"	means Clinical Research Associate, a professional responsible for activities related to medical research, particularly clinical trials
"CRO"	means Contract Research Organization, a company focused on providing R&D services to companies in the pharmaceutical and agrochemical markets
"CRU(s)"	means co-managed clinical research units
"customer retention rate"	for a given period is calculated as the number of customers in the prior period that remain as our customers in the current period, divided by the number of all customers in such prior period
"CVMD"	means cardiovascular and metabolic diseases
"DART"	means developmental and reproductive toxicology, the study of fertility, development toxicity and pre/postnatal development and other specialized functional evaluations in connection with the toxicology evaluation for pharmaceuticals
"distribution"	means in the context of DMPK, the process by which molecules are transported throughout the body

"DMPK"	means Drug Metabolism and Pharmacokinetics, studies designed to determine the absorption and distribution of an administered drug, the rate at which a drug takes effect, the duration a drug maintains its effects and what happens to the drug after being metabolized by the body
"drug discovery"	means the process through which potential new medicines are identified and may involve a wide range of scientific disciplines, including biology, chemistry and pharmacology
"drug-drug interaction"	means the cumulative changes in a drug's effect on the body when the drug is taken together with another drug. Drug-drug interaction can delay, decrease, or enhance absorption of either drug
"DSA"	means drug safety assessment
"FDA"	means the Food and Drugs Administration of the United States
"FFS"	means fee-for-service, a payment model whereby services are unbundled and paid for separately
"FIH"	means first-in-human
"genotoxicity"	means the phenomena of destructive effects on a cell's genetic material (DNA, RNA) affecting its integrity. This can occur through the presence of chemicals, radiation, viruses, etc. that cause mutations
"GLP"	means Good Laboratory Practice, a quality system of management controls for research laboratories and organizations to try to ensure the uniformity, consistency, reliability, reproducibility, quality and integrity of chemical and pharmaceuticals non-clinical safety tests
"GMP"	means Good Manufacturing Practice, a quality system enforced by relevant regulatory authorities, such as the FDA, to ensure that the products produced meet specific requirements for identity, strength, quality and purity

"Herceptin"	means the brand name of a medicine called trastuzumab, used to treat some types of breast cancer, oesophageal cancer and stomach cancer
"Humira"	means a prescription medicine used alone, with methotrexate, or with certain other medicines to reduce the signs and symptoms of moderate to severe rheumatoid arthritis in adults
"ICH"	means International Conference on Harmonization
"immunogenicity"	means the ability of a particular substance to provoke an immune response in the body of an animal
"immunotoxicology"	means a study of the toxicity of foreign substances called xenobiotics and their effects on the immune system
"in vitro"	means "in glass" in Latin, studies in vitro are conducted outside of a living organism in a laboratory environment using test tubes, petri dishes, etc. using components of an organism that have been isolated from their usual biological surroundings, such as microorganisms, cells or biological molecules
"in vivo"	means "within the living" in Latin, studies in vivo are those in which the effects of various biological entities are tested on whole, living organisms as opposed to a partial or dead organism, or those done in vitro
"IND"	means Investigational New Drug, an application submitted to the US FDA or NMPA to seek permission or no objection to ship unapproved, experimental drug or biologic agents across jurisdictions (usually to clinical investigators) for use in clinical studies before a marketing application for the drug has been approved
"LC-MS"	means liquid chromatography-mass spectrometry, an analytical chemistry technique that combines the physical separation capabilities of liquid chromatography with the mass analysis capabilities of mass spectrometry
"lead optimization"	means the stage of early drug discovery where promising lead compounds are further optimized in preparation for toxicity assessment prior to human clinical trials

"metabolism"	means the chemical processes that occur within a living organism in order to maintain life, comprising catabolism (breakdown of large molecules into components) and anabolism (the synthesis of smaller molecules into larger ones with specific structures, characteristics and purposes)
"metabolite"	means a substance formed in or necessary for metabolism. A "metabolite" of a drug is a compound formed from the drug's original components through metabolism
"molecule"	means an electrically neutral group of two or more atoms held together by chemical bonds
"MRCT"	means multi-regional international clinical trial
"NDA"	means New Drug Application, the formal application to the FDA or NMPA proposing approval of a new pharmaceutical product for sale and marketing
"NHP(s)"	means non-human privates
"non-clinical studies"	means *in vivo* or *in vitro* experiments in which test articles in relation to a drug or medical device candidate are studied prospectively in test systems under laboratory conditions to determine their safety and efficacy. The term does not include studies utilizing human subjects or clinical studies or field trials in animals
"OECD"	means Organization for Economic Cooperation and Development
"oncology"	means the study and treatment of tumors
"ophthalmology"	means the branch of medicine concerned with the function and health of the eyes
"pathogenic process"	means a process where bacterium, virus, or other microorganism cause diseases

"patient recruitment"	means the enrollment of healthy participants and patients in clinical trials
"PD1"	means programmed cell death protein 1, also known as CD279, a protein on the surface of cells that has a role in regulating the immune system's response to the cells of the human body by down-regulating the immune system and promoting self-tolerance by suppressing T cell inflammatory activity
"PDL1"	means a protein that helps keep immune cells from attacking normal cells in the body
"pharmacodynamics" or "PD"	means the branch of pharmacology concerned with the effect of a means drug on the body
"pharmacokinetics" or "PK"	means the branch of pharmacology concerned with the movement of drugs within the body
"pharmacology"	means the branch of medicine concerned with the uses, effects, and modes of action of drugs
"pharmacovigilance"	means the practice of monitoring the effects of medical drugs after they have been licensed for use, especially in order to identify and evaluate previously unreported adverse reactions
"phototoxicity"	means photoirritation, a chemically induced skin irritation, requiring light, that does not involve the immune system
"pre-clinical"	means a stage preceding the clinical trial stage
"protein binding"	means the situation in which medications attach to proteins within the blood. Often an integral measurement in the understanding of the efficacy of a drug, as the less protein bound a drug is, the more efficiently it can interact with the drug target and effect its action
"QAU"	means quality assurance unit, an independent unit that takes quality assurance measures
"R&D"	means research and development

"research model"	means purpose-bred animals of various species intended for medical and biological research
"SOP"	means standard operational practice, a procedure specific to companies' operation which is necessary to complete tasks in accordance with industry regulations, provincial laws or internal standards
"SPF"	means specific-pathogen free, a term used for research models that are guaranteed free of particular pathogens
"sponsor"	means a biopharmaceutical company or research institute that funds, organizes and undertakes an R&D project for a drug or medical device product
"TCM(s)"	means traditional Chinese medicine(s)
"Test article"	means a substance or mixture to be assessed the drug safety by being administered or added to a test system in the non-clinical studies
"Truvada"	means a once-daily prescription medicine for adults and adolescents at risk of HIV who weigh at least 77 pounds
"validation"	means a process that involves performing laboratory tests to verify that a particular instrument program, or measurement technique is working properly and is capable of being relied upon

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

This Prospectus contains forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Prospectus, the words "aim," "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "plan," "project," "seek," "should," "will," "would," "target," "schedules," and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this Prospectus, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our major customers and suppliers;
- future developments, trends and conditions in the industries and markets in which we operate or plan to operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- our ability to maintain the market leading positions;
- the actions and developments of our competitors;
- our ability to effectively contain costs, optimize pricing and procure a sufficient amount consumables and supplies for our business;
- the ability of third parties to perform in accordance with contractual terms and specifications;

- our ability to retain senior management and key personnel and recruit qualified staff;
- our business strategies and plans to achieve these strategies, including our service and geographic expansion plans;
- our ability to defend our intellectual rights and protect confidentiality;
- the effectiveness of our quality control systems;
- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends; including those pertaining to the PRC and the industry and markets in which we operate; and
- capital market developments.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Prospectus are qualified by reference to the cautionary statements in this section as well as the risks and uncertainties discussed in the section headed "Risk Factors" in this Prospectus.

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

An investment in our Shares involves significant risks. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before deciding to invest in our Shares. The following is a description of what we consider to be our material risks. If any of these risks materializes, the market price of our Shares could decline and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward Looking Statements" in this Prospectus.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry, (ii) risks relating to conducting business in China, and (iii) risks relating to the Global Offering. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We rely on our customers' demand for CRO services and their spending budget. Any reduction in our customer's demand or spending could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business primarily relies on the number and size of service contracts with our customers, mainly including pharmaceutical companies, biotechnology companies and academic and research institutions. Over the recent years, we have benefited from increasing demands for our services from our customers in light of the continued growth of domestic and global pharmaceutical industry, increasing R&D budgets of our customers, and a greater degree of outsourcing by our customers. There can be no assurance that these industries will continue to grow at the rates we expect. Any slowing-down or reversal of any of these trends could have a material adverse effect on the demand for our services, and thus could adversely affect our business, financial condition and results of operations.

Nowadays, pharmaceutical and biotechnology companies tend to procure external R&D support from quality CROs with scientific expertise. However, there can be no assurance that such trend will continue in the future. Our customers' demand for pharmaceutical R&D services is subject to a variety of factors, including their own financial conditions, changes in their available resources, their capacities to acquire in-house R&D support, their spending priorities, their budgetary policies and practices, their abilities to comply with applicable laws and regulations, and their perception of future market trends. In addition, consolidations in our

customers' industries may also affect our customers' spending as they integrate acquired R&D operations. If our customers reduce their spending on our services due to any of above factors, our business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, regulatory developments, particularly those in China, have had a significant impact on our results of operations. In China, regulatory reform since 2015 has been focused on creating a comprehensive framework to encourage the research and development of new drugs and enhancing the quality and transparency of the review and approval process. Specifically, China has since prioritized conforming its standards to global ones. Such regulatory reform has resulted in a significantly higher level of regulatory scrutiny in relation to pharmaceutical research and development, and increased customer demand for high-quality non-clinical and clinical CRO services in China, offering attractive business opportunities to CROs like us. However, there can be no assurance that the trend of regulatory changes will persist or new regulations that adversely affect our business, operating results or prospects will be promulgated in the future.

We may not be able to execute our growth strategies or manage our growth effectively, which may materially and adversely affect our business and prospects.

Our business has grown rapidly in recent years, and we expect to continue growing in the foreseeable future. Our growth strategies include strengthening our technical capabilities and expanding our production capacities to meet increased demands for our services, strategically expanding our global footprint and enhance global service capabilities, broadening our integrated service offerings to serve the entire drug R&D value chain. Any increase in the costs associated with our growth strategies may outpace the increase in revenue resulting from an expansion of our capacities and capabilities, driving down our gross profit margin.

As we further expand our service offerings and enhance our customer base, it has resulted in, and will continue to result in, substantial demands on managerial, financial, human resources and business development. Although we are the leading player in the drug safety assessment market in China, we face more intense competition from various competitors in the broader CRO market, particularly in the clinical trial and related services market that we plan to penetrate into. If we fail to acquire new customers for our clinical trial and related services, we will not be able to successfully execute our strategies to expand our service offerings along the drug R&D value chain. In addition, managing our growth and executing our growth strategies will require us to continuously enhance and upgrade our services and technology, optimize our branding, sales and marketing efforts, and expand, train and manage our employees. If we fail to successfully execute our growth strategies, we may not be able to maintain our growth rate and, as a result, our business, financial condition, results of operations and prospects could be materially and adversely affected.

If we fail to expand our facilities or efficiently optimize utilization of our facilities to meet rising customer demands, our operating results could be adversely affected.

The capacity of our existing facilities has been largely saturated by the current high demand of our customers, and we anticipate the demand for our services in the foreseeable future will exceed our current capacity. Therefore, the future growth of our business depends on our ability to successfully expand our facilities and efficiently optimize the utilization of those facilities.

We intend to expand and enhance our existing facilities and construct new facilities in various locations in China and the United States. We have made and will continue to make significant capital expenditures in expanding and enhancing our existing facilities and constructing new facilities. Our total capital expenditures amounted to RMB18.5 million, RMB127.8 million, RMB120.4 million and RMB110.5 million for the years ended December 31, 2017, 2018 and 2019, and nine months ended September 30, 2020, respectively. For additional information, please refer to "Business — Our Facilities," "Future Plans and Use of Proceeds — Use of Proceeds," "Financial Information — Capital Expenditures." In expanding, renovating and upgrading and building any of our facilities, we may experience unforeseen delays due to our failure to obtain funding, disrupted or delayed construction, and regulatory issues. Construction of new facilities, particularly for usage in the pharmaceutical and biotechnology industry, is a complex and challenging process. Among other things, it requires interpretation of and compliance with many laws, codes, and regulations; gathering of considerable resources, including labor, equipment, and materials; and communications with and coordination among multiple parties, which could divert resources from our productive uses and consume significant amounts of management time. Therefore, we cannot assure you that our facilities currently under renovation or construction in Suzhou and Wuzhou or planned in Guangzhou and Chongqing in China and the United States will be completed as planned. In addition, for our planned facilities, we cannot assure you that suitable additional or substitute space will be available to accommodate any of our planned expansion of our operations. Further costs of construction could also exceed budget, divert resources from other productive uses and consume significant amounts of management time, therefore adversely affect our operating results.

In addition, we may not be able to fully utilize our expanded facilities immediately or at all. Depending on the scope of services that will be provided by the expanded facilities, we may need to obtain additional approvals, licences, assurances, permits, registrations, certificates and qualifications from relevant authorities, make notifications to the relevant authorities, or update our current approvals, licences, assurances, permits, registration, certificates and qualifications so that we may operate the expanded facilities. If we are not able to obtain the necessary approvals, registrations, licences, permits, assurances, certificates and qualifications from the relevant authorities (e.g., we fail to pass GLP inspection or obtain relevant certification), we may not be able to provide services to our customers or may need to make significant investments to undertake any steps that may be required so that we may provide services to our customers using our expanded facilities. Any such delays in operating our facilities would adversely affect the utility rate of our facilities.

Further, as operating our facilities requires specialized skills and practical experience, we may not be able to recruit additional staff with the relevant experience required to operate our equipment or work at our facilities immediately or at all, therefore prohibiting us from optimizing the utilization of our facilities. Such inefficiency may result in the costs associated with expanding and enhancing our facilities may outpace the increase in revenues resulting from the projects conducted on such facilities, resulting in sub-optimal utilization of our facilities and driving down our gross profit margin. As a result, even if our proposed expansion or enhancement plans are successful, our business, financial condition and results of operations may be adversely affected by our inability to optimize the utility rate of our facilities.

Any failure to comply with existing or future changes in laws, regulations or industry standards or any adverse actions taken by government authorities against us could negatively impact our reputation, business, financial condition, results of operations and prospects.

In many countries or regions where pharmaceutical products are intended to be ultimately sold, including China and the United States, relevant government authorities and industry regulatory bodies impose strict laws, regulations and industry standards on the safety and efficacy of such products and on how CROs should act on customers' behalf to perform such services. Given the wide range of services we perform for our customers and our diverse geographic coverage, we are subject to and must comply with various applicable legal and regulatory requirements.

In addition, regulations and guidance worldwide concerning the production and use of laboratory animals for research purposes continue to evolve. Similarly, guidance has been and continues to be developed for other areas that impact the biomedical research community on both a national and international basis including transportation, mandated contingency planning, euthanasia guidance, import and export requirements of biological materials, health monitoring requirements and the use of disinfectants.

Regulatory authorities, including the FDA and the NMPA, may conduct scheduled or unscheduled periodic inspections of our facilities and services to monitor our compliance with applicable rules and regulations and industry standards. Any adverse findings by such regulatory authorities, or other regulatory or legal noncompliance, could lead to immediate and severe actions against us, including, among others, inspectional findings of noncompliance, warning or untitled letters, product recalls, discontinuation or suspension of studies, required material modifications to studies, corrective actions, revocation or limitations to approvals, registrations, licenses, permits, assurances, or certificates, restrictions on operations, adverse public statements or alerts, fines, injunctions and civil and criminal penalties. Any adverse findings, critical observations, or other regulatory or legal noncompliance could also have significant consequences for our customers or collaborators, which may result in claims by our customers or other commercial consequences to us. Further, regulatory authorities may from time to time change their legal and regulatory requirements. Therefore, our existing compliance procedures and business operation may not be adequate for new legal and regulatory requirements or actions by regulatory authorities and we may need to incur additional

compliance costs and become exposed to negative findings by relevant governmental authorities. Should any of the foregoing occur, it would also cause serious damage to our reputation and have a material adverse impact on our business, financial condition and results of operations. In addition, any action against us for violating the relevant regulations or industry standards, even if successfully defended or settled, could cause us to incur significant expenses, divert our management's attention and adversely affect our reputation, business, financial condition, results of operations and prospects.

Our failure to obtain or renew certain regulatory approvals, licenses, assurances, permits, registrations or certificates required for our business may materially and adversely affect our business, financial condition, results of operations and prospects.

We are subject to certain laws and regulations that require us to obtain and maintain various approvals, licenses, assurances, permits, registrations and certificates from relevant authorities to operate our business. See "Business — Certificates, Permits and Licenses." If we fail to obtain relevant approvals, licenses, assurances, permits, registrations or certificates necessary for our operations or fail to comply with the terms, conditions, and requirements thereunder, any of such failures may result in enforcement actions against us, including suspension or termination of approvals, licenses, assurances, permits, registrations or certificates, orders issued by relevant authorities causing operations to cease, fines and other penalties, and potential corrective measures requiring capital expenditure or remedial actions. In the event that such enforcement action is taken against us, our business and operations could be materially and adversely disrupted.

Furthermore, some of these approvals, licenses, assurances, permits, registrations or certificates are subject to periodic renewal by relevant authorities, and the standards of such renewals may change from time to time. There can be no assurance that we will successfully procure such renewals. Any failure by us to obtain the necessary renewals or otherwise maintain all approvals, licenses, assurances, permits, registrations or certificates necessary to carry out our business at any time could severely disrupt our business and prevent us from continuing to conduct our operations, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, the interpretation or implementation of existing laws and regulations may change as time goes by and new laws or regulations may come into force requiring us to obtain additional approvals, licenses, assurances, permits, registrations, or certificates that were previously not required to operate our existing businesses, facilities or any planned future business or facilities. We cannot assure you that we will successfully obtain such approvals, licenses, assurances, permits, registrations or certificates. If we fail to obtain any additional approvals, licenses, assurances, permits, registrations or certificates, our ability to conduct our business may be restricted, which in turn, could have a material adverse effect on our business, financial condition and results of operations.

Historically, a branch of one of our PRC subsidiaries was engaged in the businesses of hosting and breeding non-human primate research models without the Domestication and Breeding License of Wild Animals under Special State Protection (the "**Breeding License**"). Under PRC laws and regulations, conducting domestication and breeding activities of wild animals under special state protection without a valid Breeding License could lead to administrative penalties such as confiscation of the relevant wild animals and fines in an amount ranging from one to five times of the value of the wild animals and their production at issue. Although the branch has ceased to conduct any domestication and breeding activities as of the Latest Practicable Date, there is no assurance that the relevant governmental authority would not subject us to the penalties as a result of our historical non compliance. For details, see "Business — Certificates, Permits and Licenses — Key Licenses, Permits and Approvals".

If our service and product quality does not meet customers' standards or evolving needs, we may lose or fail to attract customers.

We believe our service and product quality and customer satisfaction are of great importance to our business growth, and we have been focused on delivering high-quality services and products to fulfill our customer's expectation and adapt to their evolving needs. However, there can be no assurance that we will always be able to deliver the quality of services or research models that meets our customers' standards and evolving needs. In addition, we cannot assure you that we will be able to pass all customer audits and inspections. See "— We may not be able to continue to serve our customers if we fail to pass their audits and inspections." If our customers determine that their expenditures on our services or research models do not generate the expected results, they may allocate their budgets to our competitors and reduce or terminate their business with us. Therefore, there can be no assurance that our existing customers will continue to spend on our services at current levels, or that they will continue to use our services or research models at all in the future. We may not be able to acquire new customers which spend on our services or research models at similar or higher levels, as compared to our existing customers. As a result, we may suffer from a loss of customers and may fail to attract new customers, and our ability to maintain and/or grow our revenues will be materially and adversely affected.

In providing our services, we may fail to perform our contractual obligations to our customers or honor our obligations in respect of our contract liabilities, which could materially and adversely affect our business.

The services we provide are complex and often time-sensitive. Despite of our proven scientific competency and accumulated practical experience, we may make material mistakes, including in managing and conducting a project, or in preserving, processing or analyzing customer data, which could negatively impact or obviate the usefulness of results of the project or cause the results of the project to be inaccurate. In such an event, we may not be able to fulfill our contract liabilities, which accounted for RMB275.7 million, RMB349.3 million, RMB394.8 million and RMB540.5 million as of December 31, 2017, 2018, 2019 and September 30, 2020. As a result, we may incur significant cost of re-performing the project,

delay the delivery of our services which may be late for time-sensitive projects and could be subject to contractual liabilities to our customers. Any of the above could have an adverse impact on our business and reputation, financial condition and results of operations.

We may not be able to continue to serve our customers if we fail to pass their audits and inspections.

Our customers, from time to time and during normal business hours, review our standard operating procedures and records pertaining to our services. Customers from time to time audit and inspect our facilities, processes and practices to ensure that our services meet their standards in the process of discovery, testing and development of their pharmaceutical products. However, there can be no assurance that we will be able to pass all the customer audits and inspections. Failure to pass these audits and inspections to our customers' satisfaction could significantly harm our reputation and result in the termination of ongoing projects by our customers, which could materially and adversely affect our business, financial condition, results of operations and prospects.

The potential loss of key customers or any of our large contracts could materially and adversely affect our business, financial condition and results of operations.

For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, our top five customers contributed to 15.8%, 17.6%, 14.5% and 13.2% of our total revenues during such periods, respectively, and our largest customers contributed to 4.4%, 5.2%, 4.1% and 4.2% of our total revenues during such periods, respectively. For more information about our key customers, see "Business — Our Customers." There can be no assurance that we will be able to maintain long-term relationships with our key customers. Our customers or collaborators may delay, terminate or reduce the scope of contracts for our services or research models for a variety of reasons beyond our control, including but not limited to:

- decisions to forego or terminate a particular project;
- lack of available financing, budget limits or changing priorities;
- actions by regulatory authorities against us or our customers or collaborators, or changes to regulatory requirements;
- failure to observe the contracts or comply with the applicable laws or regulations;
- failure to satisfy applicable safety requirements or efficacy criteria;
- adverse or unexpected data results or failure to pass customer audits;

- decisions to shift business to competitors or carry out the work in-house due to considerations such as price, technology, facilities, relevant experience and slowdown of economy;

- release of a drug by any competitor of our customers that is sufficiently similar to our customers' drug;

- mergers of our customers that render our services unnecessary;

- escalation of tension between major countries; and

- force majeure events, such as the COVID-19 outbreak.

Our contracts may be terminated, delayed or altered for a variety of reasons such as the reasons mentioned above in the normal course of business. Losses or delays of multiple contracts or a large contract or a significant reduction in our key customers' spending on our services or research models could adversely affect our business, financial condition and results of operations.

Our contracted future revenue might not be indicative of our future revenue, and we may not be able to realize all of the anticipated future revenue associated with our contracted future revenue without any material delay.

As of December 31, 2020, the contracted future revenue for our services was RMB1,776.5 million, which represents, at such particular point in time, future revenue from services not yet completed or performed under all signed contracts or customers' work orders (that may be terminated by a customer at any time). This figure was based on the assumption that the relevant contracts will be performed in accordance with their terms without early termination by the parties. Any modification, termination or suspension of these contracts, especially with regard to any one or more sizeable contracts, may have a substantial and immediate adverse effect on the contracted future revenue, resulting in reduction or delay of such revenue. To the extent projects are delayed due to various factors such as delays in schedule, government policies beyond our control and natural disasters or other unanticipated catastrophic events, including the COVID-19 outbreak, the timing of our revenue recognition, which is conditional upon our delivery of services pursuant to the terms of our customer contracts and work orders, would also be affected. Specifically, the amount of our contracted future revenue may decrease and the timing of our revenue recognition associated with such contracted future revenue may be delayed. The contracted future revenue only reflects an estimate of the remaining consideration we are entitled to receive under the executed service contracts. We cannot guarantee that such estimate, whether for the amount or expected time of payments, is accurate. The extent to which our contracted future revenue will generate revenue depends on many factors, including the size, complexity and duration of the projects, modifications and terminations to our existing service contracts, or change in the scope of work during the course of a project. You should not rely on the contracted future revenue or consider it as a reliable indicator of our future revenue. Moreover, there is no standardized accounting practice for

calculating contracted future revenue, and approaches to estimating contracted future revenue value may vary considerably between industry players. As a result, we advise caution on any reliance on an analysis of contracted future revenue between us and competitors as a reliable like-for-like comparison of value.

Some of our service contracts are contingent on successful completion of milestones in the drug development process, we may not recover some or all of our cost or receive service fees.

We generate fee income primarily for the services we provide. Therefore, if we fail to deliver services in accordance with our contractual requirements to reach specified milestones, experience cost overruns or underprice these contracts due to competitive pressures, we could be subject to significant costs or liability and our reputation could be harmed. Furthermore, if our customers' drug candidates fail to pass the requisite steps or proceed through development, regulatory approval or commercialization, our services would be cut short and we would not be able to fully realize the value of our service contracts or expand our services to later stage work for such customer, which could have an adverse effect on our business, financial condition, results of operations, cash flows and prospects.

The fees we generate from performing our service contracts may not be sufficient to cover the relevant expenses.

In pricing our service contracts, we generally determine the fee levels for each research project based on a number of factors, including but not limited to the scope of the services required, the underlying drug candidate, the estimated costs and expenses of the required services, the estimated amount of time to be allocated to the project, and the prices charged by our competitors for similar services. However, our evaluation of these factors may not be accurate or we may underprice for reasons such as competition, client relationship, etc. If we underprice our contracts or experience cost overruns, we would incur losses from our contracts, and our profitability would be adversely affected.

In addition, under some of our project-based contracts or work orders, we recognize revenue upon completion of milestones. See "— Some of our service contracts are contingent on successful completion of milestones in the drug development process, we may not recover some or all of our cost or receive service fees." As a result, if we fail to deliver services to meet specified milestones, we may not be able to cover the value of our services, therefore we could be subject to significant costs or liabilities, and our reputation could be harmed.

Delay or failure of payment by our customers could harm our cash flows and profitability.

We generally grant our customers credit terms of 21 to 45 days. As of December 31, 2017, 2018 and 2019 and September 30, 2020, our trade and bills receivables were RMB40.5 million, RMB56.5 million, RMB97.4 million and RMB79.0 million, respectively. If any of our customers' cash flow, working capital, financial condition or results of operations deteriorates, it may be unable, or it may otherwise be unwilling, to pay trade receivables owed to us

promptly or at all. Moreover, we are also subject to credit risk arising from our contract assets. As of December 31, 2017, 2018 and 2019 and September 30, 2020, our contract assets were RMB11.2 million, RMB18.4 million, RMB69.6 million and RMB41.4 million, respectively. We may not be able to bill all or any of the contract assets to our customers, or may not be able to bill such customers within the expected timeline. In the event that our customer service contracts are terminated earlier by our customers or that we fail to fulfill our delivery obligations upon the contractual milestones, we may not be able to bill our customers for amounts represented by all or any of the contract assets in a timely manner, if at all. As a result, our customers may not pay us in accordance with the terms of the agreed payment schedule. Any substantial default or delay of a customer's payment obligations may materially and adversely affect our working capital, financial condition and results of operations. As of December 31, 2017, 2018 and 2019 and September 30, 2020, 5%, 9%, 9%, and 6% of the total trade receivables and contract assets, respectively, were due from our largest customer, and 24%, 25%, 20% and 22% of the total trade receivables and contract assets, respectively, were due from our five largest customers during such periods. Any substantial default or delay of a major customer's payment obligations may materially and adversely affect our working capital, financial condition and results of operations.

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

We intend to continue expanding our service offerings. For example, through our extensive experience in non-clinical studies, regulatory knowledge and large customer base, we have expanded our services offerings downstream of the drug R&D value chain to deliver a diverse portfolio of clinical trial and related services and achieved synergies, particularly in early stage clinical trials which share certain common bioanalytical methods and practices with non-clinical studies. We also aim to leverage our experience in non-clinical studies in order to move upstream of the drug R&D value chain to design, breed, raise and produce certain species of high-quality research models that are in great demand, such as non-human primate research models.

To develop and market our new services successfully and achieve the expected benefit, including synergies between business lines, we must accurately assess and meet customer needs, make significant capital expenditures, optimize our service processes to predict and control costs, hire, train and retain the necessary personnel and efficiently utilize our existing and accumulated expertise, obtain required regulatory clearances or approvals, increase customer awareness and acceptance of our services, provide services of a high-quality and in a timely manner, price our services competitively, compete effectively with other CROs and research model suppliers and effectively integrate customer feedback into our business planning and improvement. There is no assurance that we would be able to execute our current expansion plan successfully or develop new businesses as we expect or plan. If we fail to effectively develop new business lines and create demand for our existing and potential customers, we will not achieve expected savings and synergies among different business lines and our future business, including our results of operations, financial condition, cash flows and prospects, could be materially and adversely affected.

Our success depends on our ability to attract, train and retain skilled technical personnel as well as qualified management team. If we lose their services, our business and prospects could be severely disrupted.

Through our continued expansion, we have established an experienced talent pool with strong execution capabilities. Highly skilled technical personnel help us keep pace with the latest developments in R&D technologies and methodologies in the pharmaceutical industries, and are therefore critical to our success. Our business operations also rely on personnel possessing highly technical skills for our project management, quality control, compliance, safety and health, information technology and marketing.

Our management team have been instrumental in achieving our growth. Their relevant details are set out in the section headed "Directors, Supervisors and Senior Management." If we lose the services of any of our Directors or our senior management, we may not be able to replace them with suitable and qualified candidates and may incur additional expense to recruit and train new personnel, which could disrupt our business and growth.

We intend to continue to attract and retain skilled technical personnel and experienced management team. However, as there is a limited supply of qualified personnel with solid expertise and experience, and such talent is highly sought after by pharmaceutical companies, CROs and other research institutions, we have to provide competitive compensation and benefits packages to attract and retain talent. There can be no assurance that we will always be able to attract and retain the requisite number of qualified personnel to keep pace with our anticipated growth while maintaining consistent service quality. Our direct labor costs accounted for 15.1%, 14.7%, 17.3% and 15.7% of our total revenues for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, respectively. We expect our expenses for recruiting and retaining talent will continue to increase along with the growth of the CRO market in China and around the world. In addition, we may not always be successful in training our professionals to quickly adapt to technological developments, evolving standards and changing customer needs, and the quality of our services may therefore be severely affected. Any failure to attract, train or retain qualified personnel may materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

We depend on a stable and adequate supply of equipment, research models, consumables and other goods and services from our suppliers. A significant price increase or interruption of such supplies could potentially disrupt our operations.

Our business operations require a substantial amount of high-tech equipment, high-quality research models, standard consumables and other goods and services to deliver our services. We perform our non-clinical studies primarily on research models purchased from third-party suppliers. In the event of significant price increases for such supplies, we may have to incur additional cost or pass the increased costs to our customers. However, we cannot

assure you that we will be able to raise the prices of our services and products sufficiently to cover increased costs. As a result, any significant price increase for our raw materials may have an adverse effect on our profitability.

The total amount purchased from our five largest suppliers amounted to RMB41.7 million, RMB100.2 million, RMB128.1 million, and RMB140.9 million for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30 2020, respectively. In 2017, 2018, 2019 and the nine months ended September 30, 2020, the total amount purchased from our five largest suppliers together accounted for 49.8%, 53.5%, 46.9% and 44.6%, respectively, of our total procurements amount, and our largest supplier accounted for 18.7%, 25.5%, 22.8% and 29.4%, respectively, of our total procurement amount during such periods. See "Business — Our Suppliers" for more information about our major suppliers.

We cannot assure you that we will be able to secure a stable supply of our supplies. Our suppliers may reduce or cease their supply to us at any time in the future. In addition, we cannot assure you that our suppliers have obtained and will be able to renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations. Failure to do so by them may lead to interruptions in their business operations, which in turn may result in a shortage of products and services supplied to us. If the supply of materials, research models are interrupted, our services would be delayed or terminated. If any such event occurs, our operations and financial position will be adversely affected.

In addition, while we have not experienced material shortages of research model supplies during the Track Record Period, we cannot assure you that we will not experience such shortages in the future. We primarily conduct non-clinical studies on rodent and non-human primate research models. While the supplies of rodent research models are abundant and we do not expect any likely shortages in the foreseeable future, the non-human primate research models are relatively more scarce and sought-after research models for non-clinical studies. During the Track Record Period, the demand for non-human primate models had been constantly growing in China and such demand is expected to continue to rise in the future. Although we had not experienced material difficulties in procuring an adequate amount of non-human primate research models for our non-clinical studies during the Track Record Period, our costs to procure such research models steadily increased during the same period due to the continuous increase in market prices in 2019 and 2020. If we are not able to procure a sufficient amount of non-human primate research models for our non-clinical studies due to future shortages of supply, or if we are not able to procure non-human primate research models at reasonable prices, our non-clinical studies involving non-human primate research models will be delayed or even terminated, which will adversely affect our reputation, business, operating results and prospects.

Illegal actions, misconduct or any failure by our suppliers to provide satisfactory products or services could materially and adversely affect our business, reputation, financial condition and results of operations.

Our reputation and operations may be harmed by illegal actions or unsatisfactory performance by suppliers that are outside of our control. Separately, claims might be raised against us due to failure of our suppliers to ensure the high-quality of their goods and services that interrupt our operations that delay our scheduled project timetable. In the event that we become subject to claims caused by actions taken by our suppliers, we may attempt to seek compensation from the relevant parties. However, such attempts may not be successful and such compensation may be limited. If no claim can be asserted against a supplier, or amounts that we claim cannot be fully recovered from the supplier, we may have to bear such losses at our own cost. This could have a material and adverse effect on our business, financial condition and results of operations.

The pharmaceutical CRO market is highly competitive. We may not be able to compete effectively, which may result in downward pricing pressure and reduced demand for our services.

The pharmaceutical CRO market is highly competitive in China and around the world, and we expect the level of competition will continue to increase. We face competition in various aspects, including price, quality of services, breadth and flexibility of services, capacity, timeliness of delivery of services, compliance with regulatory standards and customer relationships.

We compete with a significant number of large, established, multinational CROs that are capable of providing a wide range of services to meet the demands of numerous complex and challenging projects simultaneously, from drug discovery to commercial release. There are also a significant number of international and domestic, small to medium-sized CROs that compete for market share. We also compete with the in-house discovery, testing, development and commercial manufacturing functions of pharmaceutical and biotechnology companies. We expect increased competition as additional companies enter our market. See "Industry Overview" in this prospectus for more information. Some of our competitors may have more financial resources, better research and technical capabilities, greater pricing flexibility, stronger sales and marketing efforts, longer track record and better brand recognition. In addition, our competitors may improve the performance of their services, introduce new services with lower prices, or adapt more quickly to new technologies and market developments in customer demand and requirements, any of which could reduce the demand for our services and thus reduce our revenues. Furthermore, increased competition could create pricing pressure on our services, and as the CRO business become more commoditized in the future, we may face increasing downward pricing pressure from our customers. If we fail to compete effectively with existing and new competitors, our business, financial condition and results of operations could be materially and adversely affected.

If we are unable to successfully expand or operate in new geographic markets, our growth, results of operations and financial condition could be adversely affected.

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

We may not be successful in protecting our customers' intellectual property rights, trade secrets or other confidential information, which may subject us to legal liabilities and harm our reputation, business and competitive position.

Protecting our customers' intellectual property rights, trade secrets and other confidential information is critical to our customers as well as our business. Due to the nature of our services, we typically have access to a significant amount of intellectual property owned by our customers. Our customers typically retain ownership of all intellectual property associated with their projects conducted by us, including the intellectual property provided to us and the intellectual property arising from the services we provide. Our service agreements with our customers would typically require us to exercise all reasonable precautions to protect the integrity and confidentiality of our customers' confidential information.

Notwithstanding our efforts to protect our customers' intellectual property rights, trade secrets and confidential information, unauthorized parties may still attempt to obtain and use such information that we regard as confidential. Any unauthorized disclosure of our customers' proprietary rights, trade secrets or confidential information could subject us to liabilities for breach of contract, or intellectual property infringement claims against us, any of which could divert our management's attention and resources, and result in significant damage to our reputation, business, financial condition and results of operations.

Failure to successfully obtain, maintain and enforce intellectual property rights and defend against challenges to our intellectual property rights could adversely affect us.

Unauthorized use of any of our intellectual property rights may materially and adversely affect our business and reputation. We are endeavored to protect our intellectual property rights by various means including registering our trademarks, copyrights and patents and filing patent applications in accordance with applicable laws and regulations both in China and the United States. Nevertheless, third parties may obtain and use our intellectual property rights without due authorization.

As of the Latest Practicable Date, we owned 30 patents and seven patent applications in China, any of which may be the subject of a governmental or third-party objection, which could prevent the maintenance or issuance of the same.

If we are unsuccessful in obtaining trademark protection for our primary brands, we may be required to change our brand names, which could materially adversely affect our business. Moreover, as our services advance and research model segment matures, our reliance on our trademarks to differentiate us from our competitors will increase, and as a result, if we are unable to prevent third parties from adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate our trademark rights, our business could be materially adversely affected.

Many companies have encountered significant problems in protecting and defending intellectual property rights in certain jurisdictions, including China. The legal systems of some countries do not favor the enforcement of patents, trade secrets and other intellectual property, which could make it difficult for us in those jurisdictions to defend the infringement or misappropriation of our patents or other intellectual property rights, or the marketing of competing products in violation of our proprietary rights.

We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful and sufficient. Accordingly, our efforts to enforce our intellectual property rights and proprietary rights around the world may be insufficient to obtain a significant commercial advantage from the intellectual property that we develop or license. Further, such litigation may require a significant expenditure of cash and may divert our management's attention from our operations, which could harm our business, financial condition and results of operations. An adverse determination in any such litigation could materially impair our intellectual property rights and may harm our business, prospects and reputation.

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

We rely upon unpatented trade secret protection, unpatented know-how and continuing technological innovation to develop and maintain our competitive position, and such trade secrets and know-how can be difficult to protect. We also seek to protect our and our customers' proprietary technologies and processes, in part, by including provisions regarding confidentiality in our labor contracts and the employee handbook. However, we cannot guarantee that these third-party service providers with access to our and our customers' trade secrets or proprietary technologies will abide by the terms of our confidentiality agreement. Furthermore, we may not be able to prevent the unauthorized disclosure or use of our and our customers' technical know-how or other trade secrets by the parties to these agreements. However, despite the general existence of confidentiality agreements and other contractual restrictions, if any of our employees and certain other third parties who are parties to these agreements breaches or violates the terms of any of these agreements or otherwise discloses our or the customers' proprietary information, we may not have adequate remedies for any such breach or violation, and we could lose our or our customers' trade secrets, as a result, which could materially and adversely affect our business and competitive position. Claiming against a third party for illegally disclosed or misappropriated our trade secrets, including through intellectual property litigation or other proceedings, could be difficult, expensive and time consuming, and it may not be successful.

Our customers may be affected by ongoing healthcare reforms and potential additional regulatory reforms that may adversely impact the pharmaceutical industry or otherwise reduce demand for our services and negatively impact our profitability.

Numerous government authorities have adopted various healthcare reforms and may undertake, or are in the process of undertaking, efforts to control growing healthcare costs through legislation, regulation and voluntary agreements with healthcare providers and pharmaceutical companies, including many of our customers. For example, in March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively, the Affordable Care Act, was signed into law in the U.S. The Affordable Care Act introduced significant new requirements for the healthcare and health insurance industries, imposed new taxes and fees on pharmaceutical companies and imposed additional health policy reforms. It has taken, and continues to take, a significant amount of time for the full effects of these policies to become clear. The policies of the present administration of the U.S. government towards various aspects of these reforms represent significant uncertainty for the pharmaceutical industry. In China, regulatory authorities in the PRC have recently announced a series of measures and schemes to streamline, expedite and simplify regulatory procedures for drug registration, for example, Procedures for Prioritized Evaluation and Approval for Drug Marketing (Trial) (《藥品上市許可優先審評審批工作程序(試行)》) stipulates that the applicant can apply for the prior evaluation and approval procedure for drugs with obvious clinical value. See "Regulatory Overview — Principal Laws and Regulations Relating to Our Businesses in the PRC". While government policies toward the pharmaceutical industry are expected to remain stable and the government is expected to

remain committed to increasing innovation as well as overall healthcare spending in line with the "Healthy China 2030" goals set by the State Council, we cannot guarantee that this will continue to be the case. For example, the Announcement on Several Policies Pertaining to the Review and Approval of Drug Registration (《關於藥品註冊審評審批若干政策的公告》) adopts drug registration, review and approval policies, and sets out ten key points to be applied in the process of reviewing and approving drug applications and clinical trials, with an emphasis on the accuracy of clinical trial data and drug effectiveness. The evolving regulatory framework indicates a trend of self-review requirements for the pharmaceutical companies of their own drug applications and data, which in turn raises higher standards of our services provided to our customers. For details, see "Regulatory Overview." The full effects of ongoing reforms and any subsequent healthcare policies on the pharmaceutical industry are unpredictable. Any of the above may affect the demand for our services and adversely affect our business, financial condition and results of operations.

Providing pharmaceutical CRO services exposes us to product liability risks and other potential liabilities.

In providing our pharmaceutical CRO services, we face a range of potential liabilities. In particular, we may face product liability risks if the pharmaceuticals we help to develop or test are subject to product liability claims. Our liability is not always capped under our service agreements and in certain cases, the product liability cap is not applicable for claims relating to personal injuries or death. We provide services in various stages of the R&D process of drugs that are intended ultimately to be used in humans, either in clinical trials or as marketed products. If any of these drugs or medical devices harms people due to our negligence, willful misconduct, unlawful activities or material breach, we may be subject to litigation and may be required to pay damages. Damages awarded in a product liability action could be substantial and could have a material and adverse impact on our reputation, business, financial condition, results of operations and prospects. Although we currently maintain professional liability insurance and public liability insurance, our insurance coverage may be inadequate or may become unavailable on terms acceptable to us.

Overseas markets where our services are and may in the future be provided and where the relevant drug candidates are located or may be sold, including the U.S., may have similar or more onerous pharmaceutical product regulatory regimes, as well as more litigious environments that may further expose us to the risk of product liability claims. Even if we are able to successfully defend ourselves against any such product liability claims, doing so may divert our management's attention and resources.

Our customer agreements may contain provisions that run counter to our interests or expose us to potential liability.

Our service agreements generally provide that a customer can terminate the agreement or any work order under the agreement without cause by giving prior written notice. Most of our project-based service contracts also allow customers to unilaterally terminate the contract without cause by giving prior written notice. If a customer terminates a work order or

project-based service contract without cause, typically we are only entitled to receive service fees earned up to the date of termination, costs already incurred or irrevocably committed and, in some cases, a limited amount of penalty. For more information, please see "Business — Our Customers." Therefore, cancelation or modification of any material work order or project-based service contract could materially and adversely affect our business, financial condition, results of operations and prospects.

Animal testing may expose us to potential liabilities and oppositions by special-interest groups, which might disrupt our facilities or tarnish our reputation.

A substantial portion of our non-clinical studies utilize research models in the assessment of the safety and efficacy of pharmaceuticals, primarily including rodents and non-human primates. The use of research models at our facilities must be conducted in compliance with applicable laws and regulations in the jurisdictions in which those activities are conducted. If our equipment, facilities, laboratories or processes fail to comply with applicable standards, relevant authorities may issue inspection report documenting the deficiencies and setting deadlines for any required corrective actions. For non-compliance, relevant authorities may take action against us that may include fines or confiscation of laboratory animals. Any such non-compliance with legal, regulatory or third-party accreditation requirements may also result in the limitation, termination, suspension or revocation of any licenses, permits, authorizations, assurances or certificates necessary for the conduct of our business. Any determination of non-compliance, report or other action by a regulatory authority could adversely affect our business, financial condition and results of operations.

In addition, certain special-interest groups object to the use of animals for research purposes. Any threats directed against our animal research activities or any negative media attention could impair our ability to operate our business efficiently. Although we have not experienced such oppositions or negative media attention directed to our facilities, we cannot assure you that this would not happen in the future. In addition, if regulatory authorities were to mandate a significant reduction in safety testing procedures that utilize laboratory animals, as has been advocated by certain groups, our business could be materially and adversely affected.

New technologies may be developed, validated and increasingly used in biopharmaceutical research, which could reduce demand for our research models.

The scientific and research communities continue to explore methods to develop improved cellular and research model systems that would increase the translation to human studies and *vice-versa* and possibly replace or supplement the use of traditional living research models as test platforms in biomedical research. Some companies have developed techniques in these areas that may have scientific merit to improve translation between species. In addition, technological improvements to existing or new processes, such as imaging and other translational biomarker technologies, could result in the refinement and utility for the number

of research models necessary to improve the translation from non-clinical to clinical studies. There is an increasing push to focus on *in vitro* technologies such that employ human biospecimens, stem cell technologies and genome editing.

Even if we are subsequently successful in the development and commercialization of alternatives to traditional research models, it may not be sufficient to fully offset reduced sales or profits from research models. In addition, alternative research methods could decrease the need for future research models, and we may not be able to develop new products effectively or in a timely manner to replace any lost sales.

We have strategically decided not to further grow or expand our sales of rodent research models, and, we are currently constructing new facilities in Wuzhou to strengthen our investments in the scientific research and breeding of non-human primate research models, with a goal to producing quality non-human primate research models at scale in the long term.

However, other companies or entities may develop research models with characteristics different than the ones that we produce, and which may be viewed as more desirable by some of our customers. If we fail to realize anticipated returns on our planned investments in research model business, our business, financial condition and results of operations will be materially and adversely affected.

If we do not keep pace with rapid technological changes by developing, enhancing, adapting or acquiring new technologies, our non-clinical studies and clinical trial services may become less competitive or obsolete.

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

Furthermore, developing new technologies and methodologies successfully requires us to accurately assess and meet customers' needs, make significant capital expenditures, hire, train and retain qualified personnel, obtain required regulatory clearances or approvals, increase customer awareness and acceptance of our services, provide high-quality services in a timely manner, price our services competitively, integrate innovations into our existing system and effectively incorporate customer feedback into our business planning. Any failure to do so could significantly affect our ability to develop and market our new technologies and methodologies and therefore significantly reduce demand for our services and harm our business and prospects.

Our current competitors or other businesses might develop technologies or services that are more effective or more commercially attractive than our current or future technologies and services. If our competitors introduce superior technologies or services, or we fail to improve our technologies, our technologies and services might be rendered obsolete and our competitive position would be harmed. Any purchases of new technologies or enhancements of our existing technologies may be expensive and represent a significant or prohibitive cost for our business. If we are unable to compete successfully, we may lose customers or fail to attract new customers, which could have a material adverse impact on our business, financial condition and results of operations.

We depend on the continued availability and effectiveness of our IT systems and other infrastructure, which may face security risks, including cyber security risks.

We rely on a variety of information technology and automated operating systems to manage and support our operations, including protecting our customers' intellectual property and clinical subject health information. The proper functioning of these systems is critical to the efficient operation and management of our business. In addition, these systems may require modifications or upgrades as a result of technological changes or growth in our business. These changes may be costly and disruptive to our operations and could impose substantial demands on management's time. Our systems and those of third-party providers may be vulnerable to damage or disruption caused by circumstances beyond our control, such as catastrophic events, power outages, natural disasters, computer system or network failures, viruses or malware, physical or electronic break-ins, unauthorized access, cyber-attacks or thefts. We cannot assure you that the measures and steps we take to secure our systems and electronic information are adequate. Any significant disruption to our systems could result in unauthorized disclosure of confidential information, including personal health information, which may adversely affect our business, financial condition and results of operations.

Due to the global nature of our business and our reliance on information systems to provide our services, we intend to increase our use of web-enabled and other integrated information systems in delivering our services. We may also provide access to similar information systems to certain of our customers in connection with the services we provide for them. As the breadth and complexity of our information systems continue to grow, we will increasingly be exposed to the risks inherent in the development, integration and ongoing operation of evolving information systems, including:

- disruption, impairment or failure of data centers, telecommunications facilities or other key infrastructure platforms;

- security breaches of, cyber-attacks on and other failures or malfunctions in, our critical application systems or their associated hardware; and

- excessive costs, delays or other deficiencies in systems development and deployment.

If any of these risks materialize, they may impede the processing of data, the delivery of information and services and the day-to-day management of our business and could result in the corruption, loss or unauthorized disclosure of proprietary, personal, confidential or other data as well as lead to enforcement or other legal actions. Despite any precautions we take, damage from fire, floods, hurricanes, power loss, telecommunications failures, computer viruses, break-ins, cyber-attacks, thefts and similar events at our various computer facilities could result in interruptions in the flow of data to our servers and from our servers to our customers. While we have data safeguarding and disaster recovery plans in place, they might not adequately protect us in the event of a system failure of any one of the information systems on which we rely. Corruption or loss of data may result in the need to repeat activities at no cost to the customer but at significant cost to us, the termination of a contract or damage to our reputation, which, in turn, may materially and adversely affect our business, financial condition and results of operations.

Contaminations in our research model populations can adversely affect our non-clinical studies, result in decreased sales of our research models, harm our reputation for contaminant-free production and cause us to incur additional costs.

During the Track Record Period, we primarily hosted, bred and performed non-clinical studies on research models at our Beijing, Suzhou and Nanning facilities. To satisfy the needs of our non-clinical studies, we purchase quality research models from third-party suppliers with proper quarantine and quality certifications. In addition, we host non-human primate research models at our Nanning facilities primarily for the purposes of scientific research and breeding, with a view to achieving production at scale in the long run. Our research models must be free of certain infectious agents, such as certain viruses and bacteria, because the presence of these contaminants can distort or compromise the quality of research results and could adversely impact human or animal health. The presence of these infectious agents in our research model facilities and certain service operations could disrupt our contaminant-free research model production and maintenance as well as our non-clinical studies, harm our reputation for contaminant-free production and result in decreased sales of our services and research models. There also exists a risk that contaminations from research models that we produce may affect our customers' facilities, with similar impact to them for which we could be liable for damages. In some cases, we may produce or import research models carrying infectious agents capable of causing disease in humans; and in the case of such a contamination or undiagnosed infection, there could be a possible risk of human exposure and infection and liability for damages to infected persons.

A contamination may require extended quarantine as required by applicable regulations or industry standards with subsequent reduced sales as a result of lost customer orders, as well as the potential for complete inventory loss and disinfection of the affected quarantine rooms. Contaminations are unanticipated and difficult to predict and could adversely impact our financial results. If they occur, contaminations typically require cleaning up, renovating, disinfecting, retesting and restarting production or services. Such clean-ups result in inventory loss, clean-up and start-up costs, and reduced sales as a result of lost customer orders and potentially credits for prior shipments. In addition to microbiological contaminations, the

potential for genetic mix-ups or mis-matings also exists and may require us to restart the applicable colonies, and would likely result in inventory loss, additional start-up costs and possibly reduced sales. Contaminations also expose us to risks that customers will request compensation for damages in excess of our contractual indemnification requirements.

Our reputation and brand are key to our business success. Negative publicity may adversely affect our reputation, business, financial condition and growth prospect.

Any negative publicity concerning us, our shareholders, directors, officers, employees, affiliates or subsidiaries, even if untrue, could adversely affect our brand image, reputation, business prospects, financial condition and results of operations. In addition, in light of our specialized customer base, customer referrals and word-of-mouth marketing have contributed significantly to our ability to acquire customers. Once our reputation is impaired, it could be difficult, expensive and time-consuming to restore, and could make our existing or potential customers reluctant to select us for new engagements, resulting in loss of business. Damage to our reputation could also adversely affect our recruitment and retention efforts, harm the value and effectiveness of our brand name, reduce investor confidence in us, and adversely affect the price of our Shares.

We may be exposed to risks related to our management of medical and other data of patients and volunteers enrolled in our clinical trial and related services.

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

We could experience a breach of the confidentiality of the information on non-clinical studies we hold or of the security of our computer systems.

We operate IT systems that contain a significant amount of our customers' data. As a routine element of our business, we collect, analyze, and retain substantial amounts of data pertaining to the research projects we conduct for our customers. Unauthorized third parties could attempt to gain entry to such computer systems for the purpose of stealing data or disrupting the systems. We believe that we have taken appropriate measures to protect them from intrusion, and we continue to improve and enhance our systems in this regard (including with respect to how we process and report any breaches), but in the event that our efforts are unsuccessful, we could suffer significant harm. Our contracts with our customers typically contain provisions that require us to keep confidential the information generated from these studies. In the event the confidentiality of such information was compromised, we could suffer significant harm on our reputation, customer relationships, business or our prospects.

We may have difficulty in recruiting patients and volunteers for our clinical trials. Our trial results may be adversely affected if the dropout rate is higher than anticipated.

Our clinical trial services require a continuous process of patient recruitment, patient treatment and follow-up observations. Identifying, recruiting and enrolling patients and volunteers to participate in clinical trials is critical to our services, and we may not be able to identify, recruit and enroll a sufficient number of patients and volunteers with the required or desired characteristics to complete our contracted clinical trials in a timely manner. Our competitors may engage in ongoing clinical trials for similar products and the patients and volunteers who would otherwise be eligible for our clinical trials may enroll in our competitors' clinical trials. The timing of our clinical trials depends on our ability to recruit patients and volunteers to participate as well as to subsequently use medicine on such patients and volunteers and complete required follow-up periods. We may also experience enrollment delays due to increased or unforeseen regulatory, legal and logistical requirements at certain clinical trial sites. Any delays in our planned clinical trials could result in increased costs, delays in advancing our product candidates and testing the effectiveness of our product candidates or in termination of the clinical trials altogether.

In addition, the dropout rate of patients and volunteers may be higher than anticipated. A patient or volunteer who drops out at any point in certain weeks of the trial is considered as a "failure to respond" in the result of such clinical trial. Therefore, a higher than anticipated dropout rate lowers the chance of proving statistical significance, which could adversely affect clinical trial results.

We may need additional capital and may not be able to obtain the funding in a timely manner or on acceptable terms or at all.

In order to expand our capacity, undertake desirable acquisitions, develop new services and remain competitive, we may require additional capital. Particularly, the construction, expansion and renovation of our existing and future facilities require significant amounts of

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

We are subject to risks inherent in international operations.

We have operations in the United States and intend to continue to expand our presence internationally. Our success in providing services internationally and competing in international markets is subject to our ability to manage various risks and difficulties, including:

- our ability to effectively manage and coordinate our employees across different geographic locations;
- our ability to develop and maintain relationships with customers, suppliers and other local stakeholders;
- compliance with different pharmaceutical CRO requirements and standards;
- variations and changes in laws applicable to our operations in different jurisdictions, including enforceability of intellectual property and contractual rights;
- trade restrictions, political changes, disruptions in financial markets, and deterioration of economic conditions, particularly the relations between China and the United States;
- customs regulations and the import and export of goods and raw materials;
- foreign investment restrictions;
- the ability to provide sufficient levels of technical support in different locations;
- our ability to obtain and renew licenses that may be needed in international locations to support operations; and
- changes in tariffs, taxes and foreign currency exchange rates.

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

Changes in international trade or investment policies and barriers to trade or investment, in particular the ongoing conflicts between the U.S. and China, may have an adverse effect on our business and expansion plans.

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect the financial and economic conditions in the jurisdictions in which we operate, as well as our overseas expansion, our financial condition and results of operations. The U.S. administration under President Donald J. Trump has advocated greater restrictions on international trade generally and significant increases on tariffs on certain goods imported into the U.S., particularly from China, and has taken steps toward restricting trade in certain goods. For example, in 2018, the U.S. announced three finalized tariffs that applied exclusively to products imported from China, totaling approximately US$250 billion, and in May 2019, the U.S. increased the rate of certain tariffs previously levied on Chinese products from 10% to 25%. In addition, in August 2019, President Donald J. Trump threatened to impose additional tariffs on remaining Chinese products, totaling approximately US$300 billion. In retaliation, the Chinese government imposed additional tariffs on U.S. goods as well as lodged a WTO tariff case against the United States. On January 15, 2020, China and the United States signed phase one trade deal, easing trade tensions between the two countries. However, the two governments postponed the review of their phase one trade deal scheduled for August 15, 2020, which may impose some uncertainties on its implementation. In August 2020, the U.S. government announced a series of restrictions on certain Chinese companies, which among other things, may restrict their ability to acquire or use technologies, systems, devices or components, to access U.S. cloud-based systems and other infrastructure; and to operate in the U.S. While we are not subject to these restrictions and there is no reason for us to believe that we will become subject to similar restrictions, such policies and measures directed at China and Chinese companies could have the effect of discouraging U.S. persons to work for Chinese companies like us or U.S. customers to outsource their projects to us, which could hinder our ability to hire or retain qualified personnel or adversely affect our results of operations and prospects. Moreover, there have been accusations from the United States and certain other countries regarding the PRC's handling of the COVID-19 outbreak, as well as concerns regarding the PRC's implementation of national security laws in Hong Kong. These accusations and concerns, along with threats to impose new tariffs or sanctions on China, have resulted in increased tensions in China's international relations.

If the tensions between China and the U.S. worsen or if the U.S. or other countries start imposing restrictions on exporting raw materials, research models and equipment, outsourcing pharmaceutical technology or research activities to China, transferring research data or technologies to or from China, or recognizing research data generated by Chinese CROs, our business could be materially and adversely affected. In addition, our operations and future

potential acquisitions in the U.S. may be affected by heightened regulatory requirements or scrutiny if the current U.S.-China disputes continue to escalate. For example, we may face heightened operational and regulatory barriers to integrate our businesses in China and the United States or execute our plans to further expand our U.S. operations, and we may even lose control of or be forced to divest our U.S. business. If any of such events materialize, we may experience material loss of overseas customers and face severe impediment to execute our growth plan, which in turn adversely affects our business, operating results and prospects.

In addition, China and other countries have retaliated, and may further retaliate, in response to new trade policies, treaties and tariffs implemented by the U.S. government. Such retaliation measures may further escalate the tensions between the countries or even lead to a trade war. Any escalation in trade tensions or a trade war, or the perception that such escalation or trade war could occur, may have negative impact on the economies of not merely the two countries concerned, but the global economy as a whole. In addition, if China were to increase the tariff on any of the supplies and equipment imported by us from the United States, we might not be able to find substitutes with the same quality and price in China or from other countries. As a result, our costs would increase and our business, financial condition and results of operations would be adversely affected.

Our business operations and financial performance have been adversely affected by the COVID-19 outbreak, may in the future continue to be affected by the COVID-19 outbreak, and may be affected by other natural disasters, epidemics and other unforeseeable catastrophes.

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, countries across the world, including China and the United States, have imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus.

To varying degrees, our business operations had been affected by the COVID-19 outbreak. The governmental lockdown and other restrictive measures had resulted in reduced mobility of our employees, causing some of our employees to work remotely during the COVID-19 outbreak. In addition, certain business meetings with our existing and potential customers, to the extent in person presence was required, had been canceled or postponed. Due to the closure of work places and travel restrictions across China during the COVID-19 outbreak, our construction project in Wuzhou to build scientific research and breeding facilities for non-human primate research models was temporarily delayed. As the virus causing the COVID-19 outbreak was alleged to have spread to human beings from certain wild animals, the PRC government have issued a series of regulations to tighten the supervision on transportation of wild animals, including the large-sized research models such as non-human primate research models. The stricter regulations have affected our ability to procure non-human primate research models from our suppliers and transport non-human primate research models to our facilities, although handling and transportation of research models for drug R&D purposes are allowed under such restrictions. To a lesser extent, reduced transportations and disruption to manufacturing and logistics networks in China and the United States due to the COVID-19

outbreak affected our suppliers' abilities to manufacture and transport certain consumables and supplies necessary for our operations. For additional information, see "Financial Information — Effects of the COVID-19 Outbreak on Our Business."

While we have employed various measures to mitigate the impacts of the COVID-19 outbreak on our business operations, we cannot assure you that our efforts will always be efficient or at all. Furthermore, we may in the future experience additional disruptions that could materially and adversely impact our business operations, financial condition and results of operations, including but not limited to:

- a decline in customer orders and/or loss of customers;
- interruptions, delays or cancellations of our research projects;
- inefficiencies, delays and additional costs in our execution of research projects or sales, marketing and customer service efforts;
- interruptions or delays in the construction, expansion and renovation of our facilities in China and the United States;
- interruptions or delays in the procurement of large-sized research models including the non-human primate research models;
- interruptions of, or delays in receiving, other supplies necessary for our operation due to staffing shortages, production slowdowns or stoppages and disruptions in logistics and delivery systems and imports;
- delays or failure to collect receivables from our customers;
- limitations on employee resources that would otherwise be devoted to our business operations, including because of one or more clusters of COVID-19 cases at our facilities.

We may also take further actions as may be required by government authorities or as we determine are in the best interest of our employees and customers which could further adversely impact our business operations.

To the extent the COVID-19 outbreak adversely affects our business and operations, it may also heighten many of the other risks described in this "Risk Factors" section, such as those relating to our ability to expand and upgrade our facilities and enhance our capabilities, our ability to attract and retain customers, our ability to collect payments from our existing and future customers, and our ability to conduct R&D projects with high-quality and timely delivery.

There are no comparable recent events that provide guidance as to the effect the COVID-19 outbreak as a global pandemic may have, and, as a result, the ultimate impact of the pandemic is highly uncertain and subject to change, even though conditions have been gradually improving in China where we conduct a vast majority of our business. We do not yet know the full extent of the impacts on our business, our operations or the global economy as a whole. The extent to which the COVID-19 outbreak may impact our business will depend on future developments, which are highly uncertain and unpredictable, such as the duration of the outbreak, the effectiveness of travel restrictions and other measures to contain the outbreak and its impact, such as social distancing, quarantines and lockdowns in China, the United States and other countries where we and our customers operate.

In addition, any future occurrence of force majeure events, natural disasters or outbreaks of other epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, swine influenza caused by the H1N1 virus or the Ebola virus, may materially and adversely affect our business, financial condition and results of operations. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in China may materially and adversely affect its economy and our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases or the measures taken by the Chinese government or other countries in response to such contagious diseases will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations.

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

Our inventories include consumables and research models used for our service. We manage our inventory levels based on our forecasts of customer demand for our services in terms of ongoing projects and potential new projects. Customer demand, however, can be affected by numerous uncertainties, including in relation to the progress of their projects, pending regulatory approvals, timing and success of clinical trials, our level of success in securing new projects and other factors beyond our control. Our inventories amounted to RMB10.3 million, RMB13.0 million, RMB49.6 million and RMB73.3 million as of December 31, 2017, 2018 and 2019, and September 30, 2020, respectively.

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

Our financial assets at FVOCI and FVTPL are subject to the uncertainties in accounting estimates. Fluctuations in fair value of our financial assets at FVOCI and FVTPL would affect our financial results.

We measure our unlisted equity instruments at fair value through other comprehensive income ("FVOCI") and measured RMB wealth management products at fair value through profit or loss ("FVTPL"), at their respective fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. We have adopted IFRS 9 throughout the Track Record Period. The equity investments at fair value through profit or loss is measured using the assumptions that market participants would use when pricing such equity investments, assuming that market participants act in their economic best interest. As such, we believe that our equity investments at fair value through profit or loss are subject to the uncertainties of accounting estimates and therefore warrant particular attention.

All assets and liabilities for which fair value is measured are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: (i) level 1 valuations, which refer to quoted (unadjusted) market prices in active markets for identical assets or liabilities, (ii) level 2 valuations which refer to valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, and (iii) level 3 valuations which refer to valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. As of December 31, 2017, 2018 and 2019 and September 30, 2020, we recorded financial assets at FVOCI of nil, nil, RMB12.0 million and RMB59.3 million respectively, while we recorded financial assets at FVTPL of RMB200.7 million, RMB348.7 million, RMB130.7 million and RMB187.3 million respectively. As of December 31, 2017, 2018 and 2019 and September 30, 2020, we had RMB200.7 million, RMB348.7 million, RMB142.7 million and RMB246.6 million of level 3 financial assets, respectively. It is possible that future accounting standards and fair value estimation that we require to adopt may differ from the current accounting treatment that we apply to our financial statements and may result in significant changes to our results, disclosures and reporting systems. Such changes could adversely affect the trends and comparability of our financial results.

Our results of operations are subject to biological asset fair value adjustments, which are non-cash in nature and can be highly volatile and are subject to a number of factors.

We have biological assets, primarily consisting of non-human primates hosted at our Nanning facilities primarily for scientific research and breeding purposes, including (i) those used for non-clinical studies, which are classified as current assets and (ii) those maintained for the purposes of breeding, which are classified as non-current assets. We measure biological

assets upon initial recognition and at the end of each reporting period at their fair value less costs of disposal. Fair value gains or losses with respect to our biological assets are attributable to changes in the market-determined prices, species, growing conditions, costs incurred and professional valuation.

The fair values of our biological assets at each reporting date during the Track Record Period were determined by an independent professional appraiser and we intend to engage an independent professional appraiser to determine the fair values of our biological assets going forward. The fair value measurements of our biological assets fall into level 3 of the fair value hierarchy. In valuing our biological assets, the independent appraiser has relied on a number of major parameters and assumptions which may vary from time to time, such as classification of the biological assets according to their age, gender and unit market price of biological assets, as well as economy conditions affecting the biological assets. See "Financial Information — Valuation of Biological Assets" for details.

The fair value of our biological assets could be affected by factors including the accuracy of those parameters and assumptions, as well as the quality of our biological assets and changes in the research model industry. Therefore, the resulting adjustments can be highly volatile. While these assumptions as adopted in the valuation process have been in line with the actual results, we cannot assure you that there will be no significant deviation in the future. In addition, market prices for our biological assets are highly volatile and susceptible to significant fluctuations from period to period. As a result of revaluations of our biological assets from period to period, our financial position and results of operations may change significantly from period to period. In addition, an increase or decrease in market prices for biological assets will, among others, increase or reduce our total cost of services and gains or losses arising from changes in fair value which makes our reported profit more volatile. For the years ended December 31, 2017, 2018 and 2019, and nine months ended September 30, 2020 the net effect of biological assets fair value adjustments that affected our profit for the year/period were positive of RMB4.0 million, negative of RMB5.7 million, positive of RMB8.4 million and RMB25.3 million.

For details on the valuation and the application of various assumptions, see the subsection headed "Financial Information — Valuation of Biological Assets" in this prospectus. In particular, upward adjustments and gains so recognized do not generate any cash inflow for our operations. As a result, when evaluating our results of operations and profitability, you should consider our profit and margins without taking into account the effects of these biological asset fair value adjustments.

We may not be able to utilize all of our deferred tax assets, which may affect our financial position in the future.

As of December 31, 2017, 2018 and 2019 and September 30, 2020, our deferred tax assets amounted to RMB4.5 million, RMB6.9 million, RMB25.6 million and RMB39.0 million, which primarily consisted of temporary difference from share based payments and unused tax losses. Deferred tax assets are generally recognized for all deductible temporary differences to

the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. If we suffer significant losses in the future, we may not be able to utilize all of our deferred tax assets. For details of the movement of our deferred tax assets during the Track Record Period, please see Note 31 to the Accountants' Report in Appendix I to this Prospectus.

We may face goodwill impairment risks in connection with our Biomere acquisition.

In order to expand our operations and global presence, we have acquired Biomere in 2019. As of September 30, 2020, RMB130.8 million, or 6.8%, of our total assets consisted of goodwill relating to our acquisition of Biomere.

In order to determine whether our goodwill is impaired, we are required to estimate, among other things, the expected future cash flows that we will derive from Biomere, which includes an estimation of the expected growth rate in sales of the relevant services, as well as their future gross margins and related operating expenses. In the event that our estimate of our future cash flows from Biomere decreases from our estimate in prior periods, we could be required to recognize an impairment loss in profit or loss for the relevant period in an amount equal to our estimate of the reduction in value of the relevant group of assets. See "Financial Information — Critical Accounting Policies and Estimates" for further details of our accounting policies for goodwill and goodwill impairment, the estimations and assumptions involved therein, and the components of our acquired goodwill during the Track Record Period. We did not recognize impairment losses in respect of goodwill during the Track Record Period.

However, our estimates of the future cash flows from Biomere may be susceptible to downward revision as result of factors adversely affecting the global pharmaceutical R&D industry generally, including general decreases in growth rates and margins, as well as factors specific to our business' growth rates, margins and operating expenses. If we record an impairment loss as a result of these or other factors, it could have an adverse effect on our financial position for the relevant period and our business prospects.

If we determine our intangible assets (other than goodwill) or contract costs to be impaired, our results of operations and financial condition may be adversely affected.

As of September 30, 2020, our other intangible assets amounted to RMB63.7 million, or 3.3% of our total assets, which was primarily related to our patents and trademarks, software, and non-competition agreement and the customer relationship we acquired from Biomere. The value of other intangible assets is based on a number of assumptions made by our management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may have to write off a significant portion of our other intangible assets and record an impairment loss. In addition, our determination on whether intangible assets are impaired requires an estimation of the carrying amount and recoverable amount of an intangible asset. If the carrying amount exceeds its recoverable amount, our other intangible assets may be impaired. During the Track Record Period, we did not recognize impairment losses in respect of our other intangible assets. However, we cannot guarantee you

that in the future we will not record any impairment loss on our other intangible assets. Moreover, during the Track Record Period, we recorded write-down of contract costs of nil, nil and RMB3.9 million as of December 31, 2017, 2018 and 2019, respectively, and RMB5.6 million as of September 30, 2020. Our contract costs primarily relate to our costs to fulfill service contracts with our customers which are not capitalized as inventory. We record impairment of contract costs when the the carrying amount of the contract costs exceeds the net of (i) remaining amount of considerations that we expect to receive in exchange for the services to which the contract costs relate, less (ii) costs that relate directly to providing those services that have not yet been recognized as expenses. There is no guarantee that in the future we will not determine that our contract costs are impaired in which case we may write down some of our contract assets. The impairment of our other intangible assets or contract costs could have an adverse effect on our business, financial condition and results of operations. For further details of our accounting policies with respect to other intangible assets and contract costs, see "Financial Information — Critical Accounting Policies and Estimates."

The discontinuation of any of the government grants or preferential tax treatment currently available to us could adversely affect our financial condition, results of operations and prospects.

For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, we recorded RMB9.2 million, RMB10.6 million, RMB17.6 million, RMB6.8 million and RMB19.7 million, respectively, of government grants in other gain and losses, net. For more details on government grants recognized in our profit or loss, please see Note 5 to the Accountants' Report in Appendix I to this Prospectus. We also received preferential tax treatment during the Track Record Period. For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, we recorded a tax concession of RMB9.9 million, RMB12.2 million, RMB23.4 million, RMB8.2 million and RMB16.8 million, respectively. Our eligibility to receive these government grants requires that we continue to qualify for them. The incentives are provided to us at the discretion of the central government or relevant local government authorities, which could determine at any time to eliminate or reduce these incentives, generally with prospective effect. Since our receipt of the government grants is subject to periodic time lags and inconsistent government practice, as long as we continue to receive these financial incentives, our net income in a particular period may be higher or lower relative to other periods depending on the potential changes in these financial incentives in addition to any business or operational factors that we may otherwise experience. The discontinuation of government grants currently available to us could have a material adverse effect on our financial condition, results of operations, cash flows and prospects.

Our revenue recognition is subject to seasonal fluctuations.

Although the customer demand for services generally is not subject to any seasonality, we have experienced, and expect to continue to experience, seasonal fluctuations in our results of operations primarily due to customary practice of managing projects and our policy for revenue recognition. Historically, more revenue was recognized based on the mix of project schedules

in the fourth quarter as compared to the first three quarters in a given year, primarily because, consistent with the industry norm, more projects were completed toward the end of the year and revenue is recognized upon the completion of such projects. As a result of these seasonal fluctuations, comparisons of revenue and our results of operations between different periods within a single financial year are not necessarily meaningful, nor can these comparisons be relied upon as indicators of our future performance. Should there be a significant reduction in demand for our services in any particular period of any year, our business, financial condition and results of operations may be adversely affected.

We may undertake acquisitions or joint ventures or make equity investments that may not be successful and we may fail to successfully integrate our acquisitions or investments with our business.

Historically, we have grown our business in part through acquisitions to expand our service offerings and geographic presence and we may continue to grow through such acquisitions. As of the Latest Practicable Date, we had not identified any specific acquisition target, or entered into any agreements, commitments or understandings with respect to any such transaction. The success of our acquisition strategy is uncertain and depends upon, among other things, our ability to identify suitable targets, to assess the value, strengths, weaknesses, liabilities and potential profitability of such targets, the availability of sufficient financial or operational resources to fund such acquisitions and to negotiate acceptable purchase terms.

In 2019, we acquired Biomere, a discovery-based, specialty CRO located in Worcester, Massachusetts. Combined with the facilities in northern California that we plan to lease and upgrade in the near term, we aim to expand our presence in the United States to strategically established a bi-coastal presence. For the nine months ended September 30, 2020, Biomere generated RMB157.8 million in revenue, accounting for 25.0% of our total revenue and substantially all of our overseas revenue during the same period.

We have devoted significant resources to the integration of our operations at Biomere with our operations in China in order to achieve the anticipated synergies and benefits of the acquisition. Such integration of Biomere and our future acquired businesses may expose us to certain risks, such as the anticipated and unforeseen costs, expenses and liabilities (including latent or potential liabilities that relate to the time prior to our acquisition), difficulties in business integration in a timely and cost-effective manner or maintaining standard control policies and procedures across our businesses, difficulties in establishing effective management information and financial control systems, and unforeseen legal, regulatory, contractual or other issues.

We may not successfully integrate Biomere and future international acquisitions because we may not be able to overcome differences in international regulations, business practices, language or customs. If we fail to successfully integrate Biomere and other future acquisitions, there may be an adverse effect on our business, financial condition and results of operations. Furthermore, we may fail to realize anticipated returns from our Biomere or future

acquisitions, business restructurings and integrations and may incur significant acquisition-related charges to earnings and dilution to our shareholders and may adversely affect our financial performance and prospect.

Our potential future international investments may be adversely affected by regulatory or governmental scrutiny in the relevant countries such as the United States.

We may invest in pharmaceutical industry companies worldwide. Such investments may be subject to stringent regulatory or governmental scrutiny imposed by relevant authorities. For example, the U.S. Congress has passed legislation that will expand the jurisdiction and powers of the Committee on Foreign Investment in the U.S. (the "**CFIUS**"), the U.S. interagency committee that conducts national security reviews of foreign investment. President Trump signed the Foreign Investment Risk Review Modernization Act ("**FIRRMA**") in August 2018. Pursuant to the FIRRMA, investments in companies that deal in "critical technology" are subject to filing requirements and, in some instances, review and approval by the CFIUS. The term "critical technology" includes, among others, technology subject to U.S. export controls and certain "emerging and foundational technology," a term that is still being defined but that is expected to include a range of U.S. biotechnology. If an investment by a foreign entity in a U.S. business dealing in "critical technology" meets certain thresholds, a filing with the CFIUS is mandatory. While the FIRRMA currently grants CFIUS jurisdiction on only controlling and certain non-controlling investments made by foreign persons in U.S. businesses in research and development in biotechnology, the CFIUS's jurisdiction may be further expanded in the future, which may increase the uncertainty and transaction costs of our future investments in and acquisitions of U.S. biotechnology businesses and therefore adversely affect the implementation of our future merger and acquisition activities and investment strategies in respect of U.S. biotechnology assets and businesses.

We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs.

We maintain certain insurance policies to cover potential property loss, physical injuries or medical expenses involving third parties that occur on our premises. We consider our insurance coverage to be in line with what we believe to be customary in our industry. For more details, see "Business — Insurance." However, we cannot assure you that our insurance coverage in terms of amount, scope and benefit is sufficient. In addition, as the insurance industry in China is still at an early stage of development, insurance companies in China generally offer limited business-related insurance products and such products typically command a high premium that may not be justifiable from a cost benefit perspective. Consistent with industry norm, we do not have any business disruption insurance, product liability insurance or key-man life insurance. Therefore, we are exposed to various risks associated with our business and operations. Such risks include, among others, loss of key management and personnel, business interruption, litigation or legal proceedings, natural disasters such as epidemics, pandemics or earthquakes, terrorist attacks and social instability or any other events beyond our control. Our business, financial condition and results of operations may be materially and adversely affected as a result.

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

We may from time to time be involved in contractual disputes, legal and administrative proceedings, and claims arising out of the ordinary course of business or pursuant to governmental or regulatory enforcement activity. Any future legal proceeding might result in us incurring substantial costs and divert our management's attention and resources. Furthermore, any litigation, legal disputes, claims or administrative proceedings that are initially not material may escalate and become material to us due to a variety of factors, such as changes in the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. Laws, regulations and legal actions could also have significant regulatory consequences and result in regulatory enforcement actions.

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

We are subject to environmental protection and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities, including but not limited to consequences of accidental contamination, biological or chemical hazards or personal injury.

Our past and present business operations are subject to national and local laws in the jurisdictions in which we operate, including but not limited to the laws on the treatment and discharge of pollutants into the environment and on the use of highly toxic and hazardous chemicals used in our projects. Because the requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may be unable to comply with, or to accurately predict the potentially substantial cost of complying with, these laws and regulations. If we fail to comply with environmental protection and health and safety laws and regulations, we may be subject to various consequences, including substantial fines, potentially significant monetary damages or suspensions of our business operations. As a result, any failure by us to control the use or discharge of hazardous substances could have a material and adverse impact on our business, financial condition and results of operations.

In addition, we cannot fully eliminate the risk of accidental contamination, biological hazards or personal injury at our facilities during our service processes. In the event of any accident, we could be held liable for damages and clean-up costs that, to the extent not covered by existing insurance or indemnification, could be burdensome to our business. Other adverse effects could result from such liability, including reputational damage resulting in the loss of business from customers. We may also be forced to close or suspend operations at certain of

our affected facilities temporarily or permanently. As a result, any accidental contamination or personal injury could have a material and adverse impact on our reputation, business, financial condition and results of operations.

Incidents, accidents or injuries at our facilities or in connection with our services may subject us to liability could negatively impact our reputation, business, financial condition and results of operations.

Incidents, accidents or injuries at our facilities or in connection with our services may subject us to damages, delays or liabilities, and incidents, accidents or injuries could negatively impact our reputation, which could harm our business, financial condition and results of operations. There are inherent risks of incidents, accidents or injuries at our facilities or in connection with our services. If incidents, accidents or injuries occur at any of our facilities, we may face damages or delays that could impact the delivery of our services to our clients and we could be held liable for costs related to such incidents.

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

As of the Latest Practicable Date, we conduct our activities in our facilities in China and the United States. We depend on these facilities for continued business operations. Natural disasters or other unanticipated catastrophic events that affect any of our facilities, including power interruptions, water shortages, storms, tornadoes, fires, earthquakes, terrorist attacks or wars, could significantly impair our ability to operate our business. Our facilities and certain equipment located in these facilities would be difficult to be immediately substituted in any such event and could require substantial replacement lead time and cost. The occurrence of any such event could materially and adversely affect our business, financial condition and results of operations.

If we fail to comply with anti-bribery or anti-money laundering laws, our reputation may be harmed, and we could be subject to significant penalties and expenses that could have a material adverse effect on our business, financial condition and results of operations.

We are subject to the anti-bribery and anti-money laundering laws of the jurisdictions in which we operate, particularly the U.S. and China. In the U.S., the Foreign Corrupt Practices Act of 1977 generally prohibits a company from making improper payments, directly or indirectly, to foreign officials for the purpose of obtaining or retaining business. Further, in the U.S., the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA Patriot Act), prohibits money laundering and any activities that could facilitate money laundering. In China, the Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), and provisions of the Criminal Code of the PRC (《中華人民共和國刑法》), prohibit giving and receiving money or property (which includes cash, proprietary interests and items of value) to obtain an undue benefit. Further, in China, Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》), promulgated by the Standing Committee of the NPC on October 31, 2006 and became effective on January 1, 2007, prohibits money laundering. In

addition, many of our customers require us to follow strict anti-bribery and anti-money laundering policies as part of doing business with us. Our procedures and controls to monitor anti-bribery and anti-money laundering compliance may fail to protect us from reckless or criminal acts committed by our employees or agents. If we fail to comply with applicable anti-bribery laws and anti-money laundering, our reputation could be harmed, customers could cancel or not renew contracts for our services and we could incur criminal or civil penalties, other sanctions and significant expenses, which could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

Changes in China's economic, political and social conditions could adversely affect our business, financial condition, results of operations, cash flows and prospects.

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

Trade tension between the United States and China could place pressure on the economic growth in China as well as the rest of the world. In recent years, there has been a deterioration in the relationship between China and the United States which has resulted in intense conflicts between the two countries in trade, technology, finance and other areas which has contributed to a slowdown in the rate of economic and industrial output growth in China and led to greater uncertainties in the geopolitical situations in other parts of the world affecting China and Chinese companies. For additional information on how we may be affected by such tensions, see "— Changes in international trade or investment policies and barriers to trade or investment, in particular the ongoing conflicts between the U.S. and China, may have an adverse effect on our business and expansion plans."

The legal system of the PRC involves uncertainties that could limit the legal protections available to investors and our Company.

The PRC legal system is based on written statutes. Prior court decisions may be adduced for reference but have limited precedential value, which is different from common law system. In late 1970s, the PRC government began to promulgate a comprehensive system of laws and

regulations governing general economic matters. The overall effect of legislation over the past four decades has significantly increased the protections afforded to various forms of foreign investment in China. However, China has not developed a fully-integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. Furthermore, as some of these laws and regulations are relatively new, and because of the limited volume of published court decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations may involve uncertainties and may not be as consistent or predictable as those in other jurisdictions.

Our business and operations are primarily conducted in China and are governed by PRC laws, rules and regulations. Our Group is generally subject to laws, rules and regulations applicable to foreign investments in China. These laws and regulations change frequently, and their interpretation and enforcement involve uncertainties. In addition, some regulatory requirements issued by certain PRC government authorities may not be consistently applied by other government authorities, thus making strict compliance with all regulatory requirements impractical or, in some circumstances, impossible. For example, we may have to resort to administrative and court proceedings to enforce the legal protections that we benefit from either by law or contract. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in legal systems in more developed nations. Furthermore, the Chinese legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until sometime after the violation. These uncertainties may also impede our ability to enforce the contracts we have entered into. These uncertainties, together with any development or interpretation of the PRC law unfavorable to us, could materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

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

The investment activities of foreign investors in the PRC are subject to certain regulations regarding the industry participated and imposed of additional verification procedures by certain authorities. The Special Management Measures (Negative List) for the Access of Foreign Investment (2020) (《外商投資准入特別管理措施(負面清單)(2020年版)》, the "Negative List") issued by the NDRC and MOFCOM, which sets out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity and senior management, and the industries that are prohibited for foreign investment. The Negative List covers 12 industries, and any field not covered by the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. As of the Latest Practicable Date, our Group's main business in China does not fall within the Negative List. However, certain industries are specifically prohibited for foreign investment, such as the development and application of technologies for diagnosis and treatment of human stem cells and genes, which may restrict us from entering into these industries afterwards. Also, as the Negative List could be updated in the future, there can be no assurance that the

PRC government will not change its policies in a manner that would render part of our business in China within the Negative List. If we cannot obtain approval from relevant approval authorities to engage in a business in China which becomes prohibited or restricted for foreign investors, we may be forced to sell or restructure our business which has 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 face foreign exchange risk, and fluctuations in exchange rates could have a material adverse effect on our financial condition and results of operations.

Changes in exchange rates have in the past, and could in the future continue to, materially and adversely affect our financial condition and results of operations. We recorded a net foreign exchange loss of RMB0.8 million in 2017, a net foreign exchange gain of RMB1.1 million, RMB0.3 million and RMB0.9 million in 2018, 2019 and the nine months ended September 30, 2019 respectively, and a net foreign exchange loss of RMB1.2 million for the nine months ended September 30, 2020. Our foreign currency exposure is mainly with respect to U.S. dollar. For the years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2020, 0.4%, 0.3%, 1.3% and 25.0% of our revenue was generated from our operations in the United States. However, a significant portion of cost of services and operating costs and expenses are denominated in Renminbi. As a result, our margins are pressured when the Renminbi appreciates against the U.S. dollar, and we may not be able to price our service contracts, in particular those with our U.S. customers, in currencies other than the U.S. dollar. Fluctuations in exchange rates between the Renminbi and the U.S. dollar and other currencies may be affected by, among other things, changes in China's political and economic conditions, as well as international economic and political developments. Due to international pressures on the PRC to allow more flexible exchange rates for the Renminbi and the economic situation and financial market developments in the PRC and abroad, the PRC government has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility.

Implementation of the labor laws and regulations in China may adversely affect our business and results of operations. Failure to fully comply with PRC labor-related laws may expose us to potential liabilities and penalties.

Pursuant to the PRC Labor Contract Law (《中華人民共和國勞動合同法》), or the Labor Contract Law, that took effect in January 2008, with its amendment that took effect in July 2013, and its implementation rules that took effect in September 2008, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. Due to lack of detailed interpretative rules and broad discretion of the local competent authorities, it is uncertain as to how the Labor Contract Law and its implementation rules will affect our current employment policies and practices. Our employment policies and practices may violate the Labor Contract Law or its implementation rules, and we may thus be subject to related penalties, fines or legal fees. Compliance with the Labor Contract Law and

its implementation rules may increase our operating expenses, in particular our personnel expenses. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the PRC Labor Contract Law and its implementation rules may also limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

On October 28, 2010, the Standing Committee of the NPC promulgated the PRC Social Insurance Law (《中華人民共和國社會保險法》), or the Social Insurance Law, which became effective on July 1, 2011 and was amended on December 29, 2018 and took effect on the same date. According to the Social Insurance Law, employers should make the social insurance registration and employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees. Recently, the PRC government enhanced its measures relating to social insurance collection, which may lead to stricter enforcement.

Pursuant to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3,1999 and took effect on the same date, which was amended, supplemented or otherwise modified from time to time and was lately amended on March 24, 2019 to take effective on the same date, employers must open housing provident fund account and pay housing provident fund for its employees. However, our social insurance and/or housing provident fund policies and practices may in the future be found to have violated the relevant laws regulations, and we may therefore be subject to related administrative measures, penalties, fines or legal fees. Compliance with the relevant laws and regulations may increase our operating expenses, in particular our personnel expenses.

As the interpretation and implementation of labor laws and regulations are still evolving, we cannot assure you that our employment practice policy and will at all times be deemed to be in full compliance with labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

We may face penalties for the non-registration of our lease agreements in China, and challenges from third parties or government authorities relating to title defects of our certain leased properties in China may force us to relocate and thus incur additional cost.

As of the Latest Practicable Date, the lease agreements with respect to 21 properties we lease in the PRC had not been registered and filed with the relevant PRC government authorities. As advised by our PRC Legal Advisor, failure to register such lease agreements with the relevant PRC government authorities does not affect the validity and enforceability of the relevant lease agreements but the relevant PRC government authorities may order us or the

lessors to, within a prescribed time limit, register the lease agreements. Failure to do so with the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. For details, see "Business — Our Properties — Leased Properties."

As of the Latest Practicable Date, a few of our leased properties had title defects. See "Business — Our Properties — Leased Properties." We cannot assure you that the landlords of these properties have the right to lease the relevant property to us. As advised by our PRC Legal Advisor, we may not be able to continue to use such property if the ownership of the property we have leased and/or the validity of such lease is challenged by third parties or government authorities. In such a scenario we will have to relocate to other premises, which could result in additional costs. Should disputes arise due to our use of or title encumbrances to such properties or government action, we may encounter difficulties in continuing to lease such properties and may be required to relocate in the future. As of the Latest Practicable Date, we were not aware of any challenge made by any third party or government authority on the titles of any of these leased properties that might affect our current occupation. We cannot assure you that in the future, we may not encounter such challenges. In addition, in the event of relocation, we may incur additional costs, which could adversely affect our daily operation and cause an impact on our financial condition.

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

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past, we have acted in compliance with the 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 action that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. For example, under the Individual Income Tax Law of the PRC (the "**IIT Law**") (《中華人民共和國個人所得税法》), which was amended on June 30, 2011 and came into effect on September 1, 2011, foreign nationals who have domiciles in the PRC, or have no domicile in China but have resided in the PRC for one year or more, would be subject to PRC individual income tax on their income gained within or outside the PRC. On August 31, 2018, the Standing Committee of NPC have approved the amendment of the IIT Law, which became effective on January 1, 2019. Under the amended IIT law, foreign nationals who have no domicile in China but have resided in the PRC for a total of 183 days or more in a tax year, would be subject to PRC individual income tax on their income gained within or outside the PRC. Should such rule be strictly enforced, our ability to attract and retain highly skilled foreign scientists and research technicians to work in China may be materially affected, which may in turn have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects. Further adjustments or changes to PRC tax laws and regulations, together with any uncertainty resulting therefrom, could also have an adverse effect on our business, financial condition and results of operations.

We may be restricted from transferring our scientific data abroad.

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

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China against us and our Directors, Supervisors and management.

We are a company incorporated under the laws of the PRC and a majority of our assets and subsidiaries are located in the PRC. The majority of our Directors, Supervisors and senior management reside within the PRC. The assets of these Directors, Supervisors and senior management also may be located within the PRC. As a result, it may not be possible to effect service of process upon most of our Directors, Supervisors and senior management outside the PRC. Moreover, the PRC does not have treaties providing for reciprocal recognition and enforcement of court judgments in the U.S. or most other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the U.S. As a result, in the PRC or Hong Kong, recognition and enforcement of court judgments from other jurisdictions may be difficult or impossible.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"). Under the 2006 arrangement, where any designated People's Court of the PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of PRC or Hong Kong court for recognition and

enforcement of the judgment. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into such a choice of court agreement in writing. Although this arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the arrangement remain uncertain.

On January 18, 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"). Although the 2019 Arrangement has been signed, it remains unclear when it will come into effect. When the 2019 Arrangement becomes effective, it will supersede the 2006 Arrangement and any party concerned may apply to the relevant PRC court or Hong Kong High Court for recognition and enforcement of the effective judgements in civil and commercial cases under the 2019 Arrangement but will be subject to the conditions set forth in the 2006 Arrangement. Therefore, the outcome and effectiveness of any action brought under the 2019 Arrangement is still uncertain. We cannot assure you that an effective judgement that complies with the 2019 Arrangement can be recognized and enforced in a PRC court.

Although we will be subject to the Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong upon the listing of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong do not have the force of law in Hong Kong.

Governmental control of currency conversion, and restrictions on the remittance of RMB into and out of the PRC, may limit our ability to pay dividends and other obligations, and adversely affect the value of your investment.

The PRC government imposes control on the convertibility of RMB into foreign currencies. We receive the vast majority of our revenue in RMB. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments to certain suppliers, if any. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency, or otherwise satisfy our foreign currency denominated obligations.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign

currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of China.

We are a PRC enterprise and we are subject to PRC tax on our global income and any gains on the sales of H Shares and dividends on the H Shares may be subject to PRC income taxes. Under the EIT Law of the PRC, our offshore subsidiaries may be subject to PRC income tax on their worldwide taxable income.

Under the Current PRC tax laws and regulations, as a PRC-incorporated company, under applicable PRC tax laws, we are subject to a tax of 25% on our global income. Non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under the ITT Law and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the non-PRC resident individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui [1994] No. 20) issued by the MOF and SAT on May 13, 1994, the income gained by foreign individuals from dividends and bonuses of foreign-invested enterprise are exempted from individual income tax for the time being. On February 3, 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (《國務院轉批發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). According to these two documents, the PRC government is planning to cease foreign individuals' tax exemption for dividends obtained from foreign-invested enterprises, and the MOF and the SAT should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the MOF and the SAT. Considering these uncertainties, non-resident individual holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and bonus realized from the H Shares.

Pursuant to Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, gains realized by individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. As of the Latest Practicable Date, no aforesaid provisions have expressly provided that whether individual

income tax shall be levied from non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individual holders on gains from the sale of H shares.

For non-PRC resident enterprises that do not have establishments or premises in China, and for those have establishments or premises in China but whose income is not related to such establishments or premises, under the EIT Law and its implementation regulations, dividends paid by us (including payments via CCASS) and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are subject to PRC enterprise income tax at a 10% rate unless otherwise reduced or exempted by relevant tax treaties or similar arrangement. In accordance with the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui [2008] No. 897) issued by SAT on November 6, 2008, the withholding tax rate for dividends of the year of 2008 and onwards payable to non-PRC resident enterprise holders of H Shares will be 10%. Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval.

Despite the arrangements mentioned above, there remain significant uncertainties as to the interpretation and application of applicable PRC tax laws and regulations by the competent tax authorities and the PRC tax laws and regulations may also change, which may adversely affect the value of your investment in our H Shares.

Under the EIT Law, an enterprise established outside the PRC with "de facto management bodies" within China is considered a "resident enterprise," meaning that it is treated in a manner similar to a Chinese enterprise for PRC EIT purposes. The implementing rules of the EIT Law define "de facto management bodies" as "management bodies that exercise substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. In addition, the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or Circular 82, specifies that certain Chinese-controlled offshore incorporated enterprises, defined as enterprises incorporated under the laws of foreign countries or territories and that have PRC enterprises or enterprise groups as their primary controlling shareholders, will be classified as resident enterprises if all of the following are located or resident in China: (i) senior management personnel and departments that are responsible for daily production, operation and management; (ii) financial and personnel decision-making bodies; (iii) key properties, accounting books, company seal, and minutes of board meetings and shareholders' meetings; and (iv) half or more of senior management or directors having voting rights. SAT has subsequently provided further guidance

on the implementation of Circular 82. As substantially all of the operational management of our Company is currently based in the PRC, our offshore subsidiaries may be deemed to be "PRC resident enterprises" for the purpose of the EIT Law. If our offshore subsidiaries are deemed PRC resident enterprises, they could be subject to the EIT at 25% on our global income, except that the dividends we receive from our PRC subsidiaries may be exempt from the EIT to the extent such dividend income constitutes "dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise." It is, however, unclear what type of enterprise would be deemed a "PRC resident enterprise" for such purposes. The EIT on our offshore subsidiaries' global income could significantly increase our tax burden and adversely affect our cash flows and profitability.

RISKS RELATING TO THE GLOBAL OFFERING

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

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

There has been no prior public market for our H Shares, and an active trading market for our H Shares may not develop or be sustained.

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity will develop and be sustained following the completion of Global Offering. The initial Offer Price for our H Shares to the public will be the result of negotiations between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the H Shares following the Global Offering.

We have applied to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option). A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for the H Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the H Shares will not decline following the Global Offering. If an active public market for our H Shares does not develop following the completion of the Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected.

The price and trading volume of our H Shares may be volatile, which could lead to substantial losses to investors.

The price and trading volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the political uncertainties in Hong Kong and the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our H Shares. In addition to market and industry factors, the price and trading volume of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Hong Kong Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance but related to the overall political and economic conditions in Hong Kong, the PRC or elsewhere in the world.

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

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

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the price of our H Shares and our ability to raise additional capital in the future.

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

In addition, while investors subscribing shares in the Global Offering are not subject to any restrictions on the disposal of the H Shares they subscribed (except as disclosed in the section headed "Cornerstone Investors"), they may have existing arrangements or agreement to dispose part or all of the H Shares they hold immediately or within certain period upon completion of the Global Offering for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or any time or period after the Listing Date.

Any sale of the H Shares subscribed by such investors pursuant to such arrangement or agreement could adversely affect the market price of our H Shares and any sizeable sale could have a material and adverse effect on the market price of our H Shares and could cause substantial volatility in the trading volume of our H Shares.

Ms. Feng has significant influence over us and their interests may not be aligned with the interest of our other Shareholders.

Immediately upon the completion of the Global Offering, without taking into account any H Shares which may be issued pursuant to the exercise of the Over-allotment Option, Ms. Feng and Mr. Zhou, the spouse of Ms. Feng, will collectively control approximately 36.43% of the voting power at our general meetings. Ms. Feng, through her own voting power and the voting power possessed by Mr. Zhou, at the Shareholders' meetings and their delegates on the Board, will have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. Ms. Feng may not act in the best interests of our minority Shareholders. In addition, without the approval of Ms. Feng, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our H Shares. For details of our relationship with our Controlling Shareholders, see "Relationship with our Controlling Shareholders".

There will be a gap of several days between pricing and trading of our H Shares, and the price of our H Shares when trading begins could be lower than the Offer Price.

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

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance that we will declare and distribute any amount of dividends in the future.

Under PRC law and the constitutional documents of our Company and our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory capital reserve funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. The calculation of our distributable profits under PRC GAAP differs in many aspects from the calculation under IFRS. In addition, as stipulated by our Articles, distributable profits are recognized as our net profit determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, our Company and our PRC operating subsidiaries may not be able to pay a dividend in a given year if our Company or our PRC operating subsidiaries do not have distributable profits as determined under PRC GAAP even if they have profits as determined under IFRS. During the Track Record Period, no dividend has been paid or declared by us. See "Financial Information — Dividends" for further details of our dividend policy.

There can be no assurance that future dividends will be declared or paid. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account our results of operations, financial condition, cash requirements and availability and other factors as they may deem relevant, and subject to the approval at Shareholders' meeting. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.

In the Track Record Period, a vast majority of our expenditures were denominated in Renminbi, and a vast majority of our financial assets are also denominated in Renminbi. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect our cash flows, earnings and financial position, and the value of, and any dividends payable on, our H Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, including proceeds from the Global Offering, as Renminbi is the functional currency of our Company and our subsidiaries inside China. Conversely, if we

decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our H Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

Facts, forecasts and statistics in this Prospectus relating to the PRC and global economy and the pharmaceutical CRO industry may not be fully reliable.

Facts, forecasts and statistics in this Prospectus relating to the PRC and global economy and the pharmaceutical CRO industry in China and overseas markets are obtained from various sources including official government publications that we believe are reliable. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Joint Global Coordinators nor our or their affiliates or advisors have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this Prospectus relating to the PRC and global economy and the pharmaceutical CRO industry in China and overseas markets may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

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

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

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

There had 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 media coverage regarding us and the Global Offering. We have not authorized the disclosure of any information concerning the Global Offering in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this Prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their decisions on the basis of the information contained in this Prospectus only and should not rely on any other information.

In preparation for the Global Offering, we have applied for waivers from strict compliance with the relevant provisions of the Listing Rules and exemptions from compliance with the Companies (Winding up and Miscellaneous) Provisions Ordinance as set out below.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

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

Since our Group's headquarters and principal place of business are located in the PRC, most of the business operations of our Company and our subsidiaries are managed and conducted in the PRC and the United States and our executive Directors ordinarily reside in the PRC and the United States where they manage our Group's business operations, we do not and, for the foreseeable future, will not contemplate that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules, subject to the following conditions. In order to maintain effective communication with the Hong Kong Stock Exchange, we will put in place the following measures between us and the Hong Kong Stock Exchange:

1. We have appointed Ms. Feng and Mr. Ng Cheuk Ming as our authorized representatives ("**Authorized Representatives**") pursuant to Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our Company's principal channel of communication with the Hong Kong Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;

2. When the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) and senior management team promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes in the Authorized Representatives. We have provided the Hong Kong Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address) of all Directors to facilitate communication with the Hong Kong Stock Exchange;

3. All Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period;

4. We have appointed Anglo Chinese Corporate Finance, Limited as our compliance advisor (the "**Compliance Advisor**") upon listing pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. The Compliance Advisor will have access at all times to our Authorized Representatives, the Directors and other senior management and act as the additional channel of communication with the Hong Kong Stock Exchange when the Authorized Representatives are not available; and

5. We have provided the Hong Kong Stock Exchange with the names, mobile phone numbers, office phone numbers, fax numbers and email addresses of at least two of the Compliance Advisor's officers who will act as the Compliance Advisor's contact persons between the Hong Kong Stock Exchange and our Company pursuant to Rule 19A.06(4) of the Listing Rules.

Pursuant to Rule 19A.05(2) of the Listing Rules, we shall ensure that the Compliance Advisor will have access at all times to our Authorized Representatives, our Directors and other officers. We shall also ensure that such persons will promptly provide such information and assistance as the Compliance Advisor may need or may reasonably request in connection with the performance of the Compliance Advisor's duties as set forth in Chapter 3A and Rule 19A.06 of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, our Authorized Representative, our Directors, and other officers and the Compliance Advisor, and will keep the Compliance Advisor fully informed of all communications and dealings between us and the Hong Kong Stock Exchange.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules further provides that 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 the "relevant experience," the Hong Kong Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles he/she played;

(ii) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Gao Dapeng ("**Mr. Gao**") as one of the joint company secretaries with effect from the Listing Date. Mr. Gao has extensive experience in our business operation and corporate governance matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules. While Mr. Gao may not be able to solely fulfill the requirements of the Listing Rules, our Company believes that it would be in the best interests of our Company and the corporate governance of our Company to appoint Mr. Gao as our joint company secretary due to his thorough understanding of the internal administration and business operations of our Group. We have also appointed Mr. Ng Cheuk Ming ("**Mr. Ng**"), an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Mr. Gao for an initial period of three years from the Listing Date to enable Mr. Gao to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Since Mr. Gao does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Gao may be appointed as a joint company secretary of our Company. Pursuant to the Guidance Letter HKEX-GL108-20, the waiver will be for a fixed period of time ("**Waiver Period**") and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 ("**Qualified Person**") and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver

can be revoked if there are material breaches of the Listing Rules by the issuer. The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that Mr. Ng, as a joint company secretary of our Company, will work closely with, and provide assistance to, Mr. Gao in the discharge of his duties as a joint company secretary and in gaining the relevant company secretary experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations. Given Mr. Ng's professional qualifications and experience, he will be able to explain to both Mr. Gao and our Company the relevant requirements under the Listing Rules. Mr. Ng will also assist Mr. Gao in organizing Board meetings and Shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. He is expected to work closely with Mr. Gao, and will maintain regular contact with Mr. Gao, the Directors, the Supervisors and the senior management of our Company. The waiver will be revoked immediately if Mr. Ng ceases to provide assistance to Mr. Gao as a joint company secretary for the three-year period after the Listing or where there are material breaches of the Listing Rules by our Company. In addition, Mr. Gao will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the Listing. Mr. Gao will also be assisted by (a) Compliance Advisor of our Company, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisors of our Company, on matters concerning our Company's ongoing compliance with the Listing Rules and the applicable laws and regulations.

Before the expiration of the initial three year period, the qualifications and experience of Mr. Gao will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance of Mr. Ng will continue. We will liaise with the Hong Kong Stock Exchange to enable it to assess whether Mr. Gao, having benefited from the assistance of Mr. Ng for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVER AND EXEMPTION IN RELATION TO THE SHARE OPTION AND RESTRICTED SHARE AWARD SCHEMES

Rule 17.02(1)(b) of the Listing Rules requires a listing applicant to, inter alia, disclose in the prospectus full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options.

Paragraph 27 of Appendix 1A to the Listing Rules requires a listing applicant to disclose, inter alia, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name

and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

Under Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the prospectus must state the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the number, description and amount of any shares in or debentures of the company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures, must be specified in the prospectus.

As of the Latest Practicable Date, our Company had granted options under the Share Option and Restricted Share Award Schemes to 360 grantees, including four Directors, two senior management members of our Company, 19 employees of our Group who have been granted options to subscribe for 25,000 A Shares or more and 335 other employees of our Group to subscribe for an aggregate of 3,202,829 A Shares, representing approximately 1.18% of our Company's issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes). No option under the Share Option and Restricted Share Award Schemes has been granted to other connected person of our Company.

Our Company has applied to the Stock Exchange and the SFC, respectively for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules; and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the grounds that the waiver and the exemption will not prejudice the interests of the investing public and strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

(1) since the options under the Share Option and Restricted Share Award Schemes were granted to a total of 360 grantees involved, strict compliance with the relevant disclosure requirements to disclose names, addresses, and entitlements on an

individual basis in the prospectus will require substantial number of pages of additional disclosure that does not provide any material information to the investing public and would significantly increase the cost and timing for information compilation, prospectus preparation and printing;

(2) key information of the options granted under the Share Option and Restricted Share Award Schemes to the Directors, members of the senior management and Connected Persons of our Company has already been disclosed in this Prospectus under the section headed "Appendix V — Statutory and General Information — C. Share Option and Restricted Share Award Schemes";

(3) the key information of the Share Option and Restricted Share Award Schemes as disclosed in this Prospectus under the section headed "Appendix V — Statutory and General Information — C. Share Option and Restricted Share Award Schemes" is sufficient to provide potential investors with information to make an informed assessment of the potential dilution effect and impact on earnings per share of the options granted under the Share Option and Restricted Share Award Schemes in their investment decision making process; and

(4) the lack of full compliance with such disclosure requirements will not prevent potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of the investing public.

The Stock Exchange has granted us a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Part A of Appendix 1 to the Listing Rules on the conditions that:

(A) the following information will be clearly disclosed in this Prospectus:

(a) on individual basis, full details of all the options granted by our Company under the Share Option and Restricted Share Award Schemes to each of the Directors, members of the senior management or Connected Persons, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules;

(b) in respect of the options granted by our Company to the grantees other than those referred to in sub-paragraph (i) above:

a. the aggregate number of the grantees;

b. the number of Shares subject to such options;

c. the consideration paid for the grant of such options;

d. the exercise period of each option; and

e. the exercise price for the options;

(c) the dilution effect and impact on earnings per Share upon full exercise of the options granted under the Share Option and Restricted Share Award Schemes;

(d) the aggregate number of Shares subject to the outstanding options granted by our Company under the Share Option and Restricted Share Award Schemes and the percentage of our Company's issued share capital of which such number represents;

(e) a summary of the Share Option and Restricted Share Award Schemes; and

(f) the list of all the grantees (including the persons referred to in paragraph (b) above), containing all details as required under Rule 17.02(1)(b), 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 made available for public inspection in accordance with the section headed "Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection" of this Prospectus.

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

(a) on an individual basis, full details of all the options granted under the Share Option and Restricted Share Award Schemes to each of the Directors, senior management and Connected Persons (if any) of our Company and other grantees who have been granted options to subscribe for 25,000 A Shares or more be disclosed in this Prospectus, such details include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) in respect of the options granted by our Company to the grantees other than those referred to in sub-paragraph (a), the following details be disclosed in this Prospectus:

(i) the aggregate number of the grantees and the aggregate number of Shares subject to such options;

(ii) the consideration paid for the grant of such options; and

(iii) the exercise period and the exercise price for the options;

(c) the full list of all the grantees (including the persons referred to in sub-paragraph (a) above) who have been granted options to subscribe for Shares under the Share Option and Restricted Share Award Schemes, containing all 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 the section headed "Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection" of this Prospectus; and

(d) the particulars of the exemption be disclosed in this Prospectus and this Prospectus will be issued on or before February 16, 2021.

Further details of the Share Option and Restricted Share Award Schemes are set forth in the section headed "Appendix V — Statutory and General Information — C. Share Option and Restricted Share Award Schemes" of this Prospectus.

WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue after the Listing, certain transactions, which will constitute non-exempt continuing connected transactions under the Listing Rules. Our Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and independent shareholders' approval requirements in respect of the non-exempt continuing connected transactions. For details, see the section headed "Connected Transactions" of this Prospectus.

WAIVER AND CONSENT IN RELATION TO THE SUBSCRIPTION OF H SHARES BY JANCHOR PARTNERS PAN-ASIA MASTER FUND, VALLIANCE FUND, CPE FUND AND ICBCCS (ON BEHALF OF CHINA STRUCTURAL REFORM FUND) AS A QDII

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) are fulfilled. The conditions in Rules 10.03(1) and (2) of the Listing Rules are that (1) no securities are offered to the existing shareholder on a preferential basis and no preferential treatment is given to the existing shareholder in the allocation of the securities; and (2) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Listing Rules prohibits allocations of shares in a global offering to existing shareholders of the applicant or their close associates, whether in their own names or through nominees, unless the conditions in Rules 10.03 and 10.04 of the Listing Rules are fulfilled or prior written consent of the Stock Exchange has been obtained.

We have applied for a waiver from strict compliance with the requirements under Rule 10.04 of, and a consent under paragraph 5(2) of Appendix 6 to, the Listing Rules, to allow Janchor Partners Pan-Asian Master Fund, The Valliance Fund ("**Valliance Fund**"), CPE Greater China Enterprises Growth Fund ("**CPE Fund**") and ICBC Credit Suisse Asset Management Co. Ltd ("**ICBCCS**") (holding on behalf of China Structural Reform Fund Corporation Limited ("**China Structural Reform Fund**") on a discretionary basis as a qualified domestic institutional investor ("**QDII**"), each of which is an existing A Shareholder, to participate as cornerstone investors in the Global Offering.

The Stock Exchange has agreed to grant the requested waiver and consent subject to the conditions that:

(a) we will comply with the public float requirements of Rules 8.08(1) of the Listing Rules;

(b) the H Shares to be subscribed by and allocated to Janchor Partners Pan-Asian Master Fund, Valliance Fund, CPE Fund and China Structural Reform Fund through ICBCCS under the Global Offering will be at the same Offer Price and on substantially the same terms as other cornerstone investors in the Global Offering (including being subject to a six-month lock up arrangement following Listing);

(c) no preferential treatment has been, nor will be, given to any of Janchor Partners Pan-Asian Master Fund, Valliance Fund, CPE Fund and China Structural Reform Fund through ICBCCS by virtue of their relationship with the Company in any allocation in the Global Offering other than the preferential treatment of assured entitlement under the cornerstone investment which follows the principles set out in Guidance Letter HKEX-GL51-13, that, none of the cornerstone investment agreements of Janchor Partners Pan-Asian Master Fund, Valliance Fund, CPE Fund and China Structural Reform Fund through ICBCCS contain any material terms which are more favorable to them than those in other cornerstone investment agreements; and

(d) details of the allocation of the H Shares to Janchor Partners Pan-Asian Master Fund, Valliance Fund, CPE Fund and China Structural Reform Fund through ICBCCS as cornerstone investors under the Global Offering are disclosed in this Prospectus, and details of the allocation will be disclosed in the allotment results announcement of our Company.

For further information about the cornerstone investments of Janchor Partners Pan-Asian Master Fund, Valliance Fund, CPE Fund and China Structural Reform Fund through ICBCCS, please refer to the section headed "Cornerstone Investors" in the Prospectus.

ALLOCATION OF OUR H SHARES TO EXISTING MINORITY SHAREHOLDERS AND THEIR CLOSE ASSOCIATES UNDER RULE 10.04 AND PARAGRAPH 5(2) OF APPENDIX 6 TO THE LISTING RULES

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase securities for which listing is sought if (i) no securities will be offered to them on a preferential basis and no preferential treatment will be given to them in the allocation of the securities and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved. Paragraph 5(2) of Appendix 6 to the Listing Rules provides, among other things, that, without the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to existing shareholders or their close associates, whether in their own names or through nominees, unless certain conditions are fulfilled.

Prior to the Listing, our Company's share capital comprises entirely A Shares listed on the Shanghai Stock Exchange. We have a large and widely dispersed public A Share shareholder base.

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 under Rule 10.04 and consent under Paragraph 5(2) of Appendix 6 to the Listing Rules to permit H Shares in the International Offering to be placed to certain existing minority Shareholders who (i) hold less than 5% in the issued share capital of our Company prior to the completion of the Global Offering; and (ii) are not and will not become (upon the completion of the Global Offering) core connected persons (as defined in the Listing Rules) of our Company or the close associates of any such core connected person (together, the "**Existing Minority Shareholders**"):

(i) each Existing Minority Shareholder to whom our Company may allocate the H Shares in the International Offering holds less than 5% of our Company's voting rights prior to the completion of the Global Offering;

(ii) none of the Existing Minority Shareholders is or will be a core connected person of our Company or any close associate of a core connected person of our Company immediately prior to or following the Global Offering;

(iii) none of the Existing Minority Shareholders have the right to appoint any Director or have any other special right;

(iv) allocation to the Existing Minority Shareholders and/or their close associates will not affect our ability to satisfy the public float requirement as prescribed under Rule 8.08 of the Listing Rules;

(v) in the case of the Existing Minority Shareholders or their close associates participating as a placee, our Company will confirm to the Hong Kong Stock Exchange in writing that no preferential treatment has been, nor will be, given to such Existing Minority Shareholders or their close associates by virtue of their relationship with our Company in any allocation in the placing tranche, and details of the allocation will be disclosed in the allotment results announcement of our Company;

(vi) in the case of the Existing Minority Shareholders or their close associates participating as a placee, the Joint Bookrunners will confirm to the Hong Kong Stock Exchange in writing that to the best of their knowledge and belief, no preferential treatment has been, nor will be, given to such Existing Minority Shareholders or their close associates by virtue of their relationship with our Company in any allocation in the placing tranche, and details of the allocation will be disclosed in the allotment results announcement of our Company; and

(vii) the Sole Sponsor will confirm to the Hong Kong Stock Exchange in writing that based on (i) its discussions with our Company and the Joint Bookrunners; and (ii) the confirmations provided to the Hong Kong Stock Exchange by our Company and the Joint Bookrunners mentioned above, and to the best of its knowledge and belief, it has no reason to believe that the Existing Minority Shareholders or their close associates received any preferential treatment in the allocation as a placee by virtue of their relationship with our Company, and details of the allocation will be disclosed in the allotment results announcement of our Company.

CONSENT IN RELATION TO ALLOCATION OF H SHARES TO A CONNECTED CLIENT OF THE CONNECTED SYNDICATE MEMBERS

Paragraph 5(1) of Appendix 6 to the Listing Rules provides that no allocations will be permitted to "connected clients" of the lead broker or of any distributors without the prior written consent of the Stock Exchange.

Paragraph 13(7) of Appendix 6 to the Listing Rules states that a "connected client" in relation to an exchange participant means any client which is a member of the same group of companies as such exchange participant.

ICBC International Capital Limited ("**ICBCIC**") has been appointed by the Company as one of the Joint Bookrunners, while ICBC International Securities Limited ("**ICBCIS**") has been appointed by the Company as one of the Joint Lead Managers and Underwriters. (ICBCIC and ICBCIS, together the "**Connected Syndicate Members**", and each a "**Connected Syndicate Member**").

China Structural Reform Fund has agreed to be a cornerstone investor in the Global Offering. For the purpose of its cornerstone investment, China Structural Reform Fund has engaged ICBCCS, an asset manager that is a QDII as approved by the relevant PRC authority, to subscribe for and hold the relevant Shares on a discretionary basis on behalf of China Structural Reform Fund. ICBCCS is owned by Industrial and Commercial Bank of China Limited ("**ICBC**") as to 80%, and each of ICBCIC and ICBCIS is indirectly wholly owned by ICBC. ICBCCS is in the same group of companies as ICBCIC and ICBCIS and is therefore a connected client of each of ICBCIC and ICBCIS under paragraph 13(7) of Appendix 6 to the Listing Rules. For further information on China Structural Reform Fund, please refer to the section headed "Cornerstone Investors – The Cornerstone Investors – 3. China Structural Reform Fund" in the Prospectus.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, its consent pursuant to paragraph 5(1) of Appendix 6 to the Listing Rules for China Structural Reform Fund through ICBCCS to participate as a cornerstone investor in the Global Offering subject to the following conditions:

(a) the H Shares to be allocated to ICBCCS (on behalf of China Structural Reform Fund) will be held on a discretionary basis on behalf of Independent Third Parties;

(b) the cornerstone investment agreement of China Structural Reform Fund does not contain any material terms which are more favorable to it that those in other cornerstone investment agreements;

(c) the Connected Syndicate Members have not participated in the decision-making process or relevant discussions among the Company, the Joint Bookrunners and the Underwriters as to whether its connected client will be selected as a cornerstone investor;

(d) no preferential treatment has been, nor will be, given to ICBCCS by virtue of its relationship with its Connected Syndicate Members other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Guidance Letter HKEX-GL51-13;

(e) each of the Company, the Sole Sponsor, the Joint Bookrunners, the Connected Syndicate Members, and ICBCCS has provided the Stock Exchange a written confirmation in accordance with Guidance Letter HKEX-GL85-16; and

(f) details of the allocation have been/will be disclosed in this Prospectus and the allotment results announcement of our Company.

WAIVER FROM STRICT COMPLIANCE WITH RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1) IN RELATION TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Applicable legal and listing rules requirements

The Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements

Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires, subject to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, all prospectuses to state the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and set out the reports specified in Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a listing applicant is required to include in the prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of the listing applicant during each of the three financial years immediately preceding the issue of the prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a listing applicant is required to include in the prospectus a report by auditors of the listing applicant with respect to profits and losses and assets and liabilities in respect of each of the three financial years immediately preceding the issue of the prospectus.

According to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as it thinks fit, a certificate of exemption from compliance with the relevant requirements of the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with the relevant requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

Rule 4.04(1) of the Listing Rules

Rule 4.04(1) of the Listing Rules requires that the consolidated results of the listing applicant and its subsidiaries in respect of each of the three financial years immediately preceding the issue of the prospectus to be included in the accountants' report to the prospectus or such shorter period as may be acceptable to the Stock Exchange.

Requirements under Guidance Letter GL25-11

Based on the guidance set out in Guidance Letter GL25-11 issued by the Stock Exchange in October 2011 (and updated in November 2011, March 2012, June 2013, March 2014, September 2015 and July 2016) ("**GL25-11**"), in view of the shortened deadline for releasing preliminary results announcements and to enable potential investors to have adequate and timely information, where an applicant issues its listing document within two months after the latest year end, the Stock Exchange has provided the conditions for granting waiver from strict compliance with Rules 4.04(1) of the Listing Rules ("**Rule 4.04(1) Waiver**") as follows:–

(a) the applicant must list on the Stock Exchange within three months after the latest year end;

(b) the applicant must obtain a certificate of exemption from the SFC on compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance Requirements;

(c) a profit estimate for the latest financial year (which must comply with Rules 11.17 to 11.19 of the Listing Rules) must be included in the prospectus or the applicant must provide justification why a profit estimate cannot be included in the prospectus; and

(d) there must be a directors' statement in the prospectus that there is no material adverse change to its financial and trading positions or prospect with specific reference to the trading results from the end of the stub period to the latest financial year end.

Grounds for waiver and exemption application

The financial year of our Company ends on December 31. The Prospectus contains the consolidated results of our Group for the three years ended December 31, 2019 and the nine months ended September 30, 2020, but does not include the consolidated results of our Group in respect of the full year immediately preceding the proposed date of issues of the Prospectus, being the full year ended December 31, 2020, as required under Rule 4.04(1) of the Listing Rules, paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The waiver and exemption thereof would not prejudice the interest of the investing public and the strict compliance with the requirements thereunder would be unduly burdensome for the following reasons:

(a) our Directors and the Sole Sponsor confirm that, after performing sufficient due diligence work up to the Latest Practicable Date, there has been no material adverse change in the financial and trading positions or prospect of our Group since September 30, 2020 and up to the date of the Prospectus and that there has been no

event which would materially affect the information contained in the Accountants' Report, the unaudited pro forma financial information, the profit estimate for the year ended December 31, 2020 and other parts of the Prospectus since September 30, 2020 and up to the date of the Prospectus;

(b) there would not be sufficient time for our Company and the Reporting Accountants to finalise the audited financial statements for the year ended December 31, 2020 for inclusion in the Prospectus. It would be unduly burdensome to our Company, as our Company and the Reporting Accountants would have to undertake a considerable amount of work to prepare, update and finalise the Accountants' Report to cover such additional period within a short period of time. If the full year results for year ended December 31, 2020 are to be included in the Prospectus, there will be a significant delay in the listing timetable;

(c) our Company is of the view that the Accountants' Report covering the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, together with the profit estimate for the year ended December 31, 2020 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) and the information regarding our Group's recent developments subsequent to the Track Record Period and up to the Latest Practicable Date included in the Prospectus have already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Group; and our Directors and the Sole Sponsor confirm that all information which is necessary for the investing public to make an informed assessment of our Group's business, assets and liabilities, financial position, trading position, management and prospects are included in the Prospectus. Further, our Company will comply with Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of annual results and annual report for the year ended December 31, 2020. Therefore, the waiver and exemption would not prejudice the interests of the investing public; and

(d) our Company will comply with the requirements under Rule 13.46 of the Listing Rules in respect of the publication of the annual report. Our Company currently expects to issue the annual report for the financial year ended December 31, 2020 on or before April 30, 2021. In this regard, our Directors consider that our Shareholders, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for the financial year ended December 31, 2020.

The waiver and exemption application

In light of the above, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 4.04(1) of the Listing Rules for inclusion in the Accountants' Report the consolidated results of our Group in respect of the full financial year ended December 31, 2020 on the conditions that (i) the Listing Date shall not be later than three months after the latest financial year end of our Company (i.e. on or before March 31, 2021); (ii) we have obtained a certificate of exemption from the SFC from similar requirements under section 342(1) in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; (iii) a profit estimate for the financial year ended December 31, 2020 in compliance with Rules 11.17 to 11.19 of the Listing Rules shall be included in the Prospectus; and (iv) a Directors' statement that there is no material adverse change to the financial and trading positions or prospects of our Company with specific reference to the trading results from September 30, 2020 to December 31, 2020 shall be included in the Prospectus.

We have also applied for, and the SFC has granted us, a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that (i) the particulars of the exemption are set out in the Prospectus; (ii) the Prospectus will be issued on or before February 16, 2021; and (iii) our H Shares will be listed on the Stock Exchange on or before March 31, 2021 (i.e. within three months after the end of our Company's latest financial year immediately preceding the issue of the Prospectus).

WAIVER IN RELATION TO THE AVAILABILITY OF COPIES OF THE PROSPECTUS IN PRINTED FORM

Our Company has adopted a fully electronic application process for the Hong Kong Public Offering and we will not provide printed copies of the Prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

Our H Share Registrar has implemented enhanced measures to support the **HK eIPO White Form** service, including increasing its server capacity and making available a telephone hotline to answer investors' queries in connection with the fully electronic application process. For details of the telephone hotline and the application process, please see "How to Apply for Hong Kong Offer Shares".

We will adopt additional communication measures to inform potential investors that they can only subscribe for the Hong Kong Offer Shares electronically, including: (i) advertising through the **HK eIPO White Form** Service Provider the electronic methods for subscription

of the Hong Kong Offer Shares; (ii) the enhanced support provided by our H Share Registrar and the **HK eIPO White Form** Service Provider in relation to the Hong Kong Public Offering; and (iii) issuing a press release to remind investors that no printed prospectuses or application forms will be provided.

CLAWBACK MECHANISM

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of the Offer Shares under the Hong Kong Public Offering to certain percentage of the total number of the Offer Shares offered under the Global Offering if a certain prescribed total demand level is reached. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that the initial allocation of Offer Shares under the Hong Kong Public Offering shall be approximately 9% of the Global Offering and in the event of over-subscription under the Hong Kong Public Offering, the Joint Global Coordinators (for themselves and on behalf of the other Underwriters), shall apply an alternative clawback mechanism to the provisions under paragraph 4.2 of Practice Note 18 of the Listing Rules, following the closing of the application lists as disclosed in "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation."

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

CSRC APPROVAL

The CSRC issued an approval letter on January 18, 2021 for the Global Offering and our application to list the H Shares on the Stock Exchange. In granting such approval, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this Prospectus. No other approvals are required to be obtained for the listing of the H Shares on the Stock Exchange.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This Prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 3,899,300 Offer Shares and the International Offering of initially 39,425,500 Offer Shares (subject, in each case, to reallocation on the basis as set out in the section headed "Structure of the Global Offering" in this Prospectus). For applicants under the Hong Kong Public Offering, this Prospectus set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized 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 authorized by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Neither the delivery of this Prospectus nor any offering, sale or delivery made in connection with the H Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this Prospectus or imply that the information contained in this Prospectus is correct as of any date subsequent to the date of this Prospectus.

OFFER SHARES FULLY UNDERWRITTEN

The listing of our H Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price on or before the Price Determination Date. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around February 19, 2021, subject to the Offer Price being agreed. The International Offering will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement to be entered into.

If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (on behalf of the Underwriters) on or before the Price Determination Date, the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, see the section headed "Underwriting" in this Prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus.

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.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed "Structure of the Global Offering" in this Prospectus.

RESTRICTIONS ON OFFER AND SALE OF H SHARES

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

No action has been taken to permit a public offering of the H Shares in any jurisdiction other than Hong Kong, 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 authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering 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 authorization 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.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

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

COMMENCEMENT OF DEALINGS IN THE H SHARES

Dealings in the H Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, February 26, 2021. Except for the A Shares that have been listed on the Shanghai Stock Exchange and our pending application to the Stock Exchange for the listing of, and permission to deal in, the H Shares, no part of our share or debt securities is listed on or dealt in on the Stock Exchange or any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

H SHARE REGISTER AND STAMP DUTY

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

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

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

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

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

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

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

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

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposing of, and/or dealing in the H Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of their respective directors, officers, employees, agents or representatives 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, purchase, holding, disposition of, or dealing in, or the exercise of any rights in relation to, the H Shares.

EXCHANGE RATE CONVERSION

Solely for your convenience, this Prospectus contains translations among certain Renminbi amounts into Hong Kong dollars and of Renminbi amounts into U.S. dollars at specified rates. Unless indicated otherwise, the translation of Renminbi into Hong Kong dollars and of Renminbi into U.S. dollars, and vice versa, in this Prospectus was made at the following rates:

RMB0.8347 to HK$1.00 (being the most recent exchange rate available on the Latest Practicable Date); and

RMB6.4710 to US$1.00 (being the most recent exchange rate available on the Latest Practicable Date).

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

Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain members of our Group), institutions, natural persons, facilities, certificates, titles and the like included in this Prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one or two decimal places. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Ms. Feng Yuxia (馮宇霞) *Chairperson*	No. 601, Gate 5, Building 12 Hengtai Garden Yihai Garden Fengtai District Beijing, China	Chinese
Mr. Zuo Conglin (左從林)	No. 3, Dongtangzi Hutong Dongcheng District Beijing, China	Chinese
Mr. Gao Dapeng (高大鵬)	Room 1701, Unit 1, Building 11 Fengdan Yihao 5 Luhua Road Daxing District Beijing, China	Chinese
Ms. Sun Yunxia (孫雲霞)	1-1301, Building 27 Yuquan Jiayuan Tiancunshan South Road Haidian District Beijing, China	Chinese
Dr. Yao Dalin (姚大林)	11906 Piedmont Rd. Clarksburg MD 20871 Maryland, United States	American
Non-Executive Director		
Mr. Gu Xiaolei (顧曉磊)	No. 16, Guotai Garden Chengxiang Town Taicang City Jiangsu, China	Chinese

Name	Address	Nationality
Independent Non-Executive Directors		
Mr. Sun Mingcheng (孫明成)	No. D1, Basement Block 21, Guanyingyuan West District Xicheng District Beijing, China	Chinese
Dr. Zhai Yonggong (翟永功)	Room 1802, Building 9 Liyun, 19 Xinjiekouwai Street Haidian District Beijing, China	Chinese
Mr. Ou Xiaojie (歐小傑)	1-2-101 Shiqiao International Trade Apartment No. 16 East Third Ring Middle Road Chaoyang District Beijing, China	Chinese
Mr. Zhang Fan (張帆)	20G, Block 11, Ocean Shores 88 O King Road, Tseung Kwan O Hong Kong	Chinese (Hong Kong)
Supervisors		
Ms. Li Ye (李葉) *Chairperson*	No. 501, 52 Jinchang North Road Chengguan District, Lanzhou Gansu, China	Chinese
Ms. Yin Lili (尹麗莉)	7 Wanyuan North Road Donggaodi, Fengtai District Beijing, China	Chinese
Mr. Sun Huiye (孫輝業) *Employee Supervisor*	No. 406, Gate B, Building 7 27 Taiping Road Haidian District Beijing, China	Chinese

Further information is disclosed in the section headed "Directors, Supervisors and Senior Management" in this Prospectus.

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Sole Sponsor	**CLSA Capital Markets Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
Joint Global Coordinators	**CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong **Merrill Lynch (Asia Pacific) Limited** 55/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong **China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Bookrunners	**CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong **Merrill Lynch (Asia Pacific) Limited** 55/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong **China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong

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BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

CMB International Capital Limited
45/F Champion Tower
3 Garden Road
Central
Hong Kong

BOCOM International Securities Limited
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ICBC International Capital Limited
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3 Garden Road
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	As to PRC law **Tian Yuan Law Firm** 10/F, Tower B China Pacific Insurance Plaza 28 Fengsheng Lane Xicheng District Beijing, PRC
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	As to PRC law **Commerce & Finance Law Offices** 6/F NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing, PRC
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Biological Assets Appraiser	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 7/F, One Taikoo Place 979 King's Road, Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai, PRC
Compliance Advisor	**Anglo Chinese Corporate Finance, Limited** 40/F, Two Exchange Square 8 Connaught Place Central Hong Kong
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

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Joint Company Secretaries	Mr. Gao Dapeng (高大鹏) A5 Rongjing East Street Beijing Economic-Technological Development Area Beijing, 100176, China Mr. Ng Cheuk Ming (吴卓明) *(ACG, ACS)* Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorized Representatives	Ms. Feng Yuxia (冯宇霞) A5 Rongjing East Street Beijing Economic-Technological Development Area Beijing, 100176, China Mr. Ng Cheuk Ming (吴卓明) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong

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Remuneration and Evaluation Committee	Mr. Ou Xiaojie (歐小傑) *(Chairperson)* Mr. Sun Mingcheng (孫明成) Mr. Zuo Conglin (左從林)
Audit Committee	Mr. Sun Mingcheng (孫明成) *(Chairperson)* Dr. Zhai Yonggong (翟永功) Mr. Zhang Fan (張帆)
Nomination Committee	Dr. Zhai Yonggong (翟永功) *(Chairperson)* Mr. Ou Xiaojie (歐小傑) Ms. Feng Yuxia (馮宇霞)
H Share Registrar	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
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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 in preparing the Frost & Sullivan Report, an independent industry report in respect of the Global Offering. We believe that the sources of the information in this section and other sections of this prospectus are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official and non-official sources has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy. Accordingly, the information from official and non-official sources contained herein may not be accurate and should not be unduly relied upon. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Frost & Sullivan Report that would qualify, contradict or have a material impact on the information in this section.

SOURCE OF INFORMATION

In connection with the Global Offering, we have commissioned Frost & Sullivan, an independent third party, to conduct research and analysis of, and to produce a report on the pharmaceutical CRO market. The Frost & Sullivan Report has been prepared by Frost & Sullivan independent of our influence. We have agreed to pay Frost & Sullivan a fee of RMB660,000 for the preparation of the report which we consider in line with market rates. Except as otherwise noted, all data and forecasts in this section are derived from the Frost & Sullivan Report. 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 disclosed in this section. Frost & Sullivan's independent research was undertaken primarily through secondary research which primarily involved analyzing data from various publicly available data. In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has made the following key assumptions: (i) the economies of the United States and China are likely to maintain a steady rate of growth in the next decade; (ii) the key growth drivers mentioned in this section are likely to drive the growth of the global pharmaceutical market and the pharmaceutical CRO industry market from 2019 to 2024; and (iii) there is no *force majeure* or industry regulation that affects any of such markets dramatically or fundamentally. In this section, Frost & Sullivan present historical market information for five years (*i.e.,* from 2015 to 2019) which is a longer period compared to the three-year Track Record Period and is a more accurate reflection of the trends affecting the Group's markets. For the avoidance of doubt, impacts of the COVID-19 outbreak have been taken into account when compiling information in the Frost & Sullivan Report. For consistency, the market size data in this section have been expressed in US dollars.

OVERVIEW OF THE GLOBAL AND CHINA PHARMACEUTICAL MARKETS

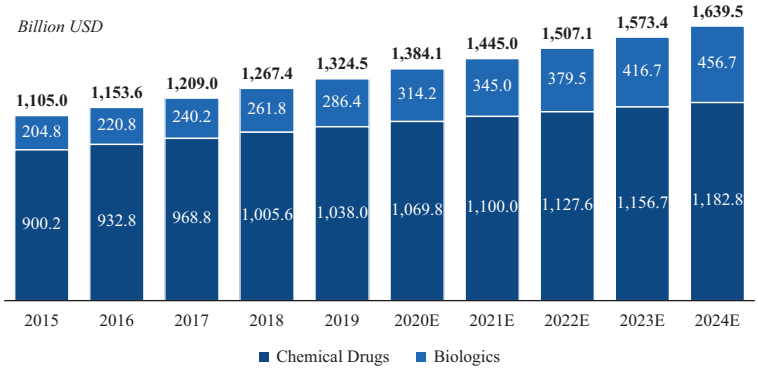
The Global Pharmaceutical Market

The global pharmaceutical market can be divided into (i) chemical drugs and (ii) biologics, by the nature of drug composition, and by the level of innovation involved in the drug R&D process, can be divided into (i) innovative drugs and (ii) generic and biosimilar drugs. The size of the global pharmaceutical market increased from approximately US$1,105.0 billion in 2015 to US$1,324.5 billion in 2019, and is expected to reach US$1,639.5 billion in 2024, representing a CAGR of 4.4% from 2019 to 2024.

Compared to the chemical drugs market, the biologics market grows faster in terms of revenue. The biologics market has experienced a significant growth from approximately US$204.8 billion in 2015 to US$286.4 billion in 2019, at a CAGR of 8.7%. Driven by increased demand, technology advancement, and the growing needs for new-generation products like PD1/PDL1 therapeutics, the biologics market is expected to reach US$456.7 billion in 2024, representing a CAGR of 9.8%.

Breakdown of Global Pharmaceutical Market, 2015-2024E

CAGR	Chemical Drugs	Biologics	Total
2015-2019	3.6%	8.7%	4.6%
2019-2024E	2.6%	9.8%	4.4%

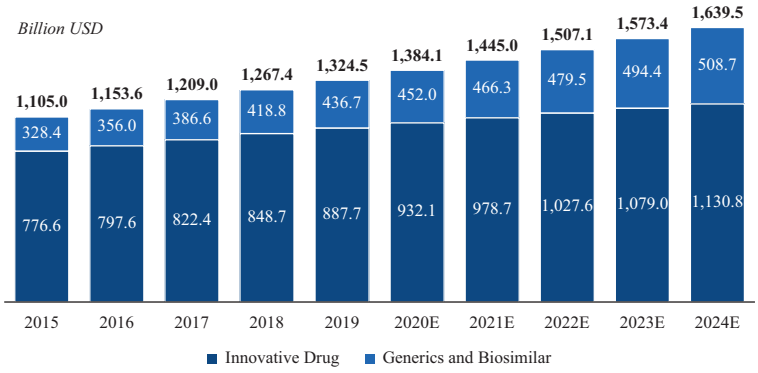


Source: Frost & Sullivan Report

Globally, the innovative drugs market is significantly larger than the generic and biosimilar drugs market in terms of revenue, accounting for 67.0% of the total global pharmaceutical market in 2019 and is expected to continue to grow at a CAGR of 5.0% from 2019 to 2024. As innovative drugs generally bring higher investment returns, top pharmaceutical companies have been investing significantly in the R&D of innovative drugs. On the other hand, the generic and biosimilar drugs market has experienced a significant growth from 2015 to 2019, as a result from increasing number of expired patents of innovative drugs and certain government initiatives to lower drug price.

Breakdown of Global Pharmaceutical Market by Innovative Drug and Generics & Biosimilar, 2015-2024E

CAGR	Innovative Drug	Generics and Biosimilar	Total
2015-2019	3.4%	7.4%	4.6%
2019-2024E	5.0%	3.1%	4.4%



Source: Frost & Sullivan Report

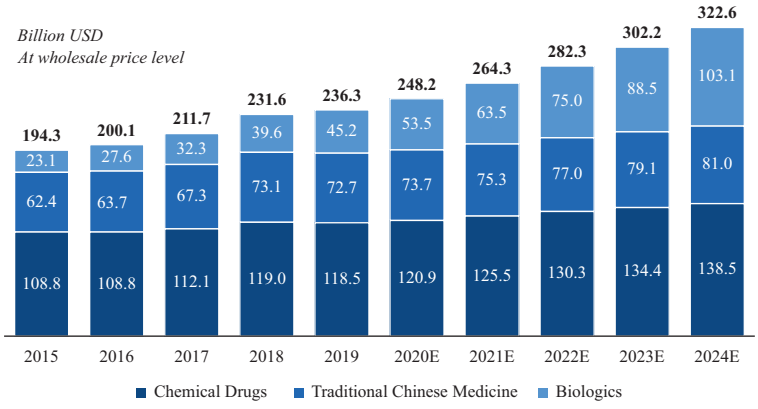
The Pharmaceutical Market in China

China is the second largest pharmaceutical market in the world, after the U.S. The size of China's pharmaceutical market increased from approximately US$194.3 billion in 2015 to US$236.3 billion in 2019, and is expected to further grow to US$322.6 billion in 2024, at a CAGR of 6.4% from 2019 to 2024.

Chemical drugs constitute the largest sector in China's pharmaceutical market, accounting for 50.1% of the total China's pharmaceutical market in 2019. Biologics is the smallest sector in China pharmaceutical market but it has enjoyed a much higher CAGR of 18.2% from 2015 to 2019 by revenue. The biologics market is expected to further grow to approximately US$103.1 billion in 2024, representing a CAGR of 18.0% from 2019 to 2024.

Breakdown of China Pharmaceutical Market, 2015-2024E

CAGR	Chemical Drugs	Traditional Chinese Medicine	Biologics	Total
2015-2019	2.2%	3.9%	18.2%	5.0%
2019-2024E	3.2%	2.2%	18.0%	6.4%

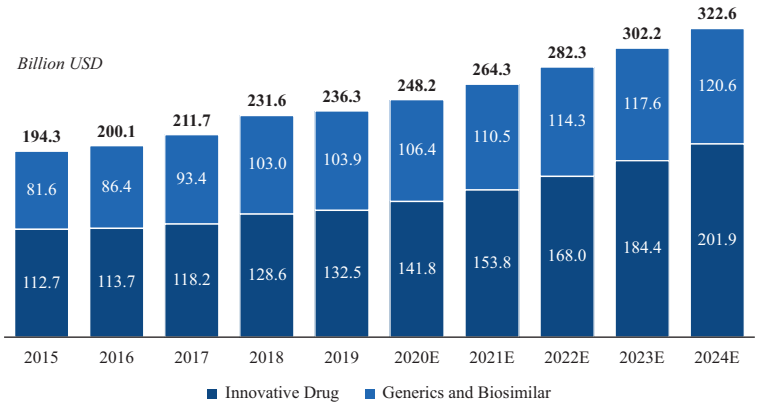


Source: Frost & Sullivan Report

Innovative drugs dominate the pharmaceutical market in China. The market size of innovative drugs accounted for 56.1% of the total pharmaceutical market in China in 2019, and is expected to continue to grow at a CAGR of 8.8% from 2019 to 2024. In addition, generic and biosimilar drugs are also expected to experience a significant growth in China due to various favorable factors such as policies boosting the quality of generic and biosimilar drug development. Nonetheless, compared to chemical generic drugs, biosimilars currently face increasingly heightened standards for evaluation and approval. For example, the NMPA has published Guiding Principles for Biosimilar R&D and Evaluation, which require a stricter set of non-clinical drug safety assessment procedure.

Breakdown of China Pharmaceutical Market by Innovative Drug and Generics & Biosimilar, 2015-2024E

CAGR	Innovative Drug	Generics and Biosimilar	Total
2015-2019	4.1%	6.2%	5.0%
2019-2024E	8.8%	3.0%	6.4%



Source: Frost & Sullivan Report

Overview of R&D Activities in Global and China Pharmaceutical Industry

Pharmaceutical R&D involves the discovery and subsequent testing of drug candidates to demonstrate their safety and efficacy in order to obtain regulatory approval and to enter the pharmaceutical market. It also includes post-approval studies to further assess the safety and efficacy of drugs. The process is generally costly, complex, risky and time-consuming. The entire process generally consists of four stages, namely (i) discovery, (ii) pre-clinical studies, (iii) clinical studies and registration, and (iv) commercialization. The submission of IND applications is a key milestone during the pharmaceutical R&D process which separates pre-clinical studies, where the drug candidates are tested on research models, and clinical studies, where the drug candidates are permitted to be tested on human.

IND Applications

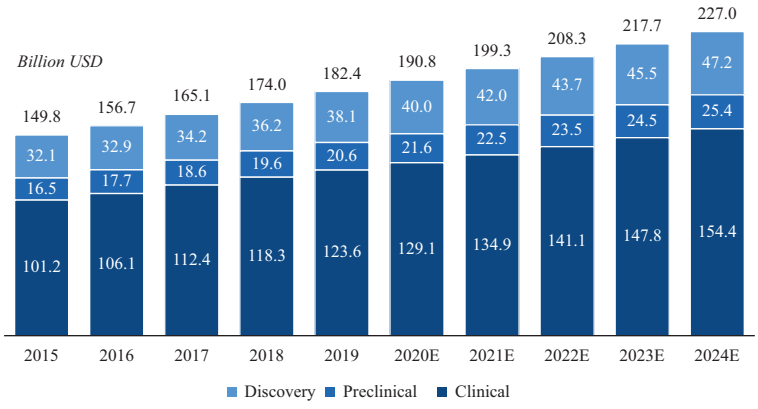
IND applications have increased significantly in China and the United States. In the United States, more than 300 IND applications were received annually by the FDA in the past five years. The number of IND applications was 344 in 2014 and surged to 618 in 2019. In China, with the favorable polices and increasing investment in drug R&D, the number of completed evaluation of IND applications by the China CDE has experienced a significant increase since 2014. The number nearly doubled from 494 completed evaluations of IND application in 2014 to 983 completed evaluations of IND applications in 2019. Therapeutic biologics still constitute the largest category of all biologics IND applications by China CDE.

Global R&D Expenditure

Expenditures associated with drug discovery and pre-clinical studies are expected to grow in the near future with similar CAGRs.

Global R&D Expenditure and Breakdown by Discovery, Preclinical and Clinical, 2015-2024E

CAGR	Discovery	Preclinical	Clinical	Total
2015-2019	4.4%	5.7%	5.1%	5.0%
2019-2024E	4.4%	4.3%	4.5%	4.5%



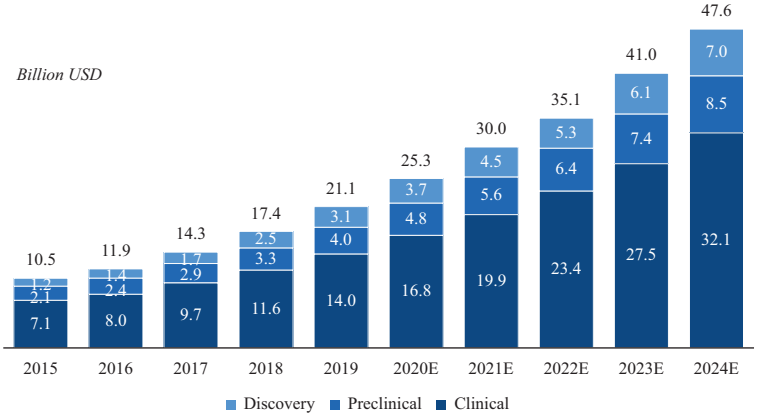
Source: Frost & Sullivan Report

R&D Expenditure in China

The R&D expenditure in China has experienced a much higher growth rate as compared to the global growth rate. The total expenditures associated with R&D grew at a CAGR 19.1% from 2015 to 2019 and are expected to further grow in the next four years at a similar CAGR.

China R&D Expenditure and Breakdown by Discovery, Preclinical and Clinical, 2015-2024E

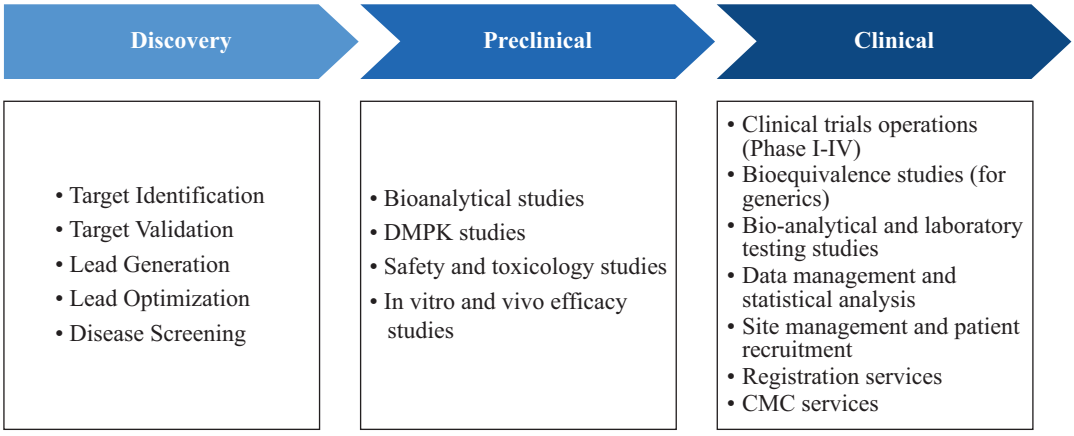
CAGR	Discovery	Preclinical	Clinical	Total
2015-2019	25.9%	17.5%	18.3%	19.1%
2019-2024E	17.7%	16.0%	18.1%	17.7%



Source: Frost & Sullivan Report

THE PHARMACEUTICAL CRO MARKET

With the continuous development of the pharmaceutical industry, CROs are playing an increasingly important role in the capital-intensive, complicated, risky and time-consuming pharmaceutical R&D process. CROs provide comprehensive R&D solutions covering (i) discovery stage, (ii) pre-clinical stage and (iii) clinical stage including phases I to IV clinical trials. Below is a diagram that illustrates the typical services offered by CROs.



Source: Frost & Sullivan Report

Global and China-based CRO Market Size and Growth

Comparative Advantages of CRO Services

Drug development requires an experienced R&D team with expertise in broad scientific disciplines, which leads to a gap in R&D capabilities and expertise between giant international pharmaceutical companies which have abundant resource at disposal and domestic pharmaceutical and biologics companies which have less ample resources and less experienced staff.

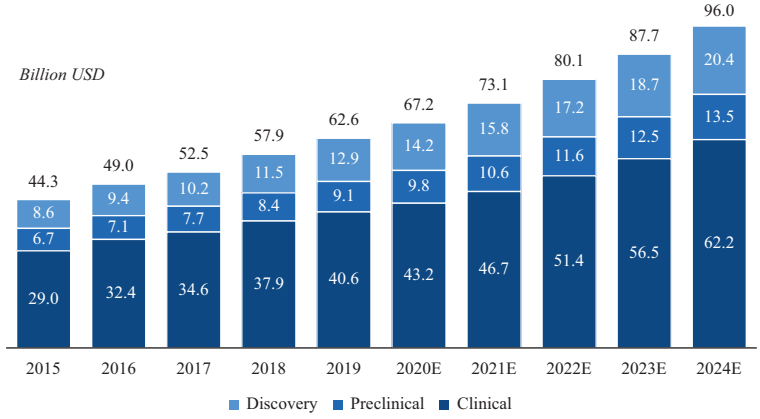
CROs set out to bridge such a gap. With experienced professionals who are equipped with a broad range of skill sets for drug R&D, CROs are capable of delivering high-quality outputs to benefit the pharmaceutical and biotech companies and accelerate their drug development process. In most cases, CROs stand at the forefront of the commercial application of cutting-edge technologies. Although those technologies may be too expensive for smaller-sized pharmaceutical companies to procure or develop for internal use, CROs, by leveraging the large volume of business, could achieve economies of scale and afford those expensive, newly-developed technologies. In addition, with the rich experience accumulated from serving a variety of customers and catering to their particular needs, CROs are experienced partners to large pharmaceutical companies that provide result-oriented services and are able to avoid common mistakes in advance. Last but not least, outsourcing part or all of the R&D process to CROs may help pharmaceutical companies to avoid the upfront sunk cost of abortive projects. This adds significant value by reducing the costs and risks of R&D, in particular for smaller-sized companies that can only wield limited resources, as the upfront sunk cost may be prohibitively burdensome.

Global and China-based Pharmaceutical CRO Market

Pharmaceutical companies rely on CROs with strong project management and scientific expertise, a specialized and experienced talent pool, innovative technologies and extensive regulatory experience to manage complex projects to reduce R&D risks and costs, and accelerate the development of safe and effective drugs.

Global Pharmaceutical CRO Market and Breakdown by Discovery, Preclinical, and Clinical Outsourcing Services, 2015-2024E

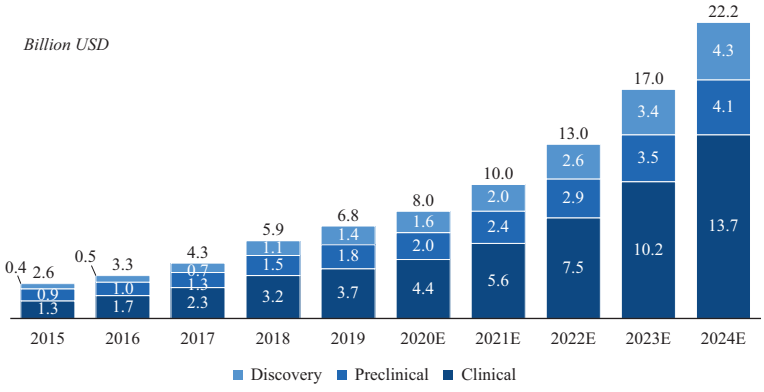
CAGR	Discovery	Preclinical	Clinical	Total
2015-2019	10.8%	7.9%	8.7%	9.0%
2019-2024E	9.6%	8.2%	8.9%	8.9%



Source: Frost & Sullivan Report

China-based Pharmaceutical CRO Market and Breakdown by Discovery, Preclinical, and Clinical Outsourcing Services, 2015-2024E

CAGR	Discovery	Preclinical	Clinical	Total
2015-2019	33.4%	20.3%	29.3%	27.3%
2019-2024E	26.0%	18.2%	30.0%	26.5%



Source: Frost & Sullivan Report

Note: The services of our Company currently cover all key stages of the pharmaceutical R&D process, including discovery, pre-clinical and clinical trial stages.

The global and China-based pharmaceutical CRO markets have experienced significant growth during 2015 to 2019 in terms of total revenues, with a CAGR of 9.0% and 27.3%, respectively. The trend of fast growth is expected to continue with a similar pace for the next four years. The growth of the global and China pharmaceutical CRO market is mainly driven by the following factors.

- *Increasing R&D expenditure.* Increasing R&D expenditure stimulates drug innovation, which increases the need of CROs. The Chinese government has been encouraging R&D to drive the sustainable development of its healthcare market. CROs benefit from the resulting favorable policies as pharmaceutical companies continue to increase their R&D expenditure and outsource a broader range of their R&D activities to leading CROs.

- *Increasing complexity of R&D process.* The R&D process has become more complex due to a number of factors including (i) increasing number of large-scale multi-regional clinical trials, (ii) more stringent regulations on R&D, (iii) more innovative and complicated scientific methods used to address unmet medical needs and (iv) the adoption of advanced technology in the R&D process. This has driven more pharmaceutical companies to outsource more R&D activities to experienced CROs with advanced technology.

- *Cost saving and risk management initiatives.* Pharmaceutical companies continue to focus on managing costs and risks associated with their increasingly complex R&D activities. Amid the increased competition for new drug development and lower R&D yield, CROs help them efficiently and expertly manage R&D activities while reducing costs and risks.

- *Emerging biotechnology companies.* Numerous biotechnology companies have emerged, especially in China. Due to limited in-house resources and capabilities, many of these emerging biotechnology companies rely extensively on third-party service providers to navigate their complex R&D projects, generating additional demands for CRO services.

- *Favorable government policies in China.* In an effort to promote pharmaceutical innovation, China has undertaken a reform of its regulatory review and approval system that covers the entire value chain of China's pharmaceutical market, from clinical trials, regulatory submission, manufacturing to medical insurance coverage. The reform has led to more business opportunities for CROs specialized in innovative drug development. As part of the reform, China has issued a variety of favorable government policies to encourage the development of the pharmaceutical CRO market, such as the 13th Five-Year Plan for International Outsourcing Service Industry Development (《國際服務外包產業發展"十三五"規劃》) published in 2017, which strives to optimize the structure of pharmaceutical and biotechnology R&D outsourcing services and improve the overall service quality. Specifically, pursuant to the Opinions of the State Council General Office on Carrying out

Conformance Evaluation of the Quality and Efficacy of Generic Drugs (《國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見》) and the Notice by the General Office of the State Council of Issuing the Pilot Program of the Centralized Procurement and Use of Drugs Organized by the State (《國務院辦公廳關於印發國家組織藥品集中採購和使用試點方案的通知》), drugs passed the consistency evaluation can be selected for procurement by the government in a centralized manner, which will promote the development of bioequivalence services. Moreover, the ongoing reforms on drug registration will promote the development on clinical trial operation, drug registration and other pharmaceutical R&D services.

Industry and Competitive Landscapes of the U.S. CRO Market

The U.S. CRO market was predominated by a few multinational, leading CROs such as IQVIA Holdings Inc., Syneos Health, Laboratory Corporation of America Holdings, PRA Health Sciences and Charles River Laboratories in 2019. Same as China's CRO market, the U.S. CRO market also encompasses a broad range of CRO services including both pre-clinical CRO services (which include drug safety assessment services as a major component) and clinical CRO services.

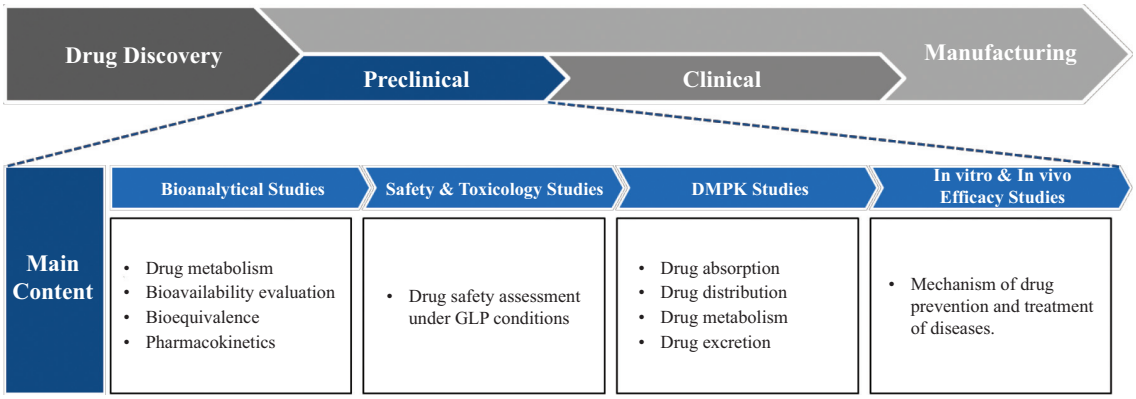
The growth and development of the U.S. CRO market have been driven primarily by the higher technical capability, quicker turnaround time, and increasing needs from emerging local biotechnology companies and virtual pharmaceutical companies.

In recent years, the U.S. CRO market has experienced increasing market concentration and consolidation through M&A activities. Notable M&A activities include the acquisition of Covance, Inc. by Laboratory Corporation of America Holdings in 2015, which further strengthened the latter's CRO services capability and created the market leader in central laboratory and bioanalysis services globally. See "— Competitive Landscape of Global Non-clinical Drug Safety Assessment Market" for the respective market shares of the leading U.S. players who have global operations.

PRE-CLINICAL CRO MARKET

The pre-clinical CRO services cover the development and breeding of research models, pharmacokinetics, pharmacology and toxicology, safety assessment, biological analysis, and analytical chemistry. The Measures for Drug Registration Management (《藥品註冊管理辦法》) stipulates that pre-clinical drug research should implement relevant management regulations, among which safety assessment research must implement the Good Laboratory Practice (《藥物非臨床研究質量管理規範》). Drug registration applicants can entrust part or all of the work in the pre-clinical research to CROs, but they are responsible for the authenticity of the research results that prove the safety, effectiveness and quality controllability of the drug.

Generally speaking, pre-clinical outsourcing services include the following professional services: bioanalytical studies, safety & toxicology studies, DMPK studies and *in vitro & in vivo* efficacy studies. There is a high willingness of sponsors of new drug candidates to outsource pre-clinical stage R&D work to CROs, and the outsourcing penetration rate of safety assessment is the highest among all drug R&D work. Due to the increasingly stringent criteria for IND approvals in China, small-and medium-sized pharmaceutical companies typically cannot carry out the pre-clinical evaluations entirely by themselves because of their lack of experienced professionals and GLP certification.

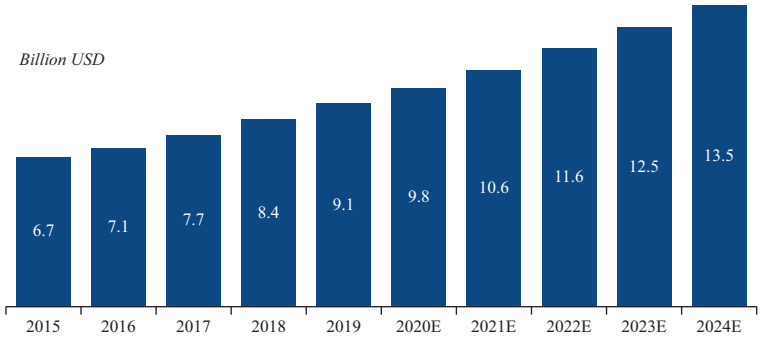


Source: Frost & Sullivan Report

The following charts illustrate the market size of both global and China's pre-clinical CRO markets for the periods presented in terms of total revenues.

Global Preclinical CRO Market, 2015-2024E

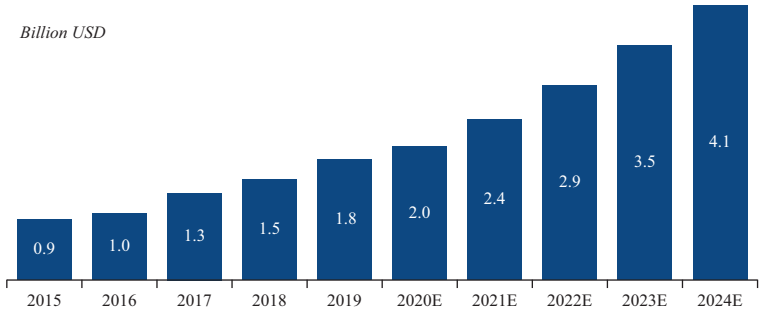
Period	CAGR
2015-2019	7.9%
2019-2024E	8.2%



Source: Frost & Sullivan Report

China-based Preclinical CRO Market, 2015-2024E

Period	CAGR
2015-2019	20.3%
2019-2024E	18.2%



Source: Frost & Sullivan Report

Growth Drivers of Global and China Pre-clinical CRO Market

In addition to the growth drivers of the overall pharmaceutical CRO market, the growth of the pre-clinical CRO market is also attributable to the following factors.

- *Surging R&D Investment in Pre-clinical Phase.* Pharmaceutical R&D costs posed huge burden to all pharmaceutical companies, especially to the start-up biotechnology companies. Capitalized pre-clinical cost per approved drug resumed a much higher rate of annual growth at 8.8% from 1990s to early 2010s, while the growth rates for clinical period expenditures declined from the very high rates for the previous study to 8.3%.

- *Cost-cutting Measures.* Pre-clinical CROs help pharmaceutical companies, in particular small-and medium-sized players, improve capital efficiency by allowing them to focus on their core scientific R&D strengths and avoiding risky and significant capital investments in laboratories and equipment.

- *Accession to ICH.* China's accession to International Conference on Harmonization (ICH) in 2017 means that China's drug regulatory authorities, the pharmaceutical industry and R&D institutions must slowly adapt and adopt the highest international professional standards and guidelines, and actively engage in formulating rules. The higher standard requires a strict pre-clinical drug assessment trial, which directly stimulates the pre-clinical outsourcing services industry.

- *MRCT Projects to Boost Pre-clinical Outsourcing Services.* Implementation of China's multi-regional international clinical trial (MRCT) program will maximize the use of scarce patient services and reduce the costs of R&D. The ever-improving domestic regulatory climate will draw global pharmaceutical companies to actively apply for clinical trials of new drugs in China. Since the clinical trial in China requires professional pre-clinical studies, it is expected to further drive the demands for high-quality domestic pre-clinical CRO services.

NON-CLINICAL DRUG SAFETY ASSESSMENT

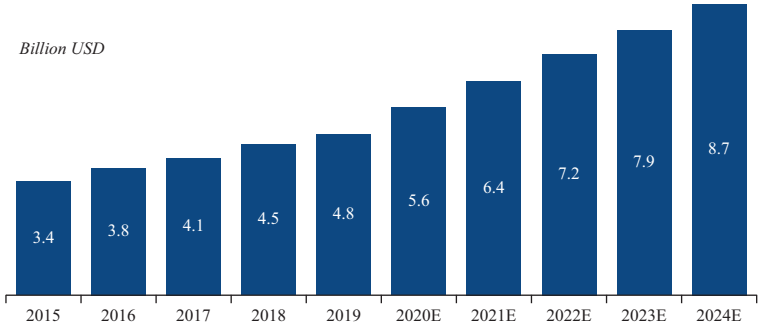
As frequently used in the industry, non-clinical studies refer to R&D studies other than clinical trials conducted on human subjects. Such non-clinical studies encompass all major stages of the pharmaceutical R&D process, including discovery, pre-clinical and clinical trial stages. The non-clinical drug safety assessment ("DSA") provides safety data and serves the basis for designing first-in-human (FIH) clinical trials of drug candidates.

Global and China Non-clinical Drug Safety Assessment Market Size and Growth

The global non-clinical DSA market in terms of total revenues was approximately US$3.4 billion in 2015, and increased to US$4.8 billion in 2019 with a CGAR at 9.4% from 2015 to 2019. The global non-clinical DSA market is expected to reach US$8.7 billion in 2024 with a higher CAGR at 12.5%, from 2019 to 2024.

Market Size of Global Non-Clinical Drug Safety Assessment, 2015-2024E

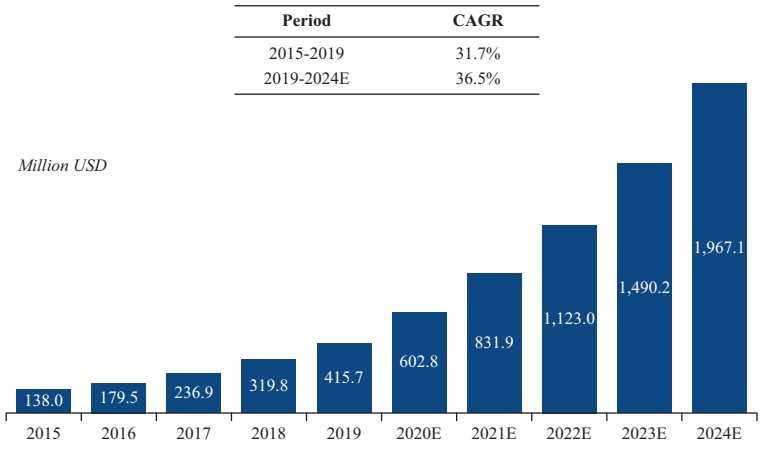
Period	CAGR
2015-2019	9.4%
2019-2024E	12.5%



Source: Frost & Sullivan Report

The China-based non-clinical DSA market in terms of total revenues was approximately US$138.0 million in 2015 and grew to US$415.7 million in 2019 with a much higher CAGR at 31.7% as compared to the CAGR of the global market. The China-based non-clinical DSA market is expected to keep the rapid growth in the next five years to reach US$1,967.1 million in 2024 with a CAGR at 36.5%.

Market Size of China Non-Clinical Drug Safety Assessment, 2015-2024E



Source: Frost & Sullivan Report

Overview and Comparison of GLP Systems

GLPs set forth the minimum basic requirements for the conduct of *in vivo* or *in vitro* experiments in which a test article is studied prospectively in a test system under laboratory conditions to determine its safety. In various jurisdictions, while there are minor differences, GLPs typically impose similar requirements on institutional structure, personnel, facilities, equipment maintenance & calibration, and use and preservation of experimental materials (reagents and research models).

	China (NMPA)	U.S. (FDA)	E.U. (OECD)
Applicable Scope	Drugs for human diseases	Additives, drugs, medical devices, biological and electronic product	Drugs, pesticide and cosmetic products, additives, and industrial chemicals
Qualification	Certificate is issued when passing the inspection Regular inspection once every 3 years	No certificate is issued Regular inspection once every 2 years and there will be random inspection	Certificate is issued when passing the inspection Regular inspection once every 2-3 years
Standard Operating Procedures	QAU and institutional manager should both approve SOPs	No requirement	Institutional manager should approve SOPs QAU should maintain copies of SOPs

Source: Frost & Sullivan Report

In China, a non-clinical DSA research institution obtains GLP certification from the NMPA only if the NMPA is satisfied with its inspection of the DSA institution on the organization and management system, personnel, experimental facilities, equipment, and operation and management of projects.

As of the date of the latest announcement of drug GLP certificate by NMPA, there were 30 CROs with the NMPA GLP certification, and we were one of the only two CROs in China that had obtained the NMPA certificate to carry out all 10 types of drug GLP studies that are permitted to be conducted by commercial CROs, according to Frost & Sullivan. In addition,

according to Frost & Sullivan, we are one of the only six private CROs in China with the NMPA and OECD certification and also had passed the FDA GLP inspection as of the Latest Practicable Date. With the recognition of these regulatory authorities, we are among the very few CROs in China that are capable of assisting customers to file IND applications in all major overseas markets such as the United States.

Entry Barriers of Non-clinical Drug Safety Assessment

The entry barriers to non-clinical DSA are mainly as follows.

- *GLP certification & recognition.* Across most countries, there are stringent qualification requirements for conducting DSA studies. For one, typically organizations are not allowed to conduct DSA if they do not have the GLP certification. It is time-consuming and costly to obtain GLP certification or pass GLP inspections because it typically requires assembling qualified management and operations teams, conducting extensive trainings and making significant capital investments to upgrade relevant facilities and equipment.

- *Scientific and technical expertise.* The leading DSA organizations have wide research scope around the pre-clinical spectrum of capabilities. Many of these DSA companies also own premier solutions in the fastest expanding drug discovery fields, including oncology, CNS, immunology, cell & gene therapy, and rare diseases. In addition, comprehensive inhalation toxicology, ophthalmics, immunogenicity and immunotoxicology, and carcinogenicity experience can also build a barrier for new entrants. Aside from scientific capabilities, the leading DSA organizations harbor a deep pool of operations personnel with crucial know-how and practical expertise accumulated during the long-time, first-hand project experience to successfully carry out high-quality DSA studies.

- *International service capabilities.* GLPs in different countries usually impose similar requirements on laboratory personnel, equipment, and facilities. However, different organizations also impose their unique requirements for GLP certification. To participate in multi-region drug development process, an increasing common practice, a non-clinical DSA institution needs to obtain multiple GLP certification or recognition, which creates an entry barrier for potential entrants.

- *Operational excellence.* Leading non-clinical DSA organizations, through cooperation and process development, are able to provide a streamlined and scalable end-to-end DSA platform. Operation excellence will achieve greater operational efficiencies and process efficiency by leveraging its scale and wide portfolio to facilitate hand-offs from site to site, and from business to business.

Growth Drivers of Non-clinical Drug Safety Assessment Market

The growth drivers of non-clinical DSA market are mainly as follows.

- *Growing innovative drugs market.* The pharmaceutical industry in China is in a strategic transformation period from generic to innovative drugs, and the innovative drugs market is showing a good trend in growth. Innovative drugs require non-clinical safety assessment as opposed to generic drugs and biosimilars. And as formulations of the innovative drugs expand, so will the scope of unconventional routes of administration, such as special routes of administration through the eyes, ears and nasal cavity. Non-clinical DSA service providers hence need to develop more capability for evaluating drug safety. The expansion of relevant services would become a key driving force for the non-clinical DSA industry.

- *Growing biologics market.* Biologics hold outstanding therapeutic results on a variety of medical conditions including cancer and chronic diseases. The biologics market in China is rapidly expanding with a CAGR outpacing the total pharmaceutical market. Biologics have particularity and complexity due to special structures and properties, especially cell and gene therapies. Thus, conventional and common non-clinical DSA for chemical drugs may not completely applicable to biologics. For example, non-clinical DSA for gene and cell therapy includes the evaluation of single and repetitive dose toxicity test, immunogenicity test, and other evaluation types.

- *Standardization of approval process and increased efficiency*. The China government has published several regulation policies to further standardize the Investigational New Drug approval processes. With the issue of detailed guiding principles on non-clinical drug safety assessment of therapeutic and preventive biologics, the China non-clinical drug safety assessment is becoming increasingly stringent, conforming to the international standards of International Conference on Harmonization. As a result, the overall efficiency of the non-clinical drug safety assessment process has been improving over the years.

Future Trends of Non-clinical Drug Safety Assessment Industry

The following trends are important to the development of non-clinical DSA industry.

- *Synergistic effects.* As a non-clinical DSA organization performs its pre-clinical evaluation on a drug candidate, it accumulates institutional experience and knowledge on the candidate and stands in a better position to design and analyze the subsequent clinical studies. By providing clinical R&D services, the DSA organization provide compelling value propositions to customers by offering them

a seamless one-stop experience to reduce various transactional costs. In addition, the DSA organization may thus achieve better synergistic results by harmonizing the R&D process and leveraging its institutional knowledge and experience with the test drug candidate.

- *Value-added services.* The professional team has a deep understanding of the potential drug's characteristics, safety risks and hazards. It thus can provide insights to customers for conducting DSA, including comprehensive drug evaluation and follow-up research and development suggestions. Such supplemental insights can effectively help businesses to establish good customer relationships.

- *Digitalization and data analytics.* Scientific data are the core of non-clinical DSA business. IT security and data processing software will continue to improve continuously to enable globalized databases and data analysis. A fully virtualized platform will be launched for customers to bring a better user experience, ranging from sales quotations to study design and monitoring to data warehousing, analytics, and visualization tools.

- *Industry consolidation*. In China, only a few leading CROs with the strong capability to provide integrated services in accordance with international standards are positioned to drive the development of the industry. It is becoming increasingly difficult for smaller market players to gain market share through working on increasingly complex projects for major customers. Therefore, the non-clinical DSA industry is expected to undergo consolidation in the future, with the leading players expected to acquire smaller players in the industry.

THE CLINICAL CRO AND PHARMACOVIGILANCE MARKET

The Clinical CRO Market

The clinical CRO market mainly consists of (i) clinical trial operations, (ii) data management and statistical analysis, and (iii) site management and patient recruitment services.

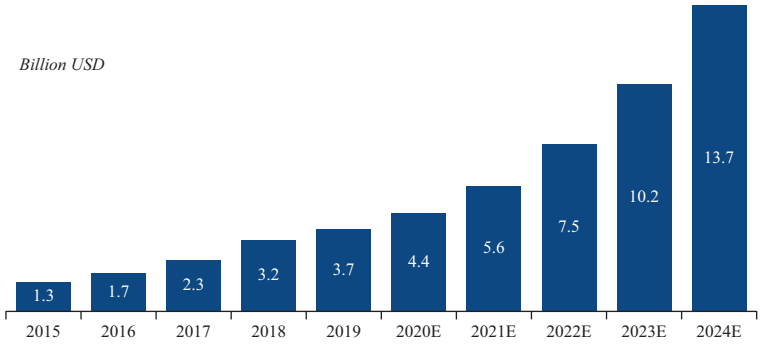
As pharmaceutical R&D continues to globalize and China strengthens its quality control since joining the ICH, China has attracted increasing number of global pharmaceutical and biotech companies to conduct MRCTs in China with its access to large patient pool and enormous unmet medical needs representing a potential market. In addition, regulatory reform in recent years and the increased focus on quality and integrity of clinical trials has resulted in an upward re-pricing in the clinical CRO market and in turn stimulated the market growth.

From 2015 to 2019, the total market size of China-based clinical CRO market increased from US$1.3 billion to US$3.7 billion with a CAGR of 29.3%. The market size is expected to continue growing to reach US$13.7 billion in 2024 with a CAGR of 30.0% for the period from 2019 to 2024.

There is no significant barrier for pre-clinical CRO organizations to penetrate the early-stage clinical CRO market, given the similar analytical methods and expertise required to conduct research projects in both stages, as well as the closely-tracked objectives in assessing the safety of drug candidates between pre-clinical and early-stage clinical studies. As China's clinical CRO market continues to expand, it is expected that an increasing number of pre-clinical drug candidates will expand services into early-stage clinical trials, spurring the growth of China's early-stage clinical CRO market in the future.

China-based Clinical CRO Market, 2015-2024E

Period	CAGR
2015-2019	29.3%
2019-2024E	30.0%



Source: Frost & Sullivan Report

In addition to the growth drivers of overall pharmaceutical CRO market, the growth of China's clinical CRO market is mainly driven by the following factors, of which the latter three factors constitute growth drivers for Phase I and II clinical CRO market particularly.

- *More stringent regulatory regime.* China has been dedicated to strengthening the integrity and quality management of clinical trials by conforming to global standards, particularly since the NMPA mandate for self-inspection and audit for all ongoing clinical trials in 2015. As a result, there has been an increasing demand for clinical CROs with proven quality of services adhering to global standards.

- *Demand for diversified and integrated services*. Clinical development procedure in China has become more complex and involves diversified cross-disciplinary work. This generates increasing demand for clinical CRO services, including clinical trial operation, data management and statistical analysis, site management and patient recruitment, and other related service (including medical imaging) throughout the clinical development process.

- *Increasing investment in innovative drugs.* Increasing investments in innovative drugs have incentivized the research and development of innovative drugs, which brings more business opportunities to clinical CROs as more innovative drug candidates have advanced into clinical stage.

- *Opportunities arising from numerous expirations of biologics patents.* The expirations of patents of certain milestone innovative drugs patents are likely to drive additional R&D investments in the development of innovative drugs, which in turn is expected to generate increasing demands for services provided by clinical CROs. In addition, the expirations of existing patents are expected to bring more business opportunities in the generic drug and biosimilar market in China.

- *Increasing cross-border opportunities.* After China became a member of ICH in 2017, China has been updating and conforming its regulatory standards to global standards, which enables more cross-border collaboration. The Chinese government has also been encouraging the import of high-quality drugs, especially those that address unmet medical demands in China. These initiatives have brought more MRCTs and early stage clinical projects initiated by multinational pharmaceutical companies to China. Many of these companies and projects rely on China-based clinical CROs with high-quality clinical CRO services and deep insights into the regulatory environment in China.

Pharmacovigilance Market

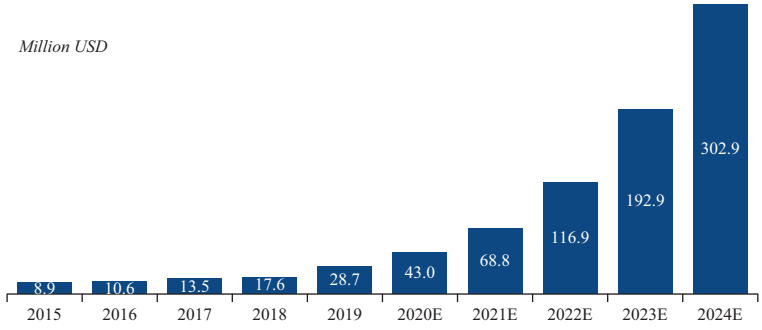
Pharmacovigilance encompasses the identification, evaluation, analysis, prevention and other related drug safety and monitoring evaluations carried out during the different stages of drug development and marketing. Pharmacovigilance encompasses the entire drug life cycle. The scope of pharmacovigilance includes, but not limited to, adverse drug reactions, substance misuse, lack of product efficacy and drug-drug interactions.

Compared to the emerging pharmacovigilance market in China, the U.S. pharmacovigilance market is much more developed with an estimated US$1.5 billion market size in 2019. The increased prevalence of chronic diseases such as oncological diseases, diabetes, and cardiovascular and respiratory disorders has led to an increase in drug consumption worldwide. Pharmacovigilance is therefore a crucial component of the R&D and post-approval monitoring process for drugs used for those diseases. In connection with the growing demand for pharmacovigilance services, market players have been adopting advanced technology systems and applications to achieve a more automated and effective pharmacovigilance process.

The pharmacovigilance industry in China is still at its early stages of development. Currently, the pharmacovigilance system has been preliminarily established in China with an expanding network at the national, provincial, municipal, and county levels. China's pharmacovigilance market size in terms of total revenues increased from approximately US$8.9 million in 2015 to US$28.7 million in 2019, at a CAGR of 34.1%, and is expected to surge to US$302.9 million in 2024, representing a CAGR of 60.3% from 2019 to 2024.

Market Size of China-based Pharmacovigilance Services, 2015-2024E

Period	CAGR
2015-2019	34.1%
2019-2024E	60.3%



Source: Frost & Sullivan Report

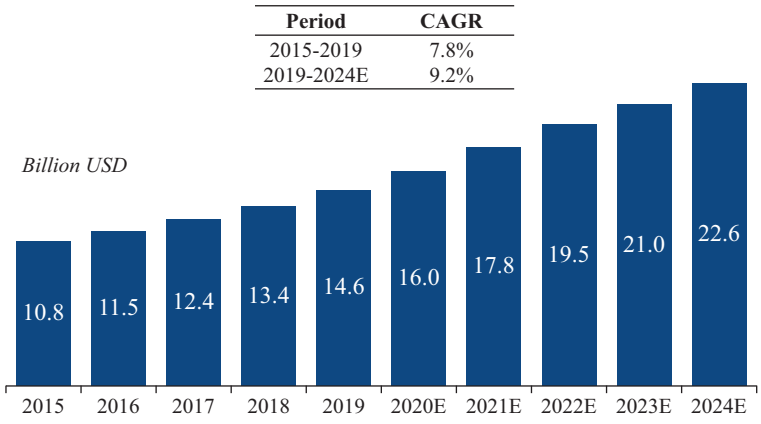
RESEARCH MODELS MARKET

Research models thus play a critical role in the non-clinical DSA. It is vital to test drug candidates on research models in order to complete pharmacological and toxicological studies before they are tested on humans, in order to ensure the safety of the drug candidates. The main products of the research models industry include dozens of animal species such as rats, mice, dogs, rabbits, guinea pigs and non-human primates. Among them, non-human primates are most homologous to humans and are particularly useful in the evaluation of certain types of macro-molecule drug candidates such as biologics and cell and gene therapies. Therefore, non-human primates have been the key materials in biomedicine research and development for animal replacement research.

Global and China Research Models Market Size and Growth

The global research models market increased from approximately US$10.8 billion in 2015 to US$14.6 billion in 2019, representing a CAGR of 7.8% from 2015 to 2019, and is expected to further increase to approximately US$22.6 billion in 2024, representing a CAGR of 9.2% from 2019 to 2024.

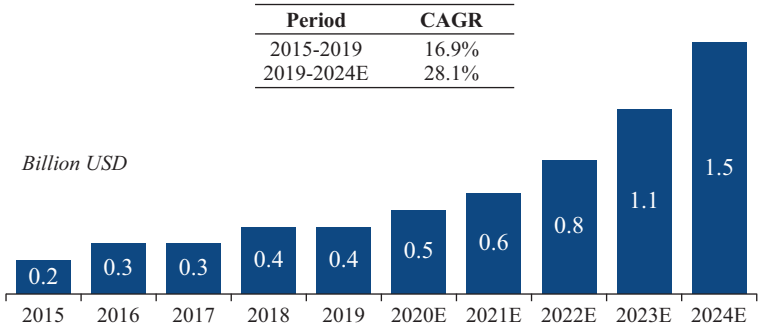
Historical and Forecast of Market Size of Global Research Models, 2015-2024E



Source: Frost & Sullivan Report

The research models market in China is at a relatively early stage of development. The market size in terms of total revenues increased from approximately US$0.2 billion in 2015 to US$0.4 billion in 2019, representing a CAGR of 16.9% from 2015 to 2019. It is expected to further increase to approximately US$1.5 billion in 2024, representing a CAGR of 28.1% from 2019 to 2024.

Historical and Forecast of Market Size of China Research Models, 2015-2024E



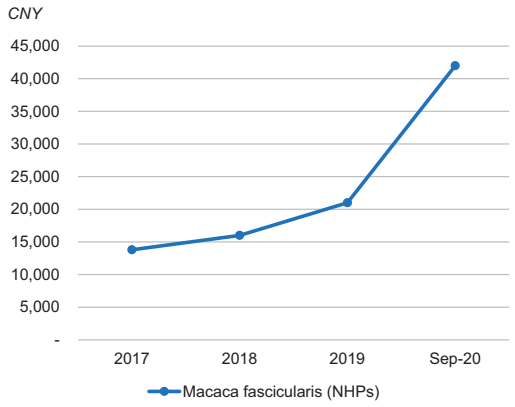
Source: Frost & Sullivan Report

Major Suppliers and Historical Price Trend of Non-Human Primate Research Models in China

Non-human primate research models are increasingly used in the R&D of biologics, especially in relation to research projects of the preventive biologics, which makes non-human primate research models important strategic resources in China. The PRC government has issued administrative notices and regulations to strengthen its supervision on the supply of non-human primate research models. During the Track Record Period and as of the Latest Practicable Date, non-human primate research model suppliers were only allowed to sell a limited number of non-human primate research models in accordance with the annual quota determined by the National Forestry and Grassland Administration (國家林業和草原局). Even though the total number of non-human primate research models that are permitted to be sold annually has been increasing over the years, the demand for non-human primate research models still exceeds the limited supply in China.

The following diagram illustrates the historical price trends of the particular species of non-human primate research models that we primarily used for our non-clinical studies during the Track Record Period. The unit price had been continuously increasing since 2017. The average market price of such non-human primate research models increased from approximately RMB13,800 per unit in 2017 to RMB16,000 per unit in 2018 and further increased by 31.2% to RMB21,000 per unit in 2019. During the COVID-19 outbreak, there was a large demand for non-human primate research models in the first half of 2020 for the assessment of preventive biologics such as vaccines and antibodies against COVID-19, which directly drove up the average market price of non-human primate research models by 100.0% to RMB42,000 per unit in the nine months ended September 30, 2020. During the Track Record Period, our costs in connection with procuring non-human primate research models increased to a lesser extent as compared to the increase in the average unit price in the industry attributable to our entry into long-term purchase contracts with some of our suppliers of non-human primate research models, coupled with our bargaining power arising from our large volume of purchase and our long-term relationships with such suppliers.

Historical Price of Non-human Primate Research Models, 2017-September 2020



Source: Frost & Sullivan Report

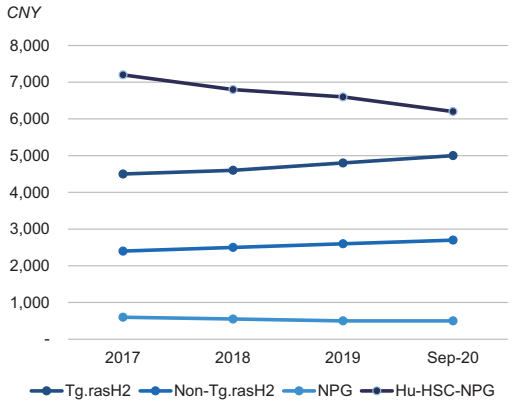
Given the market regulations imposed by the PRC government and the outlook that the demand for non-human primate research models will further grow in the next few years due to the increasing number of R&D projects on biologics, the market price of non-human primate research models is expected to further increase steadily in the near future, according to Frost & Sullivan.

Non-human primates have a relatively long lifespan with an average of 25 years and could reach 40 years in captivity. As a result, the aging process of non-human primate research models could better approximate the age-related changes in humans as compared that of other shorter-lived research models. Non-human primates are usually reused in the research studies when the non-human primates have been treated by mild procedures with no lasting side-effects. Non-human primates can also be used as negative controls for their entire life.

Major Suppliers and Historical Price Trend of Other Commonly Used Research Models in China

Rodent research models are currently the most commonly used research models in China. The historical prices of the mostly used four types of rodent research models remained relatively stable during the Track Record Period and are expected to continue to remain relatively stable in the near future, according to Frost & Sullivan.

Historical Price of Major Rodent Research Models, 2017-September 2020



Source: Frost & Sullivan Report

COMPETITIVE LANDSCAPE IN OUR INDUSTRY

Competitive Landscape of the Global Non-clinical Drug Safety Assessment Market

The global non-clinical DSA industry is led by two U.S. based global players with dominant market shares in the United States and other overseas markets, followed by a large number of much smaller players focused on different geographic markets and service offering segments.

Competitive Landscape of China-based Non-clinical Drug Safety Assessment Market

The China-based non-clinical DSA industry is relatively concentrated with the top six players accounting for 41.9% of the market share in terms of total revenues in 2019, followed by a large number of much smaller players in regional markets. It is expected that, similar to the U.S. non-clinical DSA market, China-based non-clinical DSA market will undergo a gradual process of consolidation whereby the leading players will continue to acquire smaller players to further gain market shares. We are the largest market player and ranked the first in the China-based non-clinical DSA market in terms of market share by total revenues in 2019.

Rank	Company	Revenues	Market Share in 2019	Key Capacities and Service Offerings
		(in million US$)	*(%)*	
1	Our Group	65.5	15.7	We are a CRO focused on non-clinical studies in drug safety assessment, expanding to offer an integrated range of services covering discovery, pre-clinical and clinical trial stages in the drug R&D service chain.
2	Company A	41.1	9.9	Company A is an HKSE-listed company that provides end-to-end research and manufacturing services throughout the discovery, development and manufacturing spectrum for small molecule drugs. It also provides development and manufacturing services for cell and gene therapies as well as testing services for medical devices.
3	Company B	21.3	5.1	Company B provides pre-clinical GLP drug safety and efficacy valuation and is capable of supporting dual IND applications both in China and in the United States.

Rank	Company	Revenues	Market Share in 2019	Key Capacities and Service Offerings
		(in million US$)	*(%)*	
4....	Company C	17.8	4.3	Company C is a Shanghai Stock Exchange-listed company that provides services spanning across medicinal chemistry, biology, API synthesis, CMC and preclinical studies. It is capable of supporting dual IND filings in China and the United States.
5....	Company D	14.5	3.5	Company D provides services including non-clinical safety assessment and DMPK studies, pre-clinical and clinical sample analysis, biomarker detection and regulatory consulting service.
6....	Company E	13.9	3.3	Company E is a Shenzhen Stock Exchange and HKSE dual-listed company that provides services in drug discovery, pre-clinical and early clinical-stage development. It has also been expanding its service portfolio to include late clinical-stage development and commercial manufacturing.

Source: Frost & Sullivan Report

Notes:

(1) Exchange Rate: 1USD=6.9098RMB.

(2) Frost & Sullivan has conducted surveys and analyses to estimate revenue data of companies that do not publicly report their respective revenues for purposes of this marketing ranking analysis.

PRINCIPAL LAWS AND REGULATIONS RELATING TO OUR BUSINESSES IN THE PRC

Regulations on Drug Research and Development & Registration

Research and Development of New Drugs

Pursuant to the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) which was promulgated by the Standing Committee of the NPC (the "**NPCSC**") on September 20, 1984, became effective on July 1, 1985 and amended on February 28, 2001, December 28, 2013, April 24, 2015 and August 26, 2019, respectively, for clinical trials on pharmaceuticals, relevant data, information and samples such as development methods, quality indicators, and pharmacological and toxicological testing results shall be truthfully submitted to in accordance with the rules of the medical products supervisory and administrative department under the State Council and be subject to its approval. Pharmaceuticals marketed in China shall be approved by the medical products supervisory and administrative under the State Council and be with a pharmaceutical registration certificate. The institutions for non-clinical safety evaluation and study and clinical trial organizations shall respectively implement the Good Laboratory Practice for Non-Clinical Laboratory Studies (the "**GLP (2017)**") (《藥物非臨床研究質量管理規範》), which came into effect on September 1, 2017 and Good Clinical Practice for Drugs (the "**GCP (2020)**") (《藥物臨床試驗質量管理規範》), which came into effect on September 1, 2003 and amended on April 23, 2020.

Pursuant to the Regulations of Implementation of the Drug Administration Laws of the PRC (《中華人民共和國藥品管理法實施條例》) which was promulgated by the State Council on August 4, 2002, came into effect on September 15, 2002 and amended on February 6, 2016 and March 2, 2019, respectively, research and development of new drugs that require clinical trials shall be approved by the medical products supervisory and administrative department under the State Council. The applicant shall, upon obtaining the approval of the application for clinical trial of the drug from the medical products supervisory and administrative department under the State Council, choose an institution among those institutions that are qualified for conducting clinical trials of drugs in accordance with the laws to undertake the clinical trial of the drug, and shall file such institution to undertake such clinical trial with the medical products supervisory and administrative department under the State Council and the administrative department of public health under the State Council. Before clinical trials for drugs to be conducted by institutions that will undertake such clinical trials, the subjects and their guardians shall be informed of the facts and their written consents shall be obtained.

Drug registration

Pursuant to the Measures for the Administration of Drug Registration (2020) (《藥品註冊管理辦法(2020)》) (Order No. 27 of the State Administration for Market Regulation (the "**SAMR**")) promulgated by the SAMR on January 22, 2020 and effective on July 1, 2020, the measures shall apply to those engaging in drug development and registration as well as the supervision and management thereof for the purpose of the marketing of drugs within the

territory of the PRC. Drug registration refers to an activity where an applicant for drug registration submits an application for drug clinical trial, marketing authorization and re-registration, among others, as well as supplementary application as per legal procedures and in line with relevant requirements, and the medical products administration conducts examinations in terms of safety, efficacy and quality controllability, etc. based on laws, regulations and existing scientific cognition to decide whether to approve the application. Drug registration shall be subject to classified registration administration in terms of traditional Chinese medicines, chemical drugs and biological products, etc.

In the process of drug registration, the drug supervisory and administrative department shall carry out on-site inspections and complaint-driven inspections on non-clinical research and clinical trials and production site inspection before granting the drug marketing approval to ensure the authenticity, accuracy and integrity of application materials.

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

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

Pursuant to the Announcement on Several Policies Pertaining to the Review and Approval of Drug Registration (《關於藥品註冊審評審批若干政策的公告》) (Announcement [2015] No. 230 of the CFDA) promulgated by CFDA on November 11, 2015 and effective on the same date, in order to improve the quality and efficiency for the review and approval of drugs, the drug supervisory and administrative department adopts drug registration, review and approval policies, such as improving the approval standards for generic drugs, standardizing the review and approval of improved new drugs and optimizing the review and approval of clinical trial applications, and sets out ten key points to be applied in the process of reviewing and approving drug applications and clinical trials, with an emphasis on the accuracy of clinical trial data and drug effectiveness.

In addition to the above usual regulations for registering drugs, there are the following domestic regulations for the special approval for registering drugs:

Pursuant to the Procedures of the Special Examination and Approval of Drugs (《藥品特別審批程序》) (Order No. 21 of the SFDA) promulgated by the SFDA on November 18, 2005 and effective on the same date, where the listed exceptional circumstances arise, the drug supervisory and administrative department of the state may decide to follow the present Procedures to conduct special examination and approval on the prophylaxis drugs needed in

responding to a public health emergency in accordance with the law. The duration for special examination and approval is significantly reduced in comparison with that of the usual examination and approval for drug registration.

Pursuant to the Notice on Management Procedures in Issuing Exceptional Approval on New Drugs Registration (《關於印發新藥註冊特殊審批管理規定的通知》) (Notice [2009] No. 17 of the SFDA) promulgated by SFDA on January 7, 2009 and effective on the same date, the drug supervisory and administrative department of the State shall conduct special examination and approval for applications for new drug registration under the exceptional circumstances listed in the then effective Measures for the Administration of Drug Registration (2007), which was issued by the SFDA on July 10, 2007. The said department shall, according to the applicant's application, offer priority processing to applications that verifiably fulfill the listed exceptional circumstances, in addition to enhanced communication and interaction with the applicant.

According to the Opinions on Encouraging the Prioritized Evaluation and Approval for Drug Innovations (《關於鼓勵藥品創新實行優先審評審批的意見》) promulgated by the NMPA on December 21, 2017, for new drugs which are developed for severe, life-threatening diseases currently lacking effective treatment and have great significance for meeting clinical needs, if, based on early-stage clinical trial data, the clinical benefits of such drugs can be reasonably predicted or decided and such drugs have distinctive advantages as compared with existing treatments, such new drugs may obtain a conditional approval for marketing before the completion of Phase III clinical trials undertaken to confirm its therapeutic effectiveness.

Pursuant to the Announcement on Issues Pertaining to the Review and Approval of Overseas New Drugs Catering to Clinical Urgent Needs (《關於臨床急需境外新藥審評審批相關事宜的公告》) (Announcement [2018] No. 79 of by the NMPA) jointly issued by the NMPA and National Health Commission of China on October 23, 2018, new drugs that have been marketed in the United States, European Union or Japan within the last ten years but not marketed in China, provided that they are drugs for treatment of orphan diseases, drugs for prevention and cure of serious life-threatening diseases against which no effective therapeutic or preventional instrument is available to date, or drugs for prevention and cure of serious life-threatening diseases with obvious clinical advantages, an application can be made for review and approval of import and registration through special channels.

On July 7, 2020, the NMPA issued the Announcement on the Release of Three Documents including the Procedures for the Evaluation of Breakthrough Therapeutic Drugs (Trial) (《關於發佈<突破性治療藥物審評工作程序(試行)>等三個文件的公告》) together with three attachments including the Procedures for the Evaluation of Breakthrough Therapeutic Drugs (Trial) (《突破性治療藥物審評工作程序(試行)》), Procedures for the Evaluation and Approval of the Listing Application for Conditional Approval of Drugs (Trial) (《藥品附條件批准上市申請審評審批工作程序(試行)》) and Procedures for Prioritized Evaluation and Approval for Drug Marketing (Trial) (《藥品上市許可優先審評審批工作程序(試行)》), which among others, allow the applicant to apply for the breakthrough therapy drug procedure during the phase I and II clinical trials and normally no later than the commencement of phase III

clinical trials for the innovative or improved drugs etc. which are used for the prevention and treatment of diseases that seriously endanger life or seriously affect quality of life and there is no effective means of prevention and treatment or there is sufficient evidence to show a significant clinical advantage over the existing treatments. In addition, when applying for the marketing license of a drug, for the drugs with obvious clinical value, the applicant can apply for the prior evaluation and approval procedure.

Medical devices

Pursuant to Measures for the Administration of Medical Devices (《醫療器械註冊管理辦法》) promulgated by the SFDA on April 5, 2000 and amended on August 9, 2004 and July 30, 2014 respectively, whoever sells or uses medical devices within the territory of the PRC shall apply for registration or undergo recordation in accordance with these Measures. Medical devices of Class I are subject to recordation administration and require no clinical trials. Medical devices of Class II and Class III are subject to registration administration and require clinical trials. Clinical trial is not required under certain circumstances. The catalogue of medical devices for which clinical trial is not required shall be formulated, amended and published by the CFDA.

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

Pursuant to the Regulations on the Supervision and Administration of Medical Equipment (《醫療器械監督管理條例》) (Order No. 276 of the State Council) promulgated by the State Council on January 4, 2000 and amended on March 7, 2014 and May 4, 2017, respectively, classification administration is imposed on medical devices according to their risk levels. Medical devices of Class I are subject to recordation administration and require no clinical trials. Applications for registration of medical devices of Class II and Class III require clinical trials except under certain circumstances. The catalogue of medical devices that are exempt from clinical trials will be formulated, adjusted and made public by the CFDA. Clinical trial on medical devices shall be conducted by organization that possess relevant qualifications as required by the good clinical practice for medical devices and shall be filed with the drug supervisory and administrative department under the people's government of the province, autonomous region or municipality where the clinical trial provider is located.

Pursuant to the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) (Tingzi [2017] No. 42) jointly issued by the General Office of the State Council and the General Office of the Central Committee of the Chinese

Communist Party on October 8, 2017, for purposes of promoting structural adjustment and technology innovation in drug and medical device industries and improving industrial competitiveness, the State will deepen the reform of the evaluation and approval systems by various measures including the followings: a qualified body for clinical trials may, upon making registration and recordation on the website designated by the food and drug regulation department, conduct clinical trials as entrusted by registration applicants of drugs or medical devices; optimizing the approval procedures for clinical trials; accelerating the evaluation and approval of drugs and medical devices much needed clinically; and supporting the research and development of drugs and medical devices for treatment of rare diseases.

Pursuant to the Announcement on Issuing the Special Examination Procedures for Innovative Medical Devices (《關於發布創新醫療器械特別審查程序的公告》) (Announcement [2018] No. 83 of the NMPA) issued by NMPA on November 2, 2018, a domestic applicant shall submit an application for special examination and approval of an innovative medical device with the local food and drug supervision and management authorities at provincial level. An overseas applicant shall submit an application for special examination and approval of an innovative medical device with NMPA. The drug supervision and management authorities and the relevant technical agencies shall act within their respectively duties and procedures and on the principles of early intervention, designated personnel and scientific examination to handle the special examination of such innovative medical device before others in accordance with standards and procedures no less exact than those for special examination of other items, in addition to enhanced communication and interaction with the applicant.

Laboratory Regulations

Administration of Pathogenic Microorganism Laboratories

The PRC conducts multi-level management of all laboratories engaged in teaching, testing, diagnosing and other activities related to bacterial and viral pathogen infection or pathogenic microbial samples. Pursuant to the regulations on the Bio-safety Management of Pathogenic Microbe Laboratories (《病原微生物實驗室生物安全管理條例》) (Order No. 424 of the State Council) issued by the State Council on November 12, 2004 and amended on February 6, 2016 and March 19, 2018, respectively, the pathogenic microorganism laboratories are classified into Bio-safety Level 1, Bio-safety Level 2, Bio-safety Level 3 and Bio-safety Level 4 in accordance with its biosafety level for pathogenic microorganisms and the national standards for the bio-safety. Laboratories at Bio-safety Level 1 and 2 are forbidden to conduct experimental activities relating to any highly pathogenic microbes. Laboratories at Biosafety Level 3 and 4 shall meet certain requirements to conduct experimental activities relating to any highly pathogenic microbes. Newly building, rebuilding or expanding of Bio-safety Level 1 or Level 2 laboratories shall go through the filing formalities with the relevant administrative department of health or the administrative department of veterinary of the people's governments of the cities divided into districts. The laboratories of Bio-safety Level 3 and Level 4 shall be subject to the state accreditation for laboratories. The founder of the laboratory must establish a scientific and rigorous management system in accordance with relevant

requirements and regularly inspect the implementation of bio-safety regulations. They shall also regularly inspect, maintain and update the facilities, equipment and materials in the laboratory to ensure that they are in compliance with national standards.

Pursuant to Guidelines for Clinical Trial Bioanalytical Laboratory Management (Interim) (《藥物臨床試驗生物樣本分析實驗室管理指南(試行)》) (No. 482 [2011] of the SFDA) issued by the SFDA on December 2, 2011 and effective on the same date, data analysis by the clinical trial bioanalytical laboratory on drugs is an integral part of application for new drug registration and a key basis of technical review on new drugs applied for registration by drug supervisory and administrative departments. Accordingly, regulation on clinical trial bioanalytical laboratory is an important part of regulation on clinical trial on drugs. Laboratories that conduct bioanalytical activities for submitting the results to the drug supervisory and administrative departments as the data for drug registration shall comply with these Guidelines and be subject to supervision and inspection by the drug supervisory and administrative departments.

Pre-clinical Studies

Non-clinical Research

The non-clinical safety assessment of drugs for marketing approval shall be conducted in accordance with the GLP (2017). The NMPA promulgated the Administrative Measures for the Certification of Good Laboratory Practices for Non-clinical Laboratory Studies (《藥物非臨床研究質量管理規範認證管理辦法》) on April 16, 2007, which specifies the requirements for institutions applying for GLP certification of non-clinical laboratory studies.

Animal Testing

According to the Regulations for the Administration of Affairs Concerning Experimental Animals (《實驗動物管理條例》) (No.2 of the State Science and Technology Commission) promulgated by the State Science and Technology Commission on November 14, 1988 and amended on January 8, 2011, July 18, 2013 and March 1, 2017 respectively by the State Council, the Administration Measures on Good Practice of Experimental Animals (《實驗動物質量管理辦法》) (Guokefacaizi [1997] No. 593) jointly promulgated by the State Science and Technology Commission and the State Bureau of Quality and Technical Supervision on December 11, 1997, and the Administrative Measures on the Certificate for Experimental Animals (Trial) (《實驗動物許可證管理辦法(試行)》) (Guokefacaizi [2001] No. 545) promulgated by the State Science and Technology Commission and other regulatory authorities on December 5, 2001, performing experimentation on animals requires a Certificate for Use of Laboratory Animals.

According to the Measures for the administration of the Domestication and Breeding License of Wild Animals under Special State Protection (《國家重點保護野生動物馴養繁殖許可證管理辦法》) promulgated by National Forestry Administration on January 9, 1991 and

amended on April 30, 2015, any entity or individual must obtain a domestication and breeding license of wild animals under special state protection before being engaged in the domestication and breeding activities.

Consistency Evaluation of Generic Drugs

Pursuant to the Opinions on Carrying out Conformance Evaluation of the Quality and Efficacy of Generic Drugs (《關於開展仿製藥質量和療效一致性評價的意見》) (Guobanfa [2016] No. 8) by the General Office of the State Council on February 6, 2016, in order to enhance the overall standard of the drug manufacture industry in the PRC and protect the safety and effectiveness of drugs, etc., a consistency evaluation must be commenced where generic drugs that are approved for sale prior to chemical drugs' new registration categorization have not been approved according to the principle consistent with the branded drugs' quality and curative effects.

Clinical Studies

Clinical trials on drugs

Pursuant to the Measures for the Administration of Drug Registration (2020), the Center for Drug Evaluation of the NMPA (the "**CDE**") shall be responsible for reviewing applications for drug clinical trials, applications for marketing authorization, supplementary applications and applications for re-registration of drugs manufactured overseas, among others. An applicant that applies for a drug clinical trial after completion of the pharmaceutical, pharmacological and toxicological research, etc., which support the drug clinical trial, shall submit relevant research materials according to the requirements for application materials. The application materials shall be accepted if they are deemed acceptable upon formal examination. The CDE shall organize pharmaceutical, medical and other technicians to review the accepted application for the drug clinical trial.

Pursuant to the GCP (2020), the GCP (2020) is a quality standard for the whole process of clinical drug trials involving protocol design, organization and implementation, monitoring, auditing, recording, analysis, summary and reporting. A trial protocol shall be distinct, explicit and operable and may be executed only upon the consent of the ethics committee. An investigator shall abide by the relevant trial protocol during a clinical trial, and each medical judgment or clinical decision-making involved shall be made by clinicians. Researchers participating in the implementation of a clinical trial shall have the corresponding education, training background and relevant experience necessary to undertake the clinical trial. The quality management system for clinical trials shall cover the whole process of a clinical trial with emphasis on the protection of subjects, reliability of the trial results and compliance with pertinent laws and regulations.

Pursuant to the Announcement on the Issuance of the Technical Guidelines for Accepting Overseas Clinical Trial Data of Drugs (《關於發佈接受藥品境外臨床試驗數據的技術指導原則的通告》) (Announcement [2018] No. 52 of CFDA) issued by CFDA on July 6, 2018, for

drugs applied for registration within the territory of the PRC, overseas clinical trial data submitted by the applicant may be accepted as the information for clinical evaluation. Such overseas clinical trial data include but are not limited the applicant's clinical trial data obtained overseas through simultaneous R&D of innovative drugs at home and abroad. Fully evaluable bioequivalence data for the R&D of generic drugs outside China can also be used for registration applications.

Pursuant to the Announcement on Adjusting the Review & Approval Procedures of Drug Clinical Trials (《關於調整藥物臨床試驗審評審批程序的公告》) (Announcement [2018] No. 50 of NMPA) issued by NMPA on July 24, 2018, the matters related to the review and approval of drug clinical trials shall be adjusted as follows: for applications of drug clinical trials in China, an applicant can conduct the drug clinical trial as per the submitted protocols should the Center for Drug Evaluation of the NMPA failed to issue an opinion of rejection or questioning within 60 days as from its acceptance of the application and the receipt of corresponding administrative fees. The Announcement on Issuing the Guidelines for General Considerations for Clinical Trials on Drugs (《關於發佈藥物臨床試驗的一般考慮指導原則的通告》) (Announcement [2017] No. 11) issued by NMPA on January 18, 2017 provides technical guidelines for applicants and investigators in formulating overall research and development plan of drugs and separate clinical trial and provides references for evaluation of the technical standards of the drugs.

Pursuant to the Announcement on Issuing the Guidelines for Ethical Review Work of Drug Clinical Trials (《關於印發藥物臨床試驗倫理審查工作指導原則的通知》) (Announcement [2010]) (No. 436 of the SFDA) issued by SFDA on November 2, 2010, the ethics committee shall carry out a review on the project of clinical trial on the drug to decide if it is rational in terms of science and ethics, and shall be subject to guidance and supervision under the drug supervisory and administrative departments.

Clinical trial on medical devices

On September 28, 2018, the NMPA promulgated the newly revised List of Medical Devices Exempted from Clinical Trials (the "**Exempted List**") (《免於進行臨床試驗的醫療器械目錄》) (Notice [2018] No. 94 of the NMPA), which became effective on the date of publication. The Exempted List consists two categories, namely the medical device products and vitro diagnostic reagents, which cover 855 medical device products and 393 vitro diagnostic reagents, respectively. Product components listed in the description of products under the Exempted List which are managed separately as medical device with the expected usage being identical to that under the product description in the Exempted List shall be exempted from clinical trials. Products consisting of medical devices of Class I and medical devices of Class II and Class III (which are exempted from clinical trials) are also exempted from clinical trials, provided that their usage is not expanded. In December, 2019, the NMPA promulgated Announcement on Promulgating Newly Supplemented and Revised List of Medical Devices Exempted from Clinical Trials (《關於公佈新增和修訂的免於進行臨床試驗

醫療器械目錄的通告》) (Notice [2019] No. 91 of the NMPA), supplemented 148 medical devices and 23 in vitro diagnostic reagents, and revised name and description of 48 medical devices and 4 in vitro diagnostic reagents.

Pursuant to the Norms on the Quality Management for the Clinical Trials of Medical Devices (《醫療器械臨床試驗質量管理規範》) (Order No. 25 of CFDA and the National Health and Family Planning Commission), which became effective on June 1, 2016, for conducting clinical trials of medical devices, an applicant shall organize to formulate scientific and reasonable clinical trials protocols based on the categories, risks and intended use of the medical devices for the clinical study. Prior to the clinical trial, the applicant shall enter into an agreement in writing with the clinical trial organization and researchers regarding matters such as the design of the trial, quality control of the trial, division of responsibility in the trial, fees to be borne by the applicant in relation to the clinical trial and principles in handling potential harm in the trial.

Pursuant to the Announcement on Adjusting the Examination and Approval Procedures for Clinical Trials of Medical Devices (《關於調整醫療器械臨床試驗審批程序的公告》) (Announcement [2019] No. 26 of the NMPA) promulgated by the NMPA on March 29, 2019, a clinical trial may begin given there is no comment from the Center for Medical Device Evaluation of the NMPA (including the notice of the experts consultation meeting and the notice of supplementary information) within the 60 working days from the date on which the application for approval of the clinical trial is accepted and the payment is made and the contact information and postal address provided by the applicant are valid.

Other Laws and Regulations in relation to Medical Industry

Gathering, Collection and Filing of Human Genetic Resources

The Interim Measures for the Management of Human Genetic Resources (《人類遺傳資源管理暫行辦法》) (Guobanfa No. 36 [1998]) promulgated by the General Office of the State Council on June 10, 1998 set out rules for the protection and use of human genetic resources in China. Pursuant to the Service Guide for Administrative Licensing of Gathering, Collection, Deal, Export and Exit Approval of Human Genetic Resources of Human genetic resources (《人類遺傳資源採集、收集、買賣、出口、出境審批行政許可事項服務指南》) promulgated by the Ministry of Science and Technology in July 2015 and the Notice on the Implementation of the Administrative License for the Gathering, Collection, Deal, Export and Exit of Human Genetic Resources (《關於實施人類遺傳資源採集、收集、買賣、出口、出境行政許可的通知》) promulgated by the Ministry of Science and Technology in August 2015, foreign investment sponsors who gather and collect human genetic resources through clinical trials should file a record with the China Human Genetic Resources Management Office through an online system. The Ministry of Science and Technology promulgated the Notice on Optimizing the Administrative Examination and Approval Process of Human Genetic Resources (《關於優化人類遺傳資源行政審批流程的通知》) (No. 717 [2017] of the Ministry of Science and Technology) in October 2017, which has simplified the approval process for the gathering and collection of human genetic resources for the listing of drugs in China.

Pursuant to the Regulations on the Management of Human Genetic Resources of the PRC (《中華人民共和國人類遺傳資源管理條例》) (Order No. 717 of the State Council) issued by the State Council on May 28, 2019 and effective on July 1, 2019, the state supports the rational use of human genetic resources for scientific research, development of the biomedical industry, improvement of diagnosis and treatment technology, improvement of China's ability to guarantee biosafety and improvement of the level of people's health. Foreign organizations, individuals and institutions established or actually controlled by them shall not gather or preserve Chinese genetic resources in China, or provide Chinese genetic resources to foreign countries. In addition, the gathering, preservation, utilization and external provision of Chinese genetic resources shall conform to ethical principles and conduct ethical review in accordance with relevant regulations.

OTHER PRINCIPAL LAWS AND REGULATIONS RELATING TO OUR BUSINESSES IN THE PRC

Regulations on Import and Export of Goods

Import and export goods

Pursuant to the Provisions of Customs of the PRC on the Administration of Registration of Customs Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》) (Order No. 221 of the General Administration of Customs) issued by the General Administration of Customs on March 13, 2014 and amended on December 20, 2017 and May 29, 2018, a customs declaration entity which provides customs declaration services shall register with the customs office. The registration of customs declaration entities includes the registration of customs declaration enterprises and the registration of the consignees or consignors of imported and exported goods. A customs declaration enterprise may not provide customs declaration services until it has obtained a registration license from the local customs office directly under the General Administration of Customs or a subordinate customs office authorized by it. A consignee or consignor of imported/exported goods may directly go through the registration procedure at the local customs office.

Import and export of special articles

Pursuant to the Provisions on the Administration of the Health and Quarantine of Entry/Exit Special Articles (《出入境特殊物品衛生檢疫管理規定》) (Order No. 160 of the Administration of Quality Supervision, Inspection and Quarantine) issued by the Administration of Quality Supervision, Inspection and Quarantine on January 21, 2015 and amended on April 28, 2018, May 29, 2018 and November 23, 2018 respectively, the entry and exit of microorganisms, human tissues, biological products, blood and its products, and other special articles are subject to applicable supervision and administration of health and quarantine. The local customs office directly under the General Administration of Customs shall be responsible for the approval of health and quarantine of imported and exported special

articles within their respective jurisdictions. The entity conducting import or export of special articles shall establish safety management system for special articles, and shall produce, use or sell the special articles in strict accordance with the purposes for the approval of such special articles.

Regulations on Environmental Regulations

Environmental Assessment and Acceptance of Environmental Protection Facilities

Pursuant to the Law of Environmental Impacts of the PRC (《中華人民共和國環境影響評價法》) which was effective on September 1, 2003 and amended on July 2, 2016 and December 29, 2018, Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) (Order No. 253 of the State Council) issued by the State Council on November 29, 1998 and amended on July 16, 2017 and Measures for the Administration of Environmental Protection Acceptance of Completed Construction Projects (《建設項目竣工環境保護驗收管理辦法》) (Order No. 13 of the State Environmental Protection Administration) promulgated by the State Environmental Protection Administration on December 27, 2001 and amended on December 22, 2010, where effects may be exerted on the environment after the implementation of construction projects, the construction enterprise shall submit an environmental impact report (form) or environmental impact registration form to the relevant environmental protection department. For a project where the preparation of environmental impact report (form) is required by law, its environmental impact assessment documents shall be approved by the relevant environmental protection department; otherwise it shall not start the construction. After the construction project is completed, the construction entity shall apply for environmental protection acceptance of the construction project and prepare acceptance report pursuant to the standard and formality set by the environmental protection authority.

Regulations on Pollution Permit and Drainage Permit

Pursuant to the Administrative Measures on Pollutant Emission Permits (Trial) (《排污許可管理辦法(試行)》) (Order No. 48 of the Ministry of Environmental Protection) issued by the Ministry of Environmental Protection on January 10, 2018 and amended on August 22, 2019, enterprises, institutions and other producers and operators (the "**pollutant discharge enterprises**") that have been included in the Classification Management List for Fixed Source Pollution Permits (固定污染源排污許可分類管理名錄) shall apply for and obtain a discharge permit in accordance with the prescribed time limit. The pollutant discharge enterprises that are not included in the Classification Management List do not need to apply for a pollutant discharge permit temporarily. The pollutant discharge enterprise shall hold a pollutant discharge permit in accordance with the law and discharge pollutants in accordance with the discharge permit.

Pursuant to the Notice of the General Office of the State Council on Issuing the Implementation Plan for the Control of Pollutant Release Permit System (《國務院辦公廳關於印發控制污染物排放許可制實施方案的通知》) (Guobanfa [2016] No. 81) promulgated by the

General Office of the State Council on November 10, 2016 and the Classification Management List for Fixed Source Pollution Permits (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》) (Order No. 11 of the Ministry of Ecology and Environment) promulgated by the Ministry of Ecology and Environment on December 20, 2019, the state implements a focused management and a simplification of emission permits based on the pollutant-discharging enterprises and other manufacturing businesses' amount of pollutants, emissions and the extent of environmental damage. The manufacturing of drug substance and manufacturing dose for chemical drugs are industries that shall obtain the discharge permit in accordance with the prescribed time limit. The Ministry of Environmental Protection, which is later succeeded by the Ministry of Ecology and Environment, shall be responsible for guiding the implementation and the supervision of the National Sewage Permit system. The municipal environmental protection department shall be responsible for issuing the Pollutant Discharge Permit in the district where the pollutant discharging enterprise is located.

According to the Administrative Measures for the Permits for Discharge of Urban Sewage into the Drainage Pipeline (《城鎮污水排入排水管網許可管理辦法》) (No. 21 [2015] of the Ministry of Housing and Urban-Rural Development) issued by the Ministry of Housing and Urban-Rural Development on January 22, 2015 and became effective on March 1, 2015, the discharge of sewage from drainage facilities shall be subject to supervision and management. Without a drainage permit, any entity engaged in industry, construction, catering, medical and other activities shall not discharge sewage into urban drainage facilities.

Regulations on Labor and Employment

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

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated by the NPCSC, became effective on July 1, 2011 and amended on December 29, 2018, Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (Order No. 259 of the State Council) promulgated by the State Council on January 22, 1999, effective on the same date and amended on March 24, 2019, Trial Measures for Enterprise Staff Maternity Insurance (《企業職工生育保險試行辦法》) (No. 504 [1994] Ministry of Labor) promulgated by the Ministry of Labor on December 14, 1994 and effective on January 1, 1995, Regulations on Work-Related Injury Insurance (《工傷保險條例》) (Order No. 375 of the State Council) promulgated by the State Council on December 20, 2010, effective on January 1, 2004 and amended on December 20, 2010 and Regulations on Housing Provident Fund (《住房公積金管理條例》) (Order No. 262

of the State Council) promulgated by the State Council on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employing entity must pay basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund for its employees. If an employing entity fails to go through the formalities or does not pay the full amount as scheduled, the relevant administration department shall order it to make rectification or make up the payment within the prescribed time limit. If the rectification for social insurance registration is not made within the stipulated period, the employing entity shall be imposed a fine. If the payment for social insurance premium is not made within the stipulated period, the relevant administration department shall impose a fine on the employing entity. If an employing entity fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund account for its employees by the expiration of time limit, a fine shall be imposed. If an employing entity fails to make the payment and deposit of the housing provident fund within the prescribed period, an application may be made to the people's court for compulsory enforcement.

Regulations on Safety Production Management

Pursuant to the Law on Work Safety of the PRC (《中華人民共和國安全生產法》) which was effective on November 1, 2002 and amended on August 27, 2009 and August 31, 2014 respectively, enterprises engaged in production activities must strengthen safety production management, establish and improve the responsibility system for safe production and ensure a safe production environment. The state establishes and implements a system for the accountability of production safety accidents. If the company fails to comply with the provisions of the Law on Work Safety, the supervisory authority on production safety may issue a rectification order, impose a fine, order the company to cease production and operation, or revoke the relevant permit.

The R&D of new drugs entails the use of some hazardous chemicals, which shall be stored and used in compliance with the applicable regulations. Pursuant to the Regulations on Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》) (Order No. 344 of the State Council) which was promulgated by the State Council on January 26, 2002, effective on March 15, 2002 and amended on March 2, 2011 and December 7, 2013, respectively, the production, storage, use, operation, and transportation of hazardous chemicals must be in accordance with the safety management regulations. The hazardous chemical units shall oblige to the safety conditions required by laws and administrative regulations and state and industry standards, establish and improve safety management rules and post safety responsibility systems, and provide safety education and legal education and occupation technical training for employees. Employees should accept such education and training and may begin working only after qualifying the relevant assessment. Where it requires employees to have certain qualification to assume a post, an enterprise shall only designated employees having such qualification to assume the post.

Regulations on Foreign Investment

The Company will become a foreign-invested company limited by shares upon completion of the Global Offering. Foreign investors in the PRC are subject to certain restrictions regarding the types of industries they can invest in. The Special Administrative Measures for the Access of Foreign Investment (the "**Negative List**") (《外商投資准入特別管理措施(負面清單)(2020年版)》) was promulgated by the MOFCOM and the NDRC on June 23, 2020 and came into effect on July 23, 2020. The Negative List set out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. The Negative List covers 12 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

In accordance with the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) which was promulgated on March 15, 2019 and effective on January 1, 2020, it is applicable to the investment activities in the PRC carried out directly or indirectly by foreign natural persons, enterprises or other organizations.

Pursuant to the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) (Order No. 2 [2019] of the MOFCOM and the SAMR) promulgated by the MOFCOM and the SAMR on December 30, 2019 and effective on January 1, 2020, a listed foreign-funded company may, when the change of foreign investors' shareholding ratio accumulatively exceeds 5% or the foreign party's controlling or relatively controlling status changes, report the information on the modification of investors and the shares held by them.

Regulations on Overseas Investment

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) (Order No. 3 [2014] of the MOFCOM) which was issued by the MOFCOM on September 6, 2014 and became effective on October 6, 2014, the MOFCOM and the commerce departments at provincial levels shall subject the overseas investment of enterprises to recordation or confirmation management, depending on the actual circumstances of investment. Overseas investment involving any sensitive country or region, or any sensitive industry shall be subject to confirmation management. Overseas investment under other circumstances shall be subject to recordation management.

Pursuant to the Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》) (Order No. 11 of the NDRC) which was issued by the NDRC on December 26, 2017 and became effective on March 1, 2018, an enterprise in the territory of the PRC (the "**investor**") shall, in overseas investment, undergo the formalities for the confirmation or recordation, among others, of an overseas investment project (the "**project**"), report the relevant information, and cooperate in supervisory inspection. Sensitive projects conducted by investors directly or through overseas enterprises controlled by them shall be subject to confirmation management. Non-sensitive projects directly conducted by investors,

namely, non-sensitive projects involving investors' direct contribution of assets or rights and interests or provision of financing or security, shall be subject to recordation management. The aforementioned sensitive project means a project involving a sensitive country or region or a sensitive industry. The NDRC promulgated the Catalogue of Sensitive Sectors for Outbound Investment (2018 Edition) (《境外投資敏感行業目錄(2018年版)》), effective on March 1, 2018, to list the sensitive industries in detail.

Regulations on Intellectual Property

Software copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) which was promulgated by the NPCSC on September 7, 1990 and amended on October 27, 2001 and February 26, 2010, the copyright in a work shall belong to its author. Where a work is created according to the intention and under the supervision and responsibility of a legal entity or another organization, such legal entity or organization shall be the author of the work. Pursuant to the Regulation on Computer Software Protection (《計算機軟件保護條例》) (Order No. 84 of the State Council) which was promulgated by the State Council on June 4, 1991, effective on October 1, 1991 and amended on December 20, 2001, January 8, 2011 and January 30, 2013, respectively, the software copyright shall arise from the date of completion of software development. The protection period of the software copyright of a legal person or other entities shall be 50 years, ending on December 31, of the fiftieth year after the first publication of the software.

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) which was promulgated by the NPCSC on March 12, 1984, effective on April 1, 1985 and amended on September 4, 1992, August 25, 2000 and December 27, 2008, an invention or utility model for which a patent is to be granted shall be novel, inventive and practically applicable. The China National Intellectual Property Administration shall be responsible for accepting, examining and approving applications for patents. The duration of an invention patent shall be twenty years, and the duration of the patent for a utility model or design shall be ten years, counted from the date of application. Unless under special circumstances prescribed by the law, a third party shall only use such patents with the consent or permission of the patentee. Using such patents would otherwise constitute an infringement on a patent right. In addition, Draft Amendment to the Patent Law of the PRC (《專利法修正案草案》) was released in January 2019, and Second Draft Amendment to the PRC Patent Law (《專利法修正案(草案二次審議稿)》) was released to seek public comments in July 2020 and proposed to introduce patent extensions to patents of new drugs that launched in PRC.

Trademark

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

Domain Name

In accordance with the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) which was issued by the Ministry of Information Industry on August 24, 2017 and came into effect on November 1, 2017, the Ministry of Information Industry is responsible for supervision and administration of domain name services in the PRC. Communication administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services shall, in principle, be subject to the principle of "first apply, first register". A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration related information.

LAWS AND REGULATIONS RELATING TO OUR BUSINESSES IN THE UNITED STATES

The U.S. statutory and regulatory requirements for development of drugs, biologics, and medical devices are applicable to our business as a clinical research organization ("CRO"). A CRO is an entity or a person that assumes the clinical trial sponsor's obligations as an independent contractor, such as clinical trial design, selection or monitoring of investigations, and preparation of materials to be submitted to the FDA, among others. Companies that develop drugs, biologics, and medical devices, and seek to obtain marketing authorizations for such regulated products from the United States Food and Drug Administration ("FDA") engage us for laboratory, research, and other related services. Below, we briefly lay out the requirements that are applicable to us as a CRO.

Regulation of Drugs and Biologics in the United States

In the United States, FDA regulates drugs and biologics under the Federal Food, Drug, and Cosmetic Act ("FDCA"), the Public Health Services Act ("PHSA"), and their implementing regulations. Before a new drug or biologic may be FDA approved and marketed by a company, it must undergo extensive testing, development, and regulatory review to determine that it is safe and effective and to ensure that its manufacturing processes are capable of consistently ensuring the product candidate's identity, strength, quality, purity, and potency. It is not possible to estimate the duration of this testing and development with respect to a given product candidate, as such processes are product specific, although the time period may last many years, and require the expenditure of significant financial resources. The stages of this development process in the United States are generally as follows:

Preclinical Research

Preclinical research involves *in-vitro* and animal studies to evaluate product candidate chemistry, pharmacology, metabolism, toxicity, formulation, potential safety and efficacy, and/or any potential to cause a variety of adverse conditions or diseases, including birth defects or cancer. This includes the establishment of the relative toxicity of the product candidate over a wide range of doses. Such studies must generally be conducted in accordance with FDA's Good Laboratory Practice ("GLP") requirements that are outlined in the U.S. Code of Federal Regulations ("C.F.R.") in 21 C.F.R. Part 58, which are further discussed below. If results warrant continuing development of the drug or biologic, the results of the preclinical studies, together with manufacturing information, analytical data, any available clinical data, the proposed clinical study protocols, and available preclinical and clinical literature, among other items, are submitted to FDA by the product candidate sponsor as part of an investigational new drug ("IND") application. An IND application automatically becomes effective 30 days after receipt by FDA, unless FDA, within the 30-day time period, notifies the applicant of safety concerns or questions related to one or more proposed clinical trials and places the trial on a clinical hold. In such a case, the sponsor and FDA must resolve any outstanding concerns before the clinical trial can begin. Clinical holds also may be imposed by FDA at any time before or during trials due to safety concerns, or non-compliance with the study protocols or regulatory requirements. As a result, the mere submission of an IND application does not guarantee FDA authorization to commence a clinical trial. Depending on the clinical trial, additional FDA filings or authorizations may be required, such as investigational device exemptions for investigational in vitro diagnostic devices used during the course of a clinical trial studying a drug or biologic product candidate. Such clinical trials may also require compliance with FDA's investigational device exemption regulations. We discuss investigational device exemptions in more detail below.

Clinical Trials

When conducting clinical studies, manufacturers, sponsors, clinical investigators and institutional review boards are subject to Good Clinical Practice ("GCP") requirements, and must comply with various regulations regarding informed consent (21 C.F.R. 50),

responsibilities of Institutional Review Boards ("IRBs") (21 C.F.R. 56), certain disclosure requirements for clinical investigators (21 C.F.R. 54), and regulatory requirements for Investigational New Drugs (21 C.F.R. 312), and other applicable requirements.

Clinical trials are conducted under protocols detailing, among other things, the objectives of the trial, the trial procedures, the parameters to be used in monitoring safety, the effectiveness criteria to be evaluated, and a statistical analysis plan. A protocol for each clinical trial, and any subsequent protocol amendments, must be submitted to FDA as part of the IND application.

In addition, an IRB at each study site participating in the clinical trial or an external IRB must review and approve the plan for any clinical trial, informed consent forms, and communications to study subjects before a study commences at that site. Specifically, an informed consent form must include information such as:

- an explanation of the purposes of the research,
- the expected duration of the subject's participation,
- experimental procedures,
- reasonably foreseeable risks,
- potential benefits to the subject or to others that may reasonably be expected from the research,
- the extent to which confidentiality of records identifying the subject will be maintained,
- the possibility that FDA will inspect the records,
- whether any compensation and medical treatment are available in the case of an injury, and,
- a statement that participation is voluntary.

Depending on the nature of the trial, other statements regarding potential risks to the subject, circumstances when the subject's participation may be terminated without the subject's consent, additional costs to the subject, consequences of a subject's withdrawal from the study, and others may also need to be included in the consent form. Importantly, while FDA regulations leave to investigators the responsibility of obtaining informed consent forms, sponsors oftentimes provide the consent form, and clinical research organizations ("CRO") may need to ensure that the informed consent complies with the legal and regulatory requirements.

The IRB must also review materials such as amendments to informed consent, modifications to clinical trial protocols and procedures, and communications to study subjects. An IRB considers, among other things, whether the risks to individuals participating in the trials are minimized and are reasonable in relation to anticipated benefits, and whether the planned human subject protections are adequate. The IRB must continue to oversee the clinical trial while it is being conducted. During the course of a clinical study, the study sponsor and investigators must submit certain reports to FDA and the IRB, including annual reports and reports of serious adverse events or other significant safety information. Study sponsors, CROs, laboratories, and clinical and preclinical investigational sites must also ensure the integrity of the study data.

Depending on the exact terms in the agreement between the sponsor and the CRO, the CRO may take responsibility for the sponsor's compliance obligations. Such transfer of obligations must be accomplished through written agreements between the parties. For example, under FDA regulations for clinical trials of drugs, sponsors are responsible for selecting investigators who are qualified for the clinical trial, supporting the investigators by providing the information that the investigators need, ensuring that the clinical trial is conducted pursuant to the clinical trial protocol, notifying FDA and investigators of all significant adverse events or risks regarding the drug, and monitoring the clinical trial and the investigators. All of these are obligations for which a CRO may assume responsibility, depending on the agreement between the CRO and the sponsor. Under FDA regulations, a CRO is held to the same regulatory standard and subject to the same enforcement actions as the sponsor itself would have been, and failure to comply with such requirements may result in FDA enforcement actions against the CRO as well as CRO liability to sponsors.

FDA may order the modification or temporary or permanent discontinuation of a clinical trial at any time, or impose other sanctions, if it believes that the clinical trial either is not being conducted in accordance with the applicable legal and regulatory requirements or if it believes that the clinical trial presents an unacceptable risk to the clinical trial subjects. An IRB may also require the clinical trial at the site to be modified or permanently or temporarily halted for failure to comply with the IRB's requirements or if the trial poses an unexpected serious harm to subjects. FDA or an IRB may also impose conditions on the conduct of a clinical trial. Clinical trial sponsors may also choose to discontinue clinical trials as a result of risks to subjects, a lack of favorable results, or changing business priorities. IRB review and approval is typically required before a sponsor may do so.

In general, for purposes of product candidate approval, human clinical trials are typically conducted in three sequential phases, which may overlap or be combined.

- Phase I clinical trials include basic safety and pharmacology testing in human subjects, usually healthy volunteers, and include trials to evaluate dosage tolerance, structure-activity relationships, the metabolic and pharmacologic action of the product candidate in humans, how the drug or biologic works, how it is affected by

other drugs, how it is tolerated and absorbed, where it goes in the body, how long it remains active, and how it is broken down and eliminated from the body. If possible, Phase I trials may also be used to gain an initial indication of product candidate effectiveness.

- Phase II clinical trials include controlled efficacy (effectiveness) and dose-range testing in a limited patient population afflicted with a specific disease or condition for which the product candidate is intended for use. Phase II clinical trials evaluate product candidate safety, preliminary effectiveness, and optimal dose levels, dose schedules and routes of administration. If Phase II trials yield satisfactory results and no hold is placed on further trials by FDA, with IRB approval, Phase III trials can commence.

- Phase III clinical trials are adequate and well-controlled clinical trials undertaken in expanded subject populations. These include larger scale, multi-center (generally at geographically dispersed clinical trial sites), clinical trials conducted with patients afflicted by a target disease, in order to provide enough data for a valid statistical test of safety and effectiveness required by FDA and other regulatory authorities for approval, to establish the overall risk-benefit profile of the product, and to provide an adequate basis for product labelling. Typically, two Phase III trials are required by FDA for product approval. Under some limited circumstances, however, FDA may approve a marketing application based upon a single Phase III clinical study.

For certain types of applications, clinical and preclinical studies may be abbreviated. For instance, for abbreviated new drug applications ("ANDA"), which are applications for generic versions of approved drug products, FDA may approve a marketing application based upon the scientific demonstration that the product candidate is bioequivalent to, or performs in the same manner as, the innovator drug. The generic version must have the same active ingredients, dosage form, strength, route of administration, labeling, performance characteristics and intended use, and deliver the same amount of active ingredients to the site of the drug's action in the same amount of time as the innovator drug product. Under 505(b)(2) New Drug Applications, sponsors may rely, in part, on FDA prior findings of safety and effectiveness for a previously approved drug product or published literature, provided that the sponsor can adequately bridge to the previously approved drug product or literature.

Similarly, for biologic license applications for biosimilar[1] product candidates, the development pathway may be shorter than for a reference biologic.[2] To be deemed biosimilar, the product candidate must be highly similar to the reference product notwithstanding minor differences in clinically inactive components, and there must be no clinically meaningful differences between the biosimilar product candidate and the reference product in terms of safety, purity, and potency. Biosimilarity must be shown through analytical studies, animal studies, and at least one clinical trial, absent a waiver by FDA. There must be no difference between the reference product and a biosimilar in mechanism of action, conditions of use, route of administration, dosage form, and strength. A biosimilar product may be deemed interchangeable with a prior approved product if it meets the higher hurdle of demonstrating that it can be expected to produce the same clinical results as the reference product and, for products administered multiple times, the biologic and the reference biologic may be switched after one has been previously administered without increasing safety risks or risks of diminished efficacy relative to exclusive use of the reference biologic.

Concurrent with clinical trials, sponsors usually complete additional preclinical studies, including animal and stability studies, and must also develop additional information about the chemistry and physical characteristics of the product candidate as well as finalize a process for manufacturing the product in commercial quantities in accordance with Good Manufacturing Practice (GMP) requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, manufacturers must develop methods for testing the identity, strength, quality, potency, and purity of the final product. FDA may also require, or sponsors may conduct, additional clinical trials for the same indication after a product is approved. These so-called Phase IV studies may be made a condition to be satisfied after approval by FDA. The results of Phase IV studies can confirm or refute the effectiveness of a product candidate, and can provide important safety information. Following approval, product sponsors and their contractors must also continue to comply with applicable regulatory requirements, including GMPs for the manufacturing and testing of approved products. Marketing authorizations for products may be withdrawn if compliance with regulatory standards is not maintained or if problems occur following initial marketing. In addition, FDA and other major regulatory agencies may ask sponsor companies to prepare risk management plans for approved and marketed drugs and biologics, aimed at assessing areas of risks and plans for managing such risks should they materialize.

1 A biosimilar is a biological product that is highly similar to and has no clinically meaningful differences from an existing FDA-approved reference biologic. A proposed biosimilar product is compared to and evaluated against a reference product to ensure that the product is highly similar and has no clinically meaningful differences.

2 A reference product is the single biological product, already approved by FDA, against which a proposed biosimilar product is compared. A reference product is approved based on, among other things, a full complement of safety and effectiveness data.

Clinical studies may need to be registered on the National Institute of Health's clinical trials registry at **www.clinicaltrials.gov**, unless subject to certain exceptions. Information related to the product, patient population, study sites, investigators, and other aspects of the clinical trial are then made public as part of the registration. Sponsors are also obligated to disclose the results of their clinical trials after completion.

Good Laboratory Practice, Good Clinical Practice, Good Manufacturing Practice, and the Quality System Regulation

As referenced above, certain regulatory authorities, including FDA, require that submissions made to them are based on research, analysis or development studies conducted in accordance with GLP and GCP provisions and guidelines.

GLPs set forth the minimum basic requirements for the conduct of in vivo or in vitro experiments in which a test article is studied prospectively in a test system under laboratory conditions to determine its safety. In the United States, GLPs include a number of requirements relating to the conduct of preclinical studies, internal company organization and personnel, facilities, equipment, operations, test and control articles, study protocols, operating procedures, records and reporting, quality assurance, and the care and use of animals in testing. Other agencies, such as the US Department of Agriculture (USDA), also have requirements concerning the conduct of certain animal research and may have requirements for registrations, licenses, approvals, assurances, permits, certificates, and similar authorizations. Moreover, Institutional Animal Care and Use Committees ("IACUC"), review animal research protocols before animal research may commence.

GCPs set forth standards for the conduct of clinical trials in order to ensure that data and reported results are credible and accurate, and that the rights, safety, well-being, integrity, and confidentiality of trial participants are protected. GCPs include requirements concerning clinical study design, conduct, monitoring, auditing, analysis, recording and reporting, among other requirements. GCPs also require that all research subjects provide their informed consent in writing for their participation in any clinical trial and that all studies be reviewed and approved by an IRB.

Regulatory authorities also require that drugs, biologics, their Active Pharmaceutical Ingredients ("APIs"), and medical devices intended for use in clinical trials or for the commercial market be manufactured and tested in accordance with certain GMP and, if applicable, certain Quality System Regulation ("QSR") requirements. These requirements require that manufacturers, which include entities conducting certain laboratory testing, adequately control design and manufacturing operations, among others. This standard includes establishing quality systems, quality control and assurance; obtaining raw materials that meet quality requirements; establishing operating procedures; detecting and investigating deviations; maintaining laboratory quality; maintaining records, samples, and documentation; and ensuring the integrity of manufacturing and testing data. Additional state licenses, permits, and registrations may also be required. Sponsors of Investigational Device Exemption ("IDE") applications are exempt from the QSR requirements except for design controls.

Records for laboratory research, clinical studies, and manufacturing and testing must be maintained for specified periods for inspection by FDA and other regulators. FDA requires that electronic records and electronic signatures meet additional requirements to be considered trustworthy, reliable, and generally equivalent to paper records and handwritten signatures. Non-compliance with GLP, GCP, GMP, or QSR requirements can result in the disqualification of data collected during the clinical trial, as well as other enforcement actions. In addition to the above, depending on the jurisdiction, additional laws and regulations may be applicable. For instance, individual states in the United States regulate certain clinical testing activities, requiring state licensing and validation of the individual tests, and often impose additional requirements for informed consents.

NDA, ANDA or BLA Preparation and Submission

Upon completion of product development and preclinical and clinical trials, the sponsor assembles the statistically analyzed data from all phases of development, along with the chemistry, manufacturing, and pre-clinical data, and the proposed labelling, among other things, into a single marketing application, which, depending on the product candidate, may be a (i) new drug application, or NDA, (ii) full biologic licence application, or BLA, (iii) ANDA, or (iv) a BLA for a biosimilar product. FDA carefully scrutinizes the submitted information and data to determine whether the sponsors and any other companies, such as CROs and laboratories working on the sponsor's behalf, have complied with the applicable regulations, and to determine whether the drug or biologic is safe and effective for its intended use. Additionally, FDA typically will inspect the facility or facilities where the product is manufactured. FDA will not approve an application unless it determines that the manufacturing processes and facilities, including contract manufacturers and subcontractors, are in compliance with GMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving a marketing application, FDA may inspect one or more clinical trial sites to assure compliance with GCPs.

FDA may also inspect others involved in the product candidate development process, such as pre-clinical trial sites and laboratories. Even after accepting the submission for review, FDA may require additional testing or information before approval of the application. FDA must deny approval of an application if applicable regulatory requirements are not satisfied. Moreover, after approval, some types of changes to the approved product, such as adding new indications, manufacturing and testing changes, and additional labeling claims, are subject to further testing requirements and FDA review and approval. Following product approval, drug and biologic products must continue to be manufactured and tested in accordance with FDA's regulatory requirements, including GMPs.

The above statutory and regulatory requirements may become applicable to us during the development of, and preparation of marketing authorization applications for, drugs and biologics. Below, we discuss the legal and regulatory requirements for medical devices, which are similar but are different from the legal and regulatory requirements for drugs and biologics in several important ways.

Impact of US Regulations: FDA Enforcement

In the United States, FDA has authority to inspect and bring enforcement actions against facilities that conduct research on product candidates which are ultimately intended for marketing in the United States, including CROs, and clinical and preclinical study sites. FDA also has authority under the FDCA to take legal and regulatory actions against products that do not comply with its requirements, which include products that are intended for use in clinical trials. FDA also has the authority to inspect facilities, including laboratories, that manufacture and test products and product candidates intended for use in clinical trials or for marketing in the U.S. following FDA approval. FDA may inspect such facilities, regardless of whether such facilities are located in the U.S. or overseas, including facilities belonging to entities other than the product or product candidate sponsor. Inspections by FDA have the objective of confirming compliance with FDA regulatory requirements, including GLPs, GCPs, GMPs, and QSRs (discussed in above sections), as applicable, and identifying and requiring correction of noncompliant conditions.

When inspecting sponsors or CROs for a clinical investigation, FDA may review information such as whether investigator agreements are in place, whether the sponsor or CRO provided all the necessary information to the investigators for the investigators to be able to carry out the clinical trials properly (e.g., protocols, labeling, investigator brochures, etc.), determine how the sponsor or CRO reviews and addresses any deviations from the study protocol, and how the sponsor or CRO selects monitors and reviews the ongoing clinical trials for compliance with the legal and regulatory requirements, and the clinical trial protocols and requirements. As noted previously, a CRO's obligations under FDA regulations are at least determined in part by the obligations that are transferred from the sponsor to the CRO through written agreements.

Inspections undertaken by FDA, in which the inspector observes conditions that do not comply with the applicable regulatory requirements, may result in FDA issuing a Form 483. A Form 483 contains observations which, in the inspector's judgment, may constitute potential violations ranging from relatively minor to critical issues. For example, some of FDA's common observations for sponsors and/or CROs include but are not limited to:

- Failure to select qualified investigators and/or monitors, ensure proper monitoring of the study and ensure the study is conducted in accordance with the protocol and/or investigational plan.

- Failure to bring non-compliant investigators into compliance.

- Failure to maintain and/or retain adequate records in accordance with 21 C.F.R 312.57, and ensure accountability for the investigational product.

The Form 483 does not constitute a final FDA determination of whether any condition is violative. Rather, the Form 483 is considered by FDA, along with a full written report, evidence or documentation collected during the inspection, and any company responses. Based upon this information, FDA determines what further action, if any, is appropriate. The inspected company is responsible for responding directly to FDA with a corrective action plan addressing any cited objectionable conditions in the Form 483 and implementing that plan expeditiously.

The production of a Form 483 with significant or critical observations, or other determinations by FDA of regulatory non-compliance can precipitate immediate and extremely severe action by FDA on the facility's operations and business, as well as causing serious and sometimes irreparable damage to a company's reputation. FDA's enforcement actions may include:

- **Warning Letters**. If FDA finds serious non-compliance or violations, or if FDA's Form 483 observations are not adequately addressed by the recipient in a timely manner, FDA may send correspondence to the responsible party notifying the party that FDA will take further enforcement action unless the non-compliance or violations are addressed. FDA typically requests that the recipient respond with the proposed steps for correcting and preventing future violations. If the response does not sufficiently address FDA's concerns, FDA may bring additional enforcement actions.

- **Recall.** FDA has the authority to order recall of medical devices that do not comply with the FDCA, if the agency finds that there is a reasonable probability that the devices could cause serious, adverse health consequences or death. FDA exercises this authority rarely and the responsible parties usually carry out the recall voluntarily. On the other hand, FDA does not have a recall authority for drugs; however, FDA still makes requests for voluntary recall of drugs that FDA considers to be non-compliant or violative, and companies tend to comply with FDA's such request to avoid drawing the ire of the agency.

- **Seizure.** FDA may attempt to remove from interstate commerce products that are adulterated or misbranded, pursuant to Section 304 of the FDCA. FDA files a Complaint for Forfeiture and upon obtaining a warrant, directs the US marshal to seize the violative medical devices. Before commencing seizure actions, the agency may send prior warnings to attempt to convince the responsible party to voluntarily recondition and bring the products into compliance. If the responsible party does not comply, the agency may institute seizure actions.

- **Injunction**. An injunction is a civil judicial process initiated to stop or prevent violation of the law, such as to halt the flow of violative products in interstate commerce, and to correct the conditions that caused the violation to occur. FDA may seek to enjoin the actions of the party or parties responsible for non-compliance or

conduct violative of the FDCA. If FDA considers the non-compliance or violation to be serious, FDA may file a complaint for injunction by coordinating with the Department of Justice to enjoin the responsible party from further engaging in violative conduct.

- **Criminal Prosecution**. Criminal prosecution may be recommended in appropriate cases for violation of Section 301 of the FDCA. Misdemeanor convictions, which do not require proof of intent to violate the FDCA, can result in fines and/or imprisonment up to one year. Felony convictions, which apply in the case of a second violation or intent to defraud or mislead, can result in fines and/or imprisonment up to three years.

In addition to the above, FDA's enforcement actions may include, but are not limited to, costly corrective actions; rejection of study results as a basis for approval of marketing applications or supplements; restrictions on operations, including the discontinuation of services or closing of facilities; clinical holds; discontinuations or suspension of studies; issuance of adverse public statements or alerts; fines; restitution; disgorgement of profits or revenue; debarment or suspension; disqualification of testing facilities and investigators; consent decrees or other settlement agreements; and civil and criminal penalties.

Legal and Regulatory Policies during the COVID-19 Public Health Crisis

Following the outbreak of COVID-19 since the end of 2019, FDA and other regulatory agencies have been promulgating new policies and relaxing regulatory requirements to enable effective and expedited responses to the global health crisis. In particular, the Secretary of the Department of Health and Human Services ("HHS") announced on February 4, 2020 that pursuant to section 564 of the FDCA, there is a public health emergency that has a significant potential to affect national security or the health and security of United States citizens living abroad. This determination provided FDA the authority to issue emergency use authorizations ("EUAs") for products such as diagnostic test kits for COVID-19, personal protective equipment, and other products for use during the COVID-19 crisis.

FDA also issued guidance documents that are specific to the conduct of clinical trials during COVID-19, such as *FDA Guidance on Conduct of Clinical Trials of Medical Products during COVID-19 Public Health Emergency and Statistical Considerations for Clinical Trials During the COVID-19 Public Health Emergency*. FDA recognizes in these guidance documents that quarantines, site closures, travel limitations, interruptions to the supply chain for the investigational product, or the site personnel or the subjects' illnesses can affect the conduct of clinical trials. FDA emphasizes that ensuring the safety of the study subjects is critical and makes recommendations to help sponsors alleviate the potential impact of the COVID-19 crisis on clinical trials, such as recommendations for documenting protocol deviations and protocol modifications for collection of efficacy endpoints.

Regulation of Laboratories in the United States

Our United States laboratories are subject to licensing and regulation under federal, state and local laws relating to employee right-to-know regulations, and the safety and health of laboratory employees. To the extent that our United States laboratories test human specimens for the purpose of providing information for the diagnosis, prevention, or treatment of a human disease or impairment, or assessment of human health, our laboratories must obtain a certificate under the Clinical Laboratory Improvement Amendments and follow associated requirements. Additionally, our United States laboratories are subject to applicable federal and state laws and regulations and licensing requirements relating to the handling, storage and disposal of controlled substances and listed chemicals, hazardous waste, radioactive materials and laboratory specimens, including the regulations of the Environmental Protection Agency, the Nuclear Regulatory Commission, the Department of Transportation, the National Fire Protection Agency and the United States Drug Enforcement Administration ("DEA").

Regulation of Patient Information in the United States

In the course of providing our services, we may be provided with patient-specific information and health information which is subject to governmental regulations. Regulations to protect the safety and privacy of human subjects who participate in or whose data are used in clinical research generally require clinical investigators to obtain affirmative informed consent from identifiable research subjects before research is undertaken.

Under the Health Insurance Portability and Accountability Act and regulations promulgated thereunder ("HIPAA"), the United States Department of Health and Human Services Office for Civil Rights has issued regulations mandating heightened privacy and confidentiality protections for certain types of individually identifiable health information, or protected health information ("PHI"), when used or disclosed by healthcare providers and other HIPAA-covered entities or business associates that provide services to or perform functions on behalf of these covered entities. Generally, a disclosure of PHI by a HIPAA-covered entity for research purposes requires a written authorization from the patient, unless a waiver of authorization is approved by an IRB or Privacy Board in accordance with HIPAA requirements.

United States Healthcare Fraud and Abuse Laws

CROs may be subject to many federal and state healthcare laws, such as the federal Anti-Kickback Statute, the federal civil and criminal False Claims Acts, the civil monetary penalties statute and other laws relating to patient inducements, the Medicaid Drug Rebate statute and other price reporting requirements, the Veterans Health Care Act of 1992, the Foreign Corrupt Practices Act of 1977, the Patient Protection and Affordable Care Act of 2010, and similar state laws. Even when a CRO does not control referrals of healthcare services or bill directly to Medicare, Medicaid, or other third-party payors, certain federal and state healthcare laws and regulations pertaining to fraud and abuse, reimbursement programs,

government procurement, and patients' rights may be applicable to a CRO and its business. CROs would be subject to healthcare fraud and abuse regulation by both the federal government and the states in which they conduct their business.

Violation of or non-compliance with any federal or state healthcare law, or any other governmental laws or regulations that are applicable, may result in penalties, including civil, criminal, and administrative penalties, damages, fines, disgorgement, suspension, debarment from government contracts, refusal of orders under existing government contracts, exclusion from participation in U.S. federal or state healthcare programs, corporate integrity agreements, or curtailment or restructuring of the CRO's operations, all of which could severely disrupt and damage a CRO's operations. To reduce the risk of such enforcement actions, companies should implement compliance programs that are designed to systemize a company's compliance functions and prevent or reduce the likelihood of violations or non-compliance. This is especially important because any enforcement actions or lawsuits that relate to violation or non-compliance with healthcare laws, even when successfully defended, could cause a CRO to incur significant legal expenses and may result in severe disruption to the CRO's business.

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this Prospectus, which is subject to change or adjustment and may have retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

The PRC Taxation

Taxation on Dividends

Individual Investor

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》), which was most recently amended on August 31, 2018 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法實施條例》), which was most recently amended on December 18, 2018 and came into effect on

January 1, 2019 (the "IIT Law"), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty. Pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《關於個人所得税若干政策問題的通知》), which was issued by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") on May 13, 1994 and came into effect on the same date, the incomes gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempt from individual income tax for the time being.

Enterprise Investors

According to the Enterprise Income Tax Law of PRC (《中華人民共和國企業所得税法》), which was promulgated by the NPC on March 16, 2007, implemented on January 1, 2008, and subsequently amended on February 24, 2017 and December 29, 2018 respectively, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) enacted on December 6, 2007 by the State Council and became effective on January 1, 2008, and amended on April 23, 2019 (the "EIT Law"), a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular of on Issues Relating to the Withholding and Remitting of Enterprise Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》) (Guo shui [2008] No.897), which was issued and implemented by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Corporate Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (《關於非居民企業取得B股等股票股息徵收企業所得税問題的批覆》) (Guo shui [2009] No.394), which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《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》) (the "the Arrangement"), which was signed on August 21, 2006 and came into effect on December 8, 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including resident individual and resident entities) in an amount not exceeding 10% of the total dividends payable by the PRC company unless a Hong Kong resident directly holds 25% or more of the equity interest in the PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《<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>第五議定書》) issued by the SAT, which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui [2009] No. 81) promulgated on February 20, 2009.

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the PRC enterprise income tax imposed on the dividends received from PRC enterprises. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macao Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the PRC tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

Taxation on Share Transfer

Income tax

Individual Investors

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%.

Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui [1998] No. 61) issued by the SAT on March 20, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The SAT has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the latest amended IIT Law.

However, on December 31, 2009, the MOF, SAT and China Securities Regulatory Commission (the "CSRC") jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167), which came into effect on December 31, 2009, which states that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) jointly issued and implemented by the above three departments on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-PRC resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

Enterprise Investors

In accordance with the EIT Law, a non-resident enterprise is generally subject to enterprise income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income

is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》), which was issued on August 6, 1988 and latest amended on January 8, 2011, and the Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》), which came into effect on September 29, 1988, PRC stamp duty only applies to specific taxable document executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this Prospectus, no estate duty has been levied in the PRC under the PRC laws.

Shanghai-Hong Kong Stock Connect Taxation Policy

On October 31, 2014, the MOF, SAT and CSRC jointly issued the Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2014] No. 81) (the "Shanghai-Hong Kong Stock Connect Taxation Policy") which clarified the relevant taxation policy under Shanghai-Hong Kong Stock Connection. The Shanghai-Hong Kong Stock Connect Taxation Policy has come into effect on November 17, 2014.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, individual income tax will be temporarily exempted for transfer spread income derived from investment by mainland individual investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect from November 17, 2014 to November 16, 2017. Pursuant to the Notice on Continuing the Application of Relevant Individual Income Tax Policies regarding the Inter-connected Mechanism of Trading on the Shanghai Stock Market and the Hong Kong Stock Market (《關於繼續執行滬港股票市場交易互聯互通機制有關個人所得稅政策的通知》) (Cai Shui [2017] No. 78), which was issued by the MOF, SAT and CSRC on November 1, 2017, the aforesaid individual income tax shall continue to be temporarily exempted from November 17, 2017 to December 4, 2019. Pursuant to the Notice on Continuing the Application of Individual Income Tax Policies Relating to Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and Mainland and Hong Kong Mutual Recognition of Funds (《關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) (Announcement [2019] No. 93 of the MOF) which was issued by the MOF, SAT and CSRC on December 4, 2019, the aforesaid individual income

tax shall continue to be temporarily exempted from December 5, 2019 to December 31, 2022. Business tax will be temporarily exempted in accordance with the current policy for the spread income derived from dealing in stocks listed on Hong Kong Stock Exchange by mainland individual investors through Shanghai-Hong Kong Stock Connection; for avoidance of doubt, the aforesaid business tax shall mean Value-added Tax (the "VAT") due to business tax was replaced with VAT. For dividends obtained by mainland individual investors or mainland securities investment funds from investing in H shares listed on Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connection, individual income tax shall be withheld by H-share companies at the tax rate of 20%. For dividends obtained by mainland individual investors or mainland securities investment funds from investing in non-H shares listed on Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connection, individual income tax shall be withheld by China Securities Depository and Clearing Co., Ltd (the "CSDC") at the tax rate of 20%. Individual investors may, by producing the tax payments document, apply for tax credit relating to the withholding tax already paid abroad to the competent tax authority of CSDC.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, enterprise income tax will be levied according to law on transfer spread income and dividend income (included in total income) derived from investment by mainland enterprise investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connection. Business tax will be levied or exempted in accordance with the current policy for spread income derived from dealing in stocks listed on the Stock Exchange by mainland enterprise investors through Shanghai-Hong Kong Stock Connection; for avoidance of doubt, the aforesaid business tax shall mean VAT due to business tax was replaced with VAT. In particular, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend income obtained by mainland enterprise investors, H-share companies will not withhold dividend income tax for mainland enterprise investors. The tax payable shall be declared and paid by the enterprises themselves. Mainland enterprise investors, when declaring and paying enterprise income tax themselves, may apply for tax credit according to law in respect of dividend income tax which has been withheld and paid by non-H share companies listed on the Hong Kong Stock Exchange.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, mainland investors who trade or inherit shares listed on the Hong Kong Stock Exchange, or give such shares as gifts, through Shanghai-Hong Kong Stock Connection shall pay stamp duty in accordance with the current tax laws of Hong Kong. CSDC and Hong Kong Securities Clearing Company Limited, may collect the abovementioned stamp duty on each other's behalf.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

According to the EIT Law, a resident enterprise shall pay EIT for its global income originating from both inside and outside PRC at an EIT rate of 25%. Foreign invested enterprises in the PRC falls into the category of resident enterprises, which shall pay EIT for the global income originating from both inside and outside PRC at an EIT rate of 25%. A non-resident enterprise having no establishment or premise in the PRC, or for a non-resident enterprise whose incomes has no real connection with its establishment or premise in the PRC shall pay enterprise income tax for the incomes derived from the PRC at a rate of 10%.

Pursuant to the Administrative Measures on Accreditation of High-tech Enterprises (《高新技術企業認定管理辦法》) (Guo Kai Fa Huo [2016] No. 32), which was promulgated by the Ministry of Science and Technology, the MOF and SAT on January 29, 2016, and took effect from January 1, 2016, qualifications of an accredited high-tech enterprise shall be valid for three years from the date of issuance of the certificate upon obtaining the qualification as a high-tech enterprise, the enterprise shall complete tax reduction and exemption formalities with the tax authorities in charge pursuant to the provisions of Article 4 of these measures.

Value-added Tax

According to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值税暫行條例》) which was promulgated by the State Council on December 13, 1993, and amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值税暫行條例實施細則》) which was promulgated by the MOF on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 17%, except when specified otherwise.

In accordance with Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業税改徵增值税試點的通知》) (Cai Shui [2016] No. 36), which was promulgated on March 23, 2016 and came into effect on May 1, 2016, upon approval of the State Council, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016.

The Notice on the Adjustment to VAT Rates (《關於調整增值税税率的通知》) (Cai Shui [2018] No. 32), promulgated by the MOF and the SAT on April 4, 2018 and became effective as of May 1, 2018 adjusted the applicative rate of VAT, and the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值税改革有關政策的公告》) (Announcement [2019] No. 14 of the MOF, SAT and the General Administration of Customs), promulgated by MOF, SAT and General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The State Administration of Foreign Exchange (the "SAFE"), with the authorization of the People's Bank of China (the "PBOC"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》), which was issued by the State Council on January 29, 1996, implemented on April 1, 1996 and latest amended on August 5, 2008. The latest amendment to the Regulations on Foreign Exchange Control of the PRC clearly states that PRC will not impose any restriction on international current payments and transfers, while capital items are still subject to the existing restrictions.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (Yin Fa [1996] No. 210), which was promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital account items.

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

On October 23, 2014, the State Council issued the Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50), which canceled the administrative approval by the SAFE and its branches for matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

According to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54) issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of SAFE at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a special account at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the Notice of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13), which was issued by the SAFE on February 13, 2015, came into effect on June 1, 2015 and partially repealed on 30 December, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice on Revolutionizing and Regulating Capital Account Settlement Management Policies (《關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) which was promulgated by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

On January 26, 2017, Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) (Hui Fa [2017] No. 3) was issued by SAFE to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

OVERVIEW

We are a leading non-clinical CRO focused on drug safety assessment. We are also in the process of expanding our offerings to an integrated range of services covering discovery, pre-clinical and clinical trial stages in the drug R&D service chain. Our non-clinical studies refer to pharmaceutical R&D studies other than clinical trials conducted on human subjects. Such non-clinical studies encompass all major stages of the pharmaceutical R&D process, including discovery, pre-clinical and clinical trial stages. Setting out as a CRO specialized in pharmacology and toxicology studies for innovative drugs in China, we have now become the largest CRO in non-clinical drug safety assessment in China with a market share of 15.7% in terms of revenues in 2019, according to Frost & Sullivan.

The history of our Company dates back to August 11, 1995 when JOINN Laboratories (China) Research and Development Centre (北京昭衍新藥研究開發中心) was established as an enterprise owned by the whole people (全民所有制企業) with a registered share capital of RMB0.1 million, funded primarily by our initial shareholders with their personal funds.The shareholding structure of JOINN Laboratories (China) Research and Development Centre as of the date of its establishment was as follows.

Name of the Shareholders	Percentage of shareholding
	(%)
Ms. Feng	50
Mr. Zhou	50

Details of the background of Ms. Feng is set out in the section headed "Directors, Supervisors and Senior Management" in this Prospectus. Mr. Zhou is the spouse of Ms. Feng. He is not involved in the day-to-day management of our Company and does not serve any role in our Company.

On February 25, 1998, JOINN Laboratories (China) Research and Development Centre was converted into a joint stock co-operative enterprise (股份合作制企業) and renamed as JOINN Laboratories (China) Research Centre (北京昭衍新藥研究中心).

On February 14, 2008, JOINN Laboratories (China) Research Centre was converted into a limited liability company and renamed as JOINN Laboratories (China) Ltd. (北京昭衍新藥研究中心有限公司).

On December 26, 2012, upon approval by Beijing Administration for Industry and Commerce (北京市工商行政管理局), JOINN Laboratories (China) Ltd. was converted into a joint-stock company with limited liability and renamed as JOINN Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司), which is our Company. Our PRC Legal Advisor has confirmed that our Company has been duly incorporated and is validly existing as a joint stock company with limited liability and the conversion is in compliance with the relevant PRC laws and regulations in all material respects.

Since August 25, 2017, our A Shares have been listed on the Shanghai Stock Exchange (stock code: 603127). Since the date of our listing on the Shanghai Stock Exchange and up to the Latest Practicable Date, we had not received any notice from the Shanghai Stock Exchange alleging any non-compliance incidents on the part of our Company, and our Directors confirm that we had no instances of non-compliance with the rules of the Shanghai Stock Exchange in all material respects, and to the best knowledge of our Directors after having made all reasonable enquiries, there is no matter that should be brought to investors' attention in relation to our compliance record on the Shanghai Stock Exchange. Based on the filings on the website of the Shanghai Stock Exchange, the information available in the public domain and the independent due diligence conducted, the Sole Sponsor and our PRC Legal Advisor are of the view that the above confirmation of our Directors with regard to our compliance record is accurate and reasonable. There was an alleged violation of an undertaking (the "**Undertaking**") provided by our Company in 2011 for the purpose of the listing of the A shares of Staidson on the Shenzhen Stock Exchange, in respect of the related party transactions conducted between Staidson and our Company involving the provision of clinical CRO services by our Company to Staidson. As of the Latest Practicable Date, our Company or Ms. Feng had not received any inquiry, penalty, sanctions or be recorded in the securities and futures market integrity archives as a result of the relevant related party transactions and the Undertaking. For details of the Undertaking and the alleged violation, see "Connected Transactions — B. Non-Exempt Continuing Connected Transaction — 1. Staidson Research and Development Service Framework Agreement — Further Information about the Historical Related Party Services Transactions with Staidson Group".

BUSINESS DEVELOPMENT MILESTONES

The following table shows our key business development milestones since our inception.

Year	Event
1995	• JOINN Laboratories (China) Research and Development Centre was established and our facilities in Beijing commenced operations.
1998	• Our first safety assessment on a gene therapy drug was completed.
2005	• Our Company passed our first GLP inspection conducted by NMPA and subsequently passed every GLP inspection conducted by NMPA.
2008	• JOINN Laboratories (Suzhou) was established. • Both of our facilities in Beijing and Suzhou obtained AAALAC certification.
2009	• Our facilities in Beijing successfully passed U.S. FDA's GLP inspection and on-site audit.
2013	• Our facilities in Suzhou obtained the first GLP certification from NMPA. • Our facilities in Beijing successfully passed U.S. FDA's second GLP inspection.
2015	• Our facilities in Suzhou was accredited for the OECD GLP certification issued by an agency with OECD authority.
2016	• Our facilities in Suzhou successfully passed U.S. FDA's first GLP inspection.
2017	• Our Company's A Shares were listed on the Shanghai Stock Exchange.
2019	• Our facilities in Suzhou successfully passed U.S. FDA's second GLP inspection. • We acquired Biomere, a pre-clinical CRO in the U.S.

MAJOR CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS

Conversion into a limited liability company in February 2008

On February 14, 2008, upon approval by Beijing Administration for Industry and Commerce, JOINN Laboratories (China) Research Centre was converted into a limited liability company with a registered capital of RMB50 million and renamed as JOINN Laboratories (China) Ltd. The amount of registered share capital was determined with reference to the asset appraisal value of JOINN Laboratories (China) Ltd. Upon completion of the conversion into a limited liability company, the shareholding structure of JOINN Laboratories (China) Ltd. was as follows:

Name of the Shareholder	Approximate percentage of shareholding
	(%)
Ms. Feng	42.50
Mr. Zhou	42.50
Mr. Zuo Conglin (左從林)	5.00
Ms. Li Tao (李濤)[(1)]	5.00
Mr. Zhang Hongshan (張洪山)[(1)]	5.00
Total	**100.00**

Notes:

(1) Ms. Li Tao and Mr. Zhang Hongshan are former employees of our Company who resigned in 2002 voluntarily and are Independent Third Parties.

Conversion into a Joint Stock Company in December 2012

On December 26, 2012, upon registration with the Beijing Administration for Industry and Commerce, JOINN Laboratories (China) Ltd. was converted into a joint stock company with a registered share capital of RMB61,300,000 and renamed as JOINN Laboratories (China) Co., Ltd.. The audited net assets of RMB121,038,060.33 of JOINN Laboratories (China) Ltd. as at June 30, 2012 were converted into 61,300,000 Shares of RMB1.00 per Share.

The shareholding structure of our Company immediately after the completion of the conversion into a joint stock company was as follows:

Name of the Shareholder	Number of shares	Approximate percentage of shareholding
		(%)
Ms. Feng	23,309,500	38.03
Mr. Zhou	12,853,100	20.97
Mr. Gu Zhenqi (顧振其)[(1)]	7,900,600	12.89
Ms. Gu Meifang (顧美芳)[(2)]	4,935,600	8.05
Mr. Zuo Conglin	3,649,000	5.95
Mr. Li Chengyu (李成玉)[(3)]	2,627,700	4.29
Suzhou Xiangtang Venture Capital Co., Ltd. (蘇州香塘創業投資有限責任公司)[(4)]	1,920,000	3.13
Kunshan Hengding Foundation Equity Investment Partnership (Limited Partnership) (昆山恒鼎基業股權投資合夥企業(有限合夥))[(5)]	1,380,000	2.25
Ms. Sun Yunxia (孫雲霞)[(6)]	856,100	1.40
Jiangsu Jinmao Low Carbon Industry Venture Capital Co., Ltd. (江蘇金茂低碳產業創業投資有限公司)[(7)]	600,000	0.98
Mr. Feng Qiuling (馮邱淩)[(8)]	518,400	0.85
Mr. Sun Huiye (孫輝業)[(11)]	60,000	0.10
Ms. Liu Xiuwen (劉秀文)[(10)]	50,000	0.08
Mr. Cai Yuchun (蔡玉春)[(9)]	50,000	0.08
Mr. Gu Jingliang (顧靜良)[(12)]	30,000	0.05
Mr. He Yanan (何亞男)[(9)]	30,000	0.05
Ms. Ma Jinling (馬金玲)[(9)]	30,000	0.05
Ms. Yin Lili (尹麗莉)[(11)]	30,000	0.05
Ms. Du Jie (杜傑)[(10)]	30,000	0.05
Mr. Yu Chunrong (于春榮)[(10)]	30,000	0.05
Mr. Zhang Sucai (張素才)[(9)]	30,000	0.05
Mr. Li Hongzhen (李洪貞)[(9)]	30,000	0.05
Ms. Li Yuejuan (李月娟)[(9)]	30,000	0.05
Mr. Song Shaowei (宋紹偉)[(10)]	30,000	0.05
Mr. Zhang Haifei (張海飛)[(9)]	30,000	0.05
Mr. Yang Xiaodong (楊曉東)[(13)]	30,000	0.05
Mr. Zhang Yanlin (張延林)[(14)]	20,000	0.03
Mr. Zhang Qingzhi (張青枝)[(9)]	20,000	0.03
Ms. Ma Xianmei (馬憲梅)[(3)]	20,000	0.03
Mr. Wang Hui (王輝)[(10)]	20,000	0.03
Ms. Li Ye (李葉)[(11)]	20,000	0.03
Mr. Wang Xiaofan (王曉凡)[(10)]	20,000	0.03

Name of the Shareholder	Number of shares	Approximate percentage of shareholding
		(%)
Mr. Deng Le (鄧樂)[9]	20,000	0.03
Ms. Peng Xia (彭霞)[9]	20,000	0.03
Ms. Xu Jie (徐潔)[15]	20,000	0.03
Mr. Zhang Shaojie (張少傑)[9]	20,000	0.03
Mr. Song Liangwen (宋良文)[16]	20,000	0.03
Ms. Fan Yong (樊勇)[14]	10,000	0.02
Total	**61,300,000**	**100.00**

Notes:

(1) Mr. Gu Zhenqi is the father of Mr. Gu Xiaolei, a non-executive Director of our Company.

(2) Ms. Gu Meifang is a former director of our Company who ceased to be a director since January 2019 due to expiration of her tenure. Ms. Gu Meifang is the aunt of Mr. Gu Xiaolei.

(3) Mr. Li Chengyu and Ms. Ma Xianmei are Independent Third Parties. Ms. Ma Xianmei is the wife of Mr. Song Liangwen, a Shareholder of our Company who is also an Independent Third Party.

(4) Suzhou Xiangtang Venture Capital Co., Ltd. is a venture capital fund established in the PRC in 2007. It is owned as to 88.75% by Xiangtang Group Co., Ltd. (香塘集團有限公司, formerly known as Jiangsu Xiangtang Group Co., Ltd.), which is wholly-owned by Mr. Gu Zhenqi and Mr. Gu Jianping (顧建平), who are the father and grandfather of Mr. Gu Xiaolei respectively.

(5) Kunshan Hengding Foundation Equity Investment Partnership (Limited Partnership) is a private equity fund established in the PRC in 2012. The executive partner of Kunshan Hengding Foundation Equity Investment Partnership LP (昆山恒鼎基業股權投資合夥企業(有限合夥)) is Mr. Liang Shun (梁順), an Independent Third Party.

(6) Ms. Sun Yunxia is an executive Director and the vice general manager of our Company.

(7) Jiangsu Jinmao Low Carbon Industry Venture Capital Co., Ltd. is a private equity fund established in the PRC in 2010. It is owned by Changshou Jingxin Low Carbon Industry Investment Co., Ltd. (常熟經信低碳產業創業投資有限公司), an Independent Third Party, as to 67.11%.

(8) Ms. Feng Qiuling is an employee of our Group and is the sister of Ms. Feng.

(9) Mr. Cai Yuchun, Mr. Gu Jingliang, Mr. He Yanan, Ms. Ma Jinling, Mr. Zhang Sucai, Mr. Li Hongzhen, Ms. Li Yuejuan, Mr. Zhang Haifei, Mr. Zhang Qingzhi, Mr. Deng Le, Ms. Peng Xia and Mr. Zhang Shaojie are employees of our Group who are Independent Third Parties.

(10) Ms. Liu Xiuwen, Mr. Yu Chunrong, Mr. Wang Xiaofan, Ms. Du Jie, Mr. Song Shaowei and Mr. Wang Hui are former employees of our Group who are Independent Third Parties.

(11) Mr. Sun Huiye, Ms. Yin Lili and Ms. Li Ye are Supervisors of our Company.

(12) Mr. Gu Jingliang is a member of the senior management of our Company.

(13) Mr. Yang Xiaodong is an employee of our Group, who is the son of the aunt of Mr. Gu Zhenqi, who is in turn the father of Mr. Gu Xiaolei, a non-executive Director of our Company.

(14) Mr. Zhang Yanlin and Ms. Fan Yong are employees of our Group who are Independent Third Parties. They are spouses.

(15) Ms. Xu Jie is an employee of our Group, who is the granddaughter of Ms. Feng's aunt and the wife of Mr. Gu Jingliang, a member of the senior management of our Company.

(16) Mr. Song Liangwen is a former employee of our Group and an Independent Third Party. He is the husband of Ms. Ma Xianmei, a Shareholder of our Company who is also an Independent Third Party.

Share transfers from December 2012 to August 2017

On June 23, 2014, Ms. Liu Xiuwen entered into a share transfer agreement with Mr. Gao Dapeng (高大鹏) pursuant to which Ms. Liu Xiuwen transferred 50,000 Shares of our Company to Mr. Gao Dapeng at a consideration of RMB200,000. The transfer of the Shares took place after Ms. Liu Xiuwen's resignation from our Company in 2011 and the consideration for the transfer of the Shares was determined based on arm's length negotiation between the two parties. Mr. Gao Dapeng is an executive Director, the general manager, the secretary to the Board and a joint company secretary of our Company.

On January 5, 2015, Mr. Wang Hui and Mr. Yu Chunrong entered into share transfer agreements with Ms. Feng pursuant to which Mr. Wang Hui and Mr. Yu Chunrong transferred 20,000 and 30,000 Shares of our Company to Ms. Feng at consideration of RMB89,976 and RMB135,000 respectively. The consideration were determined based on arm's length negotiation between the parties.

On January 25, 2015, Suzhou Xiangtang Venture Capital Co., Ltd. entered into a share transfer agreement with its wholly-owned subsidiary, Lasa Business Technology Development Xiangtang Investment Management Co., Ltd. (拉薩經濟技術開發區香塘投資管理有限公司) , pursuant to which Suzhou Xiangtang Venture Capital Co., Ltd. transferred 1,920,000 Shares of our Company to Lasa Business Technology Development Xiangtang Investment Management Co., Ltd. (拉薩經濟技術開發區香塘投資管理有限公司), at a consideration of RMB19,200,000. The consideration for the transfer of the Shares was determined based on arm's length negotiation between the two parties.

On January 25, 2015, Mr. Gu Zhenqi entered into a share transfer agreement with to his son, Mr. Gu Xiaolei, who is a non-executive Director of our Company, pursuant to which Mr. Gu Zhenqi transferred 7,200,600 Shares of our Company to Mr. Gu Xiaolei at a consideration of RMB7.2 million. The consideration for the transfer of the Shares was determined based on arm's length negotiation between the two parties.

A Shares offering and listing on the Shanghai Stock Exchange in August 2017

As approved by the CSRC, our A Shares were listed on Shanghai Stock Exchange with the stock code of 603127 on August 25, 2017. Upon completion of the A Shares offering, our registered share capital increased from RMB6,130,000 to RMB8,180,000.

The shareholding structure of our Company immediately after the A Shares offering was as follows:

Name of the Shareholder	Number of A Shares held	Approximate percentage of shareholding
		(%)
Ms. Feng	23,359,500	28.56
Mr. Zhou	12,853,100	15.71
Mr. Gu Xiaolei	7,200,600	8.80
Ms. Gu Meifang	4,935,600	6.03
Mr. Zuo Conglin	3,649,000	4.46
Mr. Li Chengyu	2,627,700	3.21
Lasa Business Technology Development Xiangtang Investment Management Co., Ltd.	1,920,000	2.35
Kunshan Hengding Foundation Equity Investment Partnership LP	1,380,000	1.69
Ms. Sun Yunxia	856,100	1.05
Other public A Shareholders	23,018,400	28.14
Total	**81,800,000**	**100.00**

SHARE OPTION AND RESTRICTED SHARE AWARD SCHEMES

As approved by the respective Shareholders' meetings of our Company held on February 27, 2018, August 15, 2019 and July 15, 2020, certain employees of our Group are eligible to subscribe for interests in our A Shares through the Share Option and Restricted Share Award Schemes. With respect to the Share Option and Restricted Share Award Schemes, our Directors (excluding our independent non-executive Directors), senior management and key technical employees of our Group (except under circumstances as set out in the scheme rules) are eligible to participate. For details, please refer to the sections headed "Appendix V — Statutory and General Information — 2. Further Information about Our Business — C. Share Option and Restricted Share Award Schemes" in this Prospectus.

ACQUISITION OF BIOMERE

On May 24, 2019, our Company entered into an agreement and plan of Merger (the "**Merger Agreement**") with Biomere and the then shareholders of Biomere, all of which are Independent Third Parties, pursuant to which our Company agreed to acquire all equity interests in Biomere from the then shareholders of Biomere at a consideration of US$28,156,000, which was determined after arm's length negotiations among the parties with reference to the profitability and prospects of Biomere. When assessing the profitability and prospects of Biomere, our Company took into account the quality of the assets, the customer

portfolio and the market position of Biomere, the prospect of the non-clinical CRO market in the United States, as well as the historical financial performance of Biomere immediately prior to the acquisition. After arm's length negotiations among the parties taking into account the aforementioned factors, the parties agreed to adopt a valuation of Biomere which was approximately 16 times of the audited net profit generated from the CRO services provided by Biomere for the year of 2018 in accordance with PRC GAAP. Pursuant to the Merger Agreement, we acquired all equity interests in Biomere and Biomere became a wholly-owned subsidiary of Joinn Laboratories (Delaware) Corporation, which was in turn wholly-owned by our Company. The acquisition of Biomere was properly and legally completed and settled in December 2019 and any necessary approvals from the relevant authorities including CFIUS have been obtained.

Biomere is a discovery-based, specialty CRO located in Worcester, Massachusetts with strong reputation in client service and international customer base. Combined with the facilities in northern California that we plan to lease and upgrade in the near term, we aim to establish a strategic bi-coastal presence in the United States with each of our U.S. facilities located within close proximity to the two prominent life science centers in the United States. The acquisition of Biomere provides strategic benefit to our Group by allowing us to gain access to a rich network of existing and new customers in need of our services. Please see the section headed "Business — Our Growing Overseas Operations" in this Prospectus for more information.

According to the unaudited management accounts of Biomere which have been prepared under PRC GAAP without reconciliation to IFRS, Biomere recorded revenue of approximately RMB102.2 million, RMB125.7 million and RMB132.7 million, and gross profit for the year of RMB58.2 million, RMB71.6 million and RMB65.8 million, for the years ended December 31, 2017, 2018 and 2019, respectively.

The acquisition of Biomere does not constitute an acquisition of a material subsidiary or business during the Track Record Period because the applicable percentage ratios under Rule 14.07 of the Listing Rules are less than 25% and therefore the acquisition is not classified as a major transaction or a very substantial acquisition under Chapter 14 of the Listing Rules. Accordingly, pre-acquisition financial information on Biomere from the commencement of the Track Record Period to the date of acquisition is not required to be disclosed in this Prospectus under Rule 4.05A of the Listing Rules.

During the Track Record Period and until the Latest Practicable Date, we did not conduct any other acquisition, disposal or merger.

OUR PRINCIPAL SUBSIDIARIES

The place of incorporation, date of incorporation and commencement of business, and principal business activities of each of our principal subsidiaries are shown below:

Name of principal subsidiary	Place of incorporation	Date of incorporation and commencement of business	Principal business activities
JOINN Laboratories (Suzhou) . .	PRC	December 11, 2008	CRO services
Biomere	US	December 11, 1996[(1)]	Pre-clinical CRO services in the US

Note:

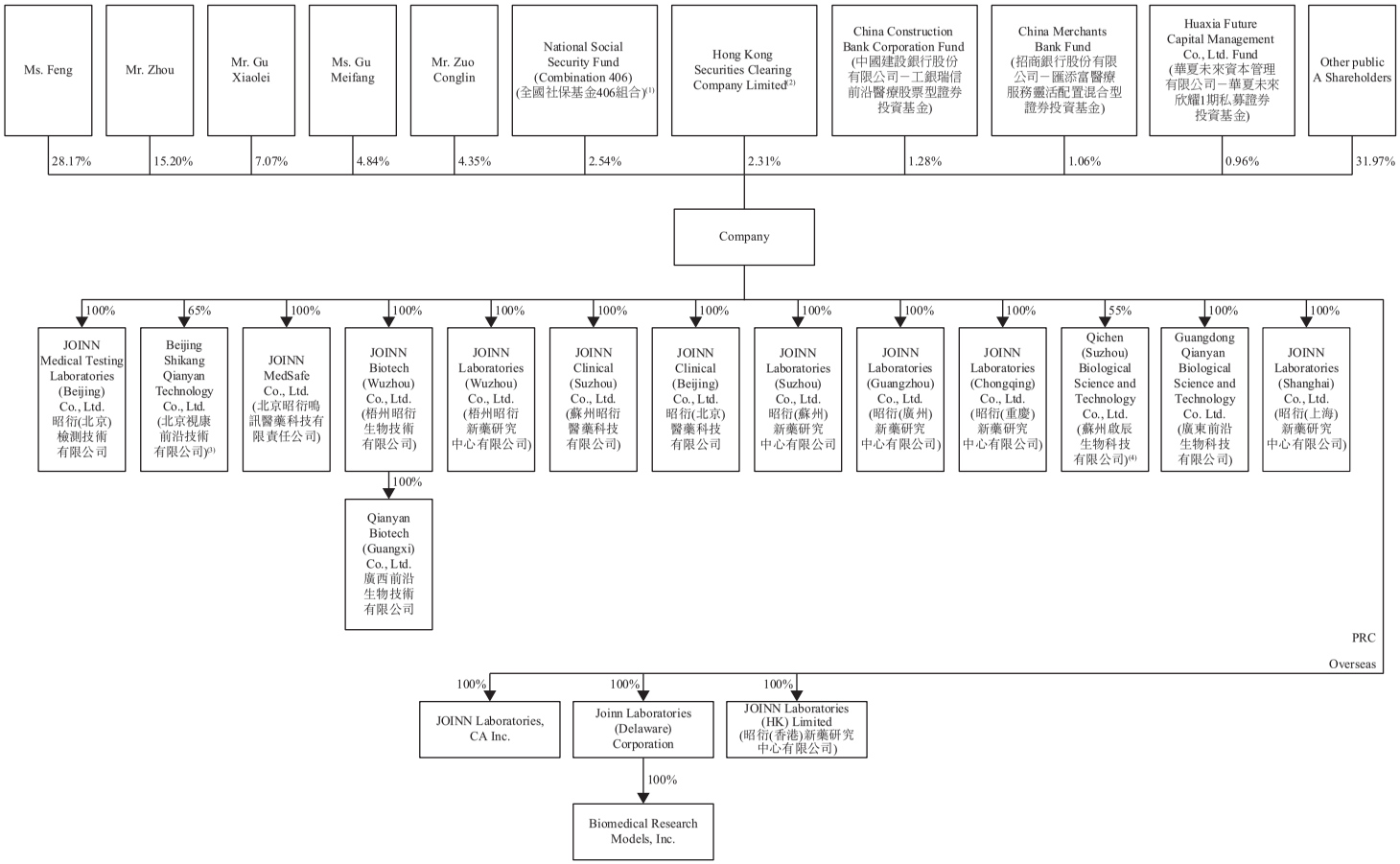
(1) Biomere was acquired by Joinn Laboratories (Delaware) Corporation, a wholly-owned subsidiary of our Company, on December 10, 2019.

REASONS FOR THE LISTING

Our Company is seeking a listing of its H Shares on the Hong Kong Stock Exchange in order to provide further capital for the development and expansion of our Company's business, to strengthen our Company's working capital and to further strengthen our business profile and global presence, as described in more details in the section headed "Future Plans and Use of Proceeds" in this Prospectus.

SHAREHOLDING STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

The following chart sets forth our shareholding structure and subsidiaries immediately prior to the Global Offering (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes):



Notes:

(1) National Social Security Fund (Combination 406) is controlled by the National Social Security Fund of the PRC.

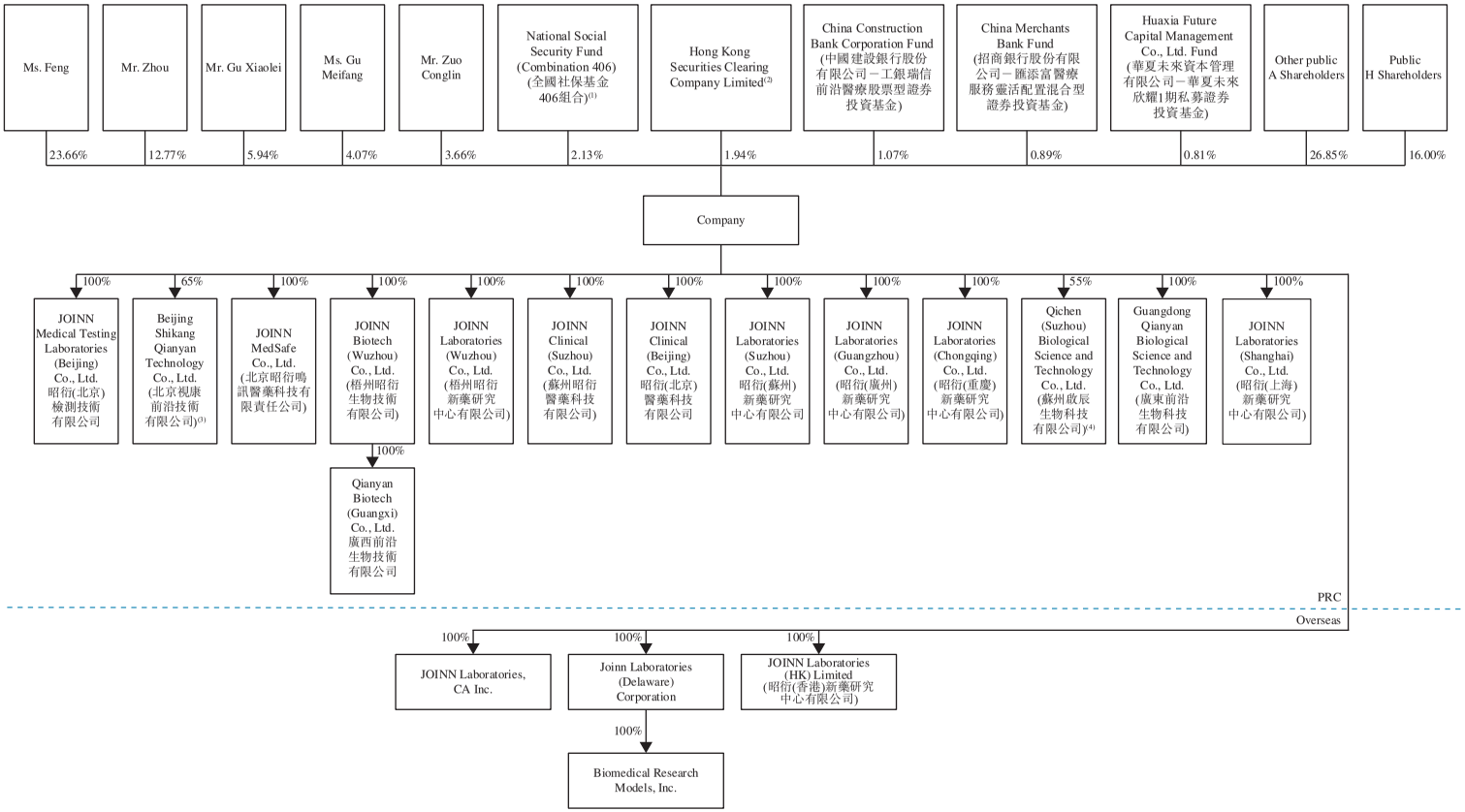
(2) The Hong Kong Securities Clearing Company Limited is a trustee holding shares on behalf of Hong Kong and other overseas investors pursuant to the rules and limits of Shanghai-Hong Kong Stock Connect.

(3) As of the Latest Practicable Date, Yao Nin (姚寧) held 35% of the equity interest in Beijing Shikang Qianyan Technology Co., Ltd. (北京視康前沿技術有限公司), who is an Independent Third Party.

(4) As of the Latest Practicable Date, Huang Wenjuan (黃雯涓) held 45% of the equity interest in Qichen (Suzhou) Biological Science and Technology Co., Ltd. (蘇州啟辰生物科技有限公司), who is an Independent Third Party.

SHAREHOLDING STRUCTURE IMMEDIATELY FOLLOWING THE COMPLETION OF THE GLOBAL OFFERING

The following chart sets forth our shareholding structure and subsidiaries immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes:



Note: See notes (1) to (4) of the sub-section headed "– Shareholding Structure Immediately prior to the Global Offering" above for details.

OUR COMPANY

We are a leading non-clinical CRO focused on drug safety assessment. We are also in the process of expanding our offerings to an integrated range of services covering discovery, pre-clinical and clinical trial stages in the drug R&D service chain. Our non-clinical studies refer to pharmaceutical R&D studies other than clinical trials conducted on human subjects. Such non-clinical studies encompass all major stages of the pharmaceutical R&D process, including discovery, pre-clinical and clinical trial stages. Setting out as a CRO specialized in pharmacology and toxicology studies for innovative drugs in China, we have now become the largest CRO in non-clinical drug safety assessment in China with a market share of 15.7% in terms of revenues in 2019, according to Frost & Sullivan. In 2019, the market sizes of China and global non-clinical drug safety CRO market was $415.7 million and $4.8 billion, respectively, accounting for approximately 6.1% and 7.7% of the $6.8 billion and $62.6 billion market sizes of China and global pharmaceutical CRO market in 2019, respectively, according to Frost & Sullivan.

Building upon our core competency in drug safety assessment, we have been expanding our service offerings with a view to becoming an integrated pharmaceutical R&D service platform capable of providing a comprehensive portfolio of CRO services including non-clinical studies, clinical trial and related services, and research model business. With our project experience and scientific expertise, we aim to help our customers reduce R&D costs and risks and improve the overall productivity and efficiency of their global pharmaceutical R&D projects. With over 25 years of operating history, we have accumulated extensive experience in regulatory requirements for new drug applications and capable of conducting complex research projects in accordance with applicable GLP standards and guidelines promulgated by major jurisdictions around the world. In addition, our deep scientific and practical expertise, coupled with our full suite of global qualifications and capabilities, enable our customers to make global filings with a single set of research data, with a goal to greatly improve efficiency and achieve significant cost savings.

Headquartered in Beijing, we currently own and operate two GLP-certified facilities in China strategically located in Beijing and Suzhou. We are a leading CRO in China in terms of the size of GLP-compliant facilities, according to Frost & Sullivan. Our facilities located in Beijing have a total GFA of approximately 11,600 sq.m. Our facilities in Suzhou have a total GFA of approximately 61,600 sq.m. and we plan to commence the construction of approximately 20,000 sq.m. of additional laboratories and research model facilities in 2021. With a view to further expanding our service capacity and geographic reach, we are also planning to build a drug safety assessment center for innovative drugs and a central laboratory with associated platforms for bioanalytical services in Guangzhou, as well as laboratories for GLP-compliant non-clinical studies, breeding facilities for research models and central laboratories for clinical studies in Chongqing. We expect the Phase I of both facilities to commence operation in 2023. In addition to our facilities in China, we have been broadening our global footprint through organic growth and strategic acquisition. In 2019, we acquired Biomere, a discovery-based, specialty CRO located in Worcester, Massachusetts with an international customer base and strong reputation in customer services. For the nine months

ended September 30, 2020, Biomere generated RMB157.8 million in revenue, accounting for 25.0% of our total revenues and substantially all of our overseas revenues during the same period. Combined with the facilities in northern California that we plan to lease and upgrade in the near term, we aim to establish a strategic bi-coastal presence in the United States with each of our U.S. facilities located within close proximity to the two prominent life science centers in the United States.

We generated substantially all of our revenues from providing services in non-clinical studies during the Track Record Period. We have also been expanding our clinical trial and related services with a view to offering a more comprehensive range of CRO services to our customers.

- *Non-clinical studies*. We currently offer a comprehensive range of non-clinical studies, including (i) drug safety assessment, (ii) DMPK studies, and (iii) pharmacology and efficacy studies, to support a variety of innovative drugs sponsored by pharmaceutical and biotechnology companies, as well as academic and research institutions in China and overseas.

- *Clinical trial and related services*. Our clinical trial and related services are still at its early stage. They currently encompass three segments, namely (i) clinical CRO services, (ii) co-managed phase I clinical research units (CRUs), and (iii) bioanalytical services. Unlike traditional CROs, we have integrated all three segments and provide our customers with an integrated platform for clinical trial services.

- *Research model business*. We engage in the development, production, breeding and sales of high-quality research models to support a wide range of non-clinical studies. Our research models currently include rodents and non-human primates. We sell rodent research models mainly to local academic and research institutions. Going forward, we do not plan to further grow or expand our sales of rodent research models, and we are currently focused on carrying out scientific studies and breeding of non-human primate research models, with a goal to producing high-quality non-human primate research models at scale in the long term. During the Track Record Period, we mainly generated revenue from sales of rodents and did not generate any revenue from sales of non-human primate research models.

We have a large, high-quality, loyal and expanding customer base. The total number of our customers increased from approximately 280 in 2017 to approximately 350 in 2018 and to approximately 450 in 2019. In the nine months ended September 30, 2020, we served approximately 520 customers. Among our expanding customer base, we have provided services to seven of the top 10 pharmaceutical companies in terms of revenue in the China pharmaceutical market in 2019, as well as a growing number of innovative biotechnology companies. As of the Latest Practicable Date, we had served our top five customers in 2019 for an average of over six years, with a 100% customer retention rate in 2019 for our top five customers in 2018. Our predominant leadership in drug safety assessment has also allowed us

to attract our existing customers to our growing clinical trial services through cost-effective cross-selling efforts in a manner of seamless transition. In 2019, 100% of our top 10 customers procured more than one services from us. The contracted future revenue for our services was RMB1,776.5 million as of December 31, 2020.

Led by our Chairperson Ms. Feng and our Vice Chairperson of the Board and Executive Director Mr. Zuo, our core management team has on average over 30 years of experience in toxicology and pharmacology and is dedicated to the development of novel therapies for unmet medical needs since our inception, contributing to our consistently high-quality services and industry leadership. We have also attracted a deep pool of talented and skilled research professionals, who are the most valuable assets to support our future growth. Their technical expertise, combined with extensive know-how accumulated through managing complex R&D projects, provide us with a competitive edge against our competitors.

We achieved robust growth and profitability at scale during the Track Record Period. Our total revenues increased from RMB301.3 million in 2017 to RMB408.8 million in 2018 and further to RMB639.4 million in 2019, representing a CAGR of 45.7%. Furthermore, our total revenue increased by 83.5% from RMB344.2 million in the nine months ended September 30, 2019 to RMB631.5 million in the nine months ended September 30, 2020. Our profit for the year increased from RMB79.9 million in 2017 to RMB105.3 million in 2018 and further to RMB187.7 million in 2019, representing a CAGR of 53.2%. Furthermore, our profit for the period increased by 65.1% from RMB85.9 million in the nine months ended September 30, 2019 to RMB141.9 million in the nine months ended September 30, 2020.

OUR COMPETITIVE STRENGTHS

Leading Non-clinical CRO in drug safety assessment, with growing integrated service offerings and expanding global footprint

We are a leading non-clinical CRO focused on drug safety assessment. We are also in the process of expanding our offerings to a growing and integrated range of services covering discovery, pre-clinical and clinical trial stages in the drug R&D service chain. We benefit greatly from our expanding presence in both China and the United States, the two largest markets for CRO services in the world.

Setting out as a CRO specializing in pharmacology and toxicology for innovative therapies in China, we have now become the largest CRO in non-clinical drug safety assessment in China with a leading market share of 15.7% in terms of revenues in 2019, according to Frost & Sullivan. Building upon our core competency in drug safety assessment, we have been striving to become an integrated pharmaceutical R&D service platform capable of providing an integrated portfolio of services that enable our customers to improve the productivity and efficiency of their complex research projects. During the Track Record Period, we had completed approximately 8,460 non-clinical studies for approximately 800 customers.

Our leadership in drug safety assessment for innovative drugs provides us with a competitive advantage to capture the rapid development of the pharmaceutical R&D market, especially for large molecule drugs. According to Frost & Sullivan, the pharmaceutical R&D expenditure in China is expected to increase from USD21.1 billion in 2019 to USD47.6 billion in 2024, at a CAGR of 17.7%. Prior to advancing to clinical trials in humans, all new drugs must first be shown to be safe and well-tolerated in animals. This drug safety assessment is a crucial step in the drug R&D process, which is most frequently outsourced by pharmaceutical and biotechnology companies to CROs. Given the high regulatory requirements, CROs with a track record of performing quality work are usually preferred by customers. In 2019, the number of NMPA and FDA IND drug applications reached 983 and 618, compared to 344 and 494 in 2014, respectively. The rapid growth of the applications for innovative drugs has in turn led to a surge in the drug safety assessment market. China's non-clinical drug safety assessment market is expected to increase from $415.7 million in 2019 to $1,967.1 million in 2024, at a CAGR of 36.5%, and the global non-clinical drug safety assessment market is expected to increase from $4.8 billion in 2019 to $8.7 billion in 2024, at a CAGR of 12.5%. When a "go/no-go" decision on drug development is made with our assistance, we are well positioned to help our customers seamlessly transition from pre-clinical studies to clinical studies in development. Since our inception and as of the Latest Practicable Date, we had helped our customers with over 3,000 drug applications in China and over 600 drug applications overseas. From 2017 to 2019, among all domestic drug candidates whose IND applications had been accepted by the CDE, we provided the relevant non-clinical drug safety assessment studies for over 15% of all chemical drug candidates, over 45% of all therapeutic biologics candidates and over 45% of all preventative biologics candidates.

Building upon our leadership in drug safety assessment, we have been broadening and deepening our portfolio of service offerings and global presence. We have expanded our offerings upstream to the research model business and moved downstream to deliver a diverse portfolio of clinical trial and related services. We have also enhanced our capabilities in drug discovery and screening services, including pharmacology, toxicology and DMPK studies. At the same time, through our extensive experience in non-clinical studies, regulatory knowledge and large customer base, we have been able to quickly expand our business to early-stage clinical trial and related services and achieved synergies, as those share certain common bioanalytical methods and practices with pre-clinical studies, with potential and plan for further extension to later stages of clinical trials. Our leadership in China and our global experience allows us to continue expanding our global footprint through our existing facilities located in Massachusetts and the facilities we plan to lease and upgrade in northern California, two of the top life science hubs in the world. Our growing, integrated CRO services supported by our expanding global infrastructure, enable not just our Chinese customers but customers across the globe to overcome many of the challenges confronting early-stage R&D through providing solutions throughout the spectrum of drug R&D. This positions us as a long-term, go-to partner for companies with R&D projects at a global scale.

Full suite of seamlessly integrated and managed global qualifications and capabilities

Through over 25 years of operations, we have established a comprehensive quality management system in accordance with global standards. According to Frost & Sullivan, we were the first private CRO in China that had passed U.S. FDA GLP inspection and also the only one that had passed the inspection for four times, and the first private CRO in China to obtain all of AAALAC, OECD GLP and NMPA GLP certifications as of the Latest Practicable Date. We were also the first CRO in China to support filing of NMPA and FDA dual IND drug applications. We have built our world-class proprietary research model facilities and laboratories in Beijing and Suzhou with a total GFA of approximately 73,200 sq.m., which allow us to support large-scale, complex non-clinical research projects. We are able to conduct more than 300 non-clinical studies simultaneously in our Beijing and Suzhou facilities. Our facilities in Beijing passed the NMPA initial inspections for GLP certification in 2005, received NMPA GLP certificate in 2011 (and passed regular inspections in 2014, 2017 and 2020). Our facilities in Beijing also received AAALAC certificate in 2008 (and passed inspections in 2012, 2015 and 2018), and passed GLP inspections of the U.S. FDA in 2009 and 2013. Our facilities in Suzhou received AAALAC certificate in 2008 (and passed inspections in 2012, 2015 and 2018), NMPA GLP certificate in 2013, 2014 and 2020, OECD GLP certificate in 2015 and 2017 and passed GLP inspections of the U.S. FDA in 2016 and 2019 and the NMPA GLP inspections in 2017 and 2020. Our U.S. subsidiary Biomere successfully passed its FDA inspection and started providing GLP services on specialty studies in 2019.

Drug safety assessment is made up of a complex set of R&D services subject to stringent standards, among which the standards promulgated by the United States represent one of the most stringent ones. We have obtained the most comprehensive set of GLP and research model certifications in the CRO market, according to Frost & Sullivan. As of September 30, 2020, there were only a few CROs in China, including us, that were capable of performing studies that meet U.S. GLP standard. The barrier to entry in this market is significant as it requires not only significant time and capital to build and operate GLP-compliant facilities at scale but also enormous infrastructure and a team of highly skilled professionals led by an experienced management team that is capable of effectively managing and executing complex research projects. From 2015 to 2019, we conducted 60 GLP-compliant non-clinical projects for 27 Chinese pharmaceutical companies which submitted IND applications to the U.S. FDA, accounting for over 45% of the total number of such non-clinical projects during such period. Among such pre-IND GLP-compliant non-clinical projects, we conducted 31 (accounting for over 60%) projects for antibody drugs in the same period, according to Frost & Sullivan. Since our establishment and as of the Latest Practicable Date, we had helped approximately 300 customers in more than 600 overseas drug applications, including multinational pharmaceutical companies.

We have leveraged an understanding and knowledge of both local and international markets with our experience in establishing an effective and comprehensive management system to support Chinese and overseas customers. Our management staff include former China CDE and U.S. FDA reviewers and other industry experts. Members of our team have also contributed to the adoption of China's current GLP guidelines and standards for GLP

certification. Equally crucial to assembling a revered team of senior management, our management team is capable of rigorously implementing the GLP standards through the comprehensive management system to ensure adequate training and first-class work product. Through our management system, our high-quality services are deeply rooted in our corporate culture that motivates our team to develop a strong commitment to meeting and exceeding the applicable quality standard and ensuring the utmost integrity of our studies and their results. Taken together, our deep knowledge of the regulatory requirements in both China and the United States, coupled with our effective management system that renders our services in compliance with those requirements, provides our customers with distinctive ability to support their needs for dual submissions in China and the United States.

Scientific and technical excellence accumulated over unparalleled project experience

Through years of first-hand project experience, we have accumulated extensive industry knowledge in drug R&D. With our proven record in delivering high-quality services, we have built a competitive edge in conducting GLP-compliant non-clinical studies for innovative drugs in a broad range of research projects involving different techniques, processes and methodologies. We have accumulated extensive experience in both biologic drug and chemical drug studies and during the Track Record Period, we had completed large-molecule drug studies such as non-clinical studies of CAR-T GPC3 cell therapy. Meanwhile, we had participated in hundreds of drug safety assessment studies for innovative drugs, including assessments for numerous antibody drugs, cellular therapies, gene therapies, oncolytic virus treatment, and other antibody-drug conjugates. We were the first CRO in China to conduct non-clinical drug safety assessment studies for a novel gene therapy, and independently conducted the assessment of SBN1 (ADV P53), the world's first approved gene therapy drug. We also conducted non-clinical drug safety assessments for (i) the first antibody-drug conjugate (ADC) drug candidate in China that was approved by the NMPA for clinical studies, (ii) the first bispecific monoclonal antibody in China that was approved for clinical studies, and (iii) the first stem cell drug candidate approved by the NMPA for clinical studies. As we scale our business, we continue to expand our portfolio in key therapeutic areas to align with our customers' drug discovery and development needs, including ophthalmology, central nervous system (CNS) disorders, cardiovascular and metabolic diseases (CVMD), and diseases affecting the pulmonary and reproductive systems.

We are equipped with industry-leading laboratory facilities and employ a team of highly skilled research professionals, providing our customers with premium testing quality, enhancing productivity, and reducing development cycle time and costs. Our proprietary laboratories are capable of supporting non-clinical assessment for all types of innovative drugs. For example, as of September 30, 2020, we conducted drug safety assessment studies to support four applications of 10 COVID-19 vaccine candidates (which are innovative drug candidates) in the world which entered Phase III clinical trials, according to Frost & Sullivan. As the pioneer of commercial GLP-compliant laboratory work in China, we were the first to provide commercial carcinogenicity studies and the first to systemically accumulate two-year experience of carcinogenicity studies on rodents, according to Frost & Sullivan. As of the end of 2019, we had completed over 10 carcinogenicity studies on transgenic mice, representing the

largest number amongst our peers. Our ophthalmology laboratory is led by an industry-veteran and recognized subject matter expert and its advanced equipment allows us to conduct state-of-the-art ocular assessments for biologic, gene and stem cell therapies each customized to meet the needs of each customer. According to Frost & Sullivan, we have established the largest laboratory in China specializing in inhalation toxicology studies based on the OECD guidance and have completed the first pre-clinical toxicity assessment of a Category I small molecule as part of an IND-enabling submission in China. We have also performed the first non-clinical safety assessment of the first biosimilar product approved in China. Last but not least, we have conducted a number of non-clinical studies on therapeutics such as oncolytic viruses, CAR-T drugs, gene-editing drugs, and stem cell drugs in our genetic analysis laboratory, and we have accumulated experience in the non-clinical studies of pediatric drugs.

Across our people, technology and facilities, we are committed to maintaining the highest scientific rigor and quality standards through management of key performance metrics. These standards allow our customers to access our integrated service offerings with the confidence that they will obtain reliable and actionable data that allows them to advance their drug development efficiently.

Dedicated and experienced management team supported by industry-seasoned professionals

Led by Ms. Feng and Mr. Zuo, our senior management team has an average of over 30 years of experience in toxicology and pharmacology and is dedicated to the development of novel therapies for unmet medical needs. Both Ms. Feng and Mr. Zuo possess solid educational backgrounds and years of scientific research experience in biomedical science obtained from reputable institutions in China, with a focus on drug safety assessment. Ms. Feng, our Chairperson has spearheaded our growth and development since our founding, and is responsible for the overall strategic leadership of our company. Mr. Zuo, our Vice Chairperson of the Board and an Executive Director, is primarily responsible for the management of our operations and development in the innovative frontier. Dr. Yao, our Vice General Manager, Chief Scientific Officer and an Executive Director, is a former U.S. FDA reviewer specialized in pharmacotoxicology. He is in charge of designing our strategic plans to advance our technologies and maintain our leading position in non-clinical studies. Ms. Xiaomin Hu, our Chief Technology Officer, previously served at the CDE as a senior reviewer with a focus on non-clinical assessment of chemical drugs, biologics and preventative vaccines. During her tenure at the CDE, she participated in drafting multiple NMPA-issued guiding principles relating to GLP. Ms. Hu is responsible for technological improvement of our services of pre-clinical studies. Ms. Feng, Mr. Zuo, Dr. Yao and Ms. Hu are specialized in drug safety assessment and have extensive hands-on experience in drug research and development, bringing a wealth of industry expertise and leadership to support our long-term growth.

At the core of our leadership is our team of talented and skilled scientific, technical and regulatory professionals. As of September 30, 2020, we employed over 1,100 research professionals based in China and the United States including over 200 research professionals with advanced degrees, such as master's degrees, PhDs and MDs. The extensive industry

knowledge and network, relevant scientific expertise, international background and first-hand project management experience of our people are integral to our success and the success of our clients. Building and maintaining a team with an in-depth understanding of the drug R&D process requires significant time and investment. Our technical teams have accumulated decades of first-hand experience through working on and supporting over 5,000 non-clinical projects involving over 3,000 named test articles as of December 31, 2020. Our research professionals come from a diverse background, bringing a breadth and depth of scientific expertise spanning a broad range of therapeutic areas in the fields of toxicology, pharmacology, pathology, veterinary sciences, clinical medicine, molecular biology and ophthalmology.

We recruit, train and retain talented employees through our in-house training program which is designed to motivate highly qualified employees to build their own career within our company. We continuously enhance the expertise and capabilities of our staff through comprehensive training that keeps them abreast of novel developments and innovations in our field. Over time, this results in a deeply rooted corporate culture of meeting and exceeding the highest quality and compliance standards. We maintained a lower employee turnover rate for our research professionals in 2019 compared to industry average, according to Frost & Sullivan. We believe our dedicated and experienced management team and their industry networks along with a deep talent pool provide us with invaluable assets to our long-term success.

Large, high-quality, loyal and expanding customer base

We have a large, high-quality, loyal and expanding customer base. The total number of customers we served increased from approximately 280 in 2017 to approximately 350 in 2018 and to approximately 450 in 2019. For the nine months ended September 30, 2020, we served approximately 520 customers. The total number of non-clinical studies we completed increased from approximately 1,580 in 2017 to approximately 2,030 in 2018 and to approximately 2,930 in 2019. Among our expanding customer base, we have provided services to seven of the top 10 pharmaceutical companies in terms of revenue in the China pharmaceutical market in 2019, as well as a growing number of innovative biotechnology companies. As of the Latest Practicable Date, we had served our top five customers in 2019 for an average of over six years, with a 100% customer retention rate in 2019 for our top five customers. From 2017 to 2019, over 87% of the total number of customer service contracts were entered into with customers who had at least cooperated with us twice during such years. Our reputation in drug safety assessment has also allowed us to maintain existing pre-clinical customers within the organization as their drug development transitions to the clinical stages and become customers of our growing clinical trial and related services. This provides us with a competitive advantage and cost-effective cross-selling of services that also results in a seamless experience for our customers. In 2019, 100% of our top 10 customers procured more than one service from us. With an increasing number of overseas drug applications and more overseas customers, we have become an attractive CRO service provider capable of supporting submissions in both China and abroad. Although we are still at an early stage of expanding our global customer base, the number of overseas customers we served rapidly grew from 15 in 2017 to 111 for the nine months ended September 30, 2020.

We believe we enjoy a particular advantage in becoming a provider of high-quality integrated CRO services on an expanding global scale. Many large pharmaceutical companies prefer to work with a limited number of qualified CRO service providers as R&D partners. In China, there are relatively few CROs like ourselves who are capable of offering not only an integrated portfolio CRO services, but also valuable professional advice to optimize the process and results of their complex projects, for customers to choose from. Through working with such high-profile customers over the years, we have amassed extensive project management experience and developed deep scientific, technical and therapeutic area expertise, which further contributes to our ability to build deeper long-term strategic relationships with our customers. The reputation that we have earned from our existing high-profile customer base has also allowed us to attract new customers to our services in a more cost-effective manner. Such long-standing and expanding customer relationships in turn provide strong visibility to our future revenue growth, which has allowed us to invest more in optimizing our offerings to meet evolving and new customer needs. The contracted future revenue for our services was approximately RMB1,776.5 million as of December 31, 2020.

Strategic network of facilities across China and the United States with expanding global service capabilities

We have one of the largest drug safety assessment laboratories and research models facilities among CROs in China, according to Frost & Sullivan. As of the Latest Practicable Date, we had a total GFA of approximately 73,200 sq.m. of facilities strategically located in the two main geographic hubs of biopharmaceutical R&D in China, namely Beijing and Suzhou. Our facilities located in Beijing have a total GFA of approximately 11,600 sq.m. Our Beijing facilities are equipped with conventional and barrier environmental research model facilities as well as functional laboratories. Our facilities in Suzhou have a total GFA of approximately 61,600 sq.m. and have an additional approximately 20,000 sq.m. of laboratory and research model facilities planned to commence construction in 2021. Our Suzhou facilities are built with conventional and barrier environmental research model facilities, multi-purpose laboratories and special-purpose laboratories supporting ophthalmology, cardiovascular studies and inhalation toxicology. With a view to further expanding our service capacity and geographic reach to address increasing customer demands, we are also planning to build a drug safety assessment center for innovative drugs and a central laboratory with associated platforms for bioanalytical services in Guangzhou, as well as laboratories for GLP-compliant non-clinical studies, breeding facilities for research models and central laboratories for clinical studies in Chongqing. We expect the Phase I of both of our Guangzhou and Chongqing facilities to commence operation in 2023.

With our established and expanding facilities, we expect to commence operations of the Phase I of our new research model production center and laboratories in Wuzhou in 2021 to further expand our scientific expertise in developing and breeding non-human primate research models. Central to our core corporate values is our commitment to maintaining high standards of humane care of animals used in supporting drug R&D. All use of animals by us meets international standards in accordance with AAALAC ensuring high standards of animal welfare.

In addition to our expanding research and production facilities in China, we have been actively broadening our global footprint through organic growth and strategic acquisition. In 2019, we acquired Biomere, a discovery-based, specialty CRO located in Worcester, Massachusetts with strong reputation in client service and international customer base. Led by industry veterans, Biomere has grown to become a regional, specialty CRO in New England focused on discovery-based non-clinical studies involving non-human primate research models. Combined with the facilities in northern California that we plan to lease and upgrade in the near term, we aim to establish a strategic bi-coastal presence in the United States with each of our U.S. facilities located within close proximity to the two prominent life science centers in the United States. The acquisition of Biomere provides a strategic benefit of gaining access to a rich network of existing and new customers in need of our services. As we continue to integrate and expand operations globally, we are ideally positioned to capture a greater share of the CRO market not only within the United States but internationally.

We believe our expanding geographic footprint and integrated portfolio of services provide us with an attractive opportunity to become a premier, integrated CRO in the global market. As pharmaceutical R&D becomes increasingly globalized and China becomes an integral part of the global pharmaceutical market, our strategic, integrated facility network and global service capabilities provide us with a competitive advantage in assisting our Chinese customers with their overseas drug applications and attracting more global pharmaceutical and biotechnology companies to conduct research in China for their overseas drug applications and access the massive Chinese market.

OUR GROWTH STRATEGIES

Strengthen non-clinical service offerings and expanding facilities

We will continue to solidify our market leadership in the drug safety assessment market by upgrading our technical capabilities to satisfy the increasing demand for drug safety assessment and other non-clinical services for innovative drugs. Specifically, we plan to focus on bolstering our competitive edge in areas of the greatest industry needs, such as large molecule bioanalysis as well as cellular and gene therapies. We plan to execute such strategies through hiring qualified scientific and research professionals with extensive experience in the relevant fields and developing and acquiring advanced equipment and technologies to upgrade our laboratories.

We will also expand our service capacity by building new facilities and expanding, renovation and upgrading our existing facilities in view of rising customer demands. Specifically, we plan to build a drug safety assessment center for innovative drugs and a central laboratory with associated platforms for bioanalytical services in Guangzhou, as well as laboratories for GLP-compliant non-clinical studies, breeding facilities for research models and central laboratories for clinical studies in Chongqing. We expect the Phase I of both facilities to commence operation in 2023. We will also expand the capacity of our Suzhou

facilities by commence constructing an additional approximately 20,000 sq.m. of laboratories for our GLP-compliant non-clinical studies and research model facilities in 2021. For additional information, see "Business—Our Facilities—Our Future Facilities and Facilities Under Renovation."

Expand global footprint and enhance global service capabilities

We aim to build JOINN Labs as a premier global CRO brand by further expanding our global footprint and service capabilities. With the strategic acquisition of Biomere in 2019, we will leverage its well-established industry reputation and extensive managerial experience, comprehensive global qualifications, and high-quality customer base to upgrade our facilities, enhance our service capability and expand our presence in the United States and North America pharmaceutical markets. Future non-clinical projects acquired by Biomere will also benefit from our future northern California facilities. Additionally, we expect to serve more leading Chinese pharmaceutical and biotechnology companies in support of their overseas drug applications and expansion around the world.

Importantly, we will also further increase our investment in business development to promote our brand and develop our global customer base and attract more overseas customers to access the growing market in China as we continue to satisfy our global customers' early R&D needs and develop stable and long-term relationships with them. Furthermore, to better address the rising demand of U.S. customers, we plan to upgrade and customize our future California facilities to support our non-clinical studies, as well as host and breed research models.

Broaden service offerings with a focus on clinical trial services

Leveraging our strengths in non-clinical studies especially in safety assessment and large customer base, we have expanded and will continue to diversify and develop our clinical trial and related services through organic growth and cooperation with other clinical trial participants. We will continue to actively engage in effective business development efforts to attract more potential customers with attractive drug candidates at clinical stages, with a particular focus on early-stage clinical trials. At the same time, we will focus on recruiting talents experienced in clinical trial management and execution to support and improve our clinical trial and related services. We will continue to expand and enhance our scientific and regulatory teams in clinical trials. Furthermore, we will further invest in expanding our network of clinical sites and hospital partners across China to rapidly scale our clinical CRO offerings, and enhance strategic collaborations with our overseas partners in clinical CRO business.

In addition to our focus on expanding our clinical trial services, we will also continue to expand our services in drug discovery and screening services through hiring skilled talent with the relevant scientific expertise and extensive project experience. Through these efforts, we strive to enhance our value propositions as an integrated CRO service platform to our customers with fully integrated service capabilities covering the entire drug R&D cycle.

Attract, train and retain talents to support rapid growth in China and the United States

To maintain our market leadership and implement our growth strategies, we will continue to attract talented professionals, especially those with extensive international experience and scientific expertise to support our global expansion. In particular, we plan to attract and recruit talents with first-hand, on-the-ground project management experience and technical expertise in clinical trials and research models. To support our global expansion, we will also increase our recruitment efforts overseas to support the rapid growth of our existing U.S. operations primarily through our subsidiary Biomere and our future U.S. operations in northern California.

In addition, we will motivate our high-quality employees by offering them opportunities to work on industry-defining and innovative projects, and by offering them competitive compensation, benefits and compelling career development opportunities. We will also leverage our share incentive plans to retain and motivate our talented employees.

Expand research model facilities to support our non-clinical studies

We will continue to invest in building our research model production centers and laboratories in Wuzhou to develop, breed and produce high-quality research models, particularly non-human primates. High-quality non-human primate research models and pre-clinical research facilities are in high demand globally and will continue to attract global customers and researchers to China, promoting partnerships and collaborations in a broad array of research areas. We expect to commence operations of our new research model facilities and laboratories built on a parcel of land with the gross site area of approximately 376,667 sq.m. located in Wuzhou in 2021. At the same time, we will develop a proprietary research model production system to further enhance our production capacity and efficiency and the quality of our research models. We expect the new facilities under construction in Wuzhou to provide us with a solid foundation to further expand our scientific expertise in non-human primate research models, with an ultimate goal of producing a stable and adequate supply of non-human primate research models in the long term to support the growing demand for our non-clinical studies with improved cost efficiency.

Pursue acquisition and strategic opportunities

We intend to selectively pursue acquisitions of businesses and assets that are complementary to our growth strategies, particularly those that can help us enrich our services offerings at a global scale. For example, we will seek to evaluate acquisition and other strategic opportunities with (i) CROs focused on non-clinical studies to strengthen our existing leadership, as well as (ii) clinical CROs, research model facilities, and drug discovery service providers with a view to further expanding our service offerings along the pharmaceutical R&D value chain. We believe our extensive industry experience and presence in both China and the United States will enable us to identify suitable targets and effectively evaluate and execute potential opportunities.

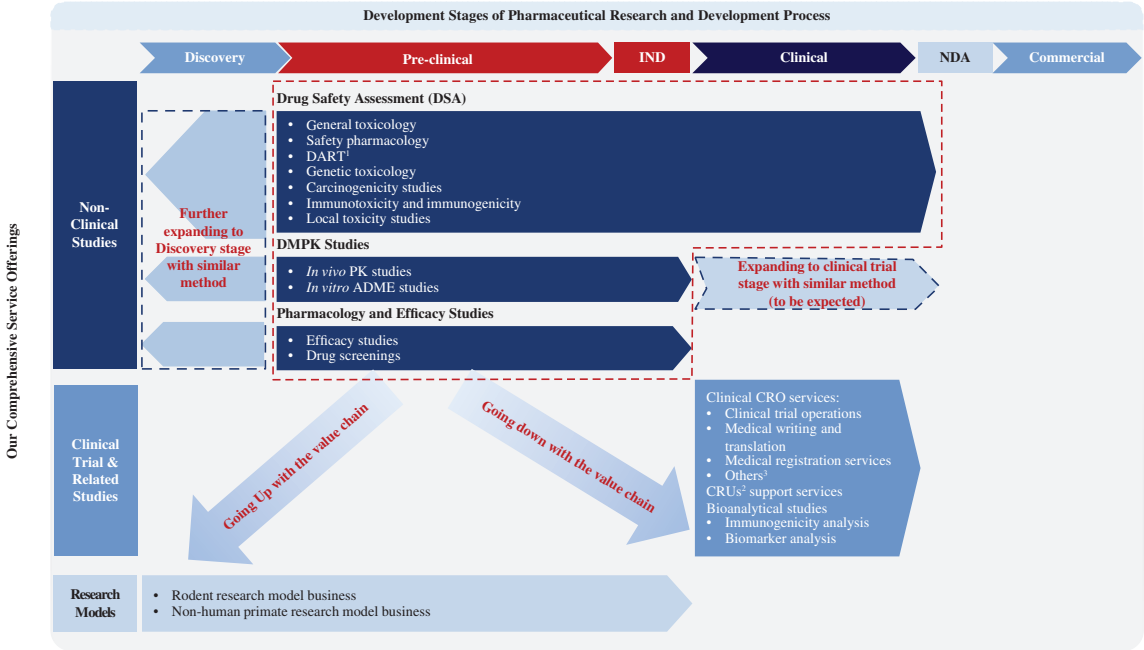
OUR BUSINESS MODEL

Founded in 1995, we set out as a CRO specialized and excelling in pharmacology and toxicology assessment for innovative drugs in China, and have now become the largest and leading CRO in non-clinical drug safety assessment services in China in terms of revenues in 2019, according to Frost & Sullivan. Building upon our core competency in drug safety assessment, we have been growing our business with a goal to establish an integrated pharmaceutical R&D service platform capable of providing a comprehensive portfolio of CRO services including (i) non-clinical studies, (ii) clinical trial and related services, and (iii) research model business.

As a trusted research partner of our customers, we strive to provide high-quality, integrated, effective and customized CRO solutions to pharmaceutical and biotechnology companies as well as academic and research institutions.

With our scientific expertise and accumulated first-hand project experience, we are capable of productively and efficiently helping them complete critical milestones of their complex R&D process and reduce the overall costs and risks associated with new drug R&D. In addition, we have extensive experience and knowledge in regulatory requirements for new drug applications and capable of conducting complex research projects in accordance with applicable GLP standards and guidelines promulgated by major jurisdictions. This capability has enabled us to support our customers' IND applications in both China and overseas, including in the United States and other major foreign jurisdictions, with a unified set of high-quality research data.

As illustrated in the following chart, our non-clinical studies refer to pharmaceutical R&D studies other than clinical trials conducted on human subjects. Such non-clinical studies encompass all major stages of the pharmaceutical R&D process, including discovery, pre-clinical and clinical trial stages.



Note:

1. Developmental and reproductive toxicology;

2. Clinical Research Units;

3. Including statistical analysis, independent audits, pharmacovigilance;

The table below sets forth a breakdown of our revenues by service type for the periods indicated, both in actual terms and as a percentage of total revenue. For details of revenue generated from each type of services, please refer to "— Our Service Offerings."

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Non-clinical studies services	292,269	97.0	403,768	98.8	630,190	98.5	337,881	98.2	626,801	99.3
Clinical trial and related services	–	–	158	0.0	4,907	0.8	3,556	1.0	3,277	0.5
Sales of research models	9,010	3.0	4,872	1.2	4,282	0.7	2,738	0.8	1,435	0.2
Total	**301,279**	**100.0**	**408,798**	**100.0**	**639,379**	**100.0**	**344,175**	**100.0**	**631,513**	**100.0**

During the Track Record Period, the vast majority of our customers were customers based in China. According to Frost & Sullivan, we were the first private CRO in China that had passed U.S. FDA GLP inspection and the only one that had passed the inspection for four times, and we were the first private CRO to obtain all of AAALAC, OECD GLP and NMPA GLP certifications as of the Latest Practicable Date. With our global standards, world-class service quality and advanced technology and facilities, we help a growing number of Chinese customers seeking overseas drug applications and more overseas customers with their drug applications in both China and overseas. We believe we will continue to benefit from an increased number of drug candidates in the pipeline sponsored by global pharmaceutical and biotechnology companies. With our acquisition of Biomere in late 2019 and our continuous efforts to expand our overseas customer base, our overseas customers (determined based on their respective location of incorporation) contributed RMB7.3 million, RMB6.9 million, RMB38.6 million and RMB166.6 million in revenues, accounting for 2.4%, 1.7%, 6.0% and 26.4% of our total revenues during the year ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, respectively.

OUR SERVICE OFFERINGS

Non-clinical Studies

Overview of Non-Clinical Studies and Facilities

During the Track Record Period, we focused on non-clinical studies as our core business and had developed a reputation for consistent, high-quality CRO services centered around our industry-leading drug safety assessment service capabilities.

Non-clinical studies include three major categories, namely pre-clinical studies, non-clinical studies during clinical phases, and post-market non-clinical studies. Pre-clinical studies are an indispensable part of drug development, which aim to determine the safety and efficacy of a drug candidate before it is tested on humans for the first time. Non-clinical studies during clinical phases are conducted during the clinical phases of drug development to evaluate the chronic toxicity, reproductive and development toxicity, carcinogenicity and genotoxicity of drug candidates on research models. Finally, post-market non-clinical studies are conducted on research models after a drug is approved for marketing in order to gather and analyze additional information about the drug's safety, efficacy and/or optimal use.

Non-clinical studies beyond the discovery phase of the drug R&D lifecycle must be conducted in compliance with the applicable GLP standards, which set forth the minimum basic requirements of management, personnel, facilities, equipment and use and preservation of experimental materials. Due to the high demand for technical expertise and the strict regulatory compliance requirements, non-clinical studies are increasingly outsourced to GLP-qualified CROs. As a leading GLP-qualified CRO specializing in non-clinical studies of drug candidates, we have built a systematic non-clinical evaluation platform supported by a comprehensive GLP quality management system. Our facilities in Beijing passed the NMPA initial inspections for GLP certification in 2005, received NMPA GLP certificate in 2011 (and passed regular inspections in 2014, 2017 and 2020). Our facilities in Beijing also received AAALAC certificate in 2008 (and passed inspections in 2012, 2015 and 2018), and passed GLP inspections of the U.S. FDA in 2009 and 2013. Our facilities in Suzhou received AAALAC certificate in 2008 (and passed inspections in 2012, 2015 and 2018), NMPA GLP certificate in 2013, 2014 and 2020, OECD GLP certificate in 2015 and 2017, and passed GLP inspections of the U.S. FDA in 2016 and 2019 and the NMPA GLP inspections in 2017 and 2020. Our U.S. subsidiary Biomere successfully passed its FDA inspection and started providing GLP-compliant services on specialty studies in 2019.

We support a variety of drug non-clinical studies by helping our customers prepare a comprehensive IND application package to be submitted to the relevant regulatory authorities, which includes the necessary documentations and records identifying and presenting the procedures, data and results in connection with (i) drug safety assessment, (ii) DMPK studies, and (iii) pharmacology and efficacy studies, in respect of the relevant drug candidate.

In providing our services in non-clinical studies, we collaborate with our customers to understand their particular research needs and develop the best research plan that aims to reduce the R&D costs and risks and improve the productivity and efficiency of the drug development process. Our technical department then implements the research plan in accordance with the applicable regulations and SOP requirements by numbering each test, formulating test plans, preparing test materials, conducting *in vivo* and/or *in vitro* tests, processing data and preparing summary reports. After the test, we archive all original records to ensure the integrity of the test data. To wrap up the research project, we participate in some of our customers' new drug application review process with the regulatory authorities to assist our customers to confirm the authenticity of the test data and, when necessary, provide access to on-site inspections by the authorities.

As of September 30, 2020, we employed a team of over 1,100 employees working on non-clinical studies, including 1,089 based in China and 97 based overseas. Our non-clinical studies team is headed by Ms. Yunxia Sun, our Vice General Manager and an Executive Director, who has over 20 years of experience in non-clinical drug safety assessment. We believe that we have assembled the largest and the most experienced team of talented and highly qualified research professional for non-clinical studies in China. Our technical team has accumulated over 25 years of first-hand project experience through working on over 5,000 non-clinical projects involving over 3,000 named test articles as of December 31, 2020.

We have built strong service capabilities in serving customers with non-clinical studies for innovative drugs, represented by our expertise in ophthalmology, cardiovascular studies and respiratory studies, to evaluate a broad range of innovative therapeutic areas such as ophthalmic drugs, various inhaled drugs, monoclonal antibodies, stem cell therapy, CAR-T cell therapy and gene therapy products. Through years of first-hand project experience accumulated from working on over 5,000 non-clinical projects involving over 3,000 named test articles as of December 31, 2020, we have obtained extensive industry knowledge in both biologic drug and chemical drug studies. As of the Latest Practicable Date, we had participated in hundreds of drug safety assessment studies for innovative drugs, including assessments for a number of antibody drugs, cellular therapies, gene therapies, oncolytic virus treatment, and other antibody-drug conjugates. We completed large-molecule drug studies such as non-clinical studies of CAR-T GPC3 cell therapy, and we were the first CRO in China to conduct non-clinical drug safety assessment studies for a novel gene therapy, and independently conducted the assessment of SBN1 (ADV P53), the world's first approved gene therapy drug. As of September 30, 2020, we conducted drug safety assessment studies to support four applications of 10 COVID-19 vaccine candidates (which are innovative drug candidates) in the world which entered Phase III clinical trials, according to Frost & Sullivan. Since our inception and as of the Latest Practicable Date, we had helped our customers with over 3,000 drug applications in China and over 600 drug applications overseas. We are therefore able to support the non-clinical development of innovative drugs and drugs for rare diseases at scale.

As of the Latest Practicable Date, the laboratories within our proprietary facilities in Beijing and Suzhou had a total GFA of approximately 2,509 sq.m. and 7,000 sq.m., respectively. Both facilities are in close proximity to some of our key customers and are designed, built and equipped to ensure high performance of complex non-clinical studies. We

expect to commence a construction project in 2021 to add additional laboratories and research model facilities with a total GFA of approximately 20,000 sq.m. in Suzhou. For additional information, refer to "— Our Facilities."

As one of our features, we have established industry-leading laboratories purpose-built for specific medical fields, such as ophthalmology, respiratory safety and central nervous system. We have also set up animal Biosafety Level 2 (BSL-2) laboratory and genetic analysis laboratory to expand the scope of our capabilities to meet our customers' particular needs. Collectively, our laboratories enable us to provide a comprehensive set of non-clinical studies, including drug safety assessment, DMPK studies, and pharmacology and efficacy studies. We operate our Beijing and Suzhou facilities, in compliance with relevant NMPA, FDA and OECD GLP regulations. Our facilities have successfully undergone inspections by regulators including the NMPA, FDA and OECD on multiple occasions.

- *Ophthalmology laboratory.* We were the first CRO in China to build a proprietary ophthalmology laboratory, according to Frost & Sullivan. Since its establishment in 2014, our ophthalmology laboratory has been equipped with a full suite of world-class experimental equipment. Our ophthalmology laboratory supports the R&D of new ophthalmic surgical materials and medical device, provides protocol design that meets GLP standards, and is capable of providing non-clinical assessments of functionality, safety and tissue compatibility of high-tech products such as intraocular lenses, intraocular corneas and artificial retinas. We have constructed various ophthalmic disease research models in various animal species from rodents to non-human primates to carry out drug efficacy assessments for myopia, dry eye, corneal degeneration, corneal and conjunctival injury, glaucoma, cataract, uveitis, age-related macular degeneration, diabetic retinitis, retinal neovascularization, hereditary retinal degeneration and optic nerve damage and other ophthalmological diseases. Our ophthalmology laboratory is staffed with a team of 25 research professionals who have accumulated rich experience and comprehensive systemic expertise through a large number of non-clinical pharmacology, toxicology and DMPK research on new ophthalmic drug candidates. At our ophthalmology laboratory we have successfully conducted drug safety assessments on new drug candidates including biologics and gene therapy and generated GLP-compliant experimental data that can support cross border IND applications. Since the establishment of our ophthalmology laboratory and as of the Latest Practicable Date, we had completed more than 330 ophthalmic studies for Chinese and overseas customers and have supported 29 IND applications in China and the United States.

- *Respiratory drug safety assessment laboratory.* Our respiratory drug safety assessment laboratory is one of the largest inhalation toxicology laboratory in China with the most extensive service experience in accordance with the OECD technical guidelines. The laboratory is equipped with a full set of inhalation toxicology facilities for large and small animals and is capable of evaluating various respiratory functions. Our respiratory drug safety assessment laboratory was the first in China to complete the full non-clinical toxicological assessment for the IND applications

of the first domestic Category I inhaled small molecule new drug and the first domestic Category I inhaled biologics. Our respiratory drug safety assessment laboratory is staffed with a team of eight experienced research professionals. In addition, our laboratory specializes in evaluating different inhalation dosing formulations such as nebulizer, dry powder inhaler and metered-dose inhaler.

- *Central nervous system laboratory.* Our central nervous system laboratory is located in our Suzhou facilities with a total GFA of approximately 300 sq.m. and is equipped with first-class equipment such as over 100 sets of various behavioral equipment and one set of small animal live imaging equipment. The laboratory is managed and operated by neuropharmacology team with two experienced team leaders and four technicians. We have developed a variety of central nervous system disease models involving Alzheimer's disease, Parkinson's disease, anxiety/depression, pain, drug dependence and nervous system tumors. We have contributed to the R&D of multiple drugs targeting diseases in the central nervous system.

- *BSL-2 Research Model Facility*. Our BSL-2 research model facility is located in our Suzhou facilities with a total GFA of approximately 700 sq.m. In our BSL-2 research model facility, we conduct studies that involve agents of moderate potential hazard to humans and the environment. Pursuant to our GLP system that enables global drug IND applications, we have developed approximately 10 SOPs that cover areas such as personnel access, facility management, sample/reagent management, research model husbandry, experimental operations and record keeping. We have established multiple infection models, such as mouse infection model carrying Hepatitis B virus, for studying various bacterial and viral infections. In addition, we have studied the neurovirulence of vaccines against polio, measles and mumps, as well as conducted non-clinical safety and efficacy valuations of multiple oncolytic virus species. During the outbreak of COVID-19, we had conducted a number of evaluations on vaccines and antibodies against the COVID-19 virus in our BSL-2 research model facility.

- *Genetic analysis laboratory*. At our genetic analysis laboratory, we are capable of measuring the concentration of certain gene expression product to support gene and cell therapy R&D. The services of genetic analysis laboratories can be used for non-clinical studies of genes and cellular drugs. We study the tissue distribution, virus shedding and gene expression of genetic drugs by extracting nucleic acid from samples and using quantitative polymerase chain reaction (Q-PCR), reverse transcription PCR and other methods. A number of non-clinical studies on therapeutics such as oncolytic viruses, CAR-T drugs, gene-editing drugs, and stem cell drugs have been conducted in our genetic analysis laboratory. The laboratory is equipped with automatic nucleic acid extraction instrument, multiple high-throughput quantitative fluorescence PCR instruments, digital PCR instruments and related supporting equipment, as well as the corresponding data analysis software. As of the Latest Practicable Date, we had completed 22 studies for various types of viral drugs and 25 studies for CAR-T and stem cell drugs in our genetic analysis laboratory.

We have developed capabilities to conduct non-clinical studies on various types of research models such as rodents, dogs, non-human primates, rabbits, mini pigs and guinea pigs. We are also capable of deploying different drug delivery routes that are most suitable for conducting non-clinical studies on our customers' particular drug candidates, including oral, intravenous bolus, intravenous infusion, subcutaneous, intramuscular, topical (dermal), ocular (injection or instillation) methods, as well as joint cavity injection for non-human primates. While our ability to deploy certain delivery methods depends on the species of research models involved in the non-clinical studies, we believe we offer strong value propositions to our customers through offering a broad scope of research model and drug delivery method combinations to cater to our customers' particular needs.

Prior to our acquisition of Biomere, we mainly conducted our non-clinical studies for our domestic and overseas customers at our proprietary GLP-certified facilities located in China, which are equipped with advanced laboratories and equipment in accordance with international regulatory guidelines promulgated by NMPA, U.S. FDA, OECD and other authorities. After our acquisition and integration of Biomere, we conduct a number of our total number of non-clinical testing on non-human primates at Biomere's facilities located in the state of Massachusetts which has a total GFA of approximately 7,800 sq.m. Leveraging the strong business development capabilities and nationwide customer base of Biomere, we plan to upgrade the facilities in northern California that we plan to lease to cater to the growing demand for Biomere's services, thereby deepening our reach to U.S. customers.

The following table sets forth a breakdown of our revenue generated from non-clinical studies by service types during the Track Record Period.

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Drug safety assessment	290,555	99.4	367,207	90.9	452,309	71.8	253,698	75.1	398,310	63.5
DMPK studies	1,329	0.5	27,019	6.7	125,566	19.9	61,514	18.2	135,832	21.7
Pharmacology and efficacy studies	385	0.1	9,542	2.4	52,315	8.3	22,669	6.7	92,659	14.8
Total revenue from non-clinical studies	**292,269**	**100.0**	**403,768**	**100.0**	**630,190**	**100.0**	**337,881**	**100.0**	**626,801**	**100.0**

Drug Safety Assessment

At the core of our non-clinical studies is our industry-leading drug safety assessment services. We are the No. 1 non-clinical drug safety assessment CRO in China, with a leading market share of 15.7% in terms of revenues in 2019, according to Frost & Sullivan. We have accumulated over 19 years of experience, one of the longest in the China's private CRO market according to Frost & Sullivan, in toxicity evaluation, which is required to satisfy safety testing of various drug candidates, medical devices and chemicals. We offer drug safety assessment services to pharmaceutical and biotechnology companies primarily during the pre-clinical stages to support their toxicity studies conducted in strict compliance with regulatory requirements and produce high-quality research data in support of their IND and NDA applications as well as applicable regulatory obligations. These studies require highly specialized scientific capabilities and extensive project experience. We have established extensive project experience and scientific and regulatory expertise in conducting non-clinical drug safety assessment on new drug candidates that use research models for purposes of evaluating potential new treatments for human disease conditions. In addition, we have leading expertise in several areas of drug safety assessment such as ophthalmology, inhalation toxicity and, carcinogenicity, and we are continuously exploring new service offerings to expand our service capabilities. We believe our scientific capabilities are strongly valued by our customers.

Our comprehensive suite of drug safety assessment services mainly assists our customers to carry out various toxicity experiments under laboratory conditions, in order to evaluate the safety of their drug candidates and determine the appropriate dose ranges of subsequent human testing in compliance with applicable regulatory requirements and ethical standards. Our drug safety assessment services include general toxicology, safety pharmacology, developmental and reproductive toxicology (DART), toxicokinetic analysis, genetic toxicology, carcinogenicity, local toxicity, immunotoxicity and immunogenicity studies. To address our customers' particular needs, we are also able to accommodate various routes of drug delivery, including but not limited to via skin, nasal cavity, vagina, inhalation, intraperitoneal injection, intramuscular injection, intravenous injection, joint cavity injection and special route of administration to the eye.

- *General toxicology.* We conduct a full range of general toxicology studies, including dose-range-finding studies, acute/single-dose toxicity studies, sub-chronic and chronic/repeat-dose toxicity studies and local tolerance studies. Through these studies, coupled with our excellent bioanalytical capabilities such as our ability to perform high-quality dose formulation analysis and toxicokinetics analysis, we are able to detect possible safety concerns in the drug R&D process and assist our customers in the selection of drug candidates that have the most potential to succeed. We mainly perform our testing on research models such as rodents, rabbits, dogs, minipigs and non-human primates, which share biochemical and physiological traits similar to those of human beings.

- *Safety pharmacology.* We provide our customers with comprehensive safety pharmacology evaluations to assess any potential adverse effects that drug candidates may have on major physiological systems. Typically, as a key safety requirement in the drug development process, regulatory guidelines (ICH S7A) require that safety pharmacology studies be conducted with an investigational drug before first administration to humans by analyzing the drug's effect on the functions of the cardiovascular, respiratory and central nervous systems. With various technologies including telemetry, we provide our customers a path to smoothly meet such investigational requirements. While our safety pharmacology assessments focus on the central nervous system, the respiratory system and the circulation system, we are also capable of carrying out studies on the gastrointestinal system and the renal/urinary system.

- *DART.* Our experienced DART service team performs studies and analyses pursuant to the ICH (S5) guidance to evaluate a drug's effect on developmental and reproductive functions of research models such as rodents, rabbits and non-human primates. DART endpoints are a fundamental part of the non-clinical drug safety assessment program for any compounds that men or women of childbearing potential might use or be exposed to, especially during women's pregnancy. There are three segments of our DART services that target different stages of the reproductive cycle. Segment I covers fertility and early embryonic development studies in rodents. We offer female fertility studies, male fertility studies and combined female and male fertility studies under this segment. Segment II concerns embryo-fetal development in rat, mouse, rabbit or non-human primate, for which we provide preliminary dose-range-finding embryo-fetal developmental studies and definitive embryo-fetal developmental studies. Segment III focuses on prenatal and postnatal development in rodents. We are capable of conducting preliminary dose-range-finding studies as well as definitive prenatal and postnatal development studies for this segment. We have also commercialized our validated non-human primates DART evaluation system (especially the enhanced pre- and post-natal development studies for biologics), being the very first non-clinical CRO to do so in China according to Frost & Sullivan.

- *Genetic toxicology.* We provide genetic toxicology studies to assess the potential for induction of genetic mutations or chromosomal damage. Genetic toxicity testing, which determines a compound's potential genotoxicity, is an important component of a complete drug safety assessment of nearly all new drugs and thus is required for all classes of drugs. Performed early on, it helps to determine whether further development is appropriate and what, if any, additional testing is needed to investigate and characterize the relevance of any observed adverse effects. Nonetheless, how the genetic toxicology studies are conduct may differ from compound to compound in order to account for regulatory requirements and the particular choice and design of assays. While most studies are performed *in vitro*, we

also incorporate *in vivo* genetic toxicology studies when necessary. We offer individual toxicology assays or tailor a comprehensive testing program to suit our customers' specific research needs.

- *Carcinogenicity studies.* As the pioneer of commercial GLP laboratories in China, we were the first to provide commercial carcinogenicity studies and the first to systemically accumulate two-year experience of carcinogenicity studies on rat. We believe we are the most experienced in this line of service. As of 2019, we have completed over 10 carcinogenicity studies on transgenic mice, representing the largest number amongst our peers. Carcinogenicity studies involve exposing rodents to our customers' particular compounds for a maximum of two years. Our pathologists use comprehensive historical control data that incorporates the high standards of husbandry. We provide these testing strategies in compliance with international regulations, collect extensive in-life, survival and histopathology data, and perform full statistical data analysis to evaluate tumor parameters and help our customers determine the tumorigenic potential of drug candidates in research models and assess the relevant risk in humans for regulatory purposes.

- *Immunotoxicity and immunogenicity*. Evaluation of immunotoxicity and immunogenicity is critical in the R&D of certain new drug candidates, in particular biologics. We leverage our scientific expertise to help our customers design immunotoxicity and immunogenicity studies to evaluate the effects of a drug candidate on the immune system of our research models. As an example of our capabilities, we investigate active systemic allergic reactions and passive skin allergic reactions to help our customers assess the immunotoxicity of their drug candidates.

- *Local toxicity studies.* Our local toxicity studies mainly examine the potential irritant injuries at the sites of drug administration such as the skin, mucosa, eyes and muscle. Local tolerance to the test item must be evaluated in laboratory experiments prior to human exposure to the product. The purpose of these studies is to ascertain whether medicinal products (both active substances and excipients) are tolerated at sites in the body that may come into contact with the product as a result of its administration in clinical use. Such sites may be the same organ or tissue as the intended therapeutic target (e.g. the skin for externally administered dermatological products, the eye for ophthalmic medicinal products), or they may be remote from the intended therapeutic target (e.g. intravenously administered medicinal products).

- *Special toxicity studies*. We also provide other toxicity testing services, such as hemolysis assay which evaluates hemoglobin release in the plasma following exposure to a drug candidate, phototoxicity test which examines the toxic response induced upon exposure to a drug candidate followed by subsequent exposure to light, and ocular toxicity studies which characterize ocular effects of compounds administered by other routes.

During the year ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, we completed approximately 1,570, 1,700, 1,590 and 1,120 non-clinical drug safety assessment studies involving approximately 520, 530, 560 and 430 test articles, respectively. As of the Latest Practicable Date, we had approximately 1,430 ongoing non-clinical drug safety assessment studies involving approximately 450 test articles.

We generated revenues of RMB290.6 million, RMB367.2 million, RMB452.3 million, RMB253.7 million and RMB398.3 million from providing drug safety assessment services to our customers, for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively.

DMPK Studies

Drug metabolism and pharmacokinetics, or commonly referred to as DMPK, is a scientific discipline within drug discovery that determines the safety and efficacy of drug candidates before they enter into clinical trials. DMPK studies are mainly comprised of absorption, distribution, metabolism, excretion, and toxicity analyses (ADMET) of drug candidates. DMPK studies are the basis for optimizing candidate compounds so that bioavailability, drug-drug interactions (DDI), and related risks to the drug compounds can be evaluated. Assessment of DMPK profiles minimizes the rate of attrition of drug candidates and increases the efficiency of drug discovery overall. We conduct DMPK studies for our customers in support of their drug submissions in China and overseas to prepare them for clinical-stage research and development.

Our DMPK studies mainly consist of *in vivo* PK studies and *in vitro* ADME studies. We perform *in vivo* DMPK studies on rodents, dogs, minipigs and non-human primates by utilizing our complete and advanced suite of bioanalytical techniques to measure drug concentrations in a range of biological matrices, including blood, urine, bile and tissues. The broad range of our DMPK capabilities allows us to meet our customers' unique needs and contribute to their experience with our integrated platform.

- We conduct PK studies to help our customers understand what happens to a drug's chemical components through the processes of absorption, distribution, metabolism and excretion. A typical PK study involves administering a fixed amount of the drug, or a dose, to an animal and collecting, at various time post dose, samples of an easily accessible tissue or fluid, usually blood, for analysis of the drug. In particular, we are able to provide *in vivo* PK studies including single-dose pharmacokinetic and bioavailability study, repeat dose pharmacokinetics, tissue distribution study, mass-balance study, biliary, feces and urine excretion study, *in vivo* metabolite profiling and identification, and toxicokinetics coupled with toxicology study.

- ADME studies are designed to investigate the disposition of a drug in the human body with respect to absorption, distribution, metabolism and excretion. Our available *in vitro ADME* studies include plasma protein binding study, prediction and identification of major metabolites in human liver microsome.

We generated revenues of RMB1.3 million, RMB27.0 million, RMB125.6 million, RMB61.5 million and RMB135.8 million from conducting DMPK studies, for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively.

Pharmacology and Efficacy Studies

Pharmacology and efficacy studies play a critical role in drug candidate selection, which is the crucial first step in pharmaceutical R&D. The studies focus on investigating the mechanism of action, the dose-effect relationship, time-effect relationship and efficacy characteristics of drug candidates through *in vivo* and *in vitro* experiments.

We have assembled a team of experienced employees whose professional background covers pharmacology, medicinal chemistry, pharmaceutics, biology, translational medicine, anthropotomy and hitoembryology. Leveraging our extensive experience in drug discovery and advanced drug screening technologies, we conduct various types of pharmacology and efficacy testing on well-developed research models such as rodents and non-human primates to help our customers quickly and accurately screen for and identify potential drug candidates.

We are able to perform *in vivo* and *in vitro* pharmacology and efficacy screenings in compliance with domestic and foreign applicable regulations on cell therapy drugs, gene therapy drugs, antibody drugs and other chemicals. We have established advanced preclinical drug effectiveness evaluation technologies and platforms, and we are committed to the development and regulatory application of various new drugs.

The main types of pharmacology and efficacy studies that we provide include (i) efficacy studies, which evaluate the efficacy and characteristics of action of a drug candidate against specific indications, and (ii) drug screenings, which select candidate compound with developmental value via *in vitro* and *in vivo* experiments. Coupled with our ability to provide a variety of *in vivo* and *in vitro* research models for drug evaluation, we can quickly and effectively provide our customers with high-quality research results and advance the development process.

Below is a brief summary of our representative research areas. In addition, we have established research platforms and research models to assess drugs in other therapeutic areas such as inflammation and immune related diseases, blood system diseases, digestive system diseases, urinary system diseases, endocrine system diseases, skin-related diseases and bone-related diseases.

- *Oncology.* We have built various research models for our oncology platform to meet our customers' particular needs for assessing the efficacy of their drug candidates against various types of tumors. Our *in vivo* models include humanized tumor models, orthotopic implantation tumor models (lung, liver, glioma, breast, colon, kidney, pancreatic), and intravenous implantation tumor models (lymphoma, leukemia). Our *in vitro* models include lymphocyte tumor cell co-culture *in vitro*

survival assay, cell proliferation inhibition assay, chicken embryo allantoic membrane angiogenesis inhibition assay, colony formation inhibition assay, cell surface biomarker flow cytometry analysis, cell cycle and apoptosis analysis.

- *Metabolic diseases.* We have built a variety of research models to help our customers assess drug efficacy on different metabolic diseases. For example, we provide STZ induced type 1 diabetes model, type 2 diabetes model (ZDF, db/db, KKAy) and canine sugar clamp model for efficacy studies on drugs targeting diabetes. Among others, we also provide rodents for assessing efficacy of drugs on obesity, hyperlipidemia, atherosclerosis and hyperuricemia.

- *Respiratory diseases.* We are capable of assessing the efficacy of drugs for the treatment of pulmonary fibrosis with our Bleomycin-induced mouse model and silica-induced mouse model, as well as COPD, asthma, acute lung injury and pulmonary hypertension with our deep pool of rodent models.

- *Cardiovascular diseases.* We have generated research models of different species to study drug efficacy on cardiovascular diseases such as myocardial infarction (rat, bama pig and cynomolgus monkey), hypertension (rat, beagle) and cerebral ischemia (cynomolgus monkey).

- *Central nervous system diseases.* Deploying our rodent models, we are able to assess the drug efficacy for central nervous systems diseases including Alzheimer's disease, drug dependency and diabetic neuropathy. We also assist our customers in the evaluation of antidepressants and research on the compounds that relieve pains.

Through our pharmacology and efficacy studies, we help our customers select drug candidates for treatment of diseases in a variety of therapeutic areas, including ophthalmology, inhalation, cardiovascular system, respiratory system, central nervous system, gastrointestinal system and renal/urinary system.

We generated revenues of RMB0.4 million, RMB9.5 million, RMB52.3 million, RMB22.7 million and RMB92.7 million from conducting pharmacology and efficacy studies, for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively.

Clinical Trial and Related Services

Building upon our leadership in non-clinical studies especially drug safety assessment, we have expanded our service capabilities downstream by leveraging our rich experience in non-clinical services to deliver a diverse portfolio of clinical trial and related services, encouraging our customers to work with our integrated CRO service platform for their research projects at various critical stages during their drug R&D. In August 2018 and September 2019,

we established two wholly-owned subsidiaries, namely JOINN Clinical (Suzhou) Co., Ltd. (蘇州昭衍醫藥科技有限公司) and JOINN Clinical (Beijing) Co., Ltd. (昭衍(北京)醫藥科技有限公司), to provide clinical trial and related services.

Our clinical trial and related services are still at a relatively early ramp-up stage. They currently encompass three segments, namely (i) clinical CRO services, (ii) clinical research units (CRUs) support services, and (iii) bioanalytical services. Unlike other traditional CROs, we have integrated all three segments and provide our customers with an integrated platform for clinical trial services. During clinical trials, we and our hospital partners collect and maintain medical data treatment records and other personal details of enrolled subjects. We have taken a variety of measures that our management deems necessary and in line with legal and regulatory requirements to maintain the confidentiality of such medical and personal data. For example, we work with our hospital partners and relevant third parties to control access to such information via contractual obligations so that such information cannot be accessed by personnel without proper authorization. In addition, we conduct internal trainings for our employees who have access to the medical and personal information on maintaining the confidentiality of such information.

We provide a variety of clinical CRO services including clinical trial operations, medical writing and translation, medical registration services, statistical analysis, independent audits and pharmacovigilance. Leveraging our strong customer relationships developed early in the drug R&D cycle through non-clinical studies and our well-equipped laboratories, we have established and will further fortify our core strengths in clinical trial operations on early-stage drug R&D in Phase I clinical trials and bioequivalence studies.

- *Clinical trial operations.* We engage in clinical trial planning and initiation, project management, trial monitoring, medical monitoring, and reporting and filing assistance. We assist our customers in formulating and optimizing clinical trial protocols and help them prepare relevant documents needed in clinical trials. Leveraging our co-managed phase I clinical research units and extensive clinical site network, we help customers quickly identify suitable sites to conduct clinical trials. We then arrange trainings on the study protocol and SOPs to help our customers and CRAs execute the trials more effectively. We often provide project management and monitoring services, where we supervise and manage the operations of clinical trials and ensure that the trials are conducted in compliance with the agreed trial protocol, SOPs, reporting requirements and relevant regulations. Following the completion of a clinical trial, we are able to assist in the preparation of the clinical study report and regulatory filing process if our customer decides to file an application for market approval. Drawing upon our extensive experience and leadership in pre-clinical studies, our core strengths of clinical operations are rooted in early-stage drug R&D in phase I clinical trials and bioequivalence studies. We provide clinical trial operations to biopharmaceutical companies for the development of drugs covering healthy volunteers and patient volunteers in various therapeutic areas.

- *Medical writing and translation.* We provide medical writing and translation services to our customers to help them prepare well-structured and clearly presented reports and documentation for professional and academic use, or submission packages in accordance with applicable regulations, industry standards and customer specifications. Our medical writing services cover the preparation of clinical trial protocols, case report forms, consent forms and clinical study reports and abstracts. We also provide medical translation services to our customers who require assistance in drafting medical resorts and documentation in foreign languages.

- *Medical registration services.* With a team of experts who are experienced in applicable laws and regulations of drug registration in China and knowledgeable in the NMPA review process, we are capable of providing customized service to help our customers register their drugs in China with the NMPA for permission to start clinical trials or commercialize drug manufacturing.

- *Statistical analysis.* Statistical analysis of data generated from clinical trials is essential to the success of clinical trials as it unveils the necessary information on safety and efficacy for regulatory reviews. Our biostatisticians advise our customers on the clinical trial plan to ensure the underlying statistical models and tools to be used are scientifically rigorous and empirically valid, and analyze data collected from clinical trials to interpret trial results and generate statistical analysis report.

- *Independent audits.* We conduct audits on clinical trial sites, statistical analysis and clinical trial documentation management, and help our customers prepare for regulator inspections by conducting pre-inspection audits.

- *Pharmacovigilance.* We provide pharmacovigilance services to help our customers monitor, detect, assess, understand and prevent adverse effects of drugs and reduce a drug's risks to human patients. Our pharmacovigilance services mainly include the establishment and implementation of integrated pharmacovigilance management platforms (iPVMAP), case processing and reporting on severe adverse events and adverse drug reactions, safety signal detection, evaluation and risk management, drug safety database, and assistance in safety related reports, such as drug safety updates and periodic safety updates.

For the CRU support services, we currently collaborate with three hospitals, including Tonghua Central Hospital (通化市中心醫院), Taicang First People's Hospital (太倉市第一人民醫院) and Hainan Cancer Hospital (海南省腫瘤醫院). Through our subsidiaries JOINN Clinical (Suzhou) Co., Ltd. and JOINN Laboratories (Suzhou) Co., Ltd., we entered into non-exclusive collaboration agreements with the three hospitals between 2018 and 2019. The three hospitals located across China are publicly owned Grade III (三級) hospitals. Our collaboration agreements with these hospitals have a term of five or ten years, which will be extended automatically absent disagreements. Under our collaboration arrangements, the hospitals agree to provide us with clinical sites as well as assistance in the recruitment of staff and grant us

access to other on-site support and resources in connection with clinical trial projects. In return, we agree to assist the hospitals to build Phase I CRUs that are compliant with national or international standards such as NMPA regulations and U.S. FDA standards, provide the clinical operation staff of the Phase I CRUs with various trainings such as GCP-compliant SOP training, and provide other trainings, project management, quality control and marketing for the Phase I CRUs. As of the Latest Practicable Date, all of our Phase I CRUs are equipped with comprehensive SOPs and quality management system. These Phase I CRUs can provide early-stage clinical trials for our customers, including Phase I clinical trials and bioequivalence studies. We believe our collaborations with hospitals are synergistic and mutually beneficial as the collaborations improve our capacity for clinical studies and related services while advance the clinical research capabilities of the hospitals that we collaborate with.

Leveraging our expertise in non-clinical studies, we also provide bioanalytical services, including biomarker analysis, for a broad range of therapeutics, including but not limited to small molecular drugs, large molecular drugs, and cell and gene therapies (CGT). With our advanced equipment and experienced analytical professionals, we conduct clinical bioanalytical studies on samples collected from clinical trials to provide data and support our customers' NDAs. We have also developed our bioanalytical specialties in immunogenicity analysis and biomarker analysis.

- *Immunogenicity analysis.* Immunogenicity assays are integral to biologic drug development. Biotherapeutics, such as proteins, antibodies, conjugated peptides or oligonucleotides can induce an immune response in the body, leading to the development of anti-drug antibodies or neutralizing antibodies therefore reducing the efficacy of the biologic drug. We assist our customers to understand the immunogenic potential of their biologic drug candidates by providing anti-drug antibody detection and neutralizing antibody detection in various biological matrices.

- *Biomarker analysis.* A biomarker is a characteristic that is objectively measured and evaluated as an indicator of normal biological processes, pathogenic processes, or pharmacologic responses to a therapeutic intervention. We have developed a broad range of analytical techniques to measure a large array of biomarkers in biological matrices. In particular, we are able to measure multiple biomarkers based on high-sensitivity electrochemiluminescence and flow cytometry (FCM), to detect tumor tissue biomarkers based on immunohistochemistry (IHC) and RNA *in situ* hybridization, and to detect receptor occupancy based on FCM.

We managed to expand our business to clinical trial and related services by leveraging our large and high-quality customer base for non-clinical studies. We believe our ability to provide comprehensive clinical trial services, particularly those for early-stage clinical trials, offers our customers strong value propositions as we benefit from our deep understanding of their needs and extensive project experience to help them seamlessly advance their research projects from pre-clinical to clinical stages. During the Track Record Period, we had assisted four customers with seven clinical trial projects for six drug candidates.

We generated revenues of nil, RMB0.2 million, RMB4.9 million, RMB3.6 million and RMB3.3 million from providing clinical trial and related services to our customers for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively, representing nil, 0.04%, 0.8%, 1.0%, and 0.5% of our total revenues for the same periods.

Under the legal framework of the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) and its implementation rules, each of the milestones throughout the discovery, pre-clinical and clinical trial stages in the drug R&D service chain, e.g. the application for clinical trial and the application for drug marketing authorization, as well as each of the main participants involved therein, e.g. the non-clinical drug safety evaluation research institutions, clinical drug trial institutions and CROs, is subject to review, approval, inspection and supervision of NMPA.

Specifically, the Good Laboratory Practice for Non-Clinical Laboratory Studies (《藥物非臨床研究質量管理規範》) and the Administrative Measures for the Certification of Good Laboratory Practices for Non-clinical Laboratory Studies (《藥物非臨床研究質量管理規範認證管理辦法》) stipulate that, among others, (a) the non-clinical drug safety evaluation research institutions shall apply for the GLP certification with the NMPA, (b) the NMPA may organize regular inspection, random inspection and inspection for special reasons on non-clinical drug safety evaluation research institutions that have obtained GLP certification, and (c) the non-clinical drug safety evaluation research institutions that have obtained GLP certification shall report to NMPA's local branch annually. Our facilities in Beijing passed the NMPA initial inspections for GLP certification in 2005, received NMPA GLP certificate in 2011 (and passed regular inspections in 2014, 2017 and 2020). Our facilities in Suzhou received NMPA GLP certificate in 2013, 2014 and 2020 (and passed regular inspections in 2017 and 2020). Moreover, the Good Clinical Practice for Drugs (《藥物臨床試驗質量管理規範》) provides NMPA with rights to inspect original documents, data, reports, facilities, records and other respects at the sites of trials, applicants or CRO service providers or other sites it considers necessary, during the entire clinical trial process. According to the Measures for the Administration of Drug Registration (2020) (《藥品註冊管理辦法(2020)》), the research materials of the non-clinical trials and clinical trials are required to be submitted to the NMPA for application of clinical trial and drug marketing authorization.

Research Model Business

Research models, which are animals of various species used in support for medical and biological research, are an essential part of the drug R&D process, enabling drug researchers to answer fundamental questions about the safety and efficacy of a drug candidate. Among the research models, purpose-developed special research models, such as disease induction models and transgenic models, are particularly crucial tools for the R&D of drugs targeting those relevant conditions or diseases. The NMPA, FDA and other foreign regulatory agencies typically require that the safety and efficacy of new drug candidates be tested on research

models prior to being tested on human beings for the first time. In addition, during the clinical trial and post-marketing phases of a drug product, further assessments conducted on research models may be necessary to gather and analyze additional data on safety and efficacy of the drug product.

During the Track Record Period and up to the Latest Practicable Date, we developed, bred and sold a small amount of research models to third-party customers. The research models bred and hosted by us, which primarily include non-human primate research models hosted at our Nanning facilities mainly for scientific research and breeding purposes, are recorded as biological assets in our financial statements. See "Financial Information" for details.

Rodent Research Model Business

To develop certain special types of research models for sales to our customers, and to a lesser extent, ensure a back-up supply to support our own non-clinical studies, we produce a limited variety of rodent research models at our research model facility that occupies a total GFA of approximately 2,700 sq.m. at our Suzhou facilities. Before using for our non-clinical studies or selling to our customers, we breed and host our rodent research models in systematically controlled environments where we continuously monitor the temperature, humidity and air pressure to ensure their well-being. In addition, our professional staff performs regular tests to check for potential contaminations and other adverse developments in research model populations to ensure their well-being and quality.

During the Track Record Period, we sold a small amount of rodent research models that we produced to third parties such as distributors and academic and research institutions that are located close to our facilities. We generated revenues from sales of rodent research models of RMB8.3 million, RMB4.8 million, RMB4.3 million and RMB1.4 million, respectively, representing 2.8%, 1.2%, 0.7% and 0.2% of our total revenues for the same periods. With a goal to strengthen our capabilities in developing and breeding non-human primate research models which are in rising demands, currently we plan not to further expand or grow our sales of rodent research models in the near term. Given the immaterial revenue contribution of such business in the Track Record Period, we do not believe our decision to downsize the sales of rodent research models will have a material adverse effect on our operating results or prospects.

Non-human Primate Research Model Business

Non-human primates are essential research models for a wide spectrum of drug R&D projects due to their strong similarities to humans across physiologic, developmental, behavioral, immunologic, and genetic levels. However, non-human primates are currently a relatively scarce resource due to limited supplies. Fueled by the robust demand in connection with increasing number of biologic drug research projects, non-human primate research models are sold at much higher price as compared other common types of research models including non-genetically engineered rodents, according to Frost & Sullivan.

In November 2015, we purchased our first large batch of non-human primate research models for breeding from an independent third party, and have been hosting our non-human primate colonies in our Nanning facilities. Please see "— Our Properties — Leased Properties" and "— Certificates, Permits and Licenses" for additional information. We host such non-human primate research models mainly for breeding and scientific research purposes and used a small portion of such non-human primate research models at our Nanning facilities for non-clinical research experiment on an ad-hoc basis. As of September 30, 2020, we hosted 2,232 units of non-human primate research models with an estimated total fair value of RMB47.7 million. During the Track Record Period, we did not generate any revenue from sales of non-human primate research models.

In order to enhance our scientific expertise in non-human primate research models and breed quality non-human primate research models at scale in the long run, we plan to build additional non-human primate research model production and research facilities in Wuzhou. For more information, please see "— Our Facilities." As part of our strategic plan to breed and produce high-quality non-human primate research models at scale in the long term, we intend to expand our existing non-human primate research model colonies by sourcing new colonies with attractive attributes from third-party suppliers to support our future production of high-quality non-human primate research models at scale. At the same time, we plan to utilize part of our existing colonies to develop novel varieties of non-human primate research models.

OUR GROWING OVERSEAS OPERATIONS

We are currently still at an early stage in expanding our overseas footprint. In 2013, we established our subsidiary in the state of California, which had primarily conducted business development activities as of the Latest Practicable Date.

In 2019, we acquired Biomere, a regional, specialty CRO in New England focused on non-clinical studies involving non-human primate research models. Biomere offers an extensive portfolio of pre-clinical studies in the U.S. with a main focus on compound screening and efficacy studies. Specifically, it provides safety testing, pharmacokinetics, compound screening and efficacy assessment services. Biomere also provides colony management services and onsite laboratory use for its customers. We have devoted significant resources, such as management time and attention, as well as financial and human resources, and taken certain integration measures in order to integrate operations at Biomere and our operations in China. For example, we established an executive steering committee comprised of senior management personnel in China and the U.S. to foster close communications on our strategic plans and day-to-day operations. With an aim to ensure that Biomere can share in our resources and information, we have held various visiting and interaction events between Biomere and our facilities in China, and we have dispatched bioanalysis experts to Biomere to conduct various trainings and support its operations. The interactions between Biomere and our operation in China are a dynamic and mutually beneficial process with a goal to maximize our Group's performance as a whole. Biomere is responsible for independently formulating its business plans and strategies for sales and procurement in response to the needs of local market and in conformity with our overall strategic business plans. Biomere also independently executes its

day-to-day operations with respect to customer acquisition, research projects management, procurement and corporate services/functions. We strive to further integrate our operations in China and the United States to achieve the expected benefits from the acquisition as set forth below.

With its established service offerings, we expect that the acquisition of Biomere would further expand the scope of our service offerings and bring strong scientific expertise to our non-clinical studies business, such as those with regard to compound screening and non-clinical studies involving non-human primate research models, to supplement our service skill sets. In addition, we believe that the acquisition of Biomere provides us with a strategic benefit of gaining access to a rich network of existing and new U.S. customers in need of our services. Biomere's U.S. customer base included more than 100 biotechnology companies and institutions and seven large pharmaceutical companies for the year ended December 31, 2019 and nine months ended September 30, 2020. As pharmaceutical R&D becomes increasingly globalized and China becomes an integral part of the global pharmaceutical market, our acquisition and integration of Biomere also positions us with a competitive advantage in assisting our Chinese customers with their overseas drug applications and attracting more global pharmaceutical and biotechnology companies to conduct research in China for their overseas drug applications and access the massive Chinese market.

Led by industry veterans, Biomere had a team of over 120 employees based in its facilities located in the state of Massachusetts as of September 30, 2020. In 2019, it served over 80 customers in relation to over 300 drug R&D projects. As of the Latest Practicable Date, Biomere had 137 ongoing projects.

The following table sets forth our Group's revenues, profit for the period and total assets attributable to Biomere as well as their respective percentages of our Group's total revenue, profit for the period and total assets for the nine months ended or as of September 30, 2020.

	For the nine months ended or as of September 30, 2020	
	RMB	*%*
	(In million, except for percentages)	
Revenues	157.8	25.0
Profit for the period	19.2	13.5
Total assets	340.6	17.8

The Biomere acquisition marked our first strategic step in international acquisitions with the goal to solidify our presence in one of the most vibrant biopharmaceutical research hubs in the world and further improve our services capability and customer reach in the U.S. market. Leveraging Biomere's highly experienced and professional management team and high-quality customer base, we aim to integrate our future California operations with Biomere and further increasing our brand recognition and market share in the U.S. market. Biomere has leveraged

its customer base and strong business development network in the United States to recommend us to high-quality customers in the United States, especially those looking to access China's pharmaceutical market. Meanwhile, we also refer service offerings of Biomere to our customers in China, allowing Biomere to leverage our brand name in China and integrated CRO services offerings to expand its customer base and business in China.

In order to cater the rising customer demands in the United States, we also plan to lease laboratory and research model facilities located in northern California with a total GFA of approximately 6,000 sq.m. from our Connected Person Biorichland. For more information on the underlying lease transactions, see "Connected Transactions." We plan to upgrade and customize such facilities for purposes of hosting and breeding of research models, as well as to procure cutting edge laboratory equipment and technologies to support non-clinical studies by the end of 2022. We expect that our future California facilities will achieve synergies with Biomere which can introduce new business opportunities and high-quality customers to our future California facilities, and vice versa.

Through the successful integration of Biomere and upgrade of the facilities in northern California that we plan to lease, we aim to establish a strategic bi-coastal presence in the United States with each of our sites located within close proximity to the two prominent life science centers in the United States. Our acquisition of Biomere also particularly positions us to benefit from the large customer base and vibrant research community in the state of Massachusetts and complements our future U.S. operations with our renovated facilities in northern California, creating a self-reinforcing, synergetic service network. Leveraging the synergy between our operations in China and the U.S., we aim to continually increase our market share in overseas markets and improve our global competitiveness.

OUR FEE MODELS

Fee Arrangements for CRO Services

Our service fee arrangements in relation to our non-clinical studies and clinical trial and related services are entered into primarily in accordance with the fee-for-service ("**FFS**") model. Under the FFS model, we typically enter into a master service agreement with our customers and receive payments in accordance with a pre-agreed payment schedule pursuant to such master service agreement.

We generally determine the fee levels for each research project based on a number of factors, including but not limited to the scope of the services required, the underlying drug candidate, the estimated costs and expenses of the required services, the estimated amount of time to be allocated to the project and the prices charged by our competitors for similar services, among other factors. Based on the unique nature and specific considerations pertaining to a particular project, during the Track Record Period, the service fees we charged for different projects varied with a broad range from approximately RMB50,000 typically for single, small-sized non-clinical studies to approximately RMB21.5 million typically for complex projects with multiple studies.

Depending on the stage and particular needs of our customers' drug R&D process, the length of our non-clinical studies on research models varies greatly. For example, certain pre-clinical toxicology studies could last for four weeks, while certain non-clinical carcinogenicity studies could expand for two years. We take into account the vastly different costs of research models in pricing our services and record such costs associated with our usage of research models in the studies performed for our customers as expenses.

We also take into account in our fee model contingencies such as foreseeable cost increases and macro-economic factors to a certain extent, so as to minimize potential risks of cost overruns. Our service contracts and work orders typically include a detailed schedule that sets forth specifications of the services to be provided, the anticipated delivery time and the payment dates. We generally renegotiate fees with our customers should there be substantial subsequent changes in the scope of the work or the assumptions upon which the work orders are based.

Fee Arrangements for Research Model Sales

During the Track Record Period, we sold a small amount of research models to our customers, including third-party academic and research institutions, at a price per unit as specified in the relevant sales contract. The unit prices of our research models differ based on a number of factors, including but not limited to the cost to us for breeding and maintaining a particular strain or species, the weight, age and the grade of "cleanness" (e.g., "clean" or "specific-pathogen free") of the research model, the purchase volume, and the prices charged by our competitors for similar products. We typically bill our customers within two weeks following the shipment of ordered research models, and our customers are required to make a full payment within a month after they receive the bill. Revenues generated from sales of research models accounted for 3.0%, 1.2%, 0.7% and 0.2% of our revenues for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, respectively.

Contracted Future Revenue

Contracted future revenue represents, at a particular point in time, future revenue from services not yet completed or performed under all signed contracts in effect at that time. Once work begins on a project, revenue is recognized over the duration of the project. See "Financial Information — Critical Accounting Policies and Estimates — Revenue and other income." Contracted future revenue is assessed by reference to signed contracts (where a customer has agreed to pay for certain services at a certain price) and by reference to the percentage of work completed in relation to such contract. Our contracts are generally cancellable by our customers and in that situation the revenue may not be earned as expected. See "Risk Factors — Risks Relating to our Business and Industry — Our customer agreements may contain provisions that run counter to our interests or expose us to potential liability."

There is no standardized accounting practice for calculating contracted future revenue. Approaches to estimating contracted future revenue value may vary considerably between industry participants. As a result, we advise caution on any reliance of an analysis of contracted future revenue between us and competitors as a reliable like-for-like comparison of value. See "Risk Factors — Risks Relating to Our Business and Industry — Our contracted future revenue might not be indicative of our future revenue, and we may not be able to realize all of the anticipated future revenue associated with our contracted future revenue without any material delay."

There are a range of methodologies in our industry for the calculation of contracted future revenue and/or backlog. Our Directors believe that our approach to calculating contracted future revenue is appropriate, meaningful and within the range of methodologies employed in our industry. Our Directors are also of the view that contracted future revenue is calculated in a fair and reasonable manner.

Using the method described above of calculating contracted future revenue, as of December 31, 2020, our contracted future revenue was RMB1,776.5 million.

QUALITY ASSURANCE

Overview of Quality Assurance System

We are committed to maintaining an effective quality assurance system for each major aspect of our service offerings to ensure the quality of our services and maintain our reputation among our large customer base. We seek to ensure that our services consistently meet the high industry standards and regulatory requirements that are applicable to us.

We have established an independent and professional quality assurance team. Our quality assurance department consist of a team of 60 personnel as of September 30, 2020, which is jointly led by Mr. Zhanjiang Du and Ms. Lili Yin, who have approximately 30 and 14 years of experience in the pharmaceutical industry, respectively. Our quality assurance function is responsible for reviewing and performing comprehensive inspections to assure that our operations are in strict compliance with GLP regulations. In addition, they also review our SOPs, and participate in the establishing and updating of our SOPs. The findings of the inspections are reported to our project and facility management personnel for further review.

Our high-quality output is attributable to our corporate culture that motivates every employee to develop a strong commitment to meeting and exceeding the applicable quality standards and ensuring the utmost integrity of our studies and data results, which includes:

- We provide mandatory GLP training and passing requirement for researchers involved in conducting GLP studies to ensure they are knowledgeable about the applicable requirements and standards;

- We follow strict process management guidelines to ensure every process step is well performed in order to provide consistent, high-quality services;

- We set up a specialized quality assurance unit (QAU), which is responsible for and implementing proper quality control systems to monitor the major steps involved in a project, conducting independent investigation on the quality of our services and products as well as supervising implementation of the quality standards internally and improve the quality system continuously; and

- We regularly review and update our SOPs to reflect the evolving best practice.

Our operations are in compliance with the relevant NMPA, FDA and OECD GLP regulations. Throughout the years, we have developed more than 400 SOPs to ensure the quality and integrity of our studies and business operations in categories such as laboratory techniques, QAU practice, research practices and quality control of research models.

Quality Control of Equipment and Consumables

We purchase equipment and consumables from selected qualified suppliers for certain laboratory services we provide. See "— Our Suppliers." We conduct inspections and relevant testing of the consumables we purchase to confirm that they are in satisfactory condition before we accept the shipment. We ensure a proper maintenance and upkeep of our high-value equipment through visits and maintenance by the technical staff of our suppliers. For each of our study project, our procurement team works with our customer to compile a list of required consumable materials. We then determine the specifications of any required consumables, carefully select suppliers, and regularly request quality reports from the suppliers. Each major step of our procurement is properly and fairly documented as part of our internal records for purposes of customer audits and regulatory inspections. During the Track Record Period and as of the Latest Practicable Date, we had not experienced any material quality issues or defects in relation to our procurements.

Quality Control of Research Models

Our quality control of research models encompasses an integrated process from sourcing of research models to the proper management of the breeding and hosting activities as well as veterinary cares. During the Track Record Period, the research models used for our non-clinical studies were mainly purchased from third-party suppliers. We purchase high-quality research models from selected qualified suppliers that have passed our pre-purchase due diligence. See "— Our Suppliers." We request examination reports on certain pathogens before we purchase research models to confirm the batch we plan to purchase is devoid of certain diseases. We also conduct a robust set of quarantine and quality assessment of each batch of research models that we purchase to ensure they meet our quality and safety standards. To guarantee the well-being of all of our research models, we breed and host them in systematically controlled environments, and our professional team of veterinarians are responsible for performing regular checks for illness and other adverse developments in our research model populations.

Furthermore, we feed our research models in strict accordance with scientific standards by using purpose-made nutritious food on which we conduct regular tests for heavy metals, pesticide residues and microorganisms. During the Track Record Period and as of the Latest Practicable Date, we had not experienced any material quality issues or defects in relation to our research models.

Project Management

To facilitate project management, as well as the overall quality control, we designated a study director for each study under a particular project to be in charge of the execution of each study. The study directors are responsible for overall planning and managing the progress of the experiments involved in each studies. Our professional, experienced and well-trained study directors play a vital role in ensuring the high-quality and on-time execution of the particular studies. They track the progress of all work streams of complex studies to ensure they are effectively and efficiently managed and executed. Their duties include identifying potential issues, providing solutions and ensuring a high-quality delivery of our services.

Regulatory Inspections and Customer Audits

We have a strong track record of satisfying various regulatory inspections and audits. According to relevant laws and regulations, we are subject to regular on-site inspections carried out by relevant government authorities to ensure compliance. Pursuant to the Administrative Measures for the Certification of Good Laboratory Practices for Non-clinical Laboratory Studies (《藥物非臨床研究質量管理規範認證管理辦法》) and the GCP, the NMPA has the authority to carry out on-site inspections on non-clinical research and clinical trials. The FDA has authority to inspect CROs, non-clinical and clinical sites, regardless of whether they are located in the United States or overseas, to confirm compliance with GLPs, GCPs, GMPs and other FDA regulatory requirements. See "Regulatory Overview." Our facilities in Beijing and Suzhou have each successfully undergone FDA GLP inspections twice, and have obtained AAALAC and NMPA GLP certifications. Our Suzhou facilities have also obtained OECD GLP certification. During the Track Record Period and as of the Latest Practicable Date, none of these inspections had identified any issues that had materially and adversely affected our business and operations. We had also addressed all inquiries raised during the regulatory inspections to the satisfactions of the relevant regulatory authorities.

In addition, our customers periodically conduct site inspections and audits to ensure that our services are in compliance with their standards in the drug development process. Each major step of our studies is properly and fairly documented as part of our internal records for purposes of customer audits and regulatory inspections. Upon receipt of audit requests from customers, we coordinate our project teams and quality assurance teams to prepare for the inspections and audits, respond to questions and comments raised during such inspections and audits, and provide written responses and suggestions to customers' audit reports. During the Track Record Period and as of the Latest Practicable Date, there were no material adverse findings in the inspections and audits conducted by our customers or regulators or material complaints received from our customers.

RESEARCH AND DEVELOPMENT

We are committed to providing innovative services to support our customers' groundbreaking and complex new drug research and development projects in China and around the world. Towards this goal, we have constantly invested in improving our service capabilities, as well as actively participated in major government-sponsored research projects. Such investments have allowed us to remain at the forefront of the latest technology trend in our industry, develop novel solutions for our customers and maintain our competitive position. We strive to further enhance our technical capability through internal R&D, cooperation with universities and research institutions, collaboration with our customers and development and improvement of the technologies acquired by us.

To cultivate a high-quality talent pool and ensure delivery of professional services, we have developed on-site training programs that provide training courses on a variety of cutting-edge scientific and technical topics such as large-molecule bioanalysis and small-molecule bioanalysis, as well as track, evaluate and report each employee's training progress.

As of the Latest Practicable Date, we had obtained 30 patents granted by the National Intellectual Property Administration (國家知識產權局) of the PRC and have submitted seven patent applications pending its review.

We do not have a dedicated team of R&D personnel exclusively in charge of specific R&D projects. Instead, our R&D projects are carried out directly by the teams that operate our laboratories and platforms. In 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, our R&D expenses amounted to RMB25.6 million, RMB23.7 million, RMB39.6 million, RMB26.7 million and RMB48.9 million, representing 8.5%, 5.8%, 6.2%, 7.8% and 7.7% of our total revenues in the same period.

The table below lists the qualification and professional experience of our R&D personnel as of September 30, 2020.

Professional Experience	Number
Over 10 years	71
Between 5 and 10 years	134
Less than 5 years	938

SALES AND MARKETING

Through our systematic and targeted business development efforts, we focus on cultivating long-term relationships with our customers to capture more business opportunities and continuously expand our customer base to drive sustainable growth.

We have established a marketing and sales team to increase our brand reputation and market our pharmaceutical R&D services directly to pharmaceutical and biotechnology companies. The marketing and sales team is responsible for our brand promotion, market

publicity, organizing various online and offline marketing activities and industry events as well as executing and managing our sales targets and converting prospective customers into paying customers. The sales work includes liaising with customers, gathering customers' needs, and tailoring contracts to reflect customers' particular needs.

We leverage our brand reputation, strong scientific expertise, stringent quality control and proven track record of project execution and delivery to attract customers to our integrated service offerings. Our sales and marketing personnel are equipped with solid science or technical background. Through frequent interactions with existing and potential customers, our sales and marketing team has developed a deep understanding of our customers' unique research needs and is capable of assisting them to develop suitable research plans. Our well-trained sales and marketing team then works closely with our technical experts to prepare specific service and fee proposals and secure customer orders.

With our comprehensive service offerings, we are able to cross-sell our different service offerings to our customers in an integrated manner. During our services and after our services are delivered, our sales and marketing team regularly follow-up with our customer to deeply understand their research and business plans and discover their additional needs. Our sales and marketing team's profound understanding of customers' needs further enable us to provide customized pharmaceutical R&D services that our customers value greatly. Our tailor-made services to our customers, coupled with our consistently high-quality delivery, results in substantial word-of-mouth referrals among our customers. We value our long-term relationships with key customers and aim to further deepen and broaden such relationships by identifying potential strategic alliance opportunities.

We also actively organize and participate in leading academic conferences and industry events. In 2019, we organized and/or participated in a number of domestic and international academic conferences, including the BIO conference in the United States, the ARVO international ophthalmology conference in Canada, the SOT conference in the United States, and the SOT conference in Japan. In the second half of 2019, we also jointly held the second "International Academic Seminar for Ophthalmology Innovative Drug Development and Translation" with the Chinese Pharmaceutical Association. Through these academic conferences and industry events, we successfully promoted our industry reputation, especially in the highly specialized research fields such as the ophthalmic drug evaluation. By participating in these conferences and events, we have also successfully established direct connections with many potential customers.

Our sales and marketing personnel are strategically based in Beijing and Suzhou in China, as well as California and Massachusetts in the United States, which are key pharmaceutical R&D centers in both countries. Leveraging our strong business development capabilities, we work closely across different geographic markets to attract and serve customers with cross-border, cross-region service needs and expand our customer base across local markets in both China and the United States. As of September 30, 2020, we had over 30 sales and marketing employees based in both China and the United States. As our service offerings and customer base continue to expand, we plan to further expand our sales and marketing force accordingly.

OUR CUSTOMERS

Overview of Our Customer Base

High-quality, loyal and expanding customer base. Most of our customers are pharmaceutical and biotechnology companies, including Chinese and global blue-chip pharmaceutical companies and small-to-medium-sized biotechnology companies. The total number of customers we served annually increased from approximately 280 in 2017 to approximately 350 in 2018 and to approximately 450 in 2019. For the nine months ended September 30, 2020, we served approximately 520 customers. Among our expanding customer base, we have provided services to seven of the top 10 pharmaceutical companies in terms of revenue in the China pharmaceutical market in 2019. We have also provided services to a growing number of innovative biotechnology companies.

As of the Latest Practicable Date, we had served our top five customers in 2019 for an average of over six years, with a 100% customer retention rate in 2019 for our top five customers in 2018. Our leadership in drug safety assessment has also allowed us to attract our existing customers to our growing clinical trial and related services through cost-effective cross-selling efforts. In 2019, 100% of our top ten customers procured more than one service from us in the same year. In 2018 and 2019, our overall customer retention rate was over 50% (which is calculated as the number of customers in the previous year that remained as our customers in the current year, divided by the number of all customers in the previous year). From 2017 to 2019, over 87% of the total number of customer service contracts were entered into with customers who had at least cooperated with us twice during such years. As we continue to expand our service capability and geographic footprint, we have helped Chinese customers with an increasing number of overseas drug applications and more overseas customers with their drug applications in both China and overseas. In particular, with our global standards, world-class service quality and advanced technology, equipment and facilities, we have become an attractive CRO service provider for overseas customers to perform complex non-clinical studies in China for their overseas drug applications. The number of overseas customers we served grew from 15 in 2017 to 111 as of nine months ended September 30, 2020. The table below sets forth the geographic locations of our overseas customers during the Track Record Period.

Country/Region	2017	2018	2019*	Nine months ended September 30, 2020
The United States	6	10	14	99
Outside of the United States	9	8	10	12
Total	15	18	24	111

* The customers of Biomere were not included as our overseas customers for 2019 because we acquired Biomere in December 2019.

We did not have any substantial customer concentration during the Track Record Period. The total revenues generated from our five largest customers increased from RMB47.6 million for the year ended December 31, 2017 to RMB72.0 million for the year ended December 31, 2018, and further to RMB92.7 million for the year ended December 31, 2019. In the nine months ended September 30, 2020, the total revenue generated from our five largest customer were RMB83.5 million. In 2017, 2018, 2019 and the nine months ended September 30, 2020, our five largest customers together accounted for 15.8%, 17.6%, 14.5% and 13.2%, respectively, of our total revenues, and our largest customer accounted for 4.4%, 5.2%, 4.1% and 4.2%, respectively, of our total revenues during such periods. For risks related to any loss of key customers, see "Risk Factors — Risks Relating to Our Business and Industry — The potential loss of key customers or any of our large contracts could materially and adversely affect our business, financial condition and results of operations" for more information.

The following tables set forth certain information about our five largest customers in terms of revenue, in descending order, generated in 2017, 2018, 2019 and the nine months ended September 30, 2020, respectively.

			In the year ended December 31, 2017		
Customers	**Years of relationship as of December 31, 2017**	**Principal Business***	**Main Services Provided**	**Revenue**	**Revenue Contribution**
				(RMB in millions)	*(%)*
Staidson Group .	9	Staidson Group is headquartered in Beijing, China and primarily engages in the research and development, production, and marketing of innovative drugs including protein drugs, gene drugs and chemical drugs with independent intellectual property rights. It is listed on the Shenzhen Stock Exchange	Non-clinical studies, research models	13.3	4.4
Company A . .	9	Company A is headquartered in Lianyungang, Jiangsu, China and primarily engages in the research, development, manufacture, and sale of drugs. It is listed on the Shanghai Stock Exchange	Non-clinical studies	12.8	4.2

Customers	Years of relationship as of December 31, 2017	Principal Business*	In the year ended December 31, 2017		
			Main Services Provided	Revenue	Revenue Contribution
				(RMB in millions)	*(%)*
Company B . .	5	Company B is headquartered in Shanghai, China and primarily engages in the development and production of monoclonal antibody drugs. It is listed on the Hong Kong Stock Exchange	Non-clinical studies	8.2	2.7
Company C . .	3	Company C is headquartered in Beijing, China and primarily engages in the research and development, production, and sale of in vitro diagnostic reagents and equipment, and vaccines. It is listed on the Shanghai Stock Exchange	Non-clinical studies	6.8	2.3
Company D . .	8	Company D is headquartered in Suzhou, Jiangsu, China and primarily engages in the research and development of recombinant protein therapeutics and monoclonal antibodies for the treatment of diseases such as cancers and inflammations	Non-clinical studies	6.5	2.2
Total	N/A	N/A	N/A	**47.6**	**15.8**

*Source: FactSet and Company D's website

Customers	Years of relationship as of December 31, 2018	Principal Business*	In the year ended December 31, 2018		
			Services Provided	Revenue	Revenue Contribution
				(RMB in millions)	*(%)*
Company E . .	3	Company E is headquartered in Guangzhou, Guangdong, China and develops antibody therapeutics for the treatment of oncology and autoimmune. Its business primarily includes offering products of monoclonal antibodies and biosimilars. It is listed on the Shanghai Stock Exchange	Non-clinical studies	21.2	5.2
Staidson Group .	10	Staidson Group is headquartered in Beijing, China and primarily engages in the research and development, production, and marketing of innovative drugs including protein drugs, gene drugs and chemical drugs with independent intellectual property rights. It is listed on the Shenzhen Stock Exchange	Non-clinical studies, research models	14.9	3.6
Company F . .	10	Company F is headquartered in Lianyungang, Jiangsu, China and is a holding company, which primarily engages in the research and development, production, and sale of a series of pharmaceutical products. It is listed on the Hong Kong Stock Exchange	Non-clinical studies	13.7	3.3

Customers	Years of relationship as of December 31, 2018	Principal Business*	In the year ended December 31, 2018		
			Services Provided	Revenue	Revenue Contribution
				(RMB in millions)	*(%)*
Company B . .	6	Company B is headquartered in Shanghai, China and primarily engages in the development and production of monoclonal antibody drugs. It is listed on the Hong Kong Stock Exchange	Non-clinical studies	13.0	3.2
Company A . .	10	Company A is headquartered in Lianyungang, Jiangsu, China and primarily engages in the research, development, manufacture, and sale of drugs. It is listed on the Shanghai Stock Exchange	Non-clinical studies	9.2	2.3
Total	N/A	N/A	N/A	**72.0**	**17.6**

*Source: FactSet

Customers	Years of relationship as of December 31, 2019	Principal Business*	In the year ended December 31, 2019		
			Services Provided	Revenue	Revenue Contribution
				(RMB in millions)	*(%)*
Company G . .	3	Company G is headquartered in Zhongshan, Guangdong, China and is a clinical-stage biopharmaceutical company, which is committed to in-house discovery, development and commercialization of therapies. It is listed on the Hong Kong Stock Exchange	Non-clinical studies	26.2	4.1

Customers	Years of relationship as of December 31, 2019	Principal Business*	In the year ended December 31, 2019		
			Services Provided	Revenue	Revenue Contribution
				(RMB in millions)	*(%)*
Staidson Group .	11	Staidson Group is headquartered in Beijing, China and primarily engages in the research and development, production, and marketing of innovative drugs including protein drugs, gene drugs and chemical drugs with independent intellectual property rights. It is listed on the Shenzhen Stock Exchange	Non-clinical studies, research models, pharmacovigilance	20.5	3.2
Company F . .	11	Company F is headquartered in Lianyungang, Jiangsu, China and is a holding company, which primarily engages in the research and development, production, and sale of a series of pharmaceutical products. It is listed on the Hong Kong Stock Exchange	Non-clinical studies	16.2	2.5
Company H . .	1	Company H is headquartered in Princeton, New Jersey, United States, and primarily engages in the research and development of antibody therapeutics for the treatment of cancers and other diseases	Non-clinical studies	16.1	2.5
Company B . .	7	Company B is headquartered in Shanghai, China and primarily engages in the development and production of monoclonal antibody drugs. It is listed on the Hong Kong Stock Exchange	Non-clinical studies	13.7	2.1
Total	N/A	N/A	N/A	**92.7**	**14.5**

*Source: FactSet and Company H's website

Customers	Years of relationship as of September 30, 2020	Principal Business*	In the nine months ended September 30, 2020		
			Services Provided	Revenue	Revenue Contribution
				(RMB in millions)	*(%)*
Company I . . .	1	Company I is headquartered in Watertown, Massachusetts, United States, and is a biopharmaceutical company, which primarily engages in the discovery and development of treatments for rare diseases, chronic liver diseases, cardiovascular disease, and viral liver infectious diseases. It is listed on the Nasdaq Global Market	Non-clinical studies	26.4	4.2
Company A . . .	12	Company A is headquartered in Lianyungang, Jiangsu, China and primarily engages in the research, development, manufacture, and sale of drugs. It is listed on the Shanghai Stock Exchange	Non-clinical studies	20.2	3.2
Company J . . .	3	Company J is headquartered in Cambridge, Massachusetts, United States, and is a genetic medicines company focuses on creating a new class of gene therapy to provide durable and redosable treatment for patients suffering from both rare and prevalent diseases. It is listed on the Nasdaq Global Market	Non-clinical studies	14.5	2.3

Customers	Years of relationship as of September 30, 2020	Principal Business*	In the nine months ended September 30, 2020		
			Services Provided	Revenue	Revenue Contribution
				(RMB in millions)	*(%)*
Company K . . .	2	Company K is headquartered in Shanghai, China and provides an integrated pharmaceutical platform for the research, development, and production of new drugs. It is dual-listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange	Non-clinical studies	12.4	2.0
Company L . .	7	Company L is headquartered in Beijing, China and primarily engages in the research and development, and manufacture of biopharmaceutical products. It is listed on the Shanghai Stock Exchange	Non-clinical studies	10.0	1.6
Total	N/A	N/A	N/A	**83.5**	**13.2**

*Source: FactSet

During the Track Record Period, all of our five largest customers, other than Staidson, were independent third parties. One of our five largest customers in 2017 and 2019, Staidson, was under the indirect control of Mr. Zhou, who is also the Chairperson of the Board and the Legal Representative of Staidson, and Ms. Feng. Staidson is held as to 40.29% in aggregate by Mr. Zhou and Ms. Feng, which includes 37.21% by Yizhao (Beijing) Medical Science & Technology Co., Ltd. (熠昭(北京)醫藥科技有限公司) (which is directly held as to 47.60% and 37.40% by Mr. Zhou and Ms. Feng, respectively), 1.97% by Mr. Zhou through Huatai Securities Asset Management – China Merchants Bank – Huatai – Juli Collective Asset Management Scheme No. 16 (華泰證券資管–招商銀行–華泰聚力16號集合資產管理計劃), and 1.11% by Mr. Zhou directly. For details of our connected transactions with Staidson, see "Connected Transactions".

Key Contractual Terms of Customer Services Agreements for Non-Clinical Studies

We generally enter into service agreements with our customers for our non-clinical studies. Our service agreements typically have a term of two years and set forth rights and obligations of the parties, the scope of services, with detailed terms and provisions governing the reporting and transferring of relevant data and project results, intellectual property rights, pricing and payment terms. Such project-based service agreements set forth project requirements, the project management regime, the project schedule, development steps, pricing and payment terms, intellectual property rights and termination rights, and are legally binding. Our customers typically retain ownership of all intellectual property they provide to us.

We typically bill our customers based on the payment schedule specified and the nature of the services provided in our service contracts and work orders. Typically, the payments schedule includes two installments. Our customers are required to pay 70% of the total fee upfront within 10 days of entering into the service contract with us. The remaining 30% of the total service fee are required to be paid within seven days following our written notice to our customers when the study reports become available. When the project size is relatively large, we may also include one or more interim, milestone payments as specified in the relevant service contracts. The billing and credit terms we grant to our customers are generally in line with industry norm. For a discussion of our working capital cycle, please see "Financial Information — Liquidity and Capital Resources — Working Capital."

Generally, our customers, and in some circumstances we, have the right to terminate a service agreement or project-based service contract or a work order under the service agreement without cause by giving written notice two months in advance for studies involving dogs and monkeys and one month in advance for other studies. In addition, each party typically has the right to collecting liquidated damages stipulated as a small percentage of the total fee under the service agreement, if a material breach by the other party remains uncured for 21 days. If a customer terminates a service contract unilaterally, the customer is typically obliged to pay for services already performed and expenses already incurred and an additional 10% of the total contracted fee as reimbursement for other expenses. If we unilaterally terminate a project-based service contract or a work order, typically we would be obliged to refund the total contracted fee, and an additional 10% of the contracted fee to our customer as termination fees.

We actively monitor the progress of each project and regularly communicate with our customers to mitigate risks of contractual disputes. Specifically, in case of a material cost overrun, we usually engage in good faith negotiations with our customers to increase our fees. During the Track Record Period, there were no material breaches of our service agreements, project-based service contracts or work orders either on our part or the part of our customers, and there was no termination of any material contract. During the Track Record Period, only eight service agreements with the aggregate amount of RMB35.2 million were terminated by our customers before expiry, primarily due to suspension of the relevant projects by the customer's decision. Our Directors are of the view that such early terminations did not have any material adverse effect on our financial positions or business prospect. During the Track Record Period, none of our service agreements with our customers was loss-making.

Key Contractual Terms of Research Model Sales Contracts

We entered into research model sales contracts with our customers, including third-party academic and research institutions, for sales of our research models during the Track Record Period. The sales contracts specify the price per unit for the particular species and strains involved. Generally, the contracts require us to bill our customers within two weeks following the shipment of ordered research models, and our customers are required to make a full payment within a month after they receive the bill.

During the Track Record Period, there were no material breaches in our research model sales contracts either on our part or the part of our customers.

Customer Support

To facilitate project management and customer communication, we have designated a specific project manager to be in charge of the execution of each project. The project managers are responsible for internal coordination of the different departments involved on each project. They also interact with our customers on a regular basis to handle their inquiries and complaints. During the Track Record Period, we had not experienced any material customer complaints regarding our services or products.

OUR SUPPLIERS

In light of our comprehensive services offerings, we procure a wide variety of supplies such as general experimental consumables, equipment and research models, primarily rodents and non-human primates, mainly for our laboratories. The general experimental consumables, such as reagents, and equipment are available from various suppliers in quantities adequate to meet our needs. During the Track Record Period, we had not experienced any material difficulty in procuring a sufficient supply of general experimental consumables or equipment.

Our major suppliers are primarily located in China. We have established stable relationships with many of our key suppliers. In years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2020, we spent RMB83.8 million, RMB187.3 million, RMB273.0 million, and RMB315.8 million in procuring various supplies from our suppliers, respectively.

We procured the majority of our non-human primate research models from quality third-party suppliers during the Track Record Period. In 2017, 2018 and 2019 and nine months ended September 30, 2020, we spent RMB28.0 million, RMB34.8 million, RMB83.5 million and RMB147.3 million in purchasing non-human primate research models from quality third-party suppliers, respectively. As we enter into long-term purchase contracts with some of our suppliers of non-human primate research models, coupled with our bargaining power arising from our large volume of purchase and our long-term relationships with such suppliers, we had been able to obtain a sufficient supply of non-human primate research models at reasonable prices and had not experienced any major shortages that materially and adversely affected our operations during the Track Record Period.

Substantially all of our other research models, primarily consisted of rodent research models, used in our non-clinical studies were purchased from third-party suppliers as required by some of our customers to meet their specifications, as well as to ensure the consistent quality and stable supply of a large amount of research models required for our non-clinical studies in a cost-effective manner. Those research models are generally readily available from various suppliers in China in varieties and quantities adequate to meet our needs for our non-clinical studies. In years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2020, we spent RMB20.1 million, RMB17.6 million, RMB26.7 million and RMB31.8 million in procuring research models other than non-human primates from our suppliers, respectively. During the Track Record Period, we had not experienced any material difficulty in procuring a sufficient supply of rodent research models. We take into account the costs of research models in pricing our services for non-clinical studies.

The total amount purchased from our five largest suppliers amounted to RMB41.7 million, RMB100.2 million, RMB128.1 million, and RMB140.9 million for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30 2020, respectively. In 2017, 2018, 2019 and the nine months ended September 30, 2020, the total amount purchased from our five largest suppliers together accounted for 49.8%, 53.5%, 46.9% and 44.6%, respectively, of our total procurements amount, and our largest supplier accounted for 18.7%, 25.5%, 22.8% and 29.4%, respectively, of our total procurement amount during such periods.

The following tables set forth certain information about our five largest suppliers in terms of procurement amount (in descending order) incurred in 2017, 2018, 2019 and the nine months ended September 30, 2020, respectively:

			In the year ended December 31, 2017		
Suppliers	**Years of relationship as of December 31, 2017**	**Principal Business**	**Goods and/or Services Procured**	**Procurement Amount**	**Procurement Contribution**
				(RMB in millions)	*(%)*
Supplier A	4	Breeding and sales of non-human primate research models	Research models	15.7	18.7
Supplier B	3	Breeding and sales of non-human primate research models	Research models, other consumables	8.0	9.5
Supplier C	6	Breeding and sales of research models	Research models	6.5	7.8

Suppliers	Years of relationship as of December 31, 2017	Principal Business	In the year ended December 31, 2017		
			Goods and/or Services Procured	Procurement Amount	Procurement Contribution
				(RMB in millions)	*(%)*
Supplier D . . .	2	Medical equipment	Equipment, other consumables	5.8	6.9
Supplier E	2	Production and sales of equipment and supplies for various industries including sales of research models and relating equipment and feeds	Research models	5.7	6.8
Total	N/A	N/A	N/A	**41.7**	**49.8**

Suppliers	Years of relationship as of December 31, 2018	Principal Business	In the year ended December 31, 2018		
			Goods and/or Services Procured	Procurement Amount	Procurement Contribution
				(RMB in millions)	*(%)*
Supplier F	6	Engineering services for research model facilities	Engineering project	47.7	25.5
Supplier A	5	Breeding and sales of non-human primate research models	Research models	17.6	9.4
Supplier D . . .	3	Medical equipment	Equipment, other consumables	17.3	9.2
Supplier G . . .	0	Medical equipment	Equipment	10.0	5.3
Supplier H . . .	1	Breeding and sales of non-human primate research models	Research models	7.6	4.1
Total	N/A	N/A	N/A	**100.2**	**53.5**

Suppliers	Years of relationship as of December 31, 2019	Principal Business	In the year ended December 31, 2019		
			Goods and/or Services Procured	Procurement Amount	Procurement Contribution
				(RMB in millions)	*(%)*
Supplier A	6	Breeding and sales of non-human primate research models	Research models	62.2	22.8
Supplier G . . .	1	Medical equipment	Equipment, other consumables	28.3	10.4
Supplier F	7	Engineering services for research model facilities	Engineering project	18.1	6.6
Supplier I	0	Engineering and construction services	Engineering project	11.2	4.1
Supplier C	8	Breeding and sales of research models	Research models	8.3	3.0
Total	N/A	N/A	N/A	**128.1**	**46.9**

Suppliers	Years of relationship as of September 30, 2020	Principal Business	In the nine months ended September 30, 2020		
			Goods and/or Services Procured	Procurement Amount	Procurement Contribution
				(RMB in millions)	*(%)*
Supplier A	7	Breeding and sales of non-human primate research models	Research models	92.8	29.4
Supplier J	0	Breeding and sales of non-human primate research models	Research models	17.0	5.4

Suppliers	Years of relationship as of September 30, 2020	Principal Business	In the nine months ended September 30, 2020		
			Goods and/or Services Procured	Procurement Amount	Procurement Contribution
				(RMB in millions)	*(%)*
Supplier K	5	Breeding and sales of non-human primate research models	Research models	13.7	4.3
Supplier L	4	Breeding and sales of non-human primate and beagle research models	Research models	9.5	3.0
Supplier C	9	Breeding and sales of research models	Research models	7.9	2.5
Total	N/A	N/A	N/A	**140.9**	**44.6**

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

We select our suppliers based on a variety of factors, including their qualification, reputation, pricing, and overall services. We perform thorough due diligence on our suppliers, regularly monitor and review their performance and conduct on-site inspections.

For research model supplies, we entered into research model purchase contracts with qualified third-party suppliers to procure rodent and non-human primate research models used in non-clinical studies during the Track Record Period. The purchase contracts typically specify the quantity, price per unit for the particular species or strains, age, gender and weight of research models, as well as other particular requirements such as that the research models are devoid of certain diseases, deformations or pathogens. Under the purchase contracts, we are typically required to make an upfront payment within a short period of time following the date of contract, complete quarantine and quality assessment of the batch of research models within a specific period of time following our receipt of the shipment and make the remaining payment thereafter. The contracts also contain risk and liability allocation provisions that cover various contingencies.

For supplies other than research models, we generally enter into long-term supply agreements with our suppliers. These supply agreements set forth the delivery schedule and terms of pricing and payment. Our suppliers typically charge us upon delivery of the procured supplies based on the delivery schedule and payment terms set forth in the relevant supply contracts. Our suppliers typically extend to us credit terms ranging between 30 to 60 days, which are generally in line with industry norm. For a discussion of our working capital cycle, please see "Financial Information — Liquidity and Capital Resources — Working Capital." We typically pay our suppliers via wire transfer or bank draft. We typically have the right to terminate a supply contract when our suppliers fail to cure a material breach within a certain period of time. We may also terminate a supplier contract if the quality of products does not meet our required specifications or the delivery is materially delayed.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with our suppliers or experience any material breach of our supply agreements. We had not experienced any material shortages of our supplies during the Track Record Period. To the best of our knowledge, as of the Latest Practicable Date, there was no information or arrangement that would lead to termination of our relationships with any of our major suppliers.

OUR FACILITIES

Our Current Facilities

We are headquartered in Beijing, China. As of the Latest Practicable Date, our facilities are strategically located in Beijing, Suzhou, Nanning and the United States. The following table summarizes certain key information about our facilities as of September 30, 2020 or the Latest Practicable Date:

Location	Facilities Owned/Leased	Number of Staff*	Primary Use	Relevant GLP and Other Certifications	Current GFA (sq.m.)
Beijing, China	Owned	413	Laboratories	NMPA GLP U.S. FDA GLP	2,509
			Research model facilities	AAALAC	5,750
			Office and other space	N/A	3,347
Beijing, China	Leased	49	Headquarter office space	N/A	1,018

Location	Facilities Owned/Leased	Number of Staff*	Primary Use	Relevant GLP and Other Certifications	Current GFA (sq.m.)
Suzhou, China	Owned	862	Laboratories	NMPA GLP U.S. FDA GLP OECD GLP CNAS	7,000
			Research model facilities	AAALAC	29,893
			Office and other space	N/A	24,707
Nanning, China	Leased	21	Breeding of non-human primate research models	N/A	133,333**
Worcester, MA	Leased	122	Laboratories	U.S. FDA GLP	2,323
			Research model hosting facilities	AAALAC OLAW USDA	3,066
			Offices	N/A	2,411

* As of September 30, 2020.

** Represents the total gross site area of the parcel of land where we host and breed our non-human primate research models.

According to Frost & Sullivan, there is no unified industry practice or common method of measurement for calculating the capacity or utilization rate of facilities for non-clinical CROs such as us. However, we believe that our facilities in Beijing and Suzhou are operating at or close to their maximum capacity in respect of the deployment of staff, equipment, research model hosting and breeding space and available floor space. Our management has arrived at this assessment by analyzing the staffing levels of our employees working at each of these facilities as well as the research model hosting and breeding facilities that are seen to be used or occupied at each of these facilities. For example, our management measures our facilities' capacity by the occupancy rates of the research model laboratory rooms in our facilities. We host our research models and conduct research and laboratory procedures of our non-clinical studies on such research models in the research model laboratory rooms located in our facilities. Typically, we use one research model laboratory room for not more than three non-clinical studies in the meantime, on condition that our study director of each study ensures that there is no impact from research models and relevant laboratory procedures for other non-clinical studies in the same room. For illustrative purposes, as of the Latest Practicable Date, approximately 85.8% and 83.9% of the research model laboratory rooms located in our Beijing and Suzhou facilities were fully occupied by ongoing non-clinical studies (such

occupation rate is calculated as the total research model laboratory rooms designed for non-clinical studies divided by research model laboratory rooms occupied for ongoing non-clinical studies as of the Latest Practicable Date), with the most remaining research model laboratory rooms either reserved for future projects or undergoing renovations. In light of the current capacity and utilization levels of our existing facilities and the rising demands of our non-clinical studies services, we plan to further expand our facilities network as discussed below.

Our Future Facilities and Facilities Under Renovation

Reasons for Our Facility Expansions and Renovations

We are committed to further expanding and upgrading our facilities in order to fully capitalize on the growing market demand for our leading non-clinical CRO services and further expand our leading market share in China. The growing market demand for our non-clinical CRO services, particularly our safety assessment services, is manifest in our leading market shares. We are the largest CRO in non-clinical drug safety assessment in China with a predominant market share of 15.7% in terms of revenues in 2019, according to Frost & Sullivan. In addition, as of the date of the latest announcement of drug GLP certificates by NMPA, there were 30 CROs with the NMPA GLP certification, and we were one of the only two CROs in China that had obtained the NMPA certificate to carry out all 10 types of drug GLP studies that are permitted to be conducted by commercial CROs, according to Frost & Sullivan. In addition, we are one of the only six private CROs in China with the NMPA and OECD certification and also had passed the FDA GLP inspection as of the Latest Practicable Date. With the recognition of these regulatory authorities, we are among the very few CROs in China that are capable of assisting customers around the world to file IND applications in all major overseas markets such as the United States.

As a leading player in this market, we believe we are well-positioned to capitalize on the attractive market opportunities in China's and the global non-clinical drug safety assessment markets, which are expected to grow at a fast pace, with expected CAGR of 36.5% and 12.5%, respectively, from 2019 to 2024, to reach US$1,967.1 million and US$8.7 billion, respectively. This growing high market demand, coupled with our expertise and reputation in conducting high-quality non-clinical safety assessment studies, demonstrates a robust business need for us to expand our service capacity by expanding and upgrading our current facility network which is currently operating under high capacity and utilization levels.

Specific Plans for Our Facility Expansions and Renovations

We plan to upgrade and expand our existing facilities in Suzhou and the facilities in northern California to be leased from Biorichland, our Connected Person. We also plan to establish new facilities in Wuzhou, Guangzhou and Chongqing. The following table sets forth further details of our expansion plans and future facilities.

Facilities	**Location**	**Expected time of commencement of operation**	**Estimated total GFA**	**Estimated Budget**
			(sq.m.)	*(RMB in millions)*
Laboratories and Research model facilities	Suzhou, China	2021-2022	31,000 (including approximately 11,000 sq.m. of existing facilities under renovation and 20,000 sq.m. new facilities to be constructed)	530
Laboratories and research model facilities	Richmond, CA	2022	6,000	250
Safety assessment center for innovative drugs and central laboratory with associated platforms for bioanalytical services (Phase I)	Guangzhou, China	2023	18,000	560
GLP laboratories, breeding facilities for research models, central laboratories for clinical studies (Phase I)	Chongqing, China	2023	20,000	560
Research model (non-human primates) research and breeding facilities	Wuzhou, China	2021	376,667*	200

* Represents the total gross site of approximately 376,667 sq.m. where we plan to build our research model scientific research and breeding facilities.

As the rising demands from our customers increasingly put pressure our existing facilities, we expect to further expand our capacity by renovating our existing facilities in Suzhou with a total additional GFA of approximately 11,000 sq.m. by the end of 2021 with a total estimated budget of approximately RMB260 million and commencing the construction of new non-clinical laboratory and research model facilities in Suzhou with a total GFA of approximately 20,000 sq.m. in 2021 with a total estimated budget of approximately RMB56 million for infrastructure construction. We have obtained the real estate certificate and made the necessary filing with local branch of NDRC for renovating our existing facilities in Suzhou.

In addition, we plan to commence the construction of new facilities in Guangzhou and Chongqing in 2021. We believe Guangzhou and Chongqing are ideal locations for expanding our facilities network across China, because the drug R&D activities in Southern China, especially in the Guangdong region, and Southwest China centered around Chongqing and Chengdu, are constantly booming as a result of regional economic developments and favorable governmental support. This has resulted in a high demand for non-clinical drug safety assessment studies in those regions, according to Frost & Sullivan. Despite the high demand for high-quality non-clinical studies services, there are only a limited number of regional CROs like us with global GLP qualifications and the ability to provide a comprehensive suite of nonclinical studies services especially drug safety assessment in Southern and Southwest China. With our global GLP qualifications, scientific expertise and strong reputation in conducting high-quality nonclinical safety assessment studies, we believe we are well-positioned to capitalize the rising customer demands and attractive market opportunities underlying the active drug R&D activities in Southern and Southwest China with new facilities located in Guangzhou and Chongqing, the two major economic and healthcare hubs in the regions. In addition, we believe the new facility we plan on building in Guangzhou will not only allow us to leverage its geographic proximity to our new research model facilities and research center located in Wuzhou to drive the operational synergies within our facility network, but also enable us to set our foothold to further develop our customer base and services coverage into Hong Kong, Macau and other international markets in the Asian region in the long term.

- Under our current plans, we will construct the Phase I of facilities including a drug safety assessment center for innovative drugs and a central laboratory with associated platforms for bioanalytical services in Guangzhou with a total GFA of approximately 18,000 sq.m with a total estimated budget of approximately RMB560 million. We have completed the filings with local branch of NDRC for our Guangzhou construction plan and have obtained the land use certificate for one parcel of land in Guangzhou with the gross site area of approximately 25,925 sq.m. for the construction of our Guangzhou facilities. We currently expect the Phase I of our Guangzhou facilities to commence operation 2023.

- We also plan to build facilities for GLP-compliant non-clinical studies, research model-related facilities and central laboratories for clinical studies in Chongqing. We have budgeted RMB560 million for the Phase I construction. We are in the process of obtaining the land use certificate for the land in Chongqing with the gross

site area of approximately 79,900 sq.m. for the construction of our Chongqing facilities and have made the filings with local branch of NDRC for our Chongqing construction plan. Upon completion of the Phase I construction, we expect our Chongqing facilities will have a total GFA of approximately 20,000 sq.m. and will commence operations in 2023.

For purposes of building world-class research model facilities in Wuzhou with a focus on the scientific research and breeding of non-human primate research models, we have budgeted approximately RMB200 million and made the filings with local branch of NDRC for our construction plan on a parcel of land with the gross site area of approximately 376,667 sq.m. We are constructing our Wuzhou facilities including non-human primate research model feeding facilities, quarantine areas, veterinary clinics, offices and other standardized non-human primate research model research and breeding facilities. We currently expect that such facilities will commence operation by the end of 2021. We believe Wuzhou provides an ideal location to build our non-human primate research model facilities. This is primarily because of its close geographic proximity to the Tropic of Cancer, which brings a warm and humid climate, as well as its mountainous terrain, which renders it a suitable natural habitat for the breeding and production of high-quality non-human primate research models. In addition, Wuzhou is an important transportation hub located only three hours of drive away from Guangzhou, where our future Guangzhou facilities are located. Therefore, we expect that building our non-human primate research model facilities in Wuzhou will reduce transportation and other operational costs and further drive the operational synergies within our facility network.

As our Biomere facilities are operating close to their maximum capacity, for example, in respect of research model laboratory room capacity, to further strengthen our U.S. operations and increase our capacity for drug non-clinical studies, we plan to upgrade the northern California facilities for non-clinical studies with a GFA of approximately 6,000 sq.m. we plan to lease from Biorichland, our Connected Person. For more information on the underlying lease transactions, see "Connected Transactions." We plan to upgrade and customize such facilities for purposes of hosting of our research models, as well as to procure cutting-edge laboratory equipment and technologies for non-clinical studies at such facilities by the end of 2022.

We expect to fund our expansion of Suzhou facilities and the construction of facilities in Guangzhou, Chongqing and northern California partly through the net proceeds from the Global Offering and construction of the Wuzhou facilities primarily through our cash generated and to be generated through operations.

OUR PROPERTIES

Owned Properties

As of the Latest Practicable Date, we have obtained the appropriate land use certificate for two parcels of land in Beijing, one parcel of land in Guangzhou and the real estate certificate for one parcel of land in Suzhou, with an aggregate gross site area of approximately 155,500 sq.m. We have paid the land transaction fees in full.

No.	Land use right owner	Location	Gross site area	Existing use	Expiry date
			(sq.m.)		
1.	Our Company	Beijing Economic-Technological Development Area, Block 29	6,703.6	Industrial	September 22, 2053
2.	Our Company	Beijing Economic-Technological Development Area, Block 29	3,301.8	Industrial	September 22, 2053
3.	JOINN Laboratories (Suzhou)	No. 11 Zhaoyan Road, Shaxi Town, Taicang	145,548.3	Industrial	July 29, 2059
4.	JOINN Laboratories (Guangzhou) Co., Ltd.	Within the Knowledge Town of the International Biomedical Innovation Park, on the west of Chuangxin Avenue and the north of Wisdom West Road	25,925	Industrial	June 3, 2070

Leased Properties

As of the Latest Practicable Date, we had leased a total of 21 properties, primarily used for offices and dormitories, in six cities in the PRC with a total GFA of approximately 15,600 sq.m. and one property with a total GFA of approximately 7,800 sq.m. in the United States.

As of the Latest Practicable Date, we leased also a parcel of land in Nanning with a gross site area of approximately 133,333 sq.m. and a parcel of land within the Wuzhou High-tech Zone with a gross site area of approximately 376,667 sq.m. The lease for the land in Wuzhou is set to expire in 2039 and we have the bargain renewed option to extend our lease on the same terms and conditions.

During the Track Record Period and up to the Latest Practicable Date, we had been hosting our non-human primate research models in our Nanning facility located on the above-mentioned parcel of land. We leased this parcel of land from an independent third party, who leased such parcel of land through its affiliated entity from a local village. On December 13, 2007, the local village made required regulatory filings with the Economic and Technological Development Zone Branch of Nanning Land and Resources Bureau (南寧市國土資源局經濟技術開發區分局) regarding the project to build research model breeding facilities on this parcel of land. The original contract entered into by the village in 2007 specifies that the original lessee shall not assign or subcontract the parcel of land, otherwise the village shall have the right to terminate the original agreement and recover the parcel of land. Nevertheless, in 2011, the village issued a letter to, among other things, consent to the sublease of such property to the independent third party referred to above as office space, and the independent third party was allowed to use the property for its own purposes or sublease it to other parties without explicit limitation on the usage of such other parties as sublessee. In addition, the letter also specifies that the village would be responsible for any legal liabilities arising from the use of the property by the independent third party. The sublease is set to expire on June 30, 2025. As advised by our PRC Legal Advisor, our use of the Nanning facility as a research model breeding facility complies with the land usage, and we will not be subject to any administrative penalty in connection with our occupation and use of such parcel of land; however, if the village claims that the sublease of the parcel of land to us constitutes an unauthorized assign or subcontract or the original agreement failed to strictly follow the relevant legal procedures or our use of such facilities is not in compliance with the usage agreed in the letter, we may encounter difficulties in continuing to occupy this parcel of land and may be required to relocate our operations on it. Nonetheless, given that (i) the lease agreement between the independent third party and us provides that under such circumstances, the independent third party shall return us the prepaid rent for the remainder of the lease, (ii) our occupation of the property is a temporary measure and we will relocate to the facilities in Wuzhou once its construction is completed, and (iii) on September 25, 2020, our Controlling Shareholders Ms. Feng and Mr. Zhou provided us with a commitment letter to fully compensate us for any loss due to our inability to continue occupying or using the parcel of land arising from any dispute concerning such lease agreement, our Directors are of the view, and our PRC Legal Advisor concurs, that our business and operations would not be materially and adversely affected by such potential dispute.

As of the Latest Practicable Date, among the 21 properties we leased in China, the property ownership certificates for 13 properties had been obtained by the lessors. For the remaining eight of the properties with a total GFA of approximately 6,700 sq.m., which are primarily used as offices or dormitories for our employees, the lessors were not able to provide the property ownership certificates or relevant construction permits regarding their legal right to lease such properties, therefore we were unable to ascertain whether the lessors were the owner of such properties or that our use of those properties were consistent with the permitted use(s) specified in the relevant property ownership certificates or construction permits. As advised by our PRC Legal Advisor, if the ownership of the property we have leased or the validity of such lease is challenged by third parties or government authorities, we may encounter difficulties in continuing to lease such properties and may be required to relocate.

Nonetheless, we do not expect such potential relocation would have a material adverse effect on our operations, because those properties are relatively replaceable as there are many other available properties in places where we operate. See "Risk Factors — Risks Relating to our Business and Industry — We may face penalties for the non-registration of our lease agreements in China, and challenges from third parties or government authorities relating to title defects of our certain leased properties in China may force us to relocate and thus incur additional cost." As of the Latest Practicable Date, we were not aware of any challenge by a third party or government authority on the titles of any of these leased properties that might affect our current occupation. We believe the lack of certain certificates and approvals will not have a material adverse effect on our business and operations.

As of the Latest Practicable Date, the lease agreements with respect to the properties we lease in the PRC for our business operations had not been registered with the relevant PRC government authorities. As advised by our PRC Legal Advisor, failure to register such lease agreements with relevant PRC government authorities does not affect the validity and enforceability of the relevant lease agreements, but the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so within the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease agreement. See "Risk Factors — Risks Relating to our Business and Industry — We may face penalties for the non-registration of our lease agreements in China, and challenges from third parties or government authorities relating to title defects of our certain leased properties in China may force us to relocate and thus incur additional cost." During the Track Record Period and as of the Latest Practicable Date, we had not received any such request from or suffered any such fine imposed by the relevant PRC governmental authorities. Our PRC Legal Advisor is of the view, and the Directors concur, that this will not have a material adverse impact on our business or results of operations.

As of December 31, 2019, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L), 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 the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings.

EMPLOYEES

As of September 30, 2020, we had a total of 1,496 employees most of whom are based in our facilities in China. Our U.S. employees were primarily employed by Biomere which we acquired in late 2019. The table below sets forth a breakdown of our employees by function and by geographic region as of September 30, 2020.

Function	PRC	U.S.	Total
Non-clinical studies	1,089	97	1,186
Clinical trial and related services	55	–	55
Research models management and operation	41	–*	41
Management and administration	158	20	178
Sales and marketing	31	5	36
Total	1,374	122	1,496

* Biomere did not engage in the production and breeding of research models as of September 30, 2020. Personnel who are responsible for hosting and maintaining the non-human primate research models for purposes of conducting non-clinical studies are counted as personnel for non-clinical studies.

In compliance with applicable labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. These employment contracts typically have terms of three years. We also make contributions to social insurance funds for our Chinese employees in the PRC, including basic pension insurance, medical insurance, unemployment insurance, maternity insurance, work-related injury insurance funds, and housing provident fund.

We recruit, train and retain talented employees through our talent program which is designed to motivate highly qualified employees to build their own career within our company. We are committed to continuously enhancing our team's technical expertise, continuing education, project management capabilities and service quality with a comprehensive training system. We maintain a lower employee turnover rate for our research professionals in 2019 compared to industry average according to Frost & Sullivan. We believe our dedicated and experienced management team and their industry networks along with a deep talent pool provide us with invaluable assets to our long-term success.

In support of our growth, we regularly review our capabilities and adjust our workforce to ensure we have the right mix of expertise to meet the demand for our services. We believe that our reputation, work environment, training system, remuneration package and employee share scheme help us attract qualified candidates. We have established a labor union that represents employees with respect to the promulgation of bylaws and internal protocols in China.

We require all of our employees to abide by our anti-bribery and anti-corruption compliance requirements and applicable laws and regulations to eliminate bribery and corruption risks.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes, labor disputes or industrial action which had a material effect on our business, and we consider our relationships with our employees to be good.

COMPETITION

The global biopharmaceutical R&D market is highly competitive. We face competition from a substantial number of large, established, multinational CROs that are able to provide a range of services to meet our customers' demands. These companies include U.S.-based companies with operations in China such as Charles River and LabCorp, and China-based integrated full-service CRO companies such as WuXi AppTec and Pharmaron. We also face competition from a substantial number of specialty CROs which are engaged in drug safety assessment and other types of non-clinical studies, such as WestChina-Frontier PharmaTech and Shanghai InnoStar Biotech. In addition, we face competition from in-house departments of biopharmaceutical companies. For more details regarding our competitive landscapes, see "Industry Overview — Competitive Landscape in the Pre-clinical CRO Market" and "Risk Factors — Risks Relating to our Business and Industry — The pharmaceutical CRO market is highly competitive. We may not be able to compete effectively, which may result in downward pricing pressure and reduced demand for our services."

We believe that we will be able to distinguish ourselves and maintain the competitiveness of our services in the CRO market primarily through our, among other things, (i) leading CRO in drug safety assessment, with growing integrated service offerings and expanding global footprint, (ii) full suite of global qualifications and systematized GLP management capabilities, (iii) extensive industry knowledge and scientific and technical excellence accumulated over our unparalleled project experience, (iv) dedicated and experienced management team supported by a deep talent pool, (v) large, high-quality, loyal and expanding customer base, and (vi) strategic network of facilities across China and the United States with expanding global service capabilities. For details, see "— Our Competitive Strengths."

INTELLECTUAL PROPERTY

Intellectual property rights are important to our business. We develop and use a number of proprietary methodologies, analytics, systems, technologies, trade secrets, know-how and other intellectual property during the conduct of our business. As of September 30, 2020, we had 62 registered trademarks, 30 registered patents, and 21 software copyrights in effect in the PRC. We also had six registered trademarks overseas as of September 30, 2020. See "Statutory and General Information — 2. Further Information about Our Business — B. Our Material Intellectual Property Rights" in Appendix V to this Prospectus for further details of our material intellectual property rights.

We also rely on unpatented trade secret or know-how to develop and maintain our competitive position. Such trade secret or know-how includes our confidential customer information, various methodologies or techniques that we have developed through our in-depth experience in conducting non-clinical drug safety assessments, as well as our internal processes in planning and managing our projects that we crystallized based our understanding of the regulatory requirements and our practical experience. We rely on such trade secret and know-how, for example, to plan, conduct and optimize the conditions of the studies according to the varied characteristics of the drug candidates, in order to generate high quality results for our customers. Certain of our trade secret or know-how is ineligible for patent application, such as our practical know-how in conducting particular experiments or our confidential customer information. We strategically choose not to patent certain other trade secret or know-how because we prefer not to publishing such information as typically required in the patent application process or subject to limited terms of patent exclusivity.

The protection of our customers' intellectual property is essential to our business, and has been one of our highest priorities since our inception. Our employees are bound by confidentiality obligations under their employment contracts and are prohibited from disclosing our trade secret or that of our customers. We apply encryption technologies to enhance security, and our working areas can only be accessed by authorized personnel.

During the Track Record Period and up to the Latest Practicable Date, none of our employees breached the confidentiality obligations under their employment contracts in a material respect; we were not subject to, nor were we party to, any intellectual property rights infringement claims or litigations; and we were not aware of any material infringement of our intellectual property rights that had or could have a material adverse effect on our business. We had complied with all applicable intellectual property laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. Also see "Risk Factors — Risks Relating to our Business and Industry — If we fail to maintain the confidentiality of our trade secrets, our business and competitive position may be harmed."

HEALTH, SAFETY, ENVIRONMENTAL AND SOCIAL RESPONSIBILITY MATTERS

Our Health, Safety and Environmental Compliance Measures

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

Our facilities security department is responsible for the operation and management of GLP facilities, environment monitoring system for research models, water circulation system, electrical and power distribution equipment, refrigeration and heating system, sewage treatment, project construction and renovation, fire equipment and other facilities related

matters. Our environmental protection policies include (i) insist on environmental protection and sustainable social development, (ii) prevent environmental pollution, (iii) actively promote energy conservation and emission reduction, (iv) protect ecological diversity, and (v) build environmentally friendly communities. We believe environmental protection is one of the important social responsibilities of us corporate citizens. To emphasize the legal and compliance operations, we take all necessary measures and efforts to do well in environmental protection and pollution prevention.

For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, our total cost of compliance with environmental protection and health and safety laws and regulations was RMB1.5 million, RMB2.5 million, RMB2.2 million and RMB2.1 million, respectively. These costs did not include historical capital expenditures for plants and equipment that may be attributable to such compliance. We do not expect our costs of complying with current and future environmental protection and health and safety laws to increase significantly going forwards. However, because the requirements imposed by these laws and regulations may change, we may be unable to accurately predict the cost of complying with these laws and regulations. See "Risk Factors — Risks Relating to our Business and Industry — We are subject to environmental protection and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities, including but not limited to consequences of accidental contamination, biological or chemical hazards or personal injury."

During the Track Record Period, we were not subject to any administrative penalties relating to environmental, health or safety compliance that would have a material adverse effect on our financial position or results of operations as a whole. There had not been any material accidents in the course of our operation or any material claims for personal or property damages in connection with environmental protection, health or work safety against us during the Track Record Period and up to the Latest Practicable Date.

As a socially responsible company, we are committed to environment protection and energy saving. We are committed to energy and resource conservation. We monitor our electricity and water usage, conduct regular inspections of our laboratory equipment to check for abnormal conditions and take other measures to improve energy efficiency in our offices and facilities. We also endeavor to cultivate our staff's energy-saving habits. For example, we post signs such as "turn off the lights" and "use less paper towels" in eye-catching areas in our offices to enhance our employees' awareness of energy saving.

Research Model Welfare

Many lifesaving advances in medicine and human health were drawn from the scientific discoveries using research models. We are committed to helping improve the quality of human life while ensuring the highest possible standards of research model welfare.

In our operations, research model welfare means more than a clean, safe environment and good nutrition. It also means that the research models are provided with the best husbandry available to experience a stress-free life and good health. Both our research model facilities in Beijing and Suzhou have been accredited AAALAC, which demonstrated our commitment to handling research models and conducting scientific studies in an ethical and humane way.

As one of the world's leading providers of non-clinical drug development services and other services toward human safety, we accept both the legal and the moral obligation to be a leader in assuring that research models in our facilities are treated in accordance with all applicable rules and with high standards of respect and compassion. In addition to laws and ethics, this obligation is scientifically important because failure to meet these rules and standards can undermine the integrity of our scientific research.

Toward that end, we have established an institutional animal care and use committee (IACUC) led by Ms. Maowu Guo, along with our veterinarians, to oversee the implementation of our policies relating to the care and use of research models and ensure our compliance with relevant regulations and guidance. We also follow the principles below:

- We treat our research models humanely and with respect. We follow our internal policy on research model welfare, the contribution that our research models make to lifesaving advances.

- We strictly comply with all applicable laws and regulations for research model welfare.

- We employ alternative scientific methods to using research models where appropriate.

- We endeavor to minimize stress or discomfort to research models and endeavor to follow the best practice of the industry whenever feasible.

- We follow the standards and requirements of AAALAC. We train our employees who handle research models to utilize the best techniques and procedures, and to apply consistent controls to ensure that our internal policy on research model welfare is followed.

If we learn that any of our employees have failed to follow the internal policy on research model welfare, we will take appropriate remedial and disciplinary actions.

Furthermore, we also hold our suppliers accountable for the ethical and safe treatment of research models. We responsibly source high-quality research models from selected qualified suppliers that have passed our thorough pre-purchase due diligence, which includes assessment on their qualification, reputation, legal and regulatory compliance including compliance with regulations or standards regarding research model welfare. We also regularly monitor and review our suppliers' performance and conduct on-site inspections to ensure compliance with legal and regulatory requirements. To ensure our research model supplies are safe and healthy, we request examination reports on certain pathogens before we purchase research models from our suppliers to confirm the batch we plan to purchase is devoid of certain diseases. We also conduct a robust set of quarantine and quality assessment of each batch of research models to ensure that such research models meet our quality, safety and compliance standards.

CERTIFICATES, PERMITS AND LICENSES

Overview

We are required to obtain and renew certain certificates, permits and licenses for providing our services in China. During the Track Record Period and up to the Latest Practicable Date, except as otherwise disclosed below in "— Key Licenses, Permits and Approvals," we had obtained all requisite certificates, permits and licenses that are material to our business and operations, and all of such certificates, permits and licenses are valid and up-to-date to the extent that they are still needed. We are in compliance with the terms of all our certificates, permits and licenses.

We had not experienced any material difficulties in renewing such certificates, permits and licenses during the Track Record Period, and we do not expect to face any material difficulties in renewing them upon their expiry, if applicable. We had not been penalized by any government authorities for any non-compliance relating to our material certificates, permits and licenses. In the United States, we had not received any warning letters from the FDA and not been subject to any administrative penalties during the Track Record Period. See the section headed "Regulatory Overview" in this prospectus for more information about the material certificates, permits and licenses required for our business operations, and see "Statutory and General Information — 1. Further Information about Our Company — E. Summary of Our Certificates, Permits and Licenses" in Appendix V to this Prospectus for further details of our key licenses, permits and certificates that we held and were material to our business and operations as of the Latest Practicable Date.

Key Licenses, Permits and Approvals

We are required to obtain, and have obtained, as of the Latest Practicable Date, the following key licenses, permits and approvals to carry out breeding, production and handling of research models:

License/Permit/Approval	License/Permit Holder	Issuing Authority	Date of Grant and Expiry Date
Permit for Usage of Experimental Animals (實驗動物使用許可證) . .	Our Company	Beijing Municipal Science & Technology Commission (北京市科學技術委員會)	February 2, 2019 – February 2, 2024 August 8, 2016 – August 8, 2021 August 8, 2019 – August 8, 2024
Permit for Usage of Experimental Animals (實驗動物使用許可證) . .	JOINN Laboratories (Suzhou)	Jiangsu Province Department of Science & Technology (江蘇省科學技術廳)	March 26, 2019 – March 25, 2024 (for conventional environment) March 26, 2019 – March 25, 2024 (for barrier environment)
Permit for Production of Experimental Animals (實驗動物生產許可證) . .	JOINN Laboratories (Suzhou)	Jiangsu Province Department of Science & Technology (江蘇省科學技術廳)	January 16, 2018 – January 15, 2023
Permit for Production of Experimental Animals (實驗動物生產許可證) . .	Guangxi Qianyan	Guangxi Zhuang Autonomous Region Department of Science & Technology (廣西壯族自治區科學技術廳)	January 28, 2021 – January 27, 2026
Domestication and Breeding Approval of Wild Animals under Special State Protection (國家重點保護野生動物馴養繁育行政許可)	Qianyan Biotech (Guangxi) Co., Ltd. (廣西前沿生物技術有限公司) ("**Guangxi Qianyan**")	Department of Forestry of Guangxi Zhuang Autonomous Region (廣西壯族自治區林業局)	June 23, 2020 (temporary approval issued, pending final license to be issued by the Department of Forestry of Guangxi Zhuang Autonomous Region (廣西壯族自治區林業局))
Decision on Change of Domestication and Breeding Approval of Wild Animals under Special State Protection (國家重點保護野生動物馴養繁育許可變更決定) .	Guangxi Qianyan	Department of Forestry of Guangxi Zhuang Autonomous Region (廣西壯族自治區林業局)	October 22, 2020

Pursuant to the relevant PRC laws, we are required to obtain the Domestication and Breeding License of Wild Animals under Special State Protection (the "**Breeding License**") for breeding our non-human primate research models. During the Track Record Period, we hosted and bred non-human primate research models through Guangdong Qianyan Biological Science and Technology Co. Ltd., Nanning Branch (廣東前沿生物科技有限公司南寧分公司) (the "**Nanning Branch**"), which had not been able to obtain the Breeding License from the relevant governmental authorities despite its good faith efforts to do so, as Nanning Branch is not an independent legal entity under PRC laws and regulations and based on our communication with local government authority is not qualified to apply for the Breeding License, and the lessor, an independent third party, was remiss to cooperate with us applying for the Breeding License. During the Track Record Period, we did not generate any revenue from illegal breeding activities.

Under PRC laws and regulations, conducting domestication and breeding activities of wild animals under special state protection without a valid Breeding License could lead to administrative penalties such as confiscation of the relevant wild animals and fines in the amount ranging from one to five times of the value of the wild animals and their production at issue. As of September 30, 2020, our non-human primate research models are valued at RMB47.7 million by independent appraiser. As of the Latest Practicable Date, Nanning Branch had ceased to conduct such domestication and breeding activities, and we had not been subject to any administrative penalties as a result of hosting and breeding our non-human primate research models through the Nanning Branch without obtaining the Breeding License.

Immediately after we became aware and communicated with governmental authorities and the lessor cooperated with us after continued negotiation, we started to establish Guangxi Qianyan, and Guangxi Qianyan obtained an administrative approval issued by the Department of Forestry of Guangxi Zhuang Autonomous Region (廣西壯族自治區林業局) in June 2020. Such administrative approval states that National Forestry and Grassland Administration (國家林業和草原局) has not issued the unified printed Breeding License at the national level, but with this approval, Guangxi Qianyan is legally permitted to engage in activities including to host, breed and handle non-human primate research models before the issuance of the formal Breeding License. The administrative approval further states that when the National Forestry and Grassland Administration issues the unified printed Breeding License, Department of Forestry of Guangxi Zhuang Autonomous Region will issue a formal Breeding License to Guangxi Qianyan. As advised by our PRC Legal Advisor, there is no material legal impediment for Guangxi Qianyan to obtain the Breeding License with the administrative approval, provided that the application is in accordance with the relevant laws and regulations of the PRC. As of the Latest Practicable Date, Guangxi Qianyan was in the process of absorbing and merging with Guangdong Qianyan Biological Science and Technology Co. Ltd.. On September 14, 2020 and October 22, 2020, the Nanning Branch completed all necessary procedures for the clearance of its tax matters as well as its de-registration with local Administration for Industry and Commerce respectively. On January 15, 2021, Guangdong Qianyan Biological Science and Technology Co. Ltd. completed all necessary procedures for the clearance of its tax matters. As of the Latest Practicable Date, we hosted and bred non-human primate research models through Guangxi Qianyan. On September 29, 2020, our Controlling Shareholders Ms. Feng and

Mr. Zhou provided us with a commitment letter in which they undertook to fully compensate us for any loss that may be incurred by our Company due to any administrative penalties by the relevant governmental authorities in connection with the hosting or breeding of our non-human primate research models by the Nanning Branch without the Breeding License. Based on the foregoing, our Directors are of the view, and our PRC Legal Advisor concurs, that our business and operations would not be materially and adversely affected as a result of such non-compliance incident during the Track Record Period. For risks associated with such non-compliance incident, see "Risk Factors — Risks Relating to our Business and Industry — Our failure to obtain or renew certain regulatory approvals, licenses, assurances, permits, registrations or certificates required for our business may materially and adversely affect our business, financial condition, results of operations and prospects."

INSURANCE

We maintain public liability insurance covering property loss, physical injuries or medical expenses involving third parties that occur on our premises; employer's liability insurance and work safety liability insurance generally covering work-related death or injury of employees; professional liability insurance covering claims involving our customers or other third parties due to negligence in connection with our business operations; medical insurance and critical illness insurance covering unforeseen medical costs of our employees. Consistent with industry norm, we do not maintain key-man life insurance for any member of our senior management, or business disruption insurance.

While we believe that our insurance coverage is adequate and in line with the industry norms, it may, however, be insufficient to cover all claims for product liability, damage to our assets, plant and equipment or employee injuries. See "Risk Factors — Risks Relating to our Business and Industry — We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs."

LEGAL AND COMPLIANCE MATTERS

Legal Proceedings

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

Legal and Regulatory Compliance

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

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management is critical to the success of our business operations. Key operational risks that we face include human resource risk, information technology risk, financial reporting risk and compliance and intellectual property rights risks. Please refer to the section headed "Risk Factors" in this prospectus for a discussion of various risks and uncertainties that we face. We also face various market risks. In particular, we are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business.

In order to meet these challenges, we have established an audit committee, chaired by Mr. Sun Mingcheng, to oversee and manage the overall risks associated with our business operations from time to time. Our audit committee (i) proposes the appointment or removal of external auditors; (ii) supervises our internal audit system and its implementation; (iii) communicate and coordinate with internal and external audit; (iv) reviews our financial information and its disclosure; and (v) reviews our internal control system.

Financial Reporting Risk Management

We maintain a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, budget management policies, wealth management products investment policies, financial statements preparation policies and finance department and staff management policies. We have various procedures and IT systems to implement our accounting policies, and our finance department reviews our management accounts accordingly.

Human Resource Risk Management

We have set a number of standard operation procedures for human resource management in China and overseas, including the recruiting management policy, personnel records management policy, probation and employment policy, labor contract management policy, social insurance and housing provident fund management policy, training management policy, termination and resignation management policy, and attendance and vacation policy. These procedures aim to mitigate our risks in insufficient recruitment, staff attrition, non-compliance with labor regulations, employee information management and others.

Internal Controls

We have engaged an internal control consultant to issue a long form report in connection with the internal control over financial reporting of our Company and our major operating subsidiaries and to report factual findings on our Company's entity-level controls and internal controls of various processes, including control environment, risk assessment, control activities, information and communication, monitoring activities, sales and receivables management, purchases and payment management, inventory management, production management, R&D management, human resources and remuneration management, treasury management, fix assets and intangible asset management, reporting and disclosure, tax, insurance, contract management and information system management.

In connection with the Global Offering, our internal control consultant has not identified any incidents or deficiencies in our implementation of internal control procedures that imposed any material risks or resulted in any material non-compliance or financial loss. In connection with its review, the internal control consultant recommended us to adopt certain specific measures to further strengthen our internal control systems to prepare us to become a listed company in Hong Kong, including but not limited to (i) formalizing policies and procedures on our practices in sales and receivables, procurements and payment, project management of drug development, inventory management, expenses management and IT general controls; (ii) segregation of duties in preparing bank reconciliation statements and receipts of inventories; (iii) improving retention for certain authorized and approval of transactions; (iv) conducting regular stocktake and periodic aging analysis for our inventories; and (v) improving retention of data and information during the review of the provisioning of inventories and fixed assets. In response to such recommendations, we have implemented a series of measures, improvements, supervision mechanisms and policies to further strengthen our internal control procedures. Following a revisit, the internal control consultant has not provided any further recommendations. Going forward, as a public company, we will continue to regularly review and enhance our internal control systems in compliance with applicable laws and regulations.

We have adopted a series of internal control policies, measures and procedures to facilitate and ensure effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations, among other things. During the Track Record Period, we have regularly reviewed and enhanced our internal control system. We have taken the following internal control measures to rectify and prevent the recurrence of any non-compliance.

- Our Board and senior management oversee and manage the overall risks associated with our business operations.

- We have implemented a policy on the payment of social insurance and housing provident fund contribution for employees in compliance with relevant PRC laws and regulations.

- We have put a policy in place pursuant to which our Controlling Shareholders (i) shall support the Company's business and operations, and shall not compete with the Company in terms of business scope and nature, target customers and alternative products; (ii) shall support the Company's independent decision-making regarding its business and operations, internal management, outbound investment and external guarantees; and (iii) shall not take for themselves any business opportunity that could benefit the Company by leveraging their controlling position. With this policy in place, we expect to be able to monitor the possibility of competition with our Controlling Shareholders and make announcements as required in accordance with the Listing Rules and other applicable laws.

- We have engaged Anglo Chinese Corporate Finance, Limited as our compliance adviser to provide advice to our Directors and management team until the end of the first fiscal year after the Listing regarding matters relating to the Listing Rules. Our compliance adviser is expected to ensure our use of funding complies with the section headed "Future Plans and Use of Proceeds" in this prospectus after the Listing, as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.

- We will consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to increase compliance awareness and to keep us abreast of relevant regulatory developments.

Other than described in "— Certificates, Permits and Licenses," during the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our business as a whole.

OVERVIEW

Our Board consists of ten Directors, comprising five executive Directors, one non-executive Director and four independent non-executive Directors. All Directors are elected at the Shareholders' meetings. Directors serve for a term of three years and shall be subject to re-election upon retirement. Independent non-executive Directors shall not hold office for more than six consecutive years.

The Supervisory Committee currently consists of three Supervisors. The Supervisors include two shareholder Supervisors and one employee Supervisor. The shareholder Supervisors and the employee Supervisor are elected at the Shareholders' meetings and the staff representative assembly, respectively, for a term of three years, subject to re-election upon their retirement or resignation.

All of the Directors, Supervisors and senior management have met the qualification requirements under the relevant PRC laws and regulations and the Hong Kong Listing Rules for their respective positions.

DIRECTORS

The following table shows the key information of our Directors:

Name	Age	Date of joining our Group	Date of appointment as Director	Position for the current tenure	Responsibility
Executive Directors					
Ms. Feng Yuxia (馮宇霞)	56	August 1995	June 2007	Chairperson of the Board, Executive Director	Responsible for the overall strategic planning of our Group and presiding over the Board affairs
Mr. Zuo Conglin (左從林)	56	December 1996	December 2012	Vice Chairperson of the Board, Executive Director	Responsible for overseeing the operations and management of our Group
Mr. Gao Dapeng (高大鵬)	38	November 2012	October 2013	Executive Director, General Manager, Secretary to the Board, Joint Company Secretary	Responsible for overseeing the operation, capital management and matters relating to information disclosure of our Group
Ms. Sun Yunxia (孫雲霞)	52	October 1999	January 2019	Executive Director, Vice General Manager	Responsible for overseeing the non-clinical operations of our Group

Name	Age	Date of joining our Group	Date of appointment as Director	Position for the current tenure	Responsibility
Dr. Yao Dalin (姚大林)	71	February 2012	January 2019	Executive Director, Senior Vice General Manager, Chief Scientific Officer	Responsible for strategic planning on scientific innovations and technology advancement as well as improving the regulatory compliance of our Group
Non-executive Director					
Mr. Gu Xiaolei (顧曉磊)	33	December 2012	December 2012	Non-executive Director	Responsible for giving strategic advice on the operations of our Group and participating in the decision-making of the Board
Independent Non-executive Directors					
Mr. Sun Mingcheng (孫明成)	46	January 2019	January 2019	Independent Non-Executive Director	Responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Group
Dr. Zhai Yonggong (翟永功)	59	January 2019	January 2019	Independent Non-Executive Director	Responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Group
Mr. Ou Xiaojie (歐小傑)	47	January 2019	January 2019	Independent Non-Executive Director	Responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Group
Mr. Zhang Fan (張帆)	41	the Listing Date	the Listing Date	Independent Non-Executive Director	Responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Group

Executive Directors

Ms. Feng Yuxia (馮宇霞), aged 56, is the chairperson of the Board, an executive Director and the founder of our Company. Ms. Feng was appointed as the chairperson of the Board and a Director of our Company in June 2007, and was re-designated as an executive Director in August 2020. Ms. Feng is primarily responsible for the overall strategic planning of our Group and presiding over the Board affairs.

Prior to her appointment as the chairperson of the Board and a Director of our Company, Ms. Feng served as the general manager of our Company from August 1995 to June 2007.

Ms. Feng possesses extensive experience in the biopharmaceutical and healthcare industries. She practiced as a doctor at the 252nd Hospital of the Chinese People's Liberation Army (中國人民解放軍第252醫院) from August 1986 to August 1989. She successively served as an intern researcher and an assistant researcher at the Institute of Toxicology and Drugs of Chinese Academy of Military Medical Sciences (中國人民解放軍軍事醫學科學院毒物藥物研究所) from 1992 to 1994. She has served as the chairperson of the board of JOINN (Beijing) Biotechnology Ltd. (北京昭衍生物技術有限公司) since February 2019.

Ms. Feng currently serves as an executive committee member at China Biotechnology Outsourcing Service Alliance (中國生物技術創新服務聯盟).

Ms. Feng received her bachelor's degree in medicine from the Third Military Medical University (第三軍醫大學) in China in July 1986 and obtained her master of medicine degree in pharmacology from Academy of Military Medical Sciences (中國人民解放軍軍事醫學科學院) in China in August 1992.

Mr. Zuo Conglin (左從林), aged 56, is the vice chairperson of the Board and an executive Director of our Company. Mr. Zuo was appointed as a Director in December 2012 (re-designated as an executive Director in August 2020) and the vice chairperson of the Board in January 2019. Mr. Zuo is primarily responsible for overseeing the operations and management of our Group.

Mr. Zuo served as the general manager of our Company from March 2008 to January 2019, before which he successively served as a practice leader of our Company from December 1996 to January 2001 and a facility manager of drug safety evaluation center of our Company from February 2001 to February 2008.

Mr. Zuo possesses extensive experience in the biopharmaceutical and healthcare industries. Prior to joining our Group, he successively served as an intern researcher and an assistant researcher at Air Force Aviation Medical Research Institute (空軍航空醫學研究所) in the PRC from August 1989 to November 1996. Mr. Zuo has been serving as a council member of Chinese Society of Toxicology (中國毒理學會) since January 2009, and he currently serves as a committee member of Professional Committee of Drug Toxicology of Chinese

Pharmacological Society (中國藥理學會藥物毒理專業委員會) and a standing committee member of Professional Committee of Drug Toxicology and Safety Evaluation of Chinese Society of Toxicology (中國毒理學會藥物毒理與安全性評價專業委員會).

Mr. Zuo obtained his master's degree in medicine from Academy of Military Medical Sciences (中國人民解放軍軍事醫學科學院) in China in August 1989.

Mr. Gao Dapeng (高大鵬), aged 38, is an executive Director, the general manager, the secretary to the Board and a joint company secretary of our Company. Mr. Gao was appointed as a Director in October 2013 and re-designated as an executive Director in August 2020. He has also served as the general manager of our Company since January 2019 and the secretary to the Board since March 2013. He was appointed as a joint company secretary of our Company in August 2020. Mr. Gao is primarily responsible for overseeing the operation, capital management and matters relating to information disclosure of our Group.

Mr. Gao previously served multiple other positions at our Company, including as a finance manager from November 2012 to January 2013, and the chief financial officer from January 2013 to March 2020. His tenure as the chief financial officer of our Company overlapped with that of Ms. Yu Aishui during the period of July 2019 to March 2020 to ensure a smooth handover of the relevant responsibilities from Mr. Gao to Ms. Yu.

Prior to joining our Group, Mr. Gao served as an assistant auditor at Beijing Zhongshui Xincheng Tax Firm (北京中税信誠税務師事務所) from August 2005 to July 2006, an assistant accountant and the finance manager successively at Staidson (a company listed on the Shenzhen Stock Exchange with stock code: 300204) from June 2007 to October 2012.

Mr. Gao received his bachelor's degree in management from Central University of Finance and Economics (中央財經大學) in China in July 2005.

Mr. Gao is the husband of the niece of Ms. Feng.

Ms. Sun Yunxia (孫雲霞), aged 52, is an executive director and a vice general manager of our Company. Ms. Sun was appointed as a Director in January 2019 and re-designated as an executive Director in August 2020. She was appointed as a vice general manager of our Company in December 2012. Ms. Sun is primarily responsible for overseeing the non-clinical operations of our Group.

Ms. Sun previously served multiple other positions at our Company, including as a senior study director from October 1999 to April 2005, the director of toxicology department from April 2005 to June 2008, the director of quality assurance department from July 2008 to December 2009, the testing facility deputy manager and manager of JOINN (Beijing) from January 2010 to March 2020.

Prior to joining our Group, Ms. Sun successively worked as a food hygiene supervisor at Siping City Epidemic Prevention Station of Jilin Province (吉林省四平市防疫站), and practiced as the chief physician at Peking University Shougang General Hospital (北京大學首鋼醫院). Ms. Sun has been serving as a committee member of Professional Committee of Drug Toxicology and Safety Evaluation of Chinese Society of Toxicology (中國毒理學會藥物毒理與安全性評價專業委員會) since October 2011, a council member of Chinese Society of Toxicology (中國毒理學會) since October 2018, and a standing committee member of Professional Committee of Chinese Medicine and Natural Medicine Toxicology of Chinese Society of Toxicology (中國毒理學會中藥與天然藥物毒理專業委員會) since November 2019.

Ms. Sun received her master's degree in medicine from Norman Bethune University of Medical Sciences (白求恩醫科大學), now known as Norman Bethune Health Science Center of Jilin University (吉林大學白求恩醫學部), in China in July 1995.

Dr. Yao Dalin (姚大林), aged 71, is an executive Director, a senior vice general manager and the Chief Scientific Officer of our Company. Dr. Yao was appointed as a Director of the Board in January 2019 and re-designated as an executive Director in August 2020. He was appointed as a senior vice general manager in February 2012. Dr. Yao is primarily responsible for strategic planning on scientific innovations and technology advancement as well as improving the regulatory compliance of our Group.

Prior to joining our Company in February 2012, Dr. Yao served as an assistant professor at Norman Bethune University of Medical Sciences (白求恩醫科大學), now known as Norman Bethune Health Science Center of Jilin University (吉林大學白求恩醫學部) from 1989 to 1990, a Visiting Scientist in the Laboratory of Experimental Neuropathology, The National Institute of Neurological Disorders and Stroke, NIH, the United States, from October 1990 to December 1995. From December 1999 to December 2011, Dr. Yao worked in the Center for Drug Evaluation and Research, U.S. Food and Drug Administration, including serving as a senior reviewer at the Division of Metabolic and Endocrine Drug Products.

Dr. Yao received his doctoral degree in medicine from Norman Bethune University of Medical Sciences (白求恩醫科大學) in China in November 1990.

Non-executive Director

Mr. Gu Xiaolei (顧曉磊), aged 33, is a non-executive Director of our Company. Mr. Gu was appointed as a Director in December 2012 and re-designated as a non-executive Director in August 2020. Mr. Gu is primarily responsible for giving strategic advice on the operations of our Group and participating in the decision-making of the Board.

Mr. Gu served as a director and the vice general manager of Xiangtang Group Co., Ltd. (香塘集團有限公司) from July 2009 to April 2016. Mr. Gu has served as the vice chairperson of such company since April 2016.

Mr. Gu received his bachelor of science degree in applied business management from Imperial College London, the United Kingdom, in August 2009.

Independent Non-executive Directors

Mr. Sun Mingcheng (孫明成), aged 46, has served as an independent non-executive Director of our Company since January 2019. Mr. Sun is primarily responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Group.

Mr. Sun served as a vice general manager and the secretary to the board at Matt Motor Service Co., Ltd. (麥特汽車服務股份有限公司) from 2013 to 2017. Mr. Sun has been serving as a general manager at Yangzhou Dongsheng Auto Parts Co., Ltd. (揚州東昇汽車零部件股份有限公司) since November 2017, and an independent director of Hengtong Logistics Co., Ltd. (恆通物流股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code: 603223) since May 2018.

Mr. Sun obtained his master's degree in engineering from Liaoning University of Engineering and Technology (遼寧工程技術大學) in China in April 2000. He subsequently received another master's degree in business management from Beijing University of Posts and Telecommunications (北京郵電大學) in China in July 2005. He has been a PhD student of accounting in the Research Institute for Fiscal Sciences of Ministry of Finance (財政部財政科學研究所), now known as Chinese Academy of Fiscal Sciences (中國財政科學研究院), since 2013. Mr. Sun has been a member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) as a non-practicing certified public accountant since April 2011.

Dr. Zhai Yonggong (翟永功), aged 59, has served as an independent non-executive Director of our Company since January 2019. Dr. Zhai is primarily responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Group.

Dr. Zhai served a visiting scholar at the University of Pittsburgh in the United States from January 2005 to January 2007. Dr. Zhai served as a professor at Beijing Normal University in China from September 2009 to August 2019.

Dr. Zhai received his bachelor of agriculture degree in animal husbandry from Northwest Agricultural College (西北農學院), now known as Northwest Agriculture and Forestry University (西北農林科技大學), in China in July 1984. He obtained his master of agriculture degree in animal genetics and breeding from the same school in June 1992. He subsequently received his doctoral degree of engineering in biomedical engineering from Xi'an Jiaotong University (西安交通大學) in China in December 1999.

Mr. Ou Xiaojie (歐小傑), aged 47, has served as an independent non-executive Director of our Company since January 2019. Mr. Ou is primarily responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Group.

Mr. Ou served as a managing director at Beijing Dongfang Junhe Management Consulting Co., Ltd. (北京東方君和管理顧問有限公司) from January 2009 to May 2012. He served as a department general manager at Beijing Chinasoft International Information Technology Co., Ltd. (北京中軟國際信息技術有限公司) from August 2012 to May 2014. He successively served as a director and strategic counsel at Beijing Didaofengwu Technology Co., Ltd. (北京地道風物科技有限公司) from May 2015 to September 2017.

Mr. Ou received his bachelor of engineering degree in industrial automation from Guangdong University of Technology (廣東工業大學) in China in 1999.

Mr. Zhang Fan (張帆), aged 41, was appointed as an independent non-executive Director of our Company in August 2020 with effect from the Listing Date. Mr. Zhang will be primarily responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Group.

Mr. Zhang worked at the head office of China Construction Bank (中國建設銀行) from 2001 to 2006, serving at the audit department, the restructuring office and the board of director office respectively. From 2010 to 2018, Mr. Zhang worked at CCB International Capital Limited (建銀國際金融有限公司), serving at the investment banking department as a managing director and the head of financial institution business. From 2018 to 2019, Mr. Zhang worked at WeShare Investment Holding Limited (新分享投資控股有限公司) as the chief strategy officer. Since 2019, Mr. Zhang has been working at China Everbright Limited (中國光大控股有限公司) as a managing director of corporate client services department. Mr. Zhang is a Certified Public Accountant in the U.S..

Mr. Zhang received his bachelor of management degree in accounting from Sun Yat-sen University (中山大學) in China in June 2001. He obtained his master of business administration degree from Carnegie Mellon University in the U.S. in May 2010.

SUPERVISORS

The following table shows the key information of our Supervisors:

Name	Age	Date of joining our Group	Date of appointment as Supervisor	Position for the current tenure	Responsibility
Ms. Li Ye (李葉)	38	April 2007	December 2012	Chairperson of the Supervisory Committee	Responsible for supervising the finances, the directors and senior management of our Group
Ms. Yin Lili (尹麗莉)	40	July 2006	December 2012	Supervisor	Responsible for supervising the finances, the directors and senior management of our Group
Mr. Sun Huiye (孫輝業)	52	July 2006	December 2012	Employee Supervisor	Responsible for supervising the finances, the directors and senior management of our Group

Ms. Li Ye (李葉), aged 38, is the chairperson of our Supervisory Committee. Ms. Li was appointed as a Supervisor in December 2012. She is primarily responsible for supervising the finances, the directors and senior management of our Group.

Ms. Li successively served as an assistant to the chairperson of the Board of our Company, the director of the department of administration, and the manager of the human resources department of our Company since she joined our Company in April 2007. She has served as the managing director of the human resources department of our Company since January 2019.

Ms. Li received her bachelor of arts degree in English language from Northwest Normal University (西北師範大學) in China in June 2006.

Ms. Yin Lili (尹麗莉), aged 40, is a Supervisor of our Company. Ms. Yin was appointed as a Supervisor in December 2012. She is primarily responsible for supervising the finances, the directors and senior management of our Group.

Ms. Yin successively served as a practice leader of the department of drug efficacy and the department of toxicology, the director of the second department of toxicology and the director of the quality assurance department since she joined our Company in July 2006. She has served as the head of the quality assurance department of our Company since March 2020.

Ms. Yin received her master of medicine degree in pathology and pathophysiology from The Academy of Military Medical Sciences of the People's Liberation Army (中國人民解放軍軍事醫學科學院) in China in July 2006.

Mr. Sun Huiye (孫輝業), aged 52, is an employee Supervisor. Mr. Sun was appointed as a Supervisor in December 2012. He is primarily responsible for supervising the finances, the directors and senior management of our Group.

Mr. Sun successively served as a practice leader, head of the toxicology department and director of toxicology of our Company from July 2006 to June 2014, and he served as the testing facility manager of JOINN Laboratories (Suzhou) from June 2014 to July 2020. Mr. Sun has been serving as deputy general manager of JOINN Laboratories (Suzhou) and the chief veterinary officer of our Company since July 2020.

Mr. Sun received his bachelor of agriculture degree in veterinary from Chinese People's Liberation Army Veterinary University (中國人民解放軍獸醫大學) in July 1992.

SENIOR MANAGEMENT

The following table shows the key information of our senior management:

Name	Age	Date of joining our Group	Date of appointment as Senior Management	Position for the current tenure	Responsibility
Mr. Gao Dapeng (高大鵬)	38	November 2012	March 2013	Executive Director, General Manager, Secretary to the Board, Joint Company Secretary	Responsible for overseeing the operation, capital management and matters relating to information disclosure of our Group
Ms. Sun Yunxia (孫雲霞)	52	October 1999	December 2012	Executive Director, Vice General Manager	Responsible for overseeing the non-clinical operations of our Group
Dr. Yao Dalin (姚大林)	71	February 2012	February 2012	Executive Director, Senior Vice General Manager, Chief Scientific Officer	Responsible for strategic planning on scientific innovations and technology advancement as well as improving the regulatory compliance of our Group
Mr. Gu Jingliang (顧靜良)	40	April 2006	January 2019	Vice General Manager, Head of Sales Department	Responsible for overseeing the sales and marketing management of our Group
Ms. Yu Aishui (于愛水)	44	July 2019	April 2020	Chief Financial Officer	Responsible for overseeing overall financial management of our Group

Mr. Gao Dapeng (高大鵬), aged 38, is an executive Director, the general manager, the secretary to the Board and a joint company secretary of our Company. For the biography of Mr. Gao, please refer to "— Directors — Executive Directors" of this section.

Ms. Sun Yunxia (孫雲霞), aged 52, is an executive Director and a vice general manager of our Company. For the biography of Ms. Sun, please refer to "— Directors — Executive Directors" of this section.

Dr. Yao Dalin (姚大林), aged 71, is an executive Director and a vice general manager of our Company. For the biography of Dr. Yao, please refer to "— Directors — Executive Directors" of this section.

Mr. Gu Jingliang (顧靜良), aged 40, is a vice general manager and the head of sales department of our Company. Mr. Gu is primarily responsible for overseeing the sales and marketing management of our Group.

Prior to his appointment as a vice general manager in January 2019 and the head of sales department in 2011, Mr. Gu successively served as a practice leader for drug efficacy, a practice leader for toxicology and the vice director and director of drug metabolism laboratory at our Company since he joined our Company in April 2006. He has also served as the general manager of JOINN Clinical (Suzhou) Co., Ltd. (蘇州昭衍醫藥科技有限公司), our wholly-owned subsidiary, since July 2018.

Mr. Gu has served as a director at Wan Yinuo (Suzhou) Biotechnology Co., Ltd. (萬醫諾(蘇州)生物科技有限公司) since January 2017. He has also served as a director at Suzhou Guangao Pharmaceutical Development Co., Ltd. (蘇州廣奧醫藥開發有限公司) since January 2017.

Mr. Gu obtained his master of medicine degree in pharmacology from Jilin University in June 2006.

Mr. Gu is the husband of the granddaughter of Ms. Feng's aunt.

Ms. Yu Aishui (于愛水), aged 44, is the chief financial officer of our Company. Ms. Yu was appointed as the chief financial officer in July 2019. Her tenure as the chief financial officer of our Company overlapped with that of Mr. Gao Dapeng during the period of July 2019 to March 2020 to ensure a smooth handover of the relevant responsibilities from Mr. Gao to Ms. Yu. Ms. Yu has become the sole chief financial officer of our Company since April 2020. Ms. Yu is primarily responsible for overseeing the overall financial management of our Group.

Prior to joining our Company, Ms. Yu served as the accountant-in-charge at Cargill Fertilizer (Yantai) Co., Ltd. (嘉吉化肥(煙臺)有限公司), now known as Mosaic Fertilizers (Yantai) Co., Ltd. (美盛化肥(煙臺)有限公司), from February 2000 to March 2002, an investment manager at CITIC Information Technology Investment Co., Ltd. (中信資訊科技投資有限公司) from July 2005 to December 2008, a seconded financial director at Beijing

Huaxin New Media Technology Co., Ltd. (北京華信新媒技術有限公司) from June 2008 to January 2012, and the chief financial officer at Crown Bioscience Inc. (Beijing) Co., Ltd. (中美冠科生物技術(北京)有限公司) from February 2012 to April 2019.

Ms. Yu obtained a master's degree in business administration from Renmin University of China (中國人民大學) in July 2005. Ms. Yu has been a member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) as a non-practicing certified public accountant since September 2010.

Save as disclosed above, none of our Directors, Supervisors and members of senior management is related to other Directors, Supervisors and members of the senior management.

Save as disclosed above, none of our Directors, Supervisors and members of senior management held any directorship in any public companies, the shares of which are listed in Hong Kong or overseas stock markets, during the three years prior to the date of this Prospectus.

JOINT COMPANY SECRETARIES

Mr. Gao Dapeng (高大鵬), who was appointed as one of our joint company secretaries with effect from the Listing Date, is also an executive Director, the general manager and the secretary to the Board of our Company. For the biography of Mr. Gao, please refer to the sub-section headed "— Executive Directors" of this section.

Mr. Ng Cheuk Ming (吳卓明) has been appointed as one of our joint company secretaries with effect from the Listing Date. Mr. Ng is a manager of corporate services of Tricor Services Limited. He has over 6 years of the corporate secretarial and compliance experience for Hong Kong listed companies and Hong Kong and offshore private companies. Mr. Ng is an Associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Mr. Ng obtained a bachelor of business administration degree from Hong Kong Shue Yan University in 2013 and a Master of Science in Professional Accounting and Corporate Governance degree from City University of Hong Kong in 2016.

Our Company has been granted a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Gao Dapeng may be appointed as a joint company secretary of our Company. However, the waiver can be revoked if there are material breaches of the Listing Rules by our Company. For details, please see the section headed "Waivers from Compliance with the Listing Rules and Exemption from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance".

BOARD COMMITTEES

The Board delegates certain responsibilities to various dedicated committees in accordance with relevant PRC laws, regulations, the Articles and the Hong Kong Listing Rules, namely the Strategic Development Committee, the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee.

Strategic Development Committee

The Strategic Development Committee consists of five Directors, namely Ms. Feng, Mr. Zuo Conglin, Mr. Gu Xiaolei, Ms. Sun Yunxia and Mr. Ou Xiaojie. Ms. Feng currently serves as the chairperson of the committee. The primary duties of the Strategic Development Committee are to study and advise on the long-term strategy and major investments and financing plans of our Group.

Audit Committee

The Audit Committee consists of three Directors, namely Mr. Sun Mingcheng, Dr. Zhai Yonggong and Ms. Feng Yuxia. Mr. Sun Mingcheng currently serves as the chairperson of the committee. Mr. Zhang Fan has been appointed as a member of the Audit Committee to replace Ms. Feng with effect from the Listing Date. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control system of our Group. Mr. Sun Mingcheng, being the chairperson of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee consists of three Directors, namely Mr. Ou Xiaojie, Mr. Sun Mingcheng and Mr. Zuo Conglin. Mr. Ou Xiaojie currently serves as the chairperson of the committee. The primary duties of the Remuneration and Evaluation Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management.

Nomination Committee

The Nomination Committee consists of three Directors, namely Dr. Zhai Yonggong, Mr. Ou Xiaojie and Ms. Feng. Dr. Zhai Yonggong currently serves as the chairperson of the committee. The primary duties of the Remuneration and Nomination Committee are to make recommendation to the Board regarding the appointment of Directors and senior management.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company intends to comply with Corporate Governance Code set out in Appendix 14 to the Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules after the Listing.

BOARD DIVERSITY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board. Our Directors have a balanced mix of gender, knowledge and skills, including knowledge and experience in the areas of business management, medical clinical research, scientific research, financial management and accounting. They obtained degrees in various areas including medicine, pharmacology, engineering and business administration. The Board Diversity Policy is well implemented as evidenced by the fact that there are two female and eight male Directors with experience from different industries and sectors. The Directors are of the view that our Board satisfies the Board Diversity Policy.

The Nomination Committee is responsible for reviewing the diversity of the Board. After Listing, the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, Supervisors and senior management receive their remuneration in the form of salary and allowances, retirement scheme contributions, discretionary bonuses, share-based payments and directors' fee.

For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, the total remuneration for our Directors amounted to approximately RMB2.82 million, RMB4.02 million, RMB7.32 million and RMB7.48 million, respectively.

For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, the total remuneration for our Supervisors amounted to approximately RMB1.11 million, RMB1.44 million, RMB2.41 million and RMB1.78 million, respectively.

Under the arrangements currently in force, our Directors and Supervisors will be entitled to receive remuneration and benefits in kind for their service which, for the year ended December 31, 2020, is expected to be approximately RMB8.84 million and RMB1.55 million,

respectively. The remuneration of Directors and Supervisors consists of Directors' fee, salaries and other benefits, performance-based bonus, retirement benefit scheme contributions and share-based compensation, which are determined based on the evaluation of each Directors' and Supervisors' individual performance and market trends in 2020. The actual remuneration of Directors and Supervisors in 2020 may be different from the expected remuneration.

For each of the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, there were 3, 3, 5 and 2 Directors or Supervisors among the five highest paid individuals, respectively. The total emoluments for the remaining individuals among the five highest paid individuals amounted to RMB1.71 million, RMB2.62 million, nil and RMB6.13 million, respectively, for each of the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, respectively. See "Appendix I – Accountants' Report – Notes to Historical Financial Information – 8. Directors' and Supervisors' Emoluments" and "Appendix I – Accountants' Report – Notes to Historical Financial Information – 9. Individuals with Highest Emoluments" for further details.

For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, no payment was made by us to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. Our Supervisors receive remuneration from our Company, see the section headed "Appendix I — Accountants' Report — Notes to Historical Financial Information — 8. Directors' and Supervisors' Emoluments" in this Prospectus for further details. None of the Directors or Supervisors waived their remuneration during the relevant period.

The remuneration of Directors, Supervisors and senior management is determined with reference to factors including the salaries paid by comparable companies, time commitment and responsibilities of the Directors, Supervisors and senior management, employment conditions of other positions in our Company and the desirability of performance-based remuneration.

For details of the Share Option and Restricted Share Award Schemes, to which our Directors, Supervisors and senior management are eligible, please refer to the section headed "Appendix V — Statutory and General Information — 2. Further Information about Our Business — C. Share Option and Restricted Share Award Schemes" in this Prospectus.

As of the Latest Practicable Date, save as otherwise disclosed in the section headed "Substantial Shareholders" and "Appendix V — Statutory and General Information — 4. Disclosure of Interests" in this Prospectus, none of the Directors, Supervisors or senior management is interested in any Shares within the meaning of Part XV of the SFO. Save as disclosed herein, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, there was no additional matter with respect to the appointment of the Directors or Supervisors, or the resignations of previous Directors or Supervisors during the Track Record Period that needs to be brought to the attention of the

Shareholders or the Stock Exchange and there was no additional information relating to the Directors or Supervisors that is required to be disclosed pursuant to Rules 13.51(2)(b) to (v) of the Hong Kong Listing Rules as of the Latest Practicable Date.

COMPLIANCE ADVISOR

Our Company has appointed Anglo Chinese Corporate Finance, Limited as the compliance advisor upon Listing in compliance with Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules. Our compliance advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise our Company in certain circumstances including:

- before the publication of any regulatory announcement, circular, or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, development or results deviate from any forecast, estimate or other information in this Prospectus; and
- where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

Meanwhile, pursuant to Rule 19A.06(3) of the Listing Rules, the compliance advisor shall inform us on a timely basis of any amendment or supplement to the Hong Kong Listing Rules issued by the Hong Kong Stock Exchange from time to time and any new or amended law, regulation or code in Hong Kong applicable to our Company. The compliance advisor shall also provide advice to us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of appointment of the compliance advisor shall commence on the Listing Date and end on the date of distribution of the annual report of the financial results of our Group for the first full financial year commencing after the Listing Date or on the date of the termination of the contract, whichever is earlier.

COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, he/she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

OVERVIEW

Ms. Feng and Mr. Zhou held 64,073,468 and 34,568,986 Shares respectively, representing approximately 28.17% and 15.20% of our total issued Shares, as of the Latest Practicable Date (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes). By virtue of their spousal relationship, Ms. Feng and Mr. Zhou are considered to be a group of Controlling Shareholders who hold approximately 43.37% of our total issued Shares as of the Latest Practicable Date (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes).

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes), Ms. Feng and Mr. Zhou will hold approximately 36.43% of our total issued Shares in aggregate. Accordingly, Ms. Feng and Mr. Zhou will remain our Controlling Shareholders immediately after the Listing.

COMPETITION

Business of our Group

We are a leading non-clinical CRO focused on drug safety assessment. We are also in the process of expanding our offerings to an integrated range of services covering discovery, pre-clinical and clinical trial stages in the drug R&D service chain.

Delineation of Businesses

Staidson, whose shares are listed on the Shenzhen Stock Exchange (stock code: 300204), is held as to 40.29% in aggregate by Mr. Zhou and Ms. Feng, which includes 37.21% by Yizhao (Beijing) Medical Science & Technology Co., Ltd. (熠昭(北京)醫藥科技有限公司) (which is directly held as to 47.60% by Mr. Zhou and 37.40% by Ms. Feng, respectively), 1.97% by Mr. Zhou through Huatai Securities Asset Management – China Merchants Bank – Huatai – Juli Collective Asset Management Scheme No. 16 (華泰證券資管–招商銀行–華泰聚力16號集合資產管理計劃), and 1.11% by Mr. Zhou directly. Mr. Zhou is the chairperson of the board of directors and the legal representative of Staidson, and Ms. Feng does not hold any position at Staidson. Staidson is a biopharmaceutical manufacturing company which focuses on the manufacturing and sales of drugs, which is distinctively different from our Group's business, as our Group focuses on CRO services including non-clinical studies, clinical trial and related services, and research model services. There is a clear and definitive delineation between the respective businesses of Staidson and our Group as our Group is not involved in the manufacturing and sales of drugs. Staidson Group was one of our five largest customers in the three years ended December 31, 2019. For further details of the connected transactions between Staidson Group and our Group, see "Business" and "Connected Transactions".

Ms. Feng and Mr. Zhou indirectly held 80.36% shareholding in aggregate in JOINN (Beijing) Biotechnology Ltd. (北京昭衍生物技術有限公司) ("**JOINN (Beijing)**") as of the Latest Practicable Date. Ms. Feng is also the chairperson of the board of JOINN (Beijing), and Mr. Zhou does not hold any position at JOINN (Beijing). JOINN (Beijing) is a contract development and manufacturing organization (CDMO) which focuses on the manufacturing of drugs, which is distinctively different from our Group's business, as our Group focuses on CRO services including non-clinical studies, clinical trial and related services, and research model services. There is a clear and definitive delineation between JOINN (Beijing) and our Group as our Group is not involved in the manufacturing of drugs. Our Company also held 8.93% shareholding in JOINN (Beijing) as of the Latest Practicable Date. See "Financial Information – Financial Assets at FVOCI".

Ms. Feng and Mr. Zhou indirectly held 83.57% shareholding in aggregate in Beijing E-Town International Diagnostic Reagent Technology Co., Ltd. (北京亦莊國際診斷試劑技術有限公司) ("**Beijing E-Town**") as of the Latest Practicable Date. Ms. Feng does not hold any position at Beijing E-Town, and Mr. Zhou is a director and the general manager of Beijing E-Town. Beijing E-Town is a company which focuses on diagnostic reagent processing and sales of various types of protein reagents, which is distinctively different from our Group's business. There is a clear and definitive delineation between Beijing E-Town and our Group as our Group is not involved in diagnostic reagent processing and sales of various types of protein reagents.

As advised and confirmed by Ms. Feng, she has sufficient time and resources to discharge her duties and responsibilities to our Group. Ms. Feng does not hold any position at Staidson and Beijing E-Town and is not involved in their management. Although Ms. Feng is the chairperson of the board of directors of JOINN (Beijing), since JOINN (Beijing) has a well-established corporate structure and a mature core management team to oversee its daily business operations, Ms. Feng is only responsible for high-level strategic planning and supervision.

Mr. Zhou does not hold any position at our Group, and does not have any influence on the management of our Group.

Based on the above reasons, the Directors are of the view that, as of the Latest Practicable Date, neither Ms. Feng nor Mr. Zhou, nor any of our Directors is interested in any business, other than our Group, which competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

Non-competition Undertaking

For the purpose of the listing of our A shares on the Shanghai Stock Exchange in 2017 and in order to avoid any potential competition between Ms. Feng and Mr. Zhou on the one hand and our Company on the other hand, Ms. Feng and Mr. Zhou had provided a

non-competition undertaking in favor of our Company on August 25, 2017 (the "**Non-competition Undertaking**"). Each of Ms. Feng and Mr. Zhou has undertaken pursuant to the Non-competition Undertaking that:

(i) neither herself/himself nor any of his/her directly or indirectly controlled companies or entities will engage in any business or operation in competition with the business of our Group;

(ii) in the event that herself/himself or any of their directly or indirectly controlled companies or entities encounter business opportunity that will create direct or indirect competition between their directly or indirectly controlled companies or entities and our Group, they will refer the business opportunity to our Group; and

(iii) if the above non-competition undertaking is proven to be untrue or if Ms. Feng or Mr. Zhou fails to comply with the above non-competition undertaking, she/he agrees to indemnify our Company for all the direct and indirect losses our Company may suffer as a result of such breach.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

The Directors consider that our Group is capable of carrying on our business independently of Ms. Feng, Mr. Zhou and their close associates after the Listing for the reasons set out below.

Management Independence

Upon our Listing, our Board consists of five executive Directors, one non-executive Director and four independent non-executive Directors. Our Company has three Supervisors and a senior management team comprising seven members. Ms. Feng is the chairperson of the Board and our executive Director. Details of the background of Ms. Feng is set out in the section headed "Directors, Supervisors and Senior Management" in this Prospectus.

Mr. Zhou ceased to hold directorship or any other position in our Group in December 2012, when JOINN Laboratories (China) Ltd. (北京昭衍新藥研究中心有限公司), our Company's predecessor, was converted into a joint-stock company with limited liability and renamed as JOINN Laboratories (China) Co., Ltd., which is our Company. Since then, Mr. Zhou has not exerted any influence on the management of our Group. Although Mr. Zhou individually held 15.20% of our total issued Shares as of the Latest Practicable Date (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes), he would like to devote his attention and time on the management of Staidson, a biopharmaceutical manufacturing company which focuses on the manufacturing and sales of drugs, given his background in the R&D of new drugs as compared to drug safety assessment which is Ms. Feng's expertise.

The executive Directors and the senior management team are responsible for the day-to-day management of our operations. Save for the relationship between Mr. Gao Dapeng and Ms. Feng, and between Mr. Gu Jingliang and Ms. Feng as disclosed in the section headed "Directors, Supervisors and Senior Management" in this Prospectus, the other executive Directors and other members of our senior management team are independent of Ms. Feng and Mr. Zhou. Notwithstanding the roles of Ms. Feng in our Group described above, our Directors are of the view that our Company is able to function independently from Ms. Feng and Mr. Zhou for the following reasons:

(i) other than Mr. Gao Dapeng, all of the other Directors are independent of Ms. Feng and Mr. Zhou and decisions of the Board require the approval of a majority vote from the Board. The Board of Directors, excluding Ms. Feng, comprises of four executive Directors, one non-executive Director and four INEDs, all of whom possess sufficient knowledge, experience and competence and a balance of skillsets (please refer to the section headed "Directors, Supervisors and Senior Management" for details of the biographies of the Directors). In particular, Mr. Zuo Conglin (Vice Chairperson of the Board), who is independent from Ms. Feng and Mr. Zhou, joined our Group in 1996 and is very familiar with our Group's strategic planning and business operations. He will assume leadership in the Board meetings/business matters in which Ms. Feng will abstain from participation due to conflict of interest to ensure the effective functioning of the Board and of our Group as a whole;

(ii) we have appointed four independent non-executive Directors, comprising more than one-third of the total members of the Board, who have sufficient knowledge, experience and competence, so that there is a balanced composition of executive, non-executive Directors and INEDs to ensure the independence of the Board in making decisions affecting our Company and to promote the interests of our Company and the Shareholders as a whole. In particular, the four INEDs possess the relevant qualifications and industry experiences (please refer to the section headed "Directors, Supervisors and Senior Management" for details of the biographies of the INEDs) to safeguard the interests of the minority Shareholders of our Company by, among other things, reviewing and opining on connected transactions of our Company, including those between our Company and any of our Controlling Shareholders and/or their close associates;

(iii) our Company has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director is obliged to declare and fully disclose such potential conflict of interest and 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. In addition to these requirements, Ms. Feng will abstain, in the relevant Board meetings, from the discussion in relation to any proposed resolutions in which she and/or Mr. Zhou may have a potential conflict of interest with our Company; and

(iv) each of our Directors, who has attended the training on directors' duties provided by our Company's legal advisors, is aware of his or her fiduciary duties and responsibilities under the Hong Kong Listing Rules as a director, which require that he or she acts for the benefit and in the best interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests. In particular, there has not been any agreement nor understanding between Ms. Feng/Mr. Zhou and any of the Directors under which such Director is accustomed to taking instructions from Ms. Feng or Mr. Zhou in the execution of his/her office as a Director. None of the Directors (other than Ms. Feng, who herself is a Controlling Shareholder) is accustomed to taking instructions from any of our Controlling Shareholders in casting his/her vote in the Board meeting either. Ms. Feng also confirms that she makes her business decisions in relation to our Group independently and without the participation of, or consultation with, Mr. Zhou.

Based on the above, we believe that our Board and senior management as a whole are able to play a managerial role at our Company independently from Ms. Feng, Mr. Zhou and their close associates after the Listing.

Operational Independence

We have established our own organizational structure, with each department assigned to specific areas of responsibilities which have been in operation and are expected to continue to operate independently from Ms. Feng, Mr. Zhou and their close associates. We have independent access to suppliers and customers, except Staidson Group, which was one of our five largest customers in 2017, 2018 and 2019. We sell research models and provide pharmaceutical R&D services to Staidson Group, but we do not rely on Staidson Group to provide us with any products or services which are key to our operation. We are also in possession of all relevant assets, licenses, trademarks and other intellectual property necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

Our Directors are of the view that there is no operational dependence by us on Ms. Feng, Mr. Zhou or their close associates and our Group is able to operate independently from Ms. Feng, Mr. Zhou and their close associates after the Listing.

Financial Independence

Our Group has its own independent financial system, internal control and accounting systems. We make financial decisions and determine our use of funds according to our own business needs. We have opened accounts with banks independently and do not share any bank account with Ms. Feng and Mr. Zhou. We have made tax filings and paid tax independently of Ms. Feng and Mr. Zhou pursuant to applicable laws and regulations. We have established an independent finance department and implemented sound and independent audit, accounting and financial management systems. We have adequate internal resources and a strong credit profile to support our daily operation. We do not expect to rely on Ms. Feng, Mr. Zhou or any of their close associates for financing after the Listing as we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the proceeds from the Global Offering.

As of the Latest Practicable Date, there was no outstanding loan extended by Ms. Feng, Mr. Zhou or any of their respective close associates to us and no guarantee has been provided for our benefit by Ms. Feng, Mr. Zhou or any of their respective close associates.

Based on the above, our Company considers there is no financial dependence on Ms. Feng, Mr. Zhou or any of their close associates.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules, which sets out principles of good corporate governance in relation to, among other matters, directors, the chairperson and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders.

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We have adopted the following corporate governance measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and Ms. Feng and Mr. Zhou:

(i) our Company has established internal control mechanisms to identify connected transactions. Upon Listing, if our Company enters into connected transactions with Ms. Feng, Mr. Zhou or their respective associates, our Company will comply with the applicable Listing Rules;

(ii) where a Shareholders meeting is to be held for considering proposed transactions in which Ms. Feng, Mr. Zhou or their respective close associates have any material interest, Ms. Feng, Mr. Zhou and/or their respective close associates (as applicable) will not vote on the resolutions and shall not be counted in the quorum for the voting;

(iii) our Board consists of a balanced composition of executive, non-executive and independent non-executive Directors, with not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, details of whom are set out in the section headed "Directors, Supervisors and Senior Management", individually and collectively possess the requisite knowledge and experience to perform their roles. They will review whether there is any conflict of interests between our Group and Ms. Feng and Mr. Zhou and provide impartial and professional advice to protect the interest of our minority Shareholders;

(iv) where the advice from an independent professional, such as that from a financial or legal advisor, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such an independent professional will be made at our Company's expenses; and

(v) we have appointed Anglo Chinese Corporate Finance, Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable Hong Kong laws.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and Ms. Feng and Mr. Zhou, and to protect minority Shareholders' rights after the Listing.

We have entered into certain agreements with parties that will be our Connected Persons. Following the Listing, the transactions contemplated under such agreements will constitute our continuing connected transactions under the Listing Rules.

SUMMARY OF OUR CONNECTED PERSONS

Following the Listing, the following parties, which have entered into certain written agreements with our Group, will be connected persons of our Group:

Name of Connected Person	Connected Relationship
Beijing Heyu Pharmaceutical Technology Co., Ltd. and its subsidiaries ("**Heyu Group**")	a company held as to 55.00% by Mr. Zuo Wenjie, the son of Mr. Zuo Conglin, an executive Director of our Company
Biorichland	a company wholly-owned by Mr. Zhou Fengyuan, the son of Ms. Feng and Mr. Zhou, our Controlling Shareholders
Shengtong Technology (Beijing) Co., Ltd. and its subsidiaries ("**Shengtong Group**")	a company held as to 90% by Mr. Zhou Fengyuan, the son of Ms. Feng and Mr. Zhou, our Controlling Shareholders
Staidson Group	a company held as to 40.29% in aggregate by Mr. Zhou and Ms. Feng, which includes 37.21% by Yizhao (Beijing) Medical Science & Technology Co., Ltd. (熠昭(北京)醫藥科技有限公司) (which is directly held as to 47.60% by Mr. Zhou and 37.40% by Ms. Feng, respectively), 1.97% by Mr. Zhou through Huatai Securities Asset Management – China Merchants Bank – Huatai – Juli Collective Asset Management Scheme No. 16 (華泰證券資管–招商銀行–華泰聚力16號集合資產管理計劃), and 1.11% by Mr. Zhou directly. Mr. Zhou is also the chairperson of the board of directors and the legal representative of Staidson

SUMMARY OF CONTINUING CONNECTED TRANSACTIONS

No.	Transaction	Applicable Listing Rules	Waiver(s) sought	Proposed annual cap for the year ending December 31, 2021	Proposed annual cap for the year ending December 31, 2022
				(RMB'000)	
A.	**Partially-exempt continuing connected transactions**				
1. . .	Biorichland Lease Agreement	14A.35, 14A.53, 14A.76(2) and 14A.105	Announcement requirement under Chapter 14A of the Listing Rules	9,600	11,600
2. . .	Staidson Sales Framework Agreement	14A.35, 14A.53, 14A.76(2) and 14A.105	Announcement requirement under Chapter 14A of the Listing Rules	1,500	1,500
3. . .	Heyu Research and Development Service Framework Agreement	14A.35, 14A.53, 14A.76(2) and 14A.105	Announcement requirement under Chapter 14A of the Listing Rules	5,000	10,000
4. . .	Shengtong Pathology Service Framework Agreement	14A.35, 14A.53, 14A.76(2) and 14A.105	Announcement requirement under Chapter 14A of the Listing Rules	8,000	10,000
B.	**Non-exempt continuing connected transactions**				
				(RMB'000)	
1. . .	Staidson Research and Development Service Framework Agreement	14A.35, 14A.36, 14A.53 and 14A.105	Requirements as to announcement, circular and independent Shareholders' approval under Chapter 14A of the Listing Rules	60,000	70,000

A. Partially-exempt Continuing Connected Transactions

We set out below a summary of the continuing connected transactions of our Group which are subject to the reporting, annual review and announcement requirements but will be exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Biorichland Lease Agreement

Principal Terms

On February 9, 2021, Biorichland and JOINN Laboratories (CA), our wholly owned subsidiary, entered into a lease agreement (the "**Biorichland Lease Agreement**"), pursuant to which JOINN Laboratories (CA) agreed to lease from Biorichland certain premises located in 2600 Hilltop Drive, Richmond, CA, the United States, including research model facilities, laboratories and office (the "**Leased Premises**") with expected GFA of up to 4,500 sq.m. and 6,000 sq.m. respectively for the two years ending December 31, 2022, together with all equipment to be used for research and development space (the "**Leased Equipment**", and together with the Leased Premises, the "**Leased Property**"), for our facilities in northern California. The reason for entering into the Biorichland Lease Agreement is because we plan to enhance our California facilities by improving its existing layout and upgrading its equipment to commence laboratory work for customers by the end of 2020, in order to cater to the rising customer demands in the United States. For further description of our facilities in northern California and such plan of enhancement, please refer to the sections headed "Business — Our Growing Overseas Operations" and "Business — Our Facilities" in this Prospectus.

The Biorichland Lease Agreement will commence on the Listing Date and end on December 31, 2022. Subject to compliance with Listing Rules and applicable laws and regulations, the Biorichland Lease Agreement may be renewed for a term of three years by agreement between the parties.

Historical amount, annual cap and basis for annual cap

From January 2017 to June 2020, JOINN Laboratories (CA) leased an office and certain equipment located at 2600 Hilltop Drive, Richmond, CA, the United States, the same address as the Leased Premises (the "**Leased Office**"). The historical transaction amount of the lease of the Leased Office for the three years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2020 was approximately RMB36,396, RMB314,943, RMB220,374 and RMB421,098, respectively.

The transaction amount to be paid by us in relation to the Leased Property to be leased by Biorichland for the two years ending December 31, 2021 and 2022, respectively, shall not exceed the proposed annual caps set out in the table below:

	Proposed annual cap for the year ending December 31,	
	2021	**2022**
	(RMB'000)	
Transaction amount under the Biorichland Lease Agreement	9,600	11,600

In arriving at the above proposed annual caps, our Group has taken into account the following factors: (i) our decision to lease the Leased Property, including research model facilities, laboratories and office, which represents a much larger area than the Leased Office leased during the Track Record Period, in order to satisfy our business need for larger laboratories to conduct laboratory work for our customers in northern California, given the increase in demand for such services (ii) the expected GFA of the Leased Property of up to 4,500 sq.m. and 6,000 sq.m. for a monthly rent of approximately US$22.3/sq.m. and US$22.3/sq.m for the two years ending December 31, 2021 and 2022, respectively, (iii) area leased, corollary equipment, geographical location and profile of the area in which the Leased Property is located, (iv) prevailing market rate in respect of the same or similar properties in the same area in which the Leased Property is located, (v) the estimated movements in prevailing market rates in the next two years, and (vi) a buffer for any unanticipated fluctuations of market rental and exchange rates.

Reason for the transactions

JOINN Laboratories (CA) has been using the Leased Office at the same location as the Leased Property since January 1, 2017. Our Directors consider the Biorichland Lease Agreement to be consistent with the business and commercial objectives of our Company and believe that it will enable our Company to sustain stable research and development at the specific location of the Leased Property without incurring additional costs and expenses in identifying and renovating alternative premises, and ensure that there will be no disruption to the ongoing operations of our Company at the Leased Property.

Pricing basis

The rental payable for the Leased Property under the Biorichland Lease Agreement shall be determined by both parties through arm's length negotiations with reference to (i) the area leased, corollary equipment, geographic location and profile of the area surrounding the Leased Property, and (ii) prevailing market rate in respect of the same or similar properties in the same area in which the Leased Property is located. The terms and conditions on which the Leased Property is to be provided by Biorichland should be in line with the prevailing market terms and no less favorable to us than those offered by independent third parties customers.

Information about Biorichland

Biorichland is a limited liability company incorporated under the laws of California, the United States, and wholly-owned by Mr. Zhou Fengyuan, the son of Ms. Feng and Mr. Zhou, our Controlling Shareholders. Biorichland is primarily engaged in real estate management in California, the United States.

Listing Rules Implications

The transactions contemplated under the Biorichland Lease Agreement are conducted in the ordinary and usual course of business on normal commercial terms, and our Directors currently expect that the highest applicable percentage ratio under the Listing Rules in respect of such transactions will exceed 0.1% but will be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, these transactions will be exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

Application for Waiver

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under the Listing Rules in respect of the transactions contemplated under the Biorichland Lease Agreement, provided that the total value of transactions under the Biorichland Lease Agreement for each of the two years ending December 31, 2021 and 2022 will not exceed the relevant proposed annual caps set forth above.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions pursuant to the Biorichland Lease Agreement, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

2. Staidson Sales Framework Agreement

Principal Terms

On February 9, 2021, Staidson and our Company, each for itself and on behalf of its subsidiaries, entered into a sales framework agreement (the "**Staidson Sales Framework Agreement**"), pursuant to which we agreed to sell research models to Staidson Group (the "**Research Models**").

The Staidson Sales Framework Agreement will commence on the Listing Date and end on December 31, 2022. Subject to compliance with Listing Rules and applicable laws and regulations, the Staidson Sales Framework Agreement may be renewed for a term of three years by agreement between the parties.

Sales of the Research Models under the Staidson Sales Framework Agreement will be made pursuant to an individual sales agreement for each actual order specifying the types, purchase quantity, purchase price, delivery date and other details of the Research Models. Payments made by Staidson Group shall be subject to the individual service agreements entered into between the parties for each actual order, on the basis of the terms and conditions of the Staidson Sales Framework Agreement.

Historical amount, annual cap and basis for annual cap

The historical transaction amount of the sale of the Research Models to Staidson Group for the three years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2020 was approximately RMB6,181,200, RMB2,531,520, RMB1,245,600 and RMB181,996, respectively. The decreasing trend in such historical amount during the Track Record Period was due to a decrease in the demand of Staidson Group for the Research Models needed for its research projects. Furthermore, the historical amount paid by Staidson Group in relation to the Research Models provided by our Group for the nine months ended September 30, 2020 was relatively low but we expect the demand of Staidson Group for the Research Models to increase for the second half of 2020 because of the adjustments in project schedule by Staidson Group whereby the project phases requiring the Research Models for certain projects of Staidson Group were delayed from the first half of 2020 to the second half of 2020, and accordingly the amount to be received by our Group from Staidson Group for the sale of Research Models will increase for the second half of 2020.

The transaction amount to be paid by Staidson Group under the Staidson Sales Framework Agreement for the two years ending December 31, 2021 and 2022, respectively, shall not exceed the proposed annual caps set out in the table below:

	Proposed annual cap for the year ending December 31,	
	2021	**2022**
	(RMB'000)	
Transaction amount under the Staidson Sales Framework Agreement	1,500	1,500

In arriving at the above proposed annual caps, we have taken into account the following factors: (i) the expected number of up to 200,000 Research Models expected to be demanded by Staidson Group for each of the two years ending December 31, 2021 and 2022, (ii) historical transaction amount of sales of the Research Models to Staidson Group, (iii) the price of the Research Models and the potential fluctuations in the price, including the expected increase in the price of Research Models due to the increase in the cost of labour required for preparing the Research Models, and (iv) the capacity of our Group to provide the Research Models.

Reason for the transactions

The Directors consider the Staidson Sales Framework Agreement to be consistent with the business and commercial objectives of our Company, as the long-term collaboration with Staidson Group enables us to further explore the pharmaceutical CRO services market and improve our brand reputation.

Pricing basis

The sales prices of the Research Models shall be determined by the parties after arm's length negotiations with reference to (i) the costs incurred by our Group in connection with the Research Models to be provided, and (ii) the type, quality and specification of the Research Models to be provided. We will only enter into an individual sales agreement with Staidson Group when the sales prices are in line with the prevailing market price and not less favorable to us than what we can receive from other independent third party customers.

Information about Staidson Group

Staidson, the parent company of the Staidson Group, is a joint stock limited company incorporated in the PRC on August 16, 2002 and listed on the Shenzhen Stock Exchange (stock code: 300204). Staidson is held as to 40.29% in aggregate by Mr. Zhou and Ms. Feng, which includes 37.21% by Yizhao (Beijing) Medical Science & Technology Co., Ltd. (熠昭(北京)醫藥科技有限公司) (which is directly held as to 37.40% and 47.60% by Ms. Feng and Mr. Zhou, respectively), 1.97% by Mr. Zhou through Huatai Securities Asset Management – China Merchants Bank – Huatai – Juli Collective Asset Management Scheme No. 16 (華泰證券資管–招商銀行–華泰聚力16號集合資產管理計劃), and 1.11% by Mr. Zhou directly. Mr. Zhou is also the chairperson of the board of directors and the legal representative of Staidson. Staidson Group is primarily engaged in the research and development, production and marketing of drugs.

Listing Rules Implications

The transactions contemplated under the Staidson Sales Framework Agreement are conducted in the ordinary and usual course of business on normal commercial terms, and our Directors currently expect that the highest applicable percentage ratio under the Listing Rules in respect of such transactions will exceed 0.1% but will be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, these transactions will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

Application for Waiver

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under the Listing Rules in respect of the transactions contemplated under the Staidson Sales Framework Agreement, provided that the total value of transactions under the Staidson Sales Framework Agreement for each of the two years ending December 31, 2021 and 2022 will not exceed the relevant proposed annual caps set forth above.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions pursuant to the Staidson Sales Framework Agreement, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

3. Heyu Research and Development Service Framework Agreement

Principal Terms

On February 9, 2021, Beijing Heyu Pharmaceutical Technology Co., Ltd. and our Company, each for itself and on behalf of its subsidiaries, entered into a research and development service framework agreement (the "**Heyu Research and Development Service Framework Agreement**"), pursuant to which we agreed to provide a comprehensive range of pharmaceutical R&D services covering pre-clinical and clinical trial stages, as well as pharmacovigilance services, to Heyu Group ("**Heyu Services**").

The Heyu Research and Development Service Framework Agreement shall commence on the Listing Date and end on December 31, 2022. Subject to compliance with Listing Rules and applicable laws and regulations, the Heyu Research and Development Service Framework Agreement may be renewed for a term of three years by agreement between the parties.

Service fees to be charged for the Heyu Services will be subject to the individual service agreements entered into by the parties for each actual transaction, on the basis of the terms and conditions of the Heyu Research and Development Service Framework Agreement.

Historical amount, annual cap and basis for annual cap

The historical transaction amount of the provision of Heyu Services by our Group for the three years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2020 was approximately RMB273,585, RMB736,792, RMB2,730,189 and nil respectively.

The transaction amount to be paid by Heyu Group for the Heyu Services for the two years ending December 31, 2021 and 2022, respectively, shall not exceed the proposed annual caps set out in the table below:

	Proposed annual cap for the year ending December 31,	
	2021	**2022**
	(RMB'000)	
Transaction amount under the Heyu Research and Development Service Framework Agreement . .	5,000	10,000

In arriving at the above proposed annual caps, our Group has taken into account the following factors: (i) the expected demand of Heyu Group for the Heyu Services for the two years ending December 31, 2022; (ii) historical transaction amount with Heyu Group, (iii) the labour and equipment costs of the Heyu Services, and (iv) the capacity of our Group to provide the Heyu Services.

Heyu Group plans to engage us in a pre-clinical assessment project with an expected contract amount of approximately RMB5 million for the year ending December 31, 2021, and two pre-clinical assessment projects with an expected aggregate contract amount of approximately RMB10 million for the year ending December 31, 2022. Hence, the amount payable to us by Heyu Group for the Heyu Services is estimated to be RMB5 million and RMB10 million for the two years ending December 31, 2021 and 2022, respectively.

Reason for the transactions

The Directors consider the Heyu Research and Development Service Framework Agreement to be consistent with the business and commercial objectives of our Company, as the long-term collaboration with Heyu Group enables us to further explore the pharmaceutical CRO services market and improve our brand reputation.

Pricing basis

Service fees to be charged shall be determined by the parties after arm's length negotiations with reference to (i) the labour and equipment costs incurred in connection with the Heyu Services, (ii) the nature, complexity and value of the Heyu Services to be provided at various stages, and (iii) the prevailing market price of similar services provided by our Group to independent third party customers. We will only enter into an individual service agreement with Heyu Group if the fee rates are in line with the market rates and not less favorable to us than what we can obtain from other independent third party customers.

Information about Heyu Group

Beijing Heyu Pharmaceutical Technology Co., Ltd. is a company incorporated in the PRC with limited liability and is held as to 55.00% by Mr. Zuo Wenjie, the son of Mr. Zuo Conglin, an executive Director of our Company. Heyu Group is a pharmaceutical R&D company engaged in the field of otorhinolaryngology in the PRC. It mainly focuses on developing new drugs for treating sudden hearing loss, Ménière's disease and cholesteatoma.

Listing Rules Implications

The transactions contemplated under the Heyu Research and Development Service Framework Agreement are conducted in the ordinary and usual course of business on normal commercial terms, and our Directors currently expect that the highest applicable percentage ratio under the Listing Rules in respect of such transactions will exceed 0.1% but will be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, these transactions will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

Application for Waiver

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under the Listing Rules in respect of the transactions contemplated under the Heyu Research and Development Service Framework Agreement, provided that the total value of transactions under the Heyu Research and Development Service Framework Agreement for each of the two years ending December 31, 2021 and 2022 will not exceed the relevant proposed annual caps set forth above.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions pursuant to the Heyu Research and Development Service Framework Agreement, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

4. Shengtong Pathology Service Framework Agreement

Principal Terms

On February 9, 2021, Shengtong Technology (Beijing) Co., Ltd. and our Company, each for itself and on behalf of its subsidiaries, entered into a pathology service framework agreement (the "**Shengtong Pathology Service Framework Agreement**"), pursuant to which we agreed to provide a comprehensive range of pathology services covering section making, section scanning and related training, etc. to Shengtong Group ("**Shengtong Services**").

The Shengtong Pathology Service Framework Agreement shall commence on the Listing Date and end on December 31, 2022. Subject to compliance with Listing Rules and applicable laws and regulations, the Shengtong Pathology Service Framework Agreement may be renewed for a term of three years by agreement between the parties.

Service fees to be charged will be subject to the individual service agreements entered into by the parties for each actual transaction, on the basis of the terms and conditions of the Shengtong Pathology Service Framework Agreement.

Historical amount, annual cap and basis for annual cap

Our Group did not provide any pathology services to Shengtong Group for the three years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2020, because Shengtong Group was established only in November 2018, and had been in the process of building its project teams and its project pipeline in 2019 and the first half of 2020.

Shengtong Group decided to engage our Group to provide pathology services in relation to a number of projects for the two years ending December 31, 2022. We expect that Shengtong Group would engage us for eight projects, with an expected contract amount of RMB750,000 for each project, in each of the two years ending December 31, 2021 and 2022. The transaction amount to be paid by Shengtong Group for the Shengtong Services to be provided for the two years ending December 31, 2021 and 2022, respectively, shall not exceed the proposed annual caps set out in the table below:

	Proposed annual cap for the year ending December 31,	
	2021	**2022**
	(RMB'000)	
Transaction amount under the Shengtong Pathology Service Framework Agreement	8,000	10,000

In arriving at the above proposed annual caps, our Group has taken into account the following factors: (i) the labour and equipment costs of providing the Shengtong Services, (ii) the capacity of our Group to provide the Shengtong Services, (iii) the expected demand of Shengtong Group for the Shengtong Services and (iv) a buffer for any potential increase in the number of projects for which our Group is engaged to provide the Shengtong Services or increase in the contract amount.

Shengtong Group plans to engage us in around eight pathology service projects with an expected aggregate contract amount of approximately RMB8 million for the year ending December 31, 2021, and around eight pathology service projects with an expected aggregate

contract amount of approximately RMB10 million for the year ending December 31, 2022. Hence, the amount payable to us by Shengtong Group for the Shengtong Services is estimated to be RMB8 million and RMB10 million for the two years ending December 31, 2021 and 2022, respectively.

Reason for the transactions

The Directors consider the Shengtong Pathology Service Framework Agreement to be consistent with the business and commercial objectives of our Company, as the long-term collaboration with Shengtong Group enables us to further explore the pharmaceutical CRO services market and improve our brand reputation.

Pricing basis

The service fees to be charged shall be determined by the parties after arm's length negotiations with reference to (i) the labour and equipment costs incurred in connection with the Shengtong Services, (ii) the nature, complexity and value of the Shengtong Services to be provided at various stages, (iii) the prices charged for previous transactions of a similar kind, and (iv) the prevailing market price of similar services provided by our Group to independent third party customers. We will only enter into an individual service agreement with Shengtong Group if the fee rates are in line with the market rates and not less favorable to us than what we can obtain from other independent third party customers.

Information about Shengtong Group

Shengtong Technology (Beijing) Co., Ltd. is a company incorporated in the PRC with limited liability and is held as to 90% by Mr. Zhou Fengyuan, the son of Ms. Feng and Mr. Zhou, our Controlling Shareholders. Shengtong Group is primarily engaged in the development of pathology services with artificial intelligence. It currently plans to develop the business of providing artificial intelligence software for CRO and research institutes that use Research Models in their R&D processes.

Listing Rules Implications

The transactions contemplated under the Shengtong Pathology Service Framework Agreement are conducted in the ordinary and usual course of business on normal commercial terms, and our Directors currently expect that the highest applicable percentage ratio under the Listing Rules in respect of such transactions will exceed 0.1% but will be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, these transactions will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

Application for Waiver

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under the Listing Rules in respect of the transactions contemplated under the Shengtong Pathology Service Framework Agreement, provided that the total value of transactions under the Shengtong Pathology Service Framework Agreement for each of the two years ending December 31, 2021 and 2022 will not exceed the relevant proposed annual caps set forth above.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions pursuant to the Shengtong Pathology Service Framework Agreement, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

B. Non-Exempt Continuing Connected Transaction

We set out below a summary of the continuing connected transaction of our Group which is subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Staidson Research and Development Service Framework Agreement

Principal Terms

On February 9, 2021, Staidson and our Company, each for itself and on behalf of its subsidiaries, entered into the a research and development service framework agreement (the "**Staidson Research and Development Service Framework Agreement**"), pursuant to which our Company agreed to provide a comprehensive range of pharmaceutical R&D services covering pre-clinical and clinical trial stages, as well as pharmacovigilance services, to Staidson Group ("**Staidson Services**").

The Staidson Research and Development Service Framework Agreement shall commence on the Listing Date and end on December 31, 2022. Subject to compliance with Listing Rules and applicable laws and regulations, the Staidson Research and Development Service Framework Agreement may be renewed for a term of three years by agreement between the parties.

Service fees to be charged will be subject to the individual service agreements entered into by the parties for each actual transactions, on the basis of the terms and conditions of the Staidson Research and Development Service Framework Agreement.

Historical amount, annual cap and basis for annual cap

The historical transaction amount of the provision of the Staidson Services by our Group for the three years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2020 was approximately RMB7,146,274, RMB12,349,188, RMB19,245,955 and RMB9,489,925, respectively. Prior to January 1, 2019, Staidson Group mainly engaged us for providing safety assessment services only, but it had started to engage us for clinical services as well since January 1, 2019 and its demand for such clinical services is expected to continuously increase. We expect the demand of Staidson Group for the Staidson Services to increase for the second half of 2020, and accordingly we expect the amount received by our Group from Staidson Group for the Staidson Services to increase for the second half of 2020.

The transaction amount to be paid by Staidson Group for the Staidson Services to be provided by our Group for the two years ending December 31, 2021 and 2022, respectively, shall not exceed the proposed annual caps set out in the table below:

	Proposed annual cap for the year ending December 31,	
	2021	**2022**
	(RMB'000)	
Transaction amount under the Staidson Research and Development Service Framework Agreement	60,000	70,000

In arriving at the above proposed annual caps, our Group has taken into account the following factors: (i) the fact that, as explained above, historically Staidson Group mainly engaged us for safety assessment services only, but it had started to engage us for clinical services as well since January 1, 2019 and we expect that their demand for such clinical services will continuously increase, (ii) we expect the number of projects for which Staidson Group will engage us for the Staidson Services will increase, (iii) the historical transaction amount with Staidson Group in respect of the Staidson Services, (iv) the price of the Staidson Services and the potential fluctuations in the price, (v) the capacity of our Group to provide the Staidson Services, and (vi) the expected demand of Staidson Group for the Staidson Services.

Staidson group plans to engage us in three and four major pre-clinical service projects in the years ending December 31, 2021 and 2022, respectively. As the contractual amount of each of these major projects is expected to be approximately RMB10 million, the amount payable to us by Staidson Group for our pre-clinical services is estimated to be RMB30 million and RMB40 million for the two years ending December 31, 2021 and 2022, respectively. Staidson Group also plans to engage us in six major clinical service projects in the years ending December 31, 2021 and 2022 in total, with an expected contractual amount of approximately

RMB60 million in aggregate. The amount payable to us by Staidson Group for our clinical services is estimated to be RMB30 million and RMB30 million for the two years ending December 31, 2021 and 2022, respectively.

Reason for the transactions

The Directors consider the Staidson Research and Development Service Framework Agreement to be consistent with the business and commercial objectives of our Company, as the long-term collaboration with Staidson Group enables us to further explore the pharmaceutical CRO services market and increase our brand reputation.

Pricing basis

The service fees to be charged shall be determined by the parties after arm's length negotiations with reference to (i) the cost incurred in connection with the Staidson Services, (ii) the nature, complexity and value of the Staidson Services to be provided at various stages, (iii) the prices charged for previous transactions of a similar kind, (iv) the prevailing market price of similar services provided by our Group to independent third party customers. We will only enter into an individual service agreement with Staidson Group when the fee rates are in line with the prevailing market rates and not less favorable to us than what we can obtain from other independent third party customers.

Information about Staidson Group

For details of the information about Staidson Group, see "Connected Transactions — A. Partially-exempt Continuing Connected Transaction — 2. Staidson Sales Framework Agreement — Information about Staidson Group".

Listing Rules Implications

The transactions contemplated under the Staidson Research and Development Service Framework Agreement are conducted in the ordinary and usual course of business on normal commercial terms or better and our Directors currently expect that the highest applicable percentage ratio under the Listing Rules in respect of such transactions will be more than 5% but will be less than 25%. As such, these transactions will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Application for Waiver

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and independent shareholders' approval requirements under the Listing Rules in respect of the transactions under the Staidson Research

and Development Service Framework Agreement, provided that the total value of the transactions under each agreement for each of the two years ending December 31, 2021 and 2022 will not exceed the relevant proposed annual caps set forth above.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions pursuant to the Staidson Research and Development Service Framework Agreement, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

Further Information about the Historical Related Party Services Transactions with Staidson Group

For the purpose of the listing of the A shares of Staidson on the Shenzhen Stock Exchange, Staidson and our Company provided an undertaking in 2011 (the "**Undertaking**") in respect of related party transactions (as defined under the listing rules of the Shenzhen Stock Exchange) ("**SZSE related party transactions**") between Staidson and our Company involving CRO services at the request of the CSRC, in accordance with the then applicable Interim Administrative Measures for the Initial Public Offerings and Listing on ChiNext (首次公開發行股票並在創業板上市管理暫行辦法) which stipulates that an issuer must demonstrate its independence for continuous operation and that the related party transactions will not adversely affect the issuer's independence and the terms of which are fair and reasonable. Rules No. 12 on the Compilation of Reports of Information Disclosure by Companies in Public Offering — Legal Opinions and Lawyer's Reports on the Public Offering of Shares (公開發行證券公司信息披露的編報規則第12號—公開發行證券的法律意見書和律師工作報告) also provides that an issuer's legal adviser must opine on whether the issuer has fully disclosed its undertaking with respect to related party transactions. Pursuant to the Undertaking, Staidson and our Company undertook that, among others:

(i) Staidson and our Company shall not enter into any SZSE related party transaction in respect of projects which were not the strengths of our Company at that time, which meant that Staidson shall not engage our Company, and our Company shall not accept the engagement of Staidson, in respect of CRO services (including but not limited to drug screening and clinical services) other than drug safety assessment services that must be provided by an institution with GLP certification;

(ii) Staidson shall not engage our Company in respect of projects for which reference market prices could not be provided, which means that in respect of drug safety assessment services that must be provided by an institution with GLP certification during the course of research and development of new drugs by Staidson, Staidson and our Company shall conduct transactions on a fair and voluntary basis, based on principles of fairness, and determine the transaction prices based on reasonable prices prevailing in the market;

(iii) irrespective of the amount involved in any drug safety assessment service contract between Staidson and our Company, it shall be proposed to the board meeting of Staidson, unanimous approval of independent directors of Staidson shall be obtained, and the decision-making process, opinion of independent directors and reference market prices shall be made publicly available, in accordance with the applicable rules and procedures regarding SZSE related party transactions of Staidson; and

(iv) if our Company breaches any of the undertakings under (i) to (iii) above, our Company shall return the profits obtained to Staidson.

Since the provision of the Undertaking, our Company has continuously developed strengths in various projects and our current business scope involves not only drug safety assessment services, but also clinical services, drug screening and other services. In light of such development, from January 1, 2019 to July 29, 2020, Staidson and our Company entered into certain SZSE related party transactions and related party transactions as defined under the listing rules of the Shanghai Stock Exchange ("**SSE related party transactions**"), relating to the provision of clinical CRO services by our Company to Staidson in seven clinical trials (the "**Clinical CRO Transactions**"). The Clinical CRO Transactions were entered into in compliance with the legal requirements in respect of internal approval and disclosure applicable to (i) Staidson in respect of SZSE related party transactions, and (ii) our Company in respect of the SSE related party transactions, and the internal approval procedures of Staidson and our Company had been fulfilled respectively, and the applicable disclosure requirements had been complied with. Our Company generated profit of approximately RMB1.2 million, which includes approximately RMB613,533 for the year ended December 31, 2019 and approximately RMB539,731 for the period from January 1, 2020 to July 29, 2020, from the Clinical CRO Transactions.

On July 13, 2020, the respective board of directors and board of supervisors of each of Staidson and our Company approved a waiver (the "**Waiver of Undertaking**") of the Undertaking after obtaining opinions of their respective independent directors, in order to adapt to changes in market environment and the actual business needs of Staidson and our Company. Subsequently on July 29, 2020, the respective independent shareholders of Staidson and our Company also approved the Waiver of Undertaking. Our PRC Legal Advisor advised that the procedural requirements for Staidson and our Company to approve the Waiver of Undertaking were satisfied and therefore Staidson and our Company are no longer required to comply with the Undertaking under PRC law and applicable listing rules of the Shanghai Stock Exchange and the Shenzhen Stock Exchange, respectively, from July 29, 2020 onwards. The Waiver of Undertaking does not have any retrospective effect in respect of the Clinical CRO Transactions entered into on or before July 29, 2020.

On July 15, 2020, the Shenzhen Stock Exchange issued an inquiry letter (the "**Inquiry Letter**") to Staidson, pursuant to which Staidson was requested to, among others, (i) provide the exact transaction amount relating to the transactions in breach of the Undertaking, and the explanation and rationale for such breach; (ii) provide the exact amount of profit obtained by

our Company from the Clinical CRO Transactions; and (iii) require our Company to return such profit to Staidson pursuant to the Undertaking. On July 19, 2020, Staidson provided a written response to the Inquiry Letter with the requested information. Given that (i) our Company undertook pursuant to the Undertaking that if we breach any of the undertakings thereunder, we shall return the profit obtained to Staidson, and (ii) we were required to return such profit to Staidson pursuant to the Inquiry Letter, on August 4, 2020, our Company returned profit generated from the Clinical CRO Transactions of approximately RMB1.2 million to Staidson, which includes approximately RMB613,533 for the year ended December 31, 2019 and approximately RMB539,731 for the period from January 1, 2020 to July 29, 2020. Such amounts of returned profit were audited, in accordance with the Standards for Other Assurance Practices of Chinese Certified Public Accountants No. 3101 – Assurance Practices Other than Auditing or Reviewing Historical Financial Information (《中國註冊會計師其他鑑證業務準則第3101號 – 歷史財務信息審計或審閱以外的鑒證業務》) issued by The Chinese Institute of Certified Public Accountants, by an independent auditor, Talent Certified Public Accountants (Special General Partnership) (天衡會計師事務所(特殊普通合夥)), which was engaged by our Company voluntarily to ensure the accuracy and fairness of the amounts of returned profit. Our Directors are of the view that such return of profit to Staidson had fully discharged our Company's obligation to return profits obtained through the Clinical CRO Transactions pursuant to the Undertaking.

On August 18, 2020 and August 31, 2020, the Beijing Regulatory Bureau of the CSRC (中國證券監督管理委員會北京監管局) issued an administrative regulatory measures decision (行政監管措施決定書) to Staidson and Mr. Zhou respectively, pursuant to which Staidson and Mr. Zhou, as the chairperson of Staidson and the general manager of Staidson in the initial period of its listing on the Shenzhen Stock Exchange, were required to be responsible for the breach of the Undertaking by Staidson, and accordingly the Beijing Regulatory Bureau of the CSRC imposed the administrative regulatory measures of regulatory interview on Staidson and Mr. Zhou and recorded this incident in the securities and futures market integrity archives. Such records will be valid till September 10, 2023, after which they will not be subject to public disclosure or be available to public inquiry. The interview with the Beijing Regulatory Bureau of the CSRC was conducted on September 11, 2020. As of the Latest Practicable Date, our Group and Ms. Feng have not received any inquiry, penalty, sanctions or be recorded in the securities and futures market integrity archives as a result of the SSE related party transactions and the Undertaking. As advised by our PRC Legal Advisor, the aforementioned administrative regulatory measures and regulatory interview imposed on Mr. Zhou did not constitute administrative penalties under the Administrative Penalty Law of the People's Republic of China (《中華人民共和國行政處罰法》).

The breach of the Undertaking by our Company was due to an inadvertent oversight. The Undertaking was given by our Company in 2011 solely for the purpose of facilitating the listing of the A shares of Staidson. The fact that it remained in force when our Company entered into the Clinical CRO Transactions with Staidson from January 1, 2019 to July 29, 2020 was not drawn to the attention of our Directors when they considered and approved the Clinical CRO Transactions. In particular, three of our independent nonexecutive Directors, Mr. Sun Mingcheng, Dr. Zhai Yonggong and Mr. Ou Xiaojie (the "**Relevant INEDs**"), joined our Group

in January 2019 and were unaware of the existence of the Undertaking at the time they approved the Clinical CRO Transactions for 2019 and 2020 in March 2019 and April 2020 respectively. Nevertheless, prior to approving the Clinical CRO Transactions, the Board (including the Relevant INEDs) comprehensively examined the proposal of Clinical CRO Transactions presented to them, and in particular the Relevant INEDs provided an independent opinion on the proposed Clinical CRO Transactions, including but not limited to that they were entered into in the ordinary and usual course of business, were priced based on market prices, and are fair and reasonable and in the interests of the Shareholders as a whole. The suitability as a director of a company listed on Shanghai Stock Exchange under PRC laws and regulations and the listing rules of the Shanghai Stock Exchange (including the suitability and independence of the Relevant INEDs) have not been questioned by the Shanghai Stock Exchange, the Beijing Regulatory Bureau of the CSRC or any other regulatory authority in the PRC.

Furthermore, given the Waiver of Undertaking had been approved by the independent shareholders of both Staidson and our Company, and our Company had returned the relevant profit obtained from the Clinical CRO Transactions to Staidson in accordance with the Undertaking and the Inquiry Letter, our PRC Legal Advisor is of the view that the breach of the Undertaking by our Company and the administrative regulatory measures imposed on Mr. Zhou would not have a material adverse impact on our Company or the Listing. Commerce and Finance Law Offices, the PRC legal advisor of the Sole Sponsor and the Underwriters, concurs with the above views of our PRC Legal Advisor. On November 12, 2020, our Company consulted a supervisor (監管員) of the Beijing Regulatory Bureau of the CSRC, which confirmed that the Beijing Regulatory Bureau of the CSRC does not expect to impose any administrative regulatory measures on our Company for the breach of Undertaking. Our PRC Legal Advisor is of the view that the Beijing Regulatory Bureau of the CSRC is the competent authority on the matter, and that our Company is not expected to be subject to administrative regulatory measures pursuant to the listing rules of the Shanghai Stock Exchange, based on the above consultation results and that (i) the Waiver of Undertaking has been approved by the respective independent shareholders of both Staidson and our Company; (ii) our Company has returned the relevant profit obtained from the Clinical CRO Transactions to Staidson in accordance with the Undertaking; and (iii) Staidson has received an approval from Shenzhen Stock Exchange on Staidson's A-share placement on November 11, 2020.

The Clinical CRO Transactions also constitute connected transactions and will be covered by the Staidson Research and Development Service Framework Agreement upon the Listing, as explained above in this section.

Our PRC Legal Advisor further advised us that (i) the related party transactions entered into between the Staidson Group and our Group during the Track Record Period, in respect of drug safety assessment services that must be provided by an institution with GLP certification, were not in breach of the Undertaking; and (ii) the connected transactions proposed to be entered into between the Staidson Group and our Group pursuant to the Staidson Research and Development Service Framework Agreement and the Staidson Sales Framework Agreement, as described in this section, which will also constitute SZSE related party transactions and SSE

related party transactions, are not in breach of the Undertaking, provided that such related party transactions and connected transactions are conducted in compliance with the listing rules of the Shenzhen Stock Exchange and the Shanghai Stock Exchange.

Although (i) our Company has not been not, and is not expected to be, subject to administrative regulatory measures and regulatory interview, as confirmed by the Beijing Regulatory Bureau of the CSRC as aforementioned, and had not received any inquiry from the Shanghai Stock Exchange as of the Latest Practicable Date, and (ii) Staidson had not received any request for further rectification measures from the regulatory authorities as of the Latest Practicable Date, our Company has published an announcement on August 4, 2020 on the website of the Shanghai Stock Exchange, specifying the procedures for approving the Waiver of Undertaking and the status of return of profit obtained from the Clinical CRO Transactions to Staidson by our Company, and voluntarily taken steps to improve our internal control and ensure our continuing compliance with the relevant rules and regulations applicable to related party transactions pursuant to the listing rules of the Shanghai Stock Exchange and connected transactions pursuant to the Listing Rules of the Hong Kong Stock Exchange, including the following:

(i) double-checked all corporate files to confirm that our Company had not given any other undertaking in relation to related party transactions, the listing of its own A Shares or the listing of the A shares of Staidson;

(ii) organized and will continue to arrange trainings for our Directors, Supervisors, senior management and staff regarding related party transactions and connected transactions, in order to enhance their knowledge of rules and regulations applicable to such transactions and their awareness of our internal control requirements, review and approval procedures for such transactions;

(iii) circulated the Related Party Transactions Policy (關聯交易管理制度), which covers the requirements on related party transactions under the listing rules of the Shanghai Stock Exchange and connected transactions under the Listing Rules of the Hong Kong Stock Exchange, internally to our Directors, Supervisors, senior management and staff responsible for reviewing related party transactions and reminded them to strictly follow the applicable requirements in relation to related party transactions; and

(iv) designated the securities department and the finance department of our Company as the responsible departments to carry out the enhancement measures for related party transactions and connected transactions, and monitor the compliance of the related party transactions and connected transactions that have been and will be entered into in the ordinary and usual course of business with relevant rules and regulations.

In addition, our Company will keep a comprehensive record of all undertakings given by our Company to the regulatory bodies (if any in the future) to ensure that the Board (including the INEDs) will be reminded of our Company's obligation to comply with such undertakings at the time of approving the relevant proposed transactions of our Group.

Our Directors are of the view that the abovementioned internal control enhancement measures has further improved our internal controls on related party transactions and are effective in assisting us to ensure continuing compliance with the relevant rules and regulations applicable to related party transactions pursuant to the listing rules of the Shanghai Stock Exchange and connected transactions pursuant to the Listing Rules of the Hong Kong Stock Exchange. Our internal control adviser also confirms that they did not identify any deficiency in our internal control measures regarding related party transactions and connected transactions after we implemented the abovementioned enhancement measures. As such, the Sole Sponsor concurs with our Director's view regarding our internal control measures as mentioned above.

DIRECTORS' CONFIRMATION

Our Directors (including the independent non-executive Directors) are of the view that (1) the transactions contemplated under the (i) Biorichland Lease Agreement, (ii) Staidson Sales Framework Agreement, (iii) Heyu Research and Development Service Framework Agreement, (iv) Shengtong Pathology Service Framework Agreement, and (v) Staidson Research and Development Service Framework Agreement have been and will be entered into in the ordinary and usual course of business, on normal terms or better that are fair and reasonable and in the interest of the Shareholders as a whole; and (2) the proposed annual caps for each transaction contemplated under each such agreement are fair and reasonable and in the interests of the Shareholders as a whole.

SOLE SPONSOR'S CONFIRMATION

Having considered the above, the Sole Sponsor is of the view that (1) the above-mentioned partially-exempt and non-exempt connected transactions have been and will be entered into in the ordinary and usual course of business, on normal terms or better that are fair and reasonable and in the interest of the Shareholders as a whole; and (2) the proposed annual caps for the above-mentioned partially-exempt and non-exempt connected transactions are fair and reasonable and in the interests of the Shareholders as a whole.

As of the Latest Practicable Date, our registered share capital was RMB227,454,729 comprising 227,454,729 A Shares and the following persons directly or indirectly control, or are entitled to exercise the control of, 5% or more of our A Shares:

Shareholders	Nature of Interest	Class	Number of Shares directly or indirectly held	Approximate percentage of shareholding[(1)]
				(%)
Ms. Feng[(2)]	Beneficial owner	A Shares	64,073,468	28.17
	Interest of spouse	A Shares	34,568,986	15.20
Mr. Zhou[(2)]	Beneficial owner	A Shares	34,568,986	15.20
	Interest of spouse	A Shares	64,073,468	28.17
Mr. Gu Xiaolei[(3)]	Beneficial owner	A Shares	16,078,455	7.07
Ms. Gu Meifang[(4)] . . .	Beneficial owner	A Shares	11,008,078	4.84

Notes:

(1) Such percentage figures are based on the assumption that the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes.

(2) Mr. Zhou is the spouse of Ms. Feng. Under the SFO, each of Ms. Feng and Mr. Zhou is deemed to be interested in the A Shares that the other person is interested in. Ms. Feng holds 64,073,468 of our A Shares, representing 28.17% of our total issued share capital as of the Latest Practicable Date (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes). Mr. Zhou holds 34,568,986 of our A Shares, representing 15.20% of our total issued share capital as of the Latest Practicable Date (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes). Therefore, Ms. Feng and Mr. Zhou are each deemed to be interested in a total of 98,642,454 of Shares, representing 43.37% of our total issued share capital as of the Latest Practicable Date (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes).

(3) Mr. Gu Xiaolei is a non-executive Director of our Company.

(4) Ms. Gu Meifang is a former Director of our Company who ceased to be a Director in January 2019 due to expiration of her tenure. Ms. Gu Meifang is the aunt of Mr. Gu Xiaolei.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes), our share capital will comprise 227,454,729 A Shares and 43,324,800 H Shares, representing approximately 84.00% and 16.00% of the total issued share capital of our Company, respectively.

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes), the following persons will have an interest or a short position in our Shares or underlying Shares of our Company which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Shareholders	**Nature of Interest**	**Class**	**Number of Shares directly or indirectly held**	**Approximate percentage of shareholding**
				(%)
Ms. Feng[(1)]	Beneficial owner	A Shares	64,073,468	23.66
	Interest of spouse	A Shares	34,568,986	12.77
Mr. Zhou[(1)]	Beneficial owner	A Shares	34,568,986	12.77
	Interest of spouse	A Shares	64,073,468	23.66
Mr. Gu Xiaolei[(2)] . .	Beneficial owner	A Shares	16,078,455	5.94
Ms. Gu Meifang[(3)] . .	Beneficial owner	A Shares	11,008,078	4.07

Notes: Please refer to Notes (1)-(3) to the table above.

For those persons who are directly and/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 a shareholders' meeting of any other member of our Group, see the section headed "Appendix V — Statutory and General Information" of this Prospectus.

As of the Latest Practicable Date, we are not aware of any arrangement which may on a subsequent date result in a change of control of our Company.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for a certain number of Offer Shares that may be purchased for an aggregate amount of US$268 million (approximately HK$2,077.8 million) (calculated based on the conversion rate of US$1.00 to HK$7.7529) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$133.0, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 15,621,900 Offer Shares, representing approximately (i) 36.1% of the H Shares offered pursuant to the Global offering (assuming that the Over-allotment Option is not exercised), (ii) 5.8% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (iii) 5.6% of our total issued share capital immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Assuming an Offer Price of HK$142.0, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 14,631,800 Offer Shares, representing approximately (i) 33.8% of the H Shares offered pursuant to the Global offering (assuming that the Over-allotment Option is not exercised), (ii) 5.4% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (iii) 5.3% of our total issued share capital immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Assuming an Offer Price of HK$151.0, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 13,759,800 Offer Shares, representing approximately (i) 31.8% of the H Shares offered pursuant to the Global offering (assuming that the Over-allotment Option is not exercised), (ii) 5.1% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (iii) 5.0% of our total issued share capital immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Our Company is of the view that, leveraging on the Cornerstone Investors' investment experience, in particular in the pharmaceutical and healthcare sectors, the Cornerstone Placing will help to raise the profile of our Company and to signify that such investors have confidence in our business and prospect. Our Company became acquainted with each of the Cornerstone Investors through introduction by some of the Underwriters in the Global Offering.

Janchor Partners, Valliance Fund, CPE Fund and ICBCCS (holding on behalf of China Structural Reform Fund) (as defined below), which are existing Shareholders of our Company, have been permitted to participate in the Cornerstone Placing pursuant to paragraph 5(2) of Appendix 6 to the Listing Rules and the waiver from strict compliance with Rule 10.04 of the

Listing Rules as further described in the section headed "Waivers from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance".

Save as disclosed above and to the best knowledge of our Company, (i) each of the Cornerstone Investors is an Independent Third Party and is not our connected person (as defined in the Listing Rules); (ii) none of the Cornerstone Investors is accustomed to taking instructions from our Company, the Directors, chief executive, Controlling Shareholders, substantial shareholders, existing Shareholders or any of their respective subsidiaries or their respective close associates; and (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company, the Directors, chief executive, Controlling Shareholder, substantial shareholders, existing Shareholders or any of their respective subsidiaries or their respective close associates.

The Cornerstone Placing will form part of the International Offering and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue and will count towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of the Company, and the Cornerstone Investors will not have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders. As confirmed by each of the Cornerstone Investors, their subscription under the Cornerstone Placing would be financed by their own internal resources. There are no side arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price.

The total number of Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the paragraph headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" in this prospectus.

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around February 25, 2021. If there is over-allocation in the International Offering, the settlement of such over-allocation may be effected through delayed delivery of the Offer Shares to be subscribed by all Cornerstone Investors under the Cornerstone Placing, except Lake Bleu Prime. Where delayed delivery takes place, each Cornerstone Investor that may be affected by such delayed delivery has agreed that it shall nevertheless pay for the relevant Offer Shares on or before 8 a.m. on the Listing Date. If there is no over-allocation in the International Offering, delayed delivery will not take place. There will be no deferred settlement of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements. For details of the Over-allotment Option, please refer to the paragraph headed "Structure of the Global Offering — Over-allotment Option" in this prospectus.

OUR CORNERSTONE INVESTORS

Set out below in the aggregate number of Offer Shares, and the corresponding percentages to the Offer Shares and our Company's total issued share capital under the Cornerstone Placing:

			Assuming the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes		Assuming the Over-allotment option is exercised in full and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes	
Based on the Offer Price of:	**Investment Amount**	**Number of Offer Shares (rounded down to nearest whole board lot of 100 H Shares)**	**Percentage to the total number of Offer Shares**	**Percentage to our total issued share capital immediately upon completion of the Global Offering**	**Percentage to the total number of Offer Shares**	**Percentage to our total issued share capital immediately upon completion of the Global Offering**
	(US$ in million)[1]		*(approximate)*	*(approximate)*	*(approximate)*	*(approximate)*
HK$133.0 (being the low-end of the indicative Offer Price range)						
Lake Bleu Prime	38	2,215,100	5.1%	0.8%	4.4%	0.8%
Orbimed Funds	35	2,040,200	4.7%	0.8%	4.1%	0.7%
China Structural Reform Fund	35	2,040,200	4.7%	0.8%	4.1%	0.7%
CPE Fund	35	2,040,200	4.7%	0.8%	4.1%	0.7%
Sequoia Capital China Growth	30	1,748,700	4.0%	0.6%	3.5%	0.6%
Janchor Partners Pan-Asian Master Fund	30	1,748,700	4.0%	0.6%	3.5%	0.6%
CRF	30	1,748,700	4.0%	0.6%	3.5%	0.6%
Carmignac Funds	20	1,165,800	2.7%	0.4%	2.3%	0.4%
Octagon Capital	10	582,900	1.3%	0.2%	1.2%	0.2%
Valliance Fund	5	291,400	0.7%	0.1%	0.6%	0.1%
Total	268	15,621,900	36.1%	5.8%	31.4%	5.6%

Based on the Offer Price of:	Investment Amount	Number of Offer Shares (rounded down to nearest whole board lot of 100 H Shares)	Assuming the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes		Assuming the Over-allotment option is exercised in full and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes	
			Percentage to the total number of Offer Shares	Percentage to our total issued share capital immediately upon completion of the Global Offering	Percentage to the total number of Offer Shares	Percentage to our total issued share capital immediately upon completion of the Global Offering
	(US$ in million)[1]		*(approximate)*	*(approximate)*	*(approximate)*	*(approximate)*
HK$142.0 (being the mid-point of the indicative Offer Price range)						
Lake Bleu Prime	38	2,074,700	4.8%	0.8%	4.2%	0.7%
Orbimed Funds	35	1,910,900	4.4%	0.7%	3.8%	0.7%
China Structural Reform Fund	35	1,910,900	4.4%	0.7%	3.8%	0.7%
CPE Fund	35	1,910,900	4.4%	0.7%	3.8%	0.7%
Sequoia Capital China Growth	30	1,637,900	3.8%	0.6%	3.3%	0.6%
Janchor Partners Pan-Asian Master Fund	30	1,637,900	3.8%	0.6%	3.3%	0.6%
CRF	30	1,637,900	3.8%	0.6%	3.3%	0.6%
Carmignac Funds	20	1,091,900	2.5%	0.4%	2.2%	0.4%
Octagon Capital	10	545,900	1.3%	0.2%	1.1%	0.2%
Valliance Fund	5	272,900	0.6%	0.1%	0.5%	0.1%
Total	268	14,631,800	33.8%	5.4%	29.4%	5.3%

Based on the Offer Price of:	Investment Amount	Number of Offer Shares (rounded down to nearest whole board lot of 100 H Shares)	Assuming the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes		Assuming the Over-allotment option is exercised in full and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes	
			Percentage to the total number of Offer Shares	Percentage to our total issued share capital immediately upon completion of the Global Offering	Percentage to the total number of Offer Shares	Percentage to our total issued share capital immediately upon completion of the Global Offering
	(US$ in million)[1]		*(approximate)*	*(approximate)*	*(approximate)*	*(approximate)*
HK$151.0 (being the high-end of the indicative Offer Price range)						
Lake Bleu Prime	38	1,951,000	4.5%	0.7%	3.9%	0.7%
Orbimed Funds	35	1,797,000	4.1%	0.7%	3.6%	0.6%
China Structural Reform Fund	35	1,797,000	4.1%	0.7%	3.6%	0.6%
CPE Fund	35	1,797,000	4.1%	0.7%	3.6%	0.6%
Sequoia Capital China Growth	30	1,540,300	3.6%	0.6%	3.1%	0.6%
Janchor Partners Pan-Asian Master Fund	30	1,540,300	3.6%	0.6%	3.1%	0.6%
CRF	30	1,540,300	3.6%	0.6%	3.1%	0.6%
Carmignac Funds	20	1,026,800	2.4%	0.4%	2.1%	0.4%
Octagon Capital	10	513,400	1.2%	0.2%	1.0%	0.2%
Valliance Fund	5	256,700	0.6%	0.1%	0.5%	0.1%
Total	268	13,759,800	31.8%	5.1%	27.6%	5.0%

Note:

1. To be converted to Hong Kong dollars based on exchange rate as disclosed in this Prospectus.

The following information about the Cornerstone Investors was provided to our Company by the Cornerstone Investors in relation to the Cornerstone Placing.

1. Lake Bleu Prime

Lake Bleu Prime Healthcare Master Fund Limited ("**Lake Bleu Prime**") is managed by Lake Bleu Capital (Hong Kong) Limited. Lake Bleu Prime is a long-bias public equity fund focusing in Asia/Greater China healthcare. The fund primarily invests in public equities. The fund invests across the entire healthcare value chain, in pharmaceuticals, biotech, medical devices, distribution, hospitals and mobile health. Recently, Lake Bleu Prime acts as a cornerstone investor for JD Health International Inc. (stock code 6618), MicroPort CardioFlow Medtech Corporation (stock code 2160), Akeso, Inc. (stock code 9926), Pharmaron Beijing Co., Ltd. (stock code 3759), RemeGen Co., Ltd. (stock code 9995), Hygeia Healthcare Holdings Co., Limited (stock code 6078), and Kangji Medical Holdings Limited (stock code 9997). The fund assets under management ("**AUM**") is not less than US$1.5 billion as of January 2021. Lake Bleu Prime, as a healthcare specialist, is keen to help the portfolio companies on value-added activities and has successfully helped many companies on this front. Lake Bleu Capital (Hong Kong) Limited is also licensed by the SFC to carry out type 9 regulated activities.

2. OrbiMed Funds

OrbiMed Capital LLC is the portfolio manager of Worldwide Healthcare Trust PLC ("**WWH**"). WWH is a publicly listed trust organized under the laws of England. OrbiMed New Horizons Master Fund, L.P. ("**ONH**", together with WWH, "**OrbiMed Funds**") is an exempted limited partnership incorporated under the laws of the Cayman Islands with OrbiMed Advisors LLC acting as its investment manager. OrbiMed Capital LLC and OrbiMed Advisors LLC exercise voting and investment power through a management committee comprised of Carl L. Gordon, Sven H. Borho, and Jonathan T. Silverstein. WWH is listed on the London Stock Exchange (LON: WWH). As confirmed by WWH, the shareholders' approval of WWH and the approval of the London Stock Exchange are not required for WWH's subscription for the Offer Shares pursuant to the relevant cornerstone investment agreement.

The AUM for OrbiMed Advisors LLC and OrbiMed Capital LLC and their affiliated funds is over $16 billion as of December 31, 2020.

In addition to the closing conditions as set out in "— Closing Conditions" below, the subscription obligation of OrbiMed Funds to subscribe for the Offer Shares under the relevant Cornerstone Investment Agreement is subject to the respective representations, warranties, acknowledgements, undertakings and confirmations of our Company under the relevant Cornerstone Investment Agreement being accurate, true and complete in all material respects and not misleading and that there being no material breach of the Cornerstone Investment Agreement on the part of our Company.

3. China Structural Reform Fund

China Structural Reform Fund Corporation Limited ("**China Structural Reform Fund**") is a company incorporated in the PRC held by several state-owned enterprises. With an initial fund size of RMB131 billion, it is mainly engaged in business including non-public raising funds, equity investment, project investment, capital management, investment consulting and enterprise management consulting. For the purpose of this cornerstone investment, China Structural Reform Fund has engaged ICBC Credit Suisse Asset Management Co., Ltd ("**ICBCCS**"), an asset manager that is qualified domestic institutional investor as approved by the relevant PRC authority, to subscribe for and hold such offer shares on a discretionary basis on behalf of China Structural Reform Fund.

In addition to the closing conditions as set out in "— Closing Conditions" below, the subscription obligation of China Structural Reform Fund to subscribe for the Offer Shares under the relevant Cornerstone Investment Agreement is subject to that the respective representations, warranties, undertakings and confirmations of our Company under the Cornerstone Investment Agreement are (as of the date of this Agreement) and will be (as of the Listing Date) accurate and true in all material respects and not misleading in any material respect and that there is no material breach of the Cornerstone Investment Agreement on the part of our Company.

ICBC International Capital Limited ("**ICBCIC**") has been appointed by the Company as one of the Joint Bookrunners, while ICBC International Securities Limited ("**ICBCIS**") has been appointed by the Company as one of the Joint Lead Managers and Underwriters. ICBCCS is owned by Industrial and Commercial Bank of China Limited ("**ICBC**") as to 80%, and each of the ICBCIC and ICBCIS is indirectly wholly owned by ICBC. ICBCCS is in the same group of companies as the ICBCIC and ICBCIS and is therefore a connected client of each of ICBCIC and ICBCIS under paragraph 13(7) of Appendix 6 to the Listing Rules. Besides, ICBCCS is an existing A Shareholder.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 10.04 of, and a consent under paragraphs 5(1) and 5(2) of Appendix 6 to the Listing Rules for China Structural Reform Fund to participate as a cornerstone investor in the Global Offering through ICBCCS, subject to the conditions as disclosed in the sections "Waivers from strict compliance with the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Consent in relation to allocation of H Shares to a connected client of the Connected Syndicate Members" and "Waivers from strict compliance with the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and consent in relation to the subscription of H Shares by Janchor Partners Pan-Asia Master Fund, Valliance Fund, CPE Fund and ICBCCS (on behalf of China Structural Reform Fund) as a QDII".

4. CPE Fund

CPE Greater China Enterprises Growth Fund (the "**CPE Fund**"), a Cayman Islands Exempt Company incorporated in Cayman Islands on 28 May 2015 with registration number CB-300317, whose registered office is at c/o Campbells Corporate Services Limited, Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands. The CPE Fund operates as an open-ended investments fund, and the net asset value under management is approximately US$900 million as of Jan 2021. The primary investment objective of the CPE Fund is long term capital appreciation. It seeks to achieve such investment objective by investing in securities listed on stock exchanges in the Greater China Region (including, but not limited to, China A Shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange via the Stock Connects and/or other means as may be permitted by the relevant regulations) from time to time, while maintaining a flexible allocation to other asset classes and/or other regions and countries in the leading markets, including without limitation, Singapore and the US.

The CPE Fund is managed by China Pinnacle Equity Management Limited ("**CPE**") incorporated with limited liability in August 2017 in Hong Kong and is licensed to conduct Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under Part V of the Securities and Futures Ordinance with CE number BKY108. It is principally engaged in fund management and the provision of investment advisory services to professional investors as defined under the SFO, including corporations, institutions and high net worth individual investors. Mr. Ni Fei, director of CPE, indirectly holds 30% shares interest in CPE.

5. Sequoia Capital China Growth

SCC Growth VI Holdco F, Ltd. ("**Sequoia Capital China Growth**") is a company incorporated in the Cayman Islands and is a wholly-owned subsidiary of Sequoia Capital China Growth Fund VI, L.P.. The general partner of Sequoia Capital China Growth Fund VI, L.P. is SC China Growth VI Management, L.P., whose general partner is SC China Holding Limited, a wholly-owned subsidiary of SNP China Enterprises Limited. Neil Nanpeng Shen is the sole shareholder of SNP China Enterprises Limited. Sequoia Capital China Growth Fund VI, L.P.'s limited partners include pension funds, non-governmental organization and endowment funds.

Incorporated in 2005, Sequoia Capital China's primary purpose is to make equity investments in private companies, and the AUM of Sequoia Capital China and its affiliated global funds is approximately US$24 billion as of January 2021. Sequoia Capital China focuses on three sectors: TMT, healthcare and consumer/service.

6. Janchor Partners Pan-Asian Master Fund

Janchor Partners Pan-Asian Master Fund is an investment fund established in the Cayman Islands that is managed by Janchor Partners Limited, a company licensed by the SFC to conduct asset management (together, "**Janchor Partners**"). Established in 2009, Janchor Partners is a long-term industrialist investor, partnering with companies that have superior business models, favorable growth prospects and the potential to be part of long-term positive structural dynamics of Asian countries and economies. Janchor Partners is an experienced institutional investor. As of December 31, 2020, Janchor Partners manages more than US$5 billion in assets for its investment partners.

7. CRF

CRF Investment Holdings Company Limited ("**CRF**") is a limited liability company incorporated under the laws of the Cayman Islands. CRF is wholly-owned by China Reform Conson Soochow Overseas Fund I L.P., which is a China-related overseas investment firm specializing in industrials, TMT and healthcare sectors with a total US$450 million fund size. China Reform Conson Soochow Overseas Fund I L.P. is advised by CDG Capital Company Limited ("**CDG Capital**", 晨嶺資本), and its LPs are (i) Conson (BVI) International Investment Development Limited, with 33.33% interest, which is in turn ultimately owned by the State-owned Assets Supervision and Administration Commission of the Qingdao Municipal Government; (ii) China Reform Overseas Feeder L.P., with 33.34% interest, whose largest ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the State Council; and (iii) Soochow Securities (Hong Kong) Financial Holdings Limited, with 33.33% interest, which is in turn ultimately owned by Soochow Securities Co., Ltd. (東吳證券), a full-service brokerage firm listed on the Shanghai Stock Exchange with stock code 601555. As confirmed by CRF, the shareholders' approval of Soochow Securities Co., Ltd. and the approval of the Shanghai Stock Exchange are not required for CRF's subscription for the Offer Shares pursuant to the relevant Cornerstone Investment Agreement. The General Partner of China Reform Conson Soochow Overseas Fund I L.P. is China Reform Puissance Overseas Holdings Company Limited, a limited liability company incorporated under the laws of the Cayman Islands.

Established in 2015, CDG Capital (晨嶺資本) acts as the investment advisor with experience focused on healthcare, high-end manufacturing and TMT sectors.

8. Carmignac Funds

Carmignac China New Economy and Carmignac Portfolio Emerging Discovery (the "**Carmignac Funds**") are broad-based open-ended investment funds established in the European Union. The Carmignac Funds are funds managed by Carmignac Gestion SA on a discretionary basis.

Carmignac China New Economy is an open-ended alternative investment fund established in France. The fund is not a partnership, but is established as a common contractual fund *(fonds commun de placement)* under French law. Therefore, no LP or GP has been appointed. The management company and investment manager of the fund is Carmignac Gestion SA. The fund was launched in December 2019. As of February 4, 2021, the assets under management of the fund amounted to EUR215 million (equivalent to approximately USD258 million). The investment manager focuses on sectors such as consumer products/services, low carbon sources of energy, technological innovation, and urbanisation and improvement of living standards. The fund being a broad-based investment fund, no ultimate beneficial owner has been identified.

Carmignac Portfolio Emerging Discovery is a sub-fund of Carmignac Portfolio, a Luxembourg open-ended investment company, which was incorporated in June 1999. The sub-fund is not a partnership, but is established as the sub-fund of an investment company under Luxembourg law. Therefore, no LP or GP has been appointed. The management company of the company (and of its sub-funds) is Carmignac Gestion Luxembourg SA, a wholly-owned subsidiary of Carmignac Gestion SA. Carmignac Gestion Luxembourg SA has delegated the discretionary management of the investment of the sub-fund Carmignac Portfolio Emerging Discovery to Carmignac Gestion SA. The sub-fund was launched in December 2007. As of February 4, 2021, the assets under management of the sub-fund amounted to EUR193 million (equivalent to approximately USD231 million).

The investment manager of both of the Carmignac Funds is Carmignac Gestion SA. Carmignac Gestion SA was incorporated in France on February 3, 1989. Mr. Edouard Carmignac is an ultimate beneficial owner of Carmignac Gestion SA. The fund being a broad-based investment fund, no ultimate beneficial owner has been identified.

9. Octagon Capital

Octagon Capital Advisors LP ("**Octagon Capital**"), a Delaware limited partnership and registered investment advisor with the U.S. Securities Exchange Commission, serves as the investment manager to Octagon Investments Master Fund LP and Octagon Private Opportunities Fund LP. Founded in 2019, Octagon Capital is a multi-stage investment manager dedicated to evidence-based investing in public and private healthcare companies. Octagon Capital strives to build concentrated, long-term investments and work with our portfolio management teams as partners.

Octagon Capital manages capital on behalf of global institutions such as university endowments, non-profit foundations, family offices, pension funds and established asset managers. The firm AUM is approximately US$600 million and the portfolio focus is on healthcare companies, primarily in the US and China.

Octagon Capital Advisors LLC is the general partner and ultimate beneficial owner of Octagon Capital. Ting Jia is the portfolio manager of Octagon Capital.

10. Valliance Fund

The Valliance Fund ("**Valliance Fund**") is an exempted company established under the laws of the Cayman Islands. Valliance Asset Management Limited ("**Valliance**"), an asset management firm licensed by the SFC, serves as the investment manager of the Fund. The AUM of Valliance Fund is approximately US$500 million. Valliance employs a deep value and bottom up investment approach, combining detailed research with a highly disciplined investment process to choose portfolio investments on behalf of a wide range of institutional clients globally across multiple funds and vehicles. Mr. Lin Li is the founder and ultimate beneficial owner of Valliance and its Chief Investment Officer since inception and he has been an active investor in the Asian capital markets for nearly the past two decades. The LPs of the Valliance Fund are leading global institutional investors (Greater than 60%), Hong Kong family office, high net-worth individuals and employees of Valliance.

CLOSING CONDITIONS

The obligation of each Cornerstone Investor to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements has been terminated;

(ii) the Offer Price having been agreed according to the Underwriting Agreements and price determination agreement to be entered into among the parties thereto in connection with the Global Offering;

(iii) the Listing Committee having granted the listing of, and permission to deal in, the H Shares (including the Investor Shares as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(iv) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the respective representations, warranties, acknowledgements, undertakings and confirmations of the relevant Cornerstone Investor under the Cornerstone Investment Agreement are and will be accurate, true and complete in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from and including the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes, the registered capital of our Company was RMB227,454,729 comprising 227,454,729 A Shares of nominal value RMB1.00 each, which are fully listed on the Shanghai Stock Exchange.

	Number of Shares	Approximate % of issued share capital
A Shares	227,454,729	100.0

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes, the share capital of our Company would be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital
A Shares	227,454,729	84.00
H Shares issued pursuant to the Global Offering	43,324,800	16.00
Total	**270,779,529**	**100.0**

Immediately following completion of the Global Offering, assuming that the Over-allotment Option is fully exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes, the share capital of our Company would be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital
A Shares	227,454,729	82.03
H Shares issued pursuant to the Global Offering	49,823,500	17.97
Total	**277,278,229**	**100.0**

SHARE CLASSES

The H Shares and A Shares in issue upon completion of the Global Offering will be ordinary Shares in our share capital. Shanghai-Hong Kong Stock Connect, activated on November 17, 2014, and Shenzhen-Hong Kong Stock Connect, initiated on December 5, 2016, have established stock connect mechanisms between the PRC and Hong Kong. A Shares can be subscribed for and traded by PRC investors, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As the A Shares of our Company are eligible securities under the Northbound Trading Link, they can also be subscribed for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shanghai-Hong Kong Stock Connect. H Shares can be subscribed for or traded by Hong Kong and other overseas investors and qualified domestic institutional investors. If the H Shares of our Company are eligible securities under the Southbound Trading Link, they can also be subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of A Shares are to be paid by us in Renminbi. In addition to cash, dividends may also be distributed in the form of Shares. Holders of H Shares will receive share dividends in the form of H Shares, and holders of A Shares will receive share dividends in the form of A Shares.

In addition, A Shares and H Shares are regarded as different classes of Shares under our Articles of Association. The differences between the two classes of Shares, provisions on class rights, dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different branches of the register of Shareholders, the method of Share transfer and appointment of dividend receiving agents are set out in the section headed "Appendix III — Summary of Articles of Association" in this Prospectus. Further, any change or abrogation

of the rights of class Shareholders should be approved by way of a special resolution of the general meeting of Shareholders and by a separate meeting of Shareholders convened by the affected class of Shareholders. See the section headed "Appendix III — Summary of Articles of Association" in this Prospectus for the circumstances under which a general meeting of Shareholders and class meeting are required. However, the procedures for approval by separate class Shareholders shall not apply:

(i) where our Company issues, upon the approval by a special resolution of the general meeting of Shareholders, either separately or concurrently once every 12 months, not more than 20% of each of its existing issued A Shares and H Shares;

(ii) where the plan of our Company to issue A Shares and H Shares at the time of its establishment is carried out within 15 months from the date of approval of the securities regulatory authority under the State Council; or

(iii) where the transfer of the A Shares held by the A Shareholders to foreign investors for listing on overseas stock exchange is approved by the securities regulatory institution under the State Council.

A Shares and H Shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of Listing.

A Shares and H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and H Shares may be different after the Global Offering.

Our Company repurchases and cancels A Shares under the Share Option and Restricted Share Award Schemes due to the resignation of grantees from time to time. Such repurchases and cancellations of A Shares will be completed subject to approval by Shareholders and will be conducted in compliance with the applicable requirements under the Hong Kong Listing Rules.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE GLOBAL OFFERING

Approval from holders of A Shares is required for our Company to issue H Shares and seek the listing of H Shares on the Hong Kong Stock Exchange. Such approval was obtained by us at the Shareholders' general meeting of our Company held on September 15, 2020 and is subject to the following conditions:

(1) Size of the offer

The proposed number of H Shares to be offered shall not exceed 25% of the total issued share capital enlarged by the H Shares to be issued pursuant to the Global Offering (before the exercise of the Over-allotment Option). The number of H Shares to be issued pursuant to the full exercise of the Over-allotment Option shall not exceed 15% of the total number of H Shares to be offered initially under the Global Offering.

(2) Method of offering

The method of offering shall be by way of international offering to institutional investors and public offer for subscription in Hong Kong.

(3) Target investors

The H Shares shall be issued to qualified overseas investors, qualified domestic institutional investors in the PRC and other investors who comply with relevant regulatory requirements.

(4) Price determination basis

The issue price of the H Shares will be determined, among others, after due consideration of the interests of existing Shareholders of our Company, acceptance of investors and the risks related to the offering, according to international practice, through the demands for orders and book building process, subject to the domestic and overseas capital market conditions, by reference to the valuation level of comparable companies in domestic and overseas markets and in consultations with the Underwriters.

(5) Validity period

The issue of H Shares and listing of H Shares on the Hong Kong Stock Exchange shall be completed within 18 months from the date when the Shareholders' meeting was held on September 15, 2020.

There is no other approved offering plans for our Shares except the Global Offering.

SHARE OPTION AND RESTRICTED SHARE AWARD SCHEMES

We adopted the Share Option and Restricted Share Award Schemes. For details, please refer to the sections headed "Appendix V — Statutory and General Information — C. Share Option and Restricted Share Award Schemes" in this Prospectus.

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this Prospectus. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States and the PRC.

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis 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 outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this Prospectus, including the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2017, 2018 and 2019 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading non-clinical CRO focused on drug safety assessment. We are also in the process of expanding our offerings to an integrated range of services covering discovery, pre-clinical and clinical trial stages in the drug R&D service chain. Setting out as a CRO specialized in pharmacology and toxicology assessment for innovative drugs in China, we have now become the largest CRO in non-clinical drug safety assessment in China, according to Frost & Sullivan. Building upon our core competency in drug safety assessment, we have been expanding our service offerings to with a view to becoming an integrated pharmaceutical R&D service platform capable of providing a comprehensive portfolio of CRO services including non-clinical studies, clinical trial and related services, and research model business. We generated substantially all of our revenues from providing services in non-clinical studies during the Track Record Period. We have also been expanding our clinical trial and related services with a view to offering a more comprehensive range of CRO services to our customers.

We have a large, high-quality, loyal and expanding customer base, including seven of the top 10 pharmaceutical companies in terms of revenue in the China pharmaceutical market in 2019. As of the Latest Practicable Date, we had served our top five customers in 2019 for an average of over six years, with a 100% customer retention rate in 2019 for our top five customers. Our predominant leadership in drug safety assessment has also allowed us to attract our existing customers to our growing clinical trial services through cost-effective cross-selling efforts in a manner of seamless transition. In 2019, 100% of our top ten customers procured more than one services from us.

We achieved robust growth and profitability at scale during the Track Record Period. Our total revenues increased from RMB301.3 million in 2017 to RMB408.8 million in 2018 and further to RMB639.4 million in 2019. Furthermore, our total revenue increased by 83.5% from RMB344.2 million in the nine months ended September 30, 2019 to RMB631.5 million in the nine months ended September 30, 2020. Our profit for the year increased from RMB79.9 million in 2017 to RMB105.3 million in 2018 and further to RMB187.7 million in 2019. Furthermore, our profit for the period increased by 65.1% from RMB85.9 million in the nine months ended September 30, 2019 to RMB141.9 million in the nine months ended September 30, 2020.

BASIS OF PRESENTATION

The historical financial information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB").

We have adopted all applicable new and revised IFRSs that are effective during the Track Record Period, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*, consistently throughout the Track Record Period. We have not adopted any other new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2020. The adoption of IFRS 9, IFRS 15 and IFRS 16 has no significant impact on the financial position and performance when compared to that of IAS 39, IAS 18 and IAS 17, except that under IFRS 15, contract assets are recognized for the right to consideration for work completed and not billed, and contract liabilities are recognized for our obligations to transfer goods or provided services to customers for which we have received consideration from the customers.

The accounting policies set out in Note 2 of the Accountants' Report have been applied consistently to all periods presented in the Historical Financial Information in the Accountants' Report in Appendix I in this Prospectus.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been, and are expected to continue to be, affected by a variety of factors, including those set forth below.

Growth of Pharmaceutical R&D Expenditure and Outsourcing

Our financial results are affected by the demand for pharmaceutical R&D services, which in turn is dependent on growth in pharmaceutical R&D expenditure and the rate of outsourcing such work to third-party service providers like us. According to the Frost & Sullivan Report, total R&D expenditure in the global pharmaceutical industry increased from approximately

US$149.8 billion in 2015 to US$182.4 billion in 2019, and is expected to reach US$227.0 billion in 2024 with a CAGR of 4.5%. The size of the pharmaceutical CRO market as a percentage of total global pharmaceutical R&D expenditure increased from 29.6% in 2015 to 34.3% in 2019, and is expected to reach 42.3% in 2024. R&D expenditure in China's pharmaceutical industry increased significantly from approximately US$10.5 billion in 2015 to US$21.1 billion in 2019 and is expected to grow to US$47.6 billion in 2024 with a CAGR of 17.7%. The growth in global and China's pharmaceutical R&D expenditures, in particular spending on outsourcing services, has led to rising demands for our integrated CRO services, particularly our non-clinical studies and clinical trial and related services, and we expect to continue to benefit from this positive market trend. See "Industry Overview" for a detailed discussion on the growth drivers of the global pharmaceutical CRO market.

Our Ability to Continuously Grow Our Customer Base

We have a large, high-quality, loyal and expanding customer base, including global and Chinese blue-chip pharmaceutical companies and small-to-medium-sized biotechnology companies. We provided services to approximately 280, 350 and 450 customers in 2017, 2018 and 2019, and approximately 520 customers in the nine months ended September 30, 2020, respectively. As of the Latest Practicable Date, we had served our top five customers in 2019 for an average of over six years, with a 100% customer retention rate in 2019 for our top five customers. Our results of operations depend largely on our ability to retain existing customers and to acquire new customers. Our ability to attract and retain customers is affected by our brand image, service quality, service offerings, geographic footprint and service capacity. Our integrated service offerings and strong scientific and technical expertise have enabled us to enter into new service contracts with existing customers and attract new customers. In addition, we have gained access to a rich network of existing and new customers in need of our non-clinical services in the United States through our strategic acquisition of Biomere. For the nine months ended September 30, 2020, Biomere generated RMB157.8 million in revenue, accounting for 25.0% of our total revenues and substantially all of our overseas revenues during the same period. In 2019, it served 80 customers in relation to over 300 drug R&D projects. However, if we fail to maintain or grow our customer base, our results of operations and financial conditions would be materially and adversely affected. See "Risk Factors — Risks Relating to Our Business and Industry — If our service and product quality does not meet customers' standards or evolving needs, we may lose or fail to attract customers."

Our Ability to Further Expand Our Service Offerings

Building upon our core competency in drug safety assessment, we have been broadening and deepening our portfolio of service offerings. Particularly, through our extensive experience in non-clinical studies, regulatory knowledge and large customer base, we have expanded our offerings downstream of the drug R&D value chain to deliver a diverse portfolio of clinical trial and related services and achieved synergies, especially in early stage clinical trials which share certain common bioanalytical methods and practices with non-clinical studies. Our reputation in drug safety assessment has also allowed us to maintain existing pre-clinical customers within the organization as their drug development transitions to the clinical stages

and become customers of our growing clinical trial and related services. Therefore, we enjoy a competitive advantage and cost-effective cross-selling of services that leads to additional sources of revenues and reduced overall expenditures on business development, which in turn benefits our results of operations and overall profit margin in the long run. We also aim to leverage our experience with research models to enhance our abilities to develop, breed, raise and produce species of high-quality research models that are in great demand, with a particular focus on non-human primates. Our acquisition of Biomere in the United States has provided us with a solid footing in advancing our non-clinical studies and non-human primate research model businesses at a global scale. However, our plan to further expand our service offerings may not be successful, and any such failure may have an adverse impact on our results of operations. See "Risk Factors — Risks Relating to our Business and Industry — We may fail to effectively develop and market new services, which may harm our growth opportunities and prospects."

Our Ability to Manage Costs in Connection with Our Projects

Our total cost of services amounted to RMB135.6 million, RMB200.1 million, RMB310.6 million, RMB170.4 million and RMB312.6 million, respectively, for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020. Cost of supplies was the most significant component of our total costs of services during the Track Record Period, amounting to RMB68.4 million, RMB89.0 million, RMB142.5 million, RMB75.4 million and RMB142.0 million in 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, representing 50.4%, 44.5%, 45.9%, 44.2% and 45.3% of our total cost of services during such periods, respectively. We incurred cost of supplies as our non-clinical studies require a significant amount of consumables and research models such as rodents and non-human primates. The increase in such costs during the Track Record Period was largely in line with the growth of our non-clinical studies business as well as the increased market price of the research models we procured. We have managed to control our cost of supplies by sourcing consumables from quality suppliers at reasonable prices and by signing annual supply contracts with our non-human primate research model suppliers to ensure a stable procurement price range for such research models. We expect the cost of supplies will continue to increase in absolute amounts in the near term as we continue to scale our non-clinical studies and as the market prices for certain supplies such as non-human primate research models are expected to continuously increase.

In addition, we have incurred other major project-related expenses such as direct labor costs and research and development expenses. Direct labor costs primarily consist of payroll expenses for the employees who are responsible for conducting non-clinical studies and delivering clinical trial operations and related services to our customers. As we continue to scale our CRO services, we expect to further grow our talent pool and experience increase of director labor costs in connection with our growing number of research projects. We also incurred research and development expenses in connection with our participation in a number of scientific research projects and continuous investments in building and upgrading our

platforms for our non-clinical studies as well as clinical trials. We expect to continue investing in research and development activities to equip ourselves with advanced technologies and scientific expertise to better serve customers' needs.

Our Ability to Expand Our Facilities and Service Capabilities to Satisfy Growing Customer Demands

Our CRO services, in particular our non-clinical drug safety assessment services, are in high demand. We are the No. 1 non-clinical drug safety assessment services provider in China, with a leading market share of 15.7% in terms of total revenues in 2019, according to Frost & Sullivan. Our reputation as a trusted research partner striving to deliver first-class research services has allowed us to attract an expanding customer base including both global and Chinese blue-chip pharmaceutical companies and small-to-medium-sized biotechnology companies.

To further grow our business by attracting more customers and providing our customers with high-quality services to cater their needs, we have been continuously expanding our facilities and services capabilities. In 2019, we acquired Biomere, a discovery-based, specialty CRO that positions us to benefit from the large international customer base and a solid toehold in penetrating the highly-valued non-human primate research model market in the United States. We have also made substantial investments in our research and development activities to develop and upgrade our research platforms and technologies. Furthermore, we have formulated plans to expand our existing facilities in Suzhou and the United States, and build new facilities in Wuzhou, Chongqing and Guangzhou to further increase our overall capacities with optimal utilization in the future. See "Future Plans and Use of Proceeds." However, our plan to further expand our facilities and service capabilities while achieving optimal utilization rates may not be successful, and any such failure may have an adverse impact on our results of operations. See "Risk Factors-Risks Relating to our Business and Industry — If we fail to expand our facilities or efficiently optimize utilization of our facilities to meet rising customer demands, our operating results could be adversely affected."

Seasonality in Revenue Recognition

Although the customer demand for services generally is not subject to any seasonality, we have experienced, and expect to continue to experience, seasonal fluctuations in our results of operations primarily due to the customary practice of managing projects and our policy for revenue recognition. Historically, more revenue was recognized based on the project schedule mix in the fourth quarter as compared to the first three quarters in a given year, primarily because, consistent with the industry norm, more projects were completed towards the end of the year and revenue was recognized upon the completion of such projects pursuant to the terms of the relevant customer service contracts. See "Risk Factors — Risks Relating to Our Business and Industry — Our revenue recognition is subject to seasonal fluctuations."

EFFECTS OF THE COVID-19 OUTBREAK ON OUR BUSINESS

Industry Background of the COVID-19 Outbreak

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, countries across the world, including both China and the United States, have imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus. As of the Latest Practicable Date, substantially all of the Chinese cities had eased or lifted domestic travel restrictions and resumed normal social activities, work and production.

According to the Frost & Sullivan Report, the COVID-19 outbreak impacted the global healthcare industry in various ways. To varying degrees, it disrupted the normal operation of pharmaceutical companies due to a number of factors such as mandatory quarantine requirements, social distancing, and transportation and travel restrictions. On the other hand, COVID-19 outbreak has raised public awareness for disease control and healthcare management, and highlighted the significance of research and development of innovative drugs and medical devices, particularly vaccines and treatments for the coronavirus and its conditions.

Impacts of the COVID-19 Outbreak on Our Operations

Acquisition and Execution of Our Research Projects

During the COVID-19 outbreak, certain business meetings with our existing and potential customers, to the extent in person presence was required, had been canceled or postponed. As a result, we had proactively conducted our business development activities online to continue boosting our customer outreach and business development efforts. In addition, we had leveraged our scientific expertise, large service capacity, and extensive project experience in innovative drugs to attract customers with projects for potential vaccines and treatments for the coronavirus and its conditions. We have been engaged by our customers to conduct dozens of innovative drug research projects relating to anti-COVID-19 therapeutics.

The governmental lockdown and other restrictive measures had resulted in significantly reduced mobility of our employees, causing most of employees to work remotely during the COVID-19 outbreak. As a result, we had implemented various precautionary measures and adjusted our employees' work arrangements according to the relevant regulations and policies and based on our project schedules, which had allowed us to maintain a sufficient number of personnel on-site who managed to work under flexible schedules to deliver services to our customers under the relevant customer service contracts.

Despite the widespread lockdowns in China and the United States, we had been able to largely maintain the operations of our essential facilities during the COVID-19 outbreak. During the period from January 1, 2020 and up to the Latest Practicable Date, we had not experienced any material project delays at any of our facilities in China or Biomere's facilities in the United States. In addition, based on the knowledge of our Directors, there had not been any cancellation of any of our ongoing projects, material issues with collection of customer receivables, or material disputes with any customers as a result of the COVID-19 outbreak.

Since April 2020 and as of the Latest Practicable Date, all of our employees in China had resumed normal operations. Since September 2020 and as of the Latest Practicable Date, substantially all of our employees in the United States (who are mainly employees of Biomere) had resumed normal operations. Despite the substantial number of reported COVID-19 cases in the United States, Biomere was able to maintain normal operations while providing its customers with services for continued drug discovery and development. Biomere maintained normal operations by taking measures that the management deemed necessary to ensure the high standards of workplace safety. Such measures include leveraging virtual meetings for work, requiring employees who work on site to wear masks and obey social distancing policies, informing employees with governmental guidelines, and preparing guidance materials on COVID-19 for employees. In addition, Biomere screened on-site visitors for their health conditions and encouraged employees to routinely measure their body temperature and check health conditions. To minimize the temporary impacts of the COVID-19 outbreak, we have mobilized internal and external resources and leveraged our strong project execution capabilities to accelerate the temporarily delayed schedule of a limited number of research projects with an effort to remediate the temporary disruption caused by the COVID-19 outbreak.

Supply and Handling of Research Models and Other Supplies

As the virus causing the COVID-19 outbreak was alleged to have spread to human beings from certain wild animals, the PRC government have issued a series of regulations to tighten the supervision on transportation of wild animals, including the large-sized research models such as non-human primate research models. The stricter regulations have affected our ability to procure non-human primate research models from our suppliers and transport non-human primate research models to our facilities, although handling and transportation of research models for drug R&D purposes are allowed under such restrictions. In addition, because non-human primate research models are particularly useful in the R&D of biologics such as vaccines or antibodies, the demand for non-human primate research models skyrocketed during the COVID-19 pandemic, which in turn fueled the rise of the market prices of non-human primate research models.

Despite such challenges, we managed to procure an adequate amount of non-human primate research models at the beginning of the COVID-19 outbreak by leveraging our bargaining power attributable to the large volume of our purchases and the long-term relationship with our suppliers. As a result of our effective preparation, the market-wide shortage of non-human primate research models during the COVID-19 outbreak had not

resulted in any material adverse effect on our ability to procure a sufficient supply of such research models at commercially reasonable prices. As of the Latest Practicable Date, transportation of large-sized research models in all cities across China other than Beijing had fully resumed to the normal status.

To a lesser extent, reduced transportations and disruption to manufacturing and logistics networks in China and the United States due to the COVID-19 outbreak affected our suppliers' abilities to manufacture and transport other consumables, equipment and other supplies necessary for our operations. Nevertheless, as of the Latest Practicable Date, most of our suppliers had resumed normal operations and we had not experienced any material shortage of supplies during the COVID-19 outbreak.

Expansion and Renovation of Our Facilities

The COVID-19 outbreak did not have a material adverse effect on our facility expansion plans. We had completed the construction of the main buildings in Suzhou before the COVID-19 outbreak and were in the process of detailing the designs, layouts and construction plans of our Guangzhou and Chongqing facilities during the COVID-19 outbreak without commencing any substantial construction on site. Due to the closure of work places and travel restrictions across China during the COVID-19 outbreak, our construction project was temporarily delayed. Despite such temporary delay caused by the COVID-19 outbreak, we have been working diligently since the COVID-19 peaked in February in China to catch up on our original construction plan and schedules, and currently we do not foresee any major delay to the development of our Wuzhou facilities as a result of the COVID-19 outbreak.

Conclusion of No Material Adverse Impact

The COVID-19 outbreak peaked in February 2020 in China and the social and market conditions have substantially improved since late March 2020. In the United States, the COVID-19 outbreak conditions in the state of Massachusetts where we have our primary U.S. operations and facilities have also been gradually improving with the remedial measures adopted by the U.S. government. Despite the isolated new cases in certain cities in China and the growing number of new cases in the United States, our Directors believe that our financial performance, business operation, sustainability, liquidity, expansion plan, and long-term prospect had not been materially and adversely affected by the COVID-19 outbreak in both China and the United States. Amid the COVID-19 outbreak, the total revenues of our Group (excluding Biomere, which we acquired in December 2019) grew by 37.6% from RMB344.2 million in the nine months ended September 30, 2019 to RMB473.7 million in the nine months ended September 30, 2020. During the same period, our total revenues (including contributions from Biomere) increased by 83.5% from RMB344.2 million to RMB631.5 million, and our gross profit increased by 83.5% from RMB173.8 million to RMB318.9 million. In addition, Biomere's financial performance in 2020 was largely in line with the original pre-COVID-19 projections and budgets.

However, as the COVID-19 outbreak continues to evolve and affect other parts of the world where we conduct research projects and where our multinational customers are based, it is currently difficult to predict whether we may experience any material decline in customer orders and/or loss of customers in the future, and whether our existing and future projects may be materially disrupted or delayed due to the COVID-19 outbreak. For details, please refer to "Risk Factors — Risks Relating to Our Business and Industry — Our business operations and financial performance have been adversely affected by the COVID-19 outbreak, may in the future continue to be affected by the COVID-19 outbreak, and may be affected by other natural disasters, epidemics and other unforeseeable catastrophes."

In the worst case scenario of assuming nil annual revenue from customers, our Directors estimate that (i) our cash and cash equivalents as of September 30, 2020 and (ii) 10% of net proceeds from the Global Offering, based on the low end of the Offer Price range of HK$133.00 to HK$151.00 per share and assuming no Over-allotment Option is exercised are sufficient to maintain our financial viability for a 14-month period from September 30, 2020 in settling (i)our estimated net cash used in operating activities, including estimated monthly fixed costs, payment for trade payables and settlement of trade receivables, and (ii) our estimated net cash used in financing activities, including repayment of bank borrowings and lease payments.

Remedial and Employee Protection Measures

At the very beginning of the COVID-19 outbreak, we formed a special working group led by Mr. Dapeng Gao, which is responsible for designing and overseeing the implementation of our remedial measures. Under the leadership of this special working group, we have employed various measures to mitigate the impact of the COVID-19 outbreak on our business operations and customer relationships. Such remedial measures include making timely upgrades to our technology infrastructure to facilitate a seamless remote working environment, leveraging technologies to ensure efficient delivery of our projects, and maintaining regular, interactive online communications with our customers and other business partners. In addition, Biomere has taken a proactive approach to protecting its employees and business. Senior management regularly monitored federal and state policy and kept in touch with UMass Memorial Health Care to stay informed and ahead of trends of the pandemic.

Our employees' safety is of vital importance to our operations during the COVID-19 outbreak. We had adopted flexible remote working arrangements based on the varying situations in different cities in China and the United States during the COVID-19 outbreak. To practice social distancing, we divided our employees into groups to perform onsite work in turns if necessary. We had also implemented various protection policies for our employees who need to operate our essential facilities with protective masks and sanitization supplies. We had also provided them with nutritious meals and other welfare to help them overcome the inconvenience caused by the COVID-19 outbreak, which have enabled us to carry out our business operations with minimized disruption.

In line with government guidelines, we have been closely tracking the health and wellness status of our employees and we routinely check their body temperature before they enter our offices or facilities. To contain the possible spread of the virus, we had also provided temporary dormitories for our employees who returned to work from other provinces and had limited conditions to quarantine themselves otherwise. As of the Latest Practicable Date, we had not received any reports of any confirmed cases of COVID-19 of our employees in both China and the United States. We plan to continue to implement these remedial measures and may implement additional measures as necessary to ease the impact of the COVID-19 outbreak on our business operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are significant to the preparation of our consolidated financial statements. Our significant accounting policies are set forth in Note 2 to the Accountants' Report in Appendix I in this Prospectus. For details of our Group's accounting policies, please refer to Appendix I in this Prospectus.

Revenue and other income

Income is classified by us as revenue when it arises from the sale of goods or the provision of services in the ordinary course of our business.

Revenue is recognized when control over a product or service is transferred to the customer, at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of our revenue and other income recognition policies are as follows:

(i) Rendering of services

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

For certain revenue from clinical trial and related services, control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our performance as we perform;
- Our performance creates and enhances an asset that the customer controls as we perform; or
- Our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when our Group transfers the control for services/deliverable units and has right to payment from the customers for the services performed upon finalization, or upon the delivery and acceptance of the deliverable units.

For non-clinical studies service, contracts with customers may contain more than one performance obligations. For such arrangements, the transaction price is allocated to each performance obligation on a relative stand-alone selling price basis. Revenue is recognized with the allocated amounts at a point in time upon satisfaction of the individual performance obligations.

(ii) Sale of goods

Revenue is recognized when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognized is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

We recognize a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortized cost (including cash and cash equivalents, trade and bills receivables, and other receivables)

– contract assets as defined in IFRS 15.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to us in accordance with the contract and the cash flows that we expect to receive).

The expected cash shortfalls of fixed-rate financial assets, trade and other receivables and contract assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which we are exposed to credit risk.

In measuring ECLs, we take into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. We recognize an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(ii) Trade receivables and contract assets

We measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As our historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not distinguished between our different customer bases.

The following table provides information about our exposure to credit risk and ECLs for trade receivables and contract assets at December 31, 2017, 2018 and 2019 and September 30, 2020:

	At December 31, 2017		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.5%	32,191	161
Less than 90 days past due	2%	6,636	133
less than 1 year	5%-6%	5,334	286
1 to 2 years	20%	4,876	974
2 to 3 years	45%	1,637	736
3 to 4 years	72%	1,377	990
Over 4 years past due	100%	3,632	3,632
Total		55,683	6,912

	At December 31, 2018		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.5%	42,215	210
Less than 90 days past due	1.45%	7,377	111
less than 1 year	4%	11,892	475
1 to 2 years	6.9%	6,141	424
2 to 3 years	28.2%	2,349	661
3 to 4 years	50%	1,478	737
Over 4 years past due	100%	4,916	4,916
Total		76,368	7,534

	At December 31, 2019		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.5%	113,279	566
Less than 90 days past due	1.5%	24,702	371
less than 1 year	3%	16,193	482
1 to 2 years	6%	8,291	497
2 to 3 years	20%	4,556	911
3 to 4 years	50%	1,853	926
Over 4 years past due	100%	7,894	7,893
Total		176,768	11,646

	At September 30, 2020		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.5%	71,198	356
Less than 90 days past due	1.5%	10,945	164
less than 1 year	3.0%	23,213	696
1 to 2 years	7.2%	11,982	869
2 to 3 years	23.2%	3,816	885
3 to 4 years	73.2%	1,530	1,119
Over 4 years past due	100.0%	1,851	1,851
Total		124,535	5,940

Contract assets and contract liabilities

A contract asset is recognized when we recognize revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognized when the customer pays non-refundable consideration before we recognize the related revenue. A contract liability would also be recognized if we have an unconditional right to receive non-refundable consideration before we recognize the related revenue. In such cases, a corresponding receivable would also be recognized.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

Fair value measurement

Fair value hierarchy

Fair values are categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. Our policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

The fair value of unlisted equity instruments is determined using the price to book ratio of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability.

The fair value of RMB wealth management products is determined by calculating based on the discounted cash flow method.

Valuation processes of Level 3 financial assets

In relation to the valuation of RMB wealth management products classified as level 3 financial assets measured at fair value through profit or loss, our Directors has considered, among others, the following factors: (1) the terms of the wealth management products subscription agreements, (2) the available market information of similar wealth management products, and (3) the risk-adjusted discount rates of the wealth management products.

In relation to the unlisted equity instruments classified as level 3 financial assets measured at fair value through other comprehensive income, our Directors has (i) reviewed the terms of investment agreement; (ii) engaged an independent third-party valuer (the "Valuer") for the valuation of our unlisted equity instruments, provided necessary financial and non-financial information to the Valuer to perform valuation procedures, and discussed with the Valuer on relevant assumptions; (iii) carefully considered all information especially those non-market related information input, including the factors stated above, which require management's assessments and estimates; and (iv) reviewed the valuation working papers and

results prepared by the Valuer. Our Directors are of the view that the Valuer is independent from our Company, was suitably qualified and had the relevant expertise and resources to conduct the valuation of our unlisted equity investment.

Based on the above procedures, our Directors are of the view that the valuation analysis performed by the Valuer is fair and reasonable, and the financial statements of our Company are properly prepared.

The details on the fair value measurement of the financial instruments, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of the unobservable inputs to the fair values, are disclosed in Note 35 to the Accountants' Report set out in the Appendix I to the Prospectus. The Reporting Accountants have conducted their work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" ("HKSIR 200") issued by the Hong Kong Institute of Certified Public Accountants to express an opinion on the Group's Historical Financial Information for the Track Record Period as a whole in Appendix I to this Prospectus.

In relation to the RMB wealth management products classified as level 3 financial assets measured at fair value through profit or loss, the Sole Sponsor has reviewed the relevant notes in the Accountants' Report set out in Appendix I to the Prospectus and discussed with our Company about the valuation method and technique adopted in respect of the fair value assessment. The Sole Sponsor concur with the valuation techniques adopted by the Directors in valuing the RMB wealth management products with reference to the SFC "Guidance note on directors' duties in the context of valuations in corporate transactions" issued by the SFC.

In relation to the unlisted equity instruments classified as level 3 financial assets measured at fair value through other comprehensive income, the Sole Sponsor has taken the necessary due diligence steps including but not limited to (i) reviewing the valuation reports prepared by the Valuer; and (ii) discussing with our Company and the Valuer the key valuation assumptions and methodologies adopted for the valuation. The Sole Sponsor considered that appropriate steps have been taken by our Company in carrying out the fair value estimation for the equity instruments and that our Company has not unduly relied on the valuation report prepared by the Valuer.

The fair value measurements of biological assets fall into Level 3 of the fair value hierarchy. For details of fair value measurement of our biological assets, please refer to "— Valuation of Biological Assets."

Financial assets measured at fair value

The following table presents the fair value of our financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy.

	As at December 31,			As at September 30,
	2017	**2018**	**2019**	**2020**
	Fair value measurements categorized into Level 3	*Fair value measurements categorized into Level 3*	*Fair value measurements categorized into Level 3*	*Fair value measurements categorized into Level 3*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity instruments . . .	–	–	12,000	59,336
RMB wealth management products	200,692	348,686	130,701	187,250

Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of our previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash generating unit during the period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Contract costs

Contract costs represent the costs to fulfil a contract with a customer which are not capitalized as inventory.

Costs to fulfil a contract are capitalized if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide services in the future; and are expected to be recovered.

Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labor, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because we entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalized as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalized contract costs are stated at cost less impairment losses. Impairment losses are recognized to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that we expect to receive in exchange for the services to which the asset relates, less (ii) any costs that relate directly to providing those services that have not yet been recognized as expenses.

Amortization of capitalized contract costs is charged to profit or loss when the revenue to which the asset relates is recognized.

Biological Assets

Our biological assets mainly consist of non-human primates, including (i) those used for non-clinical studies services, which are classified as current assets and (ii) those maintained for the purposes of breeding, which are classified as non-current assets. We measure biological assets upon initial recognition and at the end of each reporting period at their fair value less costs of disposal. The feeding costs and other related costs such as staff costs, depreciation and amortization expenses and utilities cost incurred for hosting research models for non-clinical studies are capitalized until the relevant research models begin to mate and are classified as non-current assets. Costs incurred in connection with research models for breeding are charged to profit or loss during the reporting periods. A gain or loss arising from initial recognition of biological assets at fair value less costs of disposal and from a change in fair value less costs of disposal of biological assets are included in profit or loss in the period in which such gain or loss arises.

DESCRIPTION OF KEY STATEMENT OF PROFIT OR LOSS ITEMS

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the periods indicated.

	Year ended December 31									Nine months ended September 30					
	2017			2018			2019			2019			2020		
	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total
	(in RMB thousand)														
Revenue	301,279	–	301,279	408,798	–	408,798	639,379	–	639,379	344,175	–	344,175	631,513	–	631,513
Cost of services	(132,465)	(3,149)	(135,614)	(192,933)	(7,206)	(200,139)	(307,097)	(3,496)	(310,593)	(167,418)	(2,987)	(170,405)	(311,588)	(1,019)	(312,607)
Gross profit	168,814	(3,149)	165,665	215,865	(7,206)	208,659	332,282	(3,496)	328,786	176,757	(2,987)	173,770	319,925	(1,019)	318,906
Other gains and losses, net	11,936	7,734	19,670	26,011	792	26,803	30,001	13,065	43,066	17,828	11,669	29,497	23,436	27,282	50,718
Selling and marketing expenses	(5,754)	–	(5,754)	(6,626)	–	(6,626)	(12,473)	–	(12,473)	(8,056)	–	(8,056)	(9,786)	–	(9,786)
General and administrative expenses	(56,564)	–	(56,564)	(80,258)	–	(80,258)	(102,651)	–	(102,651)	(67,555)	–	(67,555)	(148,634)	–	(148,634)
Research and development expenses	(25,577)	–	(25,577)	(23,690)	–	(23,690)	(39,627)	–	(39,627)	(26,744)	–	(26,744)	(48,885)	–	(48,885)
Profit from operations	92,855	4,585	97,440	131,302	(6,414)	124,888	207,532	9,569	217,101	92,230	8,682	100,912	136,056	26,263	162,319
Finance costs	(21)	–	(21)	(94)	–	(94)	(342)	–	(342)	(225)	–	(225)	(2,688)	–	(2,688)
Profit before taxation	92,834	4,585	97,419	131,208	(6,414)	124,794	207,190	9,569	216,759	92,005	8,682	100,687	133,368	26,263	159,631
Income tax	(16,885)	(617)	(17,502)	(20,206)	732	(19,474)	(27,909)	(1,173)	(29,082)	(13,694)	(1,088)	(14,782)	(16,783)	(992)	(17,775)
Profit for the year/period	75,949	3,968	79,917	111,002	(5,682)	105,320	179,281	8,396	187,677	78,311	7,594	85,905	116,585	25,271	141,856
Profit/(loss) for the year/period attributable to:															
Equity shareholders of the Company			79,917			105,471			187,838			86,415			142,935
Non-controlling interests			–			(151)			(161)			(510)			(1,079)

Revenue

Our sources of revenue encompass (i) non-clinical studies services, (ii) clinical trial and related services and (iii) sales of research models. During the Track Record Period, we generated substantially all of our revenue from fees received from providing drug safety assessment services in connection with non-clinical studies. We also generated a small portion of our revenue from providing clinical trial and related services, as well as sales of research models to our customers. Currently we plan not to further expand or grow our sales of rodent research models and do not expect to generate any substantial revenue from such business in the near future. During the Track Record Period, we did not generate any revenue from sales of non-human primate research models. We recorded revenue of RMB301.3 million, RMB408.8 million, RMB639.4 million, RMB344.2 million and RMB631.5 million for the years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2019 and 2020, respectively.

Biomere recorded revenues of RMB157.8 million for the nine months ended September 30, 2020, accounting for 25.0% of our revenues for the same period.

We categorize our revenue by service type into (i) non-clinical studies services, (ii) clinical trial and related services, and (iii) sales of research models.

Non-clinical studies services	A comprehensive range of non-clinical studies with the three major categories including (i) drug safety assessment, (ii) DMPK studies, and (iii) pharmacology and efficacy studies.
Clinical trial and related services	Integrated clinical trial and related services, particularly focused on early-stage clinical trials, including (i) clinical CRO services, (ii) clinical research units (CRUs) support services, and (iii) bioanalytical services.
Sales of research models	The development, breeding, production and sales of research models to customers.

The table below sets forth a breakdown of our revenue by service type for the periods indicated, both in actual terms and as a percentage of total revenue. For details of revenue generated from each type of services, please refer to "Business — Our Service Offerings."

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Non-clinical studies services	**292,269**	**97.0**	**403,768**	**98.8**	**630,190**	**98.5**	**337,881**	**98.2**	**626,801**	**99.3**
– Drug safety assessment	290,555	96.4	367,207	89.8	452,309	70.7	253,698	73.7	398,310	63.1
– DMPK studies	1,329	0.5	27,019	6.6	125,566	19.6	61,514	17.9	135,832	21.5
– Pharmacology and efficacy studies	385	0.1	9,542	2.4	52,315	8.2	22,669	6.6	92,659	14.7
Clinical trial and related services	**–**	**–**	**158**	**–**	**4,907**	**0.8**	**3,556**	**1.0**	**3,277**	**0.5**
Sales of research models	**9,010**	**3.0**	**4,872**	**1.2**	**4,282**	**0.7**	**2,738**	**0.8**	**1,435**	**0.2**
Total	**301,279**	**100.0**	**408,798**	**100.0**	**639,379**	**100.0**	**344,175**	**100.0**	**631,513**	**100.0**

For the years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2019 and 2020, revenues generated from our non-clinical studies services accounted for substantially all of our total revenue during the Track Record Period. For additional information on the trends of revenues generated from our different service models in non-clinical studies services, clinical trial and related services and sales of research models for the periods set forth in the table above, see "— Discussion of Results of Operations."

For years ended December 31, 2017, 2018 and 2019, our revenues generated from drug safety assessment accounted for the vast majority of our revenues generated from non-clinical studies services. The revenues from drug safety assessment increased from RMB290.6 million in 2017 to RMB367.2 million in 2018 and further increased to RMB452.3 million in 2019, primarily due to the rising customer demand for our drug safety assessment services as evidenced by the increased average revenues we generated from each study and the expansion of our facilities' capacity in China which allowed us to cater to customer demand. Our revenues generated from drug safety assessment increased from RMB253.7 million for the nine months ended September 30, 2019 to RMB398.3 million for the nine months ended September 30, 2020, primarily due to the organic growth of our drug safety assessment services.

For years ended December 31, 2017, 2018, and 2019, our revenue generated from DMPK studies and pharmacology and efficacy studies increased significantly both in terms of absolute amounts and as percentages of our total revenues, primarily due to the rising customer demand that resulted from our reputation for conducting high-quality non-clinical studies, our continuous efforts to expand our service capabilities, and our enhanced business development activities with respect to such service offerings. The revenue generated from DMPK studies and pharmacology and efficacy studies increased from RMB61.5 million and RMB22.7 million respectively for the nine months ended September 30, 2019 to RMB135.8 million and RMB92.7 million respectively for the nine months ended September 30, 2020, primarily due to revenue contribution from Biomere during such periods, which provides an extensive portfolio of pre-clinical studies including pharmacokinetics and efficacy studies, as well as the organic growth of our DMPK studies and pharmacology and efficacy studies business during such periods for the reasons discussed above.

Revenue generated from our customers located overseas (determined based on their country or region of domicile) remained relatively stable at RMB7.3 million in 2017 and RMB6.9 million in 2018 and increased by 460.3% to RMB38.6 million in 2019. Further, revenue generated from our customers located overseas (determined based on their country or region of domicile) increased by 720.1% from RMB20.3 million for the nine months ended September 30, 2019 to RMB166.6 million for the nine months ended September 30, 2020. The increase was primarily due to our acquisition of Biomere in December 2019, a discovery-based, specialty CRO located in Worcester, Massachusetts. The acquisition has led to a significant expansion of our customer base in the United States. In addition to customers of Biomere, we also served a small, growing number of overseas customers who conducted drug research projects at our facilities in China during the Track Record Period.

Cost of Services

For the years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2019 and 2020, our cost of services was RMB135.6 million, RMB200.1 million, RMB310.6 million, RMB170.4 million and RMB312.6 million, respectively. Our cost of services primarily consists of direct labor costs, cost of supplies and overhead costs. Biological assets fair value adjustments did not have a material impact on our cost of services during the Track Record Period.

Biomere's cost of services was RMB82.0 million for the nine months ended September 30, 2020, accounting for 26.2% of our total cost of services for the same period.

The following table sets forth a breakdown of our cost of services by nature for the periods indicated, both in actual terms and as a percentage of revenue.

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Direct labor costs	45,414	33.5	60,268	30.1	110,331	35.5	59,514	34.9	99,003	31.7
Cost of supplies	68,393	50.4	88,986	44.5	142,505	45.9	75,394	44.2	141,954	45.3
Overhead costs	18,658	13.8	43,679	21.8	54,261	17.5	32,510	19.1	70,631	22.6
Effect of biological assets fair value adjustments	3,149	2.3	7,206	3.6	3,496	1.1	2,987	1.8	1,019	0.4
Total	135,614	100.0	200,139	100.0	310,593	100.0	170,405	100.0	312,607	100.0

Direct labor costs primarily consist of payroll expenses for the employees who are responsible for conducting non-clinical studies and delivering clinical trial operations and related services to our customers.

Cost of supplies primarily consists of expenses for procuring consumables and research models used in support of our non-clinical studies services and clinical trial and related services.

Overhead costs mainly consist of depreciation and amortization expenses, utility expenses and other expenses relating to the provision of our services.

In addition, when our biological assets are consumed in relation to our non-clinical studies during the relevant period, our cost of services is adjusted by changes in fair value of such biological assets. We adjust our cost of services for changes in fair value of biological assets, with fair value gains increasing our cost of services and fair value losses decreasing our cost of services, although the timing of these adjustments to our cost of services are not necessarily the same as the related gains or losses. These adjustments increased our total cost of services by RMB3.1 million, RMB7.2 million, RMB3.5 million, RMB3.0 million and RMB1.0 million for the years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2019 and 2020, respectively. Our biological assets fair value adjustments which increased our cost of service increased by 128.8% from RMB3.1 million for the year ended December 31, 2017 to RMB7.2 million for the year ended December 31, 2018, primarily due to the increased usage of research models hosted and supplied by our Nanning facilities in our completed studies. Our biological assets fair value adjustments which increased our cost of service decreased by 51.5% from RMB7.2 million for the year ended December 31, 2018 to RMB3.5 million for the year ended December 31, 2019, primarily due to the decreased usage

of research models hosted and supplied by our Nanning facilities in our completed studies. Our biological assets fair value adjustments which increased our cost of service decreased by 65.9% from RMB3.0 million for the nine months ended September 30, 2019 to RMB1.0 million for the nine months ended September 30, 2020, primarily due to the decreased usage of research models hosted and supplied by our Nanning facilities in our completed studies.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less cost of services, and our gross profit margin represents gross profit as a percentage of revenue. Our cost of services is adjusted by changes in fair value of our biological assets, which adjustment was not material during the Track Record Period.

In the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, our gross profit was RMB165.7 million, RMB208.7 million, RMB328.8 million, RMB173.8 million and RMB318.9 million, respectively. For the same periods, our gross profit margin was 55.0%, 51.0%, 51.4%, 50.5% and 50.5%, respectively.

Biomere's gross profit was RMB75.8 million and its gross profit margin was 48.0% for the nine months ended September 30, 2020.

The increase of our gross profit was mainly driven by our increased gross profit of our non-clinical studies services, which accounted for substantially all of our total revenue during the Track Record Period. Gross profit or gross profit margin of our non-clinical studies services were not significantly affected by biological assets fair value adjustments. For the years ended December 31, 2017, 2018, 2019 and nine months ended September 30, 2019 and 2020, our gross profit margin for non-clinical studies services was 55.8%, 53.0%, 52.2%, 51.5% and 50.8%, respectively. The increase of the gross profit of our non-clinical studies services was primarily in line with the fast growth in our drug safety assessment services, driven by the surging number of innovative drug R&D projects in China for the past few years, our reputation as the No. 1 drug safety assessment CRO in China, and the expansion of our capacity to accommodate the rising customer demands for drug safety assessment projects. Our gross profit margin decreased from 55.0% for the year ended December 31, 2017 to 51.0% for the year ended December 31, 2018 primarily due to increased overhead costs. Our gross profit margin remained relatively stable for the year ended December 31, 2019 at 51.4%. Our gross profit margin further slightly decreased to 50.5% for the nine months ended September 30, 2020 primarily due to an increase in the costs of non-human primate research models procured to support our non-clinical studies services and our acquisition of Biomere which primarily offers non-GLP services with a relatively lower profit margin as compared to GLP services that we provide.

Other Gains and losses, Net

For research models that remained as our biological assets at the end of a reporting period, we recognize gains equal to the change in the fair value of these biological assets, less costs of disposal at the period-end. At each balance sheet date, our biological assets are valued at fair value less costs of disposal at the period-end. The aggregate gains arising from the initial recognition of the biological assets and from the change in the fair value of the biological assets less costs of disposal, is recognized as profit. Any such profit or loss reflects only unrealized gains or losses on our biological assets as at the relevant balance sheet date and does not generate actual cash inflow or outflow.

We recognized gains of RMB7.7 million, RMB0.8 million, RMB13.1 million, RMB11.7 million and RMB27.3 million arising from changes in fair value of biological assets for the years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2019 and 2020, respectively. The decrease of gains arising from changes in fair value of biological assets from RMB7.7 million in 2017 to RMB0.8 million in 2018 was mainly due to our humane culling of the non-human primate research model population as part of our continuous efforts to upgrade and optimize our non-human primate research model colonies to better suit the needs of our non-clinical studies in compliance with relevant laws and regulations, as well as the natural mortality of such research models. The increase of gains arising from changes in fair value of biological assets from RMB0.8 million in 2018 to RMB13.1 million in 2019 was mainly due to the increase in unit fair value of biological assets in line with the increasing market price of non-human primate research models. The increase of gains arising from changes in fair value of biological assets from RMB11.7 million for the nine months ended September 30, 2019 to RMB27.3 million for the nine months ended September 30, 2020 was mainly due to the continuous increase in unit fair value of biological assets in line with the increasing market price.

In addition to gains arising from changes in fair value of biological assets, other gains and losses, net primarily consist of government grants, interest income, recognition or reversal of expected credit loss, net foreign exchange loss or gain, net gain or loss on disposal of property, plant and equipment, change in fair value of financial assets at FVTPL, and others. In the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, we recorded other gains and losses, net (excluding gains arising from changes in fair value of biological assets) of RMB11.9 million, RMB26.0 million, RMB30.0 million, RMB17.8 million and RMB23.4 million, respectively.

The following table sets forth a breakdown of our other gains and losses, net (excluding gains arising from changes in fair value of biological assets) for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,	
	2017	2018	2019	2019	2020
	(in RMB thousand)				
Government grants (including amortization of deferred income)	9,200	10,628	17,555	6,844	19,742
Interest income	1,799	2,262	1,885	1,385	1,504
Net foreign exchange (loss)/gain	(763)	1,131	323	892	(1,244)
Net gain/(loss) on disposal of property, plant and equipment	75	(55)	(245)	(33)	(362)
Change in fair value of financial assets at FVTPL	2,445	11,572	10,492	8,646	3,957
Others	(820)	473	(9)	94	(161)
Total	11,936	26,011	30,001	17,828	23,436

Our government grants represent the governmental grants we received for building our research model platforms and our participation in certain state-sponsored research projects related to safety assessment of innovative drugs and biologics. Our deferred income mainly represents governmental grants we received in relation to the acquisition of property, plant and equipment, which we recognize over the expected useful lives of the relevant assets. In the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, we recorded government grants (including amortization of deferred income) of RMB9.2 million, RMB10.6 million, RMB17.6 million, RMB6.8 million and RMB19.7 million, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses consist of staff costs relating to our marketing and business development personnel, office expenses, and others such as marketing and promotion fees, travel, conference and event expenses, incurred by our own sales and marketing personnel in connection with our business development activities. In the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, we recorded selling and marketing expenses of RMB5.8 million, RMB6.6 million, RMB12.5 million, RMB8.1 million and RMB9.8 million, respectively.

The following table sets forth a breakdown of our selling and marketing expenses for the periods indicated, both in actual terms and as a percentage of total selling and marketing expenses.

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Staff costs	2,498	43.4	3,351	50.6	7,967	63.9	5,231	64.9	6,988	71.4
Office expenses	1,456	25.3	1,008	15.2	1,340	10.7	1,048	13.0	801	8.2
Marketing, promotion and travel expenses	1,086	18.9	1,312	19.8	1,956	15.7	1,079	13.4	887	9.1
Others	714	12.4	955	14.4	1,210	9.7	698	8.7	1,110	11.3
Total	**5,754**	**100.0**	**6,626**	**100.0**	**12,473**	**100.0**	**8,056**	**100.0**	**9,786**	**100.0**

Our staff costs accounted for the largest portion of our selling and marketing expenses. The staff costs as a percentage of the total selling and marketing expenses had increased from 43.4% in 2017 to 50.6% in 2018 and further increased to 63.9% in 2019, primarily due to the increase of the number of selling and marketing personnel to support our business growth and their increased compensation levels. The percentage of our staff costs to the total selling and marketing expenses increased from 64.9% for the nine months ended September 30, 2019 to 71.4% for the nine months ended September 30, 2020, primarily due to the increased number of selling and marketing personnel and their increased compensation levels.

General and Administrative Expenses

Our general and administrative expenses consist of staff costs relating to our administrative and management personnel, office expenses, depreciation and amortization expenses, expenses for research models, equity-settled share-based payment expenses, and others.

In the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, we recorded general and administrative expenses of RMB56.6 million, RMB80.3 million, RMB102.7 million, RMB67.6 million and RMB148.6 million, respectively.

The following table sets forth a breakdown of our general and administrative expenses for the periods indicated, both in actual terms and as a percentage of total general and administrative expenses.

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs (excluding equity-settled Share-based payment expenses)	18,226	32.2	28,304	35.3	43,565	42.4	31,670	46.9	78,907	53.1
Office expenses	13,168	23.3	14,790	18.4	23,706	23.1	10,792	16.0	20,922	14.1
Depreciation and amortization expenses	5,572	9.9	6,077	7.6	8,473	8.3	5,399	8.0	14,309	9.6
Expenses for research models	11,576	20.5	14,274	17.8	4,864	4.7	4,024	6.0	1,502	1.0
Equity-settled share-based payment expenses	–	–	8,274	10.3	11,655	11.4	5,066	7.5	23,117	15.6
Others	8,022	14.2	8,539	10.6	10,388	10.1	10,604	15.7	9,877	6.6
Total	56,564	100.0	80,258	100.0	102,651	100.0	67,555	100.0	148,634	100.0

Our staff costs accounted for the largest portion of our general and administrative expenses. The staff costs as a percentage of the total general and administrative expenses had increased from 32.2% in 2017 to 35.3% in 2018 and further increased to 42.4% in 2019, primarily due to the increase of the number of administrative personnel to support our business growth and their increased compensation levels. The percentage of our staff costs to the total general and administrative expenses increased from 46.9% for the nine months ended September 30, 2019 to 53.1% for the nine months ended September 30, 2020, primarily due to an increased number of administrative personnel to support our growth of business and as a result of our consolidation of employees of Biomere in December 2019.

The expenses for research models as a percentage of the total general and administrative expenses had decreased from 20.5% in 2017 to 17.8% in 2018 and further decreased to 4.7% in 2019 mainly due to the decrease in the number of non-human primate research models. The percentage of expenses for research models to the total general and administrative expenses decreased from 6.0% for the nine months ended September 30, 2019 to 1.0% for the nine months ended September 30, 2020 for the same reasons.

The expenses categorized as Others include credit impairment loss, taxes and surcharges, and other miscellaneous expenses. The absolute amount of others expenses remained relatively stable at RMB8.0 million in 2017 and at RMB8.5 million in 2018. The others expenses as a percentage of the total general and administrative expenses had decreased from 14.2% in 2017 to 10.6% in 2018 primarily due to the increased equity-settled share-based payment expenses related to shares incentive plan which increased from nil in 2017 to RMB8.3 million in 2018. The absolute amount of others expenses increased from RMB8.5 million in 2018 to RMB10.4 million in 2019, primarily attributable to the increased credit impairment loss, which is in line with the increased trade and bills receivables due to business growth and acquisition of Biomere. The others expenses as a percentage of the total administrative expenses remained relatively stable at 10.1% in 2019. The absolute amount of others expenses decreased from RMB10.6 million for the nine months ended September 30, 2019 to RMB9.9 million for the nine months ended September 30, 2020, primarily attributable to the decreased credit impairment loss as we implemented better debtors management and the optimization of aging structure during the nine months period ended September 30, 2020, partially offset by the increased other miscellaneous expenses due to the acquisition of Biomere since December 2019.

Research and Development Expenses

Our research and development expenses primarily consist of staff costs relating to our R&D personnel and cost of raw materials used for R&D. We do not have a dedicated team of R&D personnel in charge of specific R&D projects. During the Track Record Period, our R&D personnel were primarily engaged in building our research model platforms, establishing and upgrading our research-related technologies and infrastructure, and participating in different government-sponsored research projects. In the years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2019 and 2020, we recorded research and development expenses of RMB25.6 million, RMB23.7 million, RMB39.6 million, RMB26.7 million and RMB48.9 million, respectively. Our staff costs in research and development expenses amounted to RMB9.7 million, RMB14.7 million, RMB24.1 million, RMB17.8 million and RMB22.3 million during the same periods, respectively. The cost of raw materials for research and development amounted to RMB12.0 million, RMB6.5 million, RMB7.8 million, RMB4.8 million and RMB14.2 million during the same periods, respectively.

Income Tax Expense

Our income tax expense primarily consists of the current income tax at the statutory rates applicable to our assessable profit before tax as determined under relevant laws and regulations in China and the United States. In the years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2019 and 2020, our income tax expense was RMB17.5 million, RMB19.5 million, RMB29.1 million, RMB14.8 million and RMB17.8 million, respectively.

The following table sets forth a breakdown of our income tax expenses for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,	
	2017	2018	2019	2019	2020
	(in RMB thousand)				
Current tax					
Provision for the year/period	14,536	20,235	32,912	11,096	14,388
Under/(over)-provision in respect of prior year/period	2,783	94	(505)	(505)	–
	17,319	20,329	32,407	10,591	14,388
Deferred tax					
Origination and reversal of temporary differences	183	(855)	(3,325)	4,191	3,387
Total income tax expense	17,502	19,474	29,082	14,782	17,775

Profit for the Year

We recorded profit for the year/period of RMB79.9 million, RMB105.3 million, RMB187.7 million, RMB85.9 million and RMB141.9 million for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively. For the same periods, our net profit margin was 26.5%, 25.8%, 29.4%, 25.0% and 22.5%, respectively.

The biological assets fair value adjustments had a relatively limited impact on our profit for the year/period for years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2019. The biological assets fair value adjustments had a positive impact of RMB25.3 million on our profit for the period for the nine months ended September 30, 2020, primarily due to the significant increase in the unit price of non-human primate research models in the same period which led to an increase in the fair value of our non-human primate research model population.

Biomere's profit for the period was RMB19.2 million for the nine months ended September 30, 2020, accounting for 13.5% of our profit for the period for the same period.

TAXATION

PRC

Under the Enterprise Income Tax of the PRC (the "EIT Law") (《中華人民共和國企業所得税法》) and its implementation regulation, the standard EIT rate of the PRC subsidiaries is 25%. For the PRC subsidiaries qualified as High and New Technology Enterprise ("HNTEs") by the relevant government authorities, they are subject to a preferential rate of 15%. The vast majority of our profits generated by our PRC entities were entitled to the preferential EIT rate of 15% during the Track Record Period as such entities qualified as HNTEs.

The United States

We are subject to U.S. federal and state income taxes. The tax rate for Federal Income Tax for our U.S. subsidiaries was 35% for the year ended December 31, 2017. On December 22, 2017, the 2017 Tax Cuts and Jobs Act was enacted, which reduces the federal corporate tax rate from 35% to 21% and is effective on January 1, 2018. The income subject to tax in a specific state (i.e. state taxable income) is calculated based on the federal taxable income with state tax adjustments, which is then allocated or apportioned to the respective states (i.e., the percentage of taxable income that should be apportioned or specially allocated to the respective states in which our subsidiaries operates).

Hong Kong

Our subsidiary incorporated in Hong Kong was subject to Hong Kong Profits Tax rate of 16.5% during the year ended December 31, 2017. The two-tiered profits tax rates regime is applicable from the year of assessment 2018/19 onwards. The profits tax rate for the first 2,000,000 Hong Kong Dollars ("HK$") profits of corporations is lowered to 8.25%, and profits above that amount continue to be subject to the tax rate of 16.5%.

DISCUSSION OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2020 Compared with the Nine Months Ended September 30, 2019

Revenue

Our total revenue increased by 83.5% from RMB344.2 million in the nine months ended September 30, 2019 to RMB631.5 million in the nine months ended September 30, 2020. The increase was driven by the increase in revenue generated from non-clinical studies services.

Non-clinical studies services

Revenue generated from our non-clinical studies services increased by 85.5% from RMB337.9 million in the nine months ended September 30, 2019 to RMB626.8 million in the nine months ended September 30, 2020. The increase was primarily due to (i) the revenue contribution of RMB157.8 million for the nine months ended September 30, 2020 from Biomere which was acquired by us in December 2019 and (ii) the organic growth of the non-clinical studies services business of our Group (excluding Biomere) by 38.8% from RMB337.9 million in the nine months ended September 30, 2019 to RMB469.0 million in the nine months ended September 30, 2020, primarily due to the rising customer demand for our non-clinical studies services. The total number of non-clinical studies we completed increased from approximately 1,550 in the nine months ended September 30, 2019 to approximately 2,940 in the nine months ended September 30, 2020, as a result of our continuously improved market reputation and service capabilities, as well as our acquisition of Biomere.

Clinical trial and related services

Our clinical trial and related services was still at a very early stage of initial investments and ramp-up in the first nine months ended September 30, 2020. Its revenue decreased by 7.8% from RMB3.6 million in the nine months ended September 30, 2019 to RMB3.3 million in the nine months ended September 30, 2020. For the nine months ended September 30, 2019 and 2020, we provided clinical trial and related services to 51 and 84 projects, respectively. Despite the increase in the number of projects for the nine months ended September 30, 2020, certain of our clinical trial and related services were delayed primarily attributable to our temporary reduced access to clinical facilities in hospitals due to the COVID-19 outbreak, which caused our delivery schedules and accordingly our revenues to fluctuate. Such fluctuation may not be indicative of the future trends of our clinical trial and related services as the COVID-19 outbreak has been well under control in China.

Sales of research models

Revenue generated from sales of rodent research models decreased by 47.6% from RMB2.7 million in the nine months ended September 30, 2019 to RMB1.4 million in the nine months ended September 30, 2020 as a result of our strategic decision to downsize the sales of rodent research models and related products in view of the saturated industry competition and our strategic plan to invest in the development of an integrated non-human primate research model platform and facilities in the long run.

Cost of Services

Our cost of services increased by 83.4% from RMB170.4 million in the nine months ended September 30, 2019 to RMB312.6 million in the nine months ended September 30, 2020, which was largely in line with our revenue growth. The increase of our cost of services was partly due to our acquisition of Biomere in 2019, whose cost of services for the nine months ended September 30, 2020 was RMB82.0 million, representing 26.2% of our total cost of services.

Our costs of supplies increased by 88.3% from RMB75.4 million in the nine months ended September 30, 2019 to RMB142.0 million in the nine months ended September 30, 2020, primarily due to (i) an increase in the total amount of supplies procured and consumed to support the growing number of our non-clinical studies services, and (ii) the rising market price of non-human primate research models which were in high demand in certain non-clinical studies services such as those related to large molecular drug candidates.

Our direct labor costs increased by 66.4% from RMB59.5 million in the nine months ended September 30, 2019 to RMB99.0 million in the nine months ended September 30, 2020, primarily due to an increase in the total number of project related employees to support our business growth and their increased compensation levels.

Our overhead costs increased by 117.3% from RMB32.5 million in the nine months ended September 30, 2019 to RMB70.6 million in the nine months ended September 30, 2020 as we continued to engage in an increasing number of non-clinical studies services.

The effect of biological assets fair value adjustments on cost of services decreased from RMB3.0 million in the nine months ended September 30, 2019 to RMB1.0 million in the nine months ended September 30, 2020 due to the decreased usage of research models hosted and supplied by our Nanning facilities in our completed studies. The effect of biological assets fair value adjustments on cost of services was not material during such periods.

Gross Profit and Gross Profit Margin

Our gross profit increased by 83.5% from RMB173.8 million in the nine months ended September 30, 2019 to RMB318.9 million in the nine months ended September 30, 2020. For the nine months ended September 30, 2020, Biomere's gross profit was RMB75.8 million, accounting for 23.8% of our gross profit for the same period. Our gross profit margin remained relatively stable at 50.5% in the nine months ended September 30, 2019 and 50.5% in the nine months ended September 30, 2020. Our gross profit and gross profit margin for the nine months ended September 30, 2019 and 2020 were not significantly impacted by our biological assets fair value adjustments which are included in our cost of services.

Our gross profit and gross profit margin were mainly driven by the gross profit and gross profit margin of our non-clinical studies services, which accounted for substantially all of our total revenue during such periods. Gross profit or gross profit margin of our non-clinical studies services were not significantly affected by biological assets fair value adjustments.

Gross profit of our non-clinical studies services increased from RMB174.2 million for the nine months ended September 30, 2019 to RMB318.2 million for the nine months ended September 30, 2020, driven by the growth of our business both in the United States due to our acquisition of Biomere in December 2019 and in China due to the rising customer demand for our non-clinical studies services. Gross profit margin of our non-clinical studies services slightly decreased from 51.5% to 50.8% for the same periods due to an increase in the costs of non-human primate research models procured to support our non-clinical studies services and our acquisition of Biomere which primarily offers non-GLP services that typically have a relatively lower profit margin as compared to our GLP-compliant non-clinical studies services.

Other Gains and Losses, Net

The increase of gains arising from changes in fair value of biological assets from RMB11.7 million for the nine months ended September 30, 2019 to RMB27.3 million for the nine months ended September 30, 2020 was mainly due to the increased unit fair value in line with the increased market price of non-human primate research models.

Our other gains and losses, net (excluding gains arising from changes in fair value of biological assets) increased by 31.5% from a gain of RMB17.8 million in the nine months ended September 30, 2019 to RMB23.4 million in the nine months ended September 30, 2020, primarily due to the increase of the government grants from RMB6.8 million to RMB19.7 million in the same periods due to our participation in government-sponsored research projects.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 21.5% from RMB8.1 million in the nine months ended September 30, 2019 to RMB9.8 million in the nine months ended September 30, 2020. The increase was mainly attributable to the increase in staff costs from RMB5.2 million for the nine months ended September 30, 2019 to RMB7.0 million for the nine months ended September 30, 2020 due to an increase of the number of selling and marketing personnel to support our business growth and their increased compensation levels, partially offset by a decreased amount of office and other expenses such as travel and event expenses due to temporarily reduced levels of business development activities during the COVID-19 outbreak.

General and Administrative Expenses

Our general and administrative expenses increased by 120.0% from RMB67.6 million in the nine months ended September 30, 2019 to RMB148.6 million in the nine months ended September 30, 2020, primarily driven by (i) the increased staff costs from RMB31.7 million for the nine months ended September 30, 2019 to RMB78.9 million for the nine months ended

September 30, 2020 due to an increased number of administrative personnel to support our growth of business and as a result of our consolidation of employees of Biomere in December 2019, and (ii) the increased equity-settled share-based payment expenses from RMB5.1 million for the nine months ended September 30, 2019 to RMB23.1 million for the nine months ended September 30, 2020 to incentivize our employees to support our growth.

Research and Development Expenses

Our research and development expenses increased by 82.8% from RMB26.7 million in the nine months ended September 30, 2019 to RMB48.9 million in the nine months ended September 30, 2020, primarily due to the increased staff costs and cost of raw materials for R&D from RMB17.8 million and RMB4.8 million, respectively, for the nine months ended September 30, 2019 to RMB22.3 million and RMB14.2 million, respectively, for the nine months ended September 30, 2020, primarily because of (i) our participation in a national government-sponsored R&D project where we incurred additional costs and expenses in performing the research, and (ii) the increased number of staff and increased compensation levels.

Finance Costs

Our finance costs increased from RMB0.2 million in the nine months ended September 30, 2019 to RMB2.7 million in the nine months ended September 30, 2020, primarily due to the increase of interest on lease liabilities from RMB0.2 million for the nine months ended September 30, 2019 to RMB2.0 million for the nine months ended September 30, 2020, as well as the increase of interests on interest-bearing borrowings from nil to RMB0.7 million for the same periods, which were incurred by Biomere in its ordinary course of business.

Income Tax Expense

Our income tax expense increased by 20.2% from RMB14.8 million in the nine months ended September 30, 2019 to RMB17.8 million in the nine months ended September 30, 2020, primarily due to the increased revenues generated by the growth of our business. Our effective tax rate (calculated by income tax expense divided by profit before taxation) decreased from 14.7% in the nine months ended September 30, 2019 to 11.1% in the nine months ended September 30, 2020, primarily due to the increased deduction of research and development expenses for the nine months ended September 30, 2020.

Profit for the Period

As the result of the foregoing reasons, our profit for the period increased by 65.1% from RMB85.9 million in the nine months ended September 30, 2019 to RMB141.9 million in the nine months ended September 30, 2020. For the nine months ended September 30, 2020, Biomere's profit for the period was RMB19.2 million, accounting for 13.5% of our profit for the period for the same period. Our net profit margin decreased from 25.0% for the nine months ended September 30, 2019 to 22.5% for the nine months ended September 30, 2020, primarily

due to (i) the increased general and administrative expenses for reasons discussed above and (ii) our acquisition of Biomere which primarily offered non-GLP services with a relatively lower profit margin. The fair value adjustments of our biological assets had a positive impact of RMB25.3 million on our profit for the period for the nine months ended September 30, 2020, primarily due to the significant increase in the unit price of non-human primate research models in the same period which led to an increase in the fair value of our non-human primate research model population.

Year Ended December 31, 2019 Compared with the Year Ended December 31, 2018

Revenue

Our total revenue increased by 56.4% from RMB408.8 million in 2018 to RMB639.4 million in 2019. The increase was driven by the increase in revenue generated from non-clinical studies services.

Non-clinical studies services

Revenue generated from our non-clinical studies services increased by 56.1% from RMB403.8 million in 2018 to RMB630.2 million in 2019. The increase was primarily due to the expansion of our Suzhou facilities that added laboratories and research model facilities with a GFA of approximately 11,000 sq.m. and an increased number of customers for our non-clinical studies services from approximately 340 in 2018 to approximately 420 in 2019. The total number of non-clinical studies we completed increased from approximately 2,030 in 2018 to approximately 2,930 in the 2019, as a result of our continuously improved market reputation and service capabilities.

Clinical trial and related services

Revenue generated from our clinical trial and related services increased significantly from RMB0.2 million in 2018 to RMB4.9 million in 2019. The increase was primarily due to our commencement of clinical trial operations in late 2018 and its ramp-up in 2019. In addition, the increase was also due to the increase of revenue generated by our pharmacovigilance services, driven by our investments in talent and service offerings as well as our business development efforts.

Sales of research models

Revenue generated from sales of research models decreased by 12.1% from RMB4.9 million in 2018 to RMB4.3 million in 2019 as a result of our strategic decision to downsize the sales of rodent research models and related products in view of the saturated industry competition and our strategic plan to invest in the development of an integrated non-human primate research model platform and facilities in the long run.

Cost of Services

Our cost of services increased by 55.2% from RMB200.1 million in 2018 to RMB310.6 million in 2019, which was largely in line with our revenue growth in the same periods.

Our cost of supplies increased by 60.1% from RMB89.0 million in 2018 to RMB142.5 million in 2019, primarily due to (i) an increase in the total amount of supplies procured and consumed to support our growing number of non-clinical studies services, and to a lesser extent, (ii) the rising market price of non-human primate research models which were in high demand in certain non-clinical studies services such as those related to large molecular drug candidates.

Our direct labor costs increased by 83.1% from RMB60.3 million in 2018 to RMB110.3 million in 2019, primarily due to an increase in the total number of project related employees to support our business growth and their increased compensation levels.

Our overhead costs increased by 24.2% from RMB43.7 million in 2018 to RMB54.3 million in 2019 as we continued to engage in an increasing number of non-clinical studies services.

The effect of biological assets fair value adjustments on cost of services decreased by 51.5% from RMB7.2 million in 2018 to RMB3.5 million in 2019 due to the decreased usage of research models hosted and supplied by our Nanning facilities in our completed studies. The effect of biological assets fair value adjustments on cost of services was not material during such periods.

Gross Profit and Gross Profit Margin

Our gross profit increased by 57.6% from RMB208.7 million in 2018 to RMB328.8 million in 2019. Our gross profit margin remained relatively stable at 51.0% in 2018 and 51.4% in 2019. Our gross profit and gross profit margin for years 2018 and 2019 were not significantly impacted by our biological assets fair value adjustments which are included in our cost of services.

Our gross profit and gross profit margin were mainly driven by the gross profit and gross profit margin of our non-clinical studies services, which accounted for substantially all of our total revenue during such periods. Gross profit or gross profit margin of our non-clinical studies services were not significantly affected by biological assets fair value adjustments.

Gross profit of our non-clinical studies services increased by 53.8% from RMB213.9 million in 2018 to RMB329.0 million in 2019, driven by the increasing customer demands for our non-clinical studies services and the expansion of the capacity of our facilities which allowed us to take on more projects. Gross profit margin of our non-clinical studies services remained relatively stable at 53.0% in 2018 and 52.2% in 2019.

Other Gains and Losses, Net

The increase of gains arising from changes in fair value of biological assets from RMB0.8 million in 2018 to RMB13.1 million in 2019 was mainly due to the increase in unit fair value of biological assets in line with the increased market price of non-human primate research models and the relative small decrease of the number of research models.

Our other gains and losses, net (excluding gains arising from changes in fair value of biological assets) increased by 15.3% from RMB26.0 million in 2018 to RMB30.0 million in 2019, primarily due to the increase of the government grants from RMB10.6 million to RMB17.6 million in the same periods due to our participation in certain government-sponsored research projects.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 88.2% from RMB6.6 million in 2018 to RMB12.5 million in 2019. The increase was mainly attributable to the increase in staff costs from RMB3.4 million in 2018 to RMB8.0 million in 2019 due to an increase of the number of selling and marketing personnel to support our business growth and their increased compensation levels.

General and Administrative Expenses

Our general and administrative expenses increased by 27.9% from RMB80.3 million in 2018 to RMB102.7 million in 2019, which was mainly attributable to (i) the increased staff costs from RMB28.3 million in 2018 to RMB43.6 million in 2019 due to an increased number of administrative personnel to support the growth of our business; (ii) the increased equity-settled share-based payment expenses from RMB8.3 million in 2018 to RMB11.7 million in 2019 to incentivize our employees to support our growth; and (iii) to a lesser extent, professional advisory fees incurred in relation to our acquisition of Biomere in December 2019.

Research and Development Expenses

Our research and development expenses increased by 67.3% from RMB23.7 million in 2018 to RMB39.6 million in 2019, primarily due to the increased staff costs from RMB14.7 million in 2018 to RMB24.1 million in 2019 because of (i) our participation in a national government-sponsored R&D project and (ii) an increase of the number of employees engaged in research and development projects and their increased compensation levels.

Finance Costs

Our finance costs increased from RMB0.09 million in 2018 to RMB0.3 million in 2019, primarily due to the increase of interest on lease liabilities from RMB0.09 million in 2018 to RMB0.3 million in 2019 in relation to our expanding facilities.

Income Tax Expense

Our income tax expense increased by 49.3% from RMB19.5 million in 2018 to RMB29.1 million in 2019, primarily due to the increased profit before tax generated by the growth of our business. Our effective tax rate (calculated by the income tax expense divided by profit before taxation) decreased from 15.6% in 2018 to 13.4% in 2019, primarily due to the increased deferred income tax assets in relation to the loss arising from our clinical studies and related services during such periods.

Profit for the Year

As the result of the foregoing reasons, our profit for the year increased by 78.2% from RMB105.3 million in 2018 to RMB187.7 million in 2019. Our net profit margin increased from 25.8% in 2018 to 29.4% in 2019, primarily due to the continuous improvement in the cost efficiency of our operations as we continued to scale our operations. The biological assets fair value adjustments had a limited impact on our profit for 2018 and 2019.

Year Ended December 31, 2018 Compared with the Year Ended December 31, 2017

Revenue

Our total revenue increased by 35.7% from RMB301.3 million in 2017 to RMB408.8 million in 2018. The increase was driven by the increase in revenue generated from non-clinical studies services.

Non-clinical studies services

Revenue generated from our non-clinical studies services increased by 38.1% from RMB292.3 million in 2017 to RMB403.8 million in 2018. The increase was primarily due to the expansion of our Suzhou facilities that added laboratories and research model facilities with a GFA of approximately 2,600 sq.m. and an increased number of customers for our non-clinical studies services from approximately 270 in 2017 to approximately 340 in 2018. The total number of non-clinical studies we completed increased from approximately 1,580 in 2017 to approximately 2,030 in the 2018.

Clinical trial and related services

We commenced pharmacovigilance services as part of our integrated clinical trial and related services in 2018, generating a total revenue of RMB0.2 million. We did not engage in clinical trial and related services in 2017.

Sales of research models

Revenue generated from sales of rodent research models decreased by 45.9% from RMB9.0 million in 2017 to RMB4.9 million in 2018 as a result of our strategic shift to downsize the sales of certain research models and related products in view of the saturated industry competition and our strategic plan to invest in the development of a first-class non-human primate research model platform with production at scale in the long run.

Cost of Services

Our cost of services increased by 47.6% from RMB135.6 million in 2017 to RMB200.1 million in 2018.

Our direct labor costs increased by 32.7% from RMB45.4 million in 2017 to RMB60.3 million in 2018, primarily due to an increase in the total number of project related employees to support our business growth.

Our cost of supplies increased by 30.1% from RMB68.4 million in 2017 to RMB89.0 million in 2018, primarily due to an increase in the total amount of supplies procured and consumed to support our growing number of non-clinical studies services.

Our overhead costs increased by 134.1% from RMB18.7 million in 2017 to RMB43.7 million in 2018, primarily due to the upfront costs incurred to commence our clinical trial and related services as well as an increasing number of non-clinical studies services.

The effect of biological assets fair value adjustments on cost of services increased by 128.8% from RMB3.1 million in 2017 to RMB7.2 million in 2018, primarily due to the increased usage of research models hosted and supplied by our Nanning facilities in our completed studies. The effect of biological assets fair value adjustments on cost of services was not material.

Gross Profit and Gross Profit Margin

Our gross profit increased by 26.0% from RMB165.7 million in 2017 to RMB208.7 million in 2018. Our gross profit margin slightly decreased from 55.0% in 2017 to 51% in 2018. Our gross profit and gross profit margin for years 2017 and 2018 were not significantly impacted by our biological assets fair value adjustments which are included in our cost of services.

Our gross profit and gross profit margin were mainly driven by the gross profit and gross profit margin of our non-clinical studies services, which accounted for substantially all of our total revenue during such periods. Gross profit or gross profit margin of our non-clinical studies services were not affected by biological assets fair value adjustments.

Gross profit of our non-clinical studies services increased by 31.2% from RMB163.1 million in 2017 to RMB213.9 million in 2018, driven by the increasing customer demands for our non-clinical studies services and the expansion of the capacity of our facilities which allowed us to take on more projects. Gross profit margin of our non-clinical studies services slightly decreased from 55.8% in 2017 to 53.0% in 2018, primarily due to the growth of DMPK studies service and pharmacology and efficacy studies services which are non-GLP services and generally carry lower gross margins compared to our GLP-compliant drug safety assessment services. Revenue generated from DMPK studies service and pharmacology and efficacy studies service increased from RMB1.7 million in 2017 to RMB36.6 million in 2018, and accounted for 0.6% and 8.9% of our total revenue in 2017 and 2018, respectively.

Other Gains and Losses, Net

The decrease of gains arising from changes in fair value of biological assets from RMB7.7 million in 2017 to RMB0.8 million in 2018 was mainly due to our humane culling of the non-human primate research model population as part of our continuous efforts to upgrade and optimize our non-human primate research model colonies to better suit the needs of our non-clinical studies in compliance with relevant laws and regulations, as well as the natural mortality of such research models.

Our other gains and losses, net (excluding gains arising from changes in fair value of biological assets) increased by 117.9% from RMB11.9 million in 2017 to RMB26.0 million in 2018, primarily due to the increase of RMB9.1 million in change in fair value of financial assets at FVTPL pursuant to our investment strategy in wealth management products.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 15.2% from RMB5.8 million in 2017 to RMB6.6 million in 2018. Such increase was mainly attributable to the increase in staff costs from RMB2.5 million in 2017 to RMB3.4 million in 2018 due to an increase of the number of selling and marketing personnel to support our business growth.

General and Administrative Expenses

Our general and administrative expenses increased by 41.9% from RMB56.6 million in 2017 to RMB80.3 million in 2018. The increase was mainly due to (i) the increased staff costs from RMB18.2 million in 2017 to RMB28.3 million in 2018 due to an increasing number of administrative personnel to support our growth of business and (ii) the increased equity-settled share-based payment expenses from nil in 2017 to RMB8.3 million in 2018 to incentivize our employees to support our growth.

Finance Costs

Our finance costs increased from RMB0.02 million in 2017 to RMB0.09 million in 2018, primarily due to the increase of interest on lease liabilities from nil in 2017 to RMB0.09 million in 2018 in relation to our Beijing headquarter offices.

Research and Development Expenses

Our research and development expenses decreased by 7.4% from RMB25.6 million in 2017 to RMB23.7 million in 2018. The decrease was mainly attributable to the decreased raw material costs in relation to our government-sponsored research and development activities from RMB12.0 million in 2017 to RMB6.5 million in 2018, partially offset by the increased staff costs from RMB9.7 million in 2017 to RMB14.7 million in 2018. The raw material costs in 2018 were lower than those in 2017 primarily due to the significant expenses incurred in 2017 by us to procure raw materials for conducting the government-sponsored R&D projects in 2017. The staff costs increased due to an increase of the number of personnel engaged in research and development activities.

Income Tax Expense

Our income tax expense increased by 11.3% from RMB17.5 million in 2017 to RMB19.5 million in 2018, primarily due to the increased revenues generated by the growth of our business. Our effective tax rate (calculated by the income tax expense divided by profit before taxation) decreased from 18.0% in 2017 to 15.6% in 2018, primarily due to the increased deduction of research and development expense in 2018 as a result of favorable tax law changes.

Profit for the Year

As the result of the foregoing reasons, our profit for the year increased by 31.8% from RMB79.9 million in 2017 to RMB105.3 million in 2018. Our net profit margin remained relatively stable at 26.5% in 2017 and 25.8% in 2018. The biological assets fair value adjustments had a limited impact, mainly attributable to our decision to downsize the sales and maintenance of certain types of research models, on our profit for the year for 2017 and 2018.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth our non-current assets, current assets, current liabilities and net current assets for the dates indicated.

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	(RMB in thousands)			
Property plant and equipment	317,653	409,150	576,320	629,421
Intangible assets	3,838	9,985	69,316	63,748
Goodwill	–	–	133,962	130,772
Biological assets	16,480	12,489	11,949	15,487
Financial assets at FVOCI	–	–	12,000	59,336
Other non-current assets	11,770	23,942	25,094	43,989
Deferred tax assets	4,458	6,908	25,581	38,962
Non-current assets	**354,199**	**462,474**	**854,222**	**981,715**

	As of December 31,			As of September 30,	As of December 31,
	2017	2018	2019	2020	2020
			(RMB in thousands)		*(unaudited)*
Inventories	10,338	12,969	49,555	73,266	91,011
Contract costs	69,265	99,921	148,437	276,705	247,742
Biological assets	27,690	10,022	18,990	32,465	67,462
Contract assets	11,231	18,414	69,645	41,358	66,812
Trade and bills receivables	40,543	56,476	97,388	78,982	91,041
Prepayments and other receivables	5,551	19,321	24,245	46,383	73,191
Financial assets at fair value through profit or loss ("FVTPL")	200,692	348,686	130,701	187,250	239,062
Cash at bank and on hand	254,617	148,693	176,958	199,888	308,690
Current assets	**619,927**	**714,502**	**715,919**	**936,297**	**1,185,011**
Interest-bearing borrowings	–	–	13,148	3,203	3,081
Trade payables	10,116	14,552	34,086	54,920	61,009
Contract liabilities	275,665	349,285	394,791	540,538	583,537
Other payables	29,789	51,216	81,623	106,784	92,055
Lease liabilities	–	693	12,474	15,000	14,520
Income tax payable	7,536	8,760	17,929	5,372	20,583
Current liabilities	**323,106**	**424,506**	**554,051**	**725,817**	**774,785**
Net current assets	**296,821**	**289,996**	**161,868**	**210,480**	**410,226**

Our net current assets remained relatively stable from RMB296.8 million as of December 31, 2017 to RMB290.0 million as of December 31, 2018.

Our net current assets decreased to RMB161.9 million as of December 31, 2019 from RMB290.0 million as of December 31, 2018 primarily due to an increase of current liabilities by RMB129.5 million.

Our net current assets increased from RMB161.9 million as of December 31, 2019 to RMB210.5 million as of September 30, 2020. Such increase was mainly due to (i) a RMB128.3 million increase in contract costs, (ii) a RMB56.5 million increase in financial assets at FVTPL, (iii) a RMB23.7 million increase in inventories, (iv) a RMB22.9 million increase in cash at bank and on hand, (v) a RMB22.1 million increase in prepayments and other receivables, (vi) a RMB13.5 million increase in biological assets which are classified as current assets, and (vii) a RMB12.6 million decrease in income tax payable, which increases were partially offset by (i) a RMB145.7 million increase in contract liabilities, (ii) a RMB28.3 million decrease in contract assets, and (iii) a RMB18.4 million decrease in trade and bills receivables.

Biomere's total assets was RMB340.6 million as of September 30, 2020, accounting for 17.8% of our total assets as of September 30, 2020.

Inventories

Our inventories mainly include consumables and research models used in relation to our non-clinical studies services and clinical trial and related services. We typically procure rodent research models on an as-needed basis by tracking the progress of the relevant non-clinical studies services, whereas we purchase a large batch of non-human primate research models upfront to ensure a stable and sufficient supply with consistent quality and reasonable pricing for an extended period of time. For general-purpose consumables, we typically procure them on an as-needed basis when the level of inventory is close or below the pre-set minimal stock level.

Our inventories increased from RMB10.3 million as of December 31, 2017 to RMB13.0 million as of December 31, 2018, primarily due to the growth of customer demand for our non-clinical studies services which led us to increase in the level of inventories.

Our inventories increased from RMB13.0 million as of December 31, 2018 to RMB49.6 million as of December 31, 2019 and further increased to RMB73.3 million as of September 30, 2020, primarily due to (i) the growth of our business which required us to continuously increase the level of inventories, (ii) the continuous increase in the market price of the non-human primate research models in 2019 and 2020 due to market conditions, and (iii) our strategic decision to procure a large batch of non-human primate research models upfront to ensure a stable and sufficient supply with consistent quality and reasonable pricing in view of the growing demand for our services.

The table below sets forth our inventory turnover days for the years or periods indicated:

	For the year ended December 31,			For the nine months ended September 30,
	2017	2018	2019	2020
Inventory turnover days[(1)] . .	26	21	37	54

(1) Inventory turnover days for a year or a period is the arithmetic mean of the beginning and ending balances of inventory for the relevant year or period divided by the sum of cost of services for the relevant year and multiplied by 365 days for 2017, 2018 and 2019 or by 273 days for the nine months ended September 30, 2019 and 2020.

Our inventory turnover days remained relatively stable at 26 days in 2017 and 21 days in 2018. Our inventory turnover days increased from 21 days in 2018 to 37 days in 2019 and further increased to 54 days because we purchased a large quantity of non-human primate research models in late 2019 and in 2020 to ensure a stable and sufficient supply with consistent quality and reasonable pricing for our future use.

As of December 31, 2020, approximately RMB53.2 million, or 72.7%, of our inventory as of September 30, 2020 had been subsequently consumed.

Contract Costs

Our contract costs primarily relate to our costs to fulfill service contracts with our customers which are not capitalized as inventory. Our contract costs increased by 44.3% from RMB69.3 million as of December 31, 2017 to RMB99.9 million as of December 31, 2018, and further increased by 48.6% to RMB148.4 million as of December 31, 2019, and then increased by 86.4% to RMB276.7 million as of September 30, 2020. The continuous increase in our contract costs was primarily because of (i) the increased total number of projects we conducted and (ii) the increasing cost of supplies and direct labor costs which led to higher contract costs of projects that were not completed yet by the year end. During the Track Record Period, our project management department closely monitored the progress of our projects to ensure their timely completion in accordance with the terms of the contracts. We had not experienced any material delay to our projects during the Track Record Period.

As of December 31, 2020, approximately RMB166.6 million, or 60.2%, of our contract costs as of September 30, 2020 had been subsequently recognized in profit or loss.

Biological Assets

During the Track Record Period, our biological assets mainly consist of non-human primate research models hosted at our Nanning facilities primarily for scientific research and breeding purposes. Our biological assets are used for our non-clinical studies services, which are classified as current assets, and for purposes of breeding, which are classified as non-current assets.

The following table sets forth a breakdown of our non-human primate research models which accounted for substantially all of our biological assets as of the dates indicated.

	As of December 31,						As of September 30,	
	2017		2018		2019		2020	
	Quantity (heads)	*Fair Value (RMB in thousands)*	*Quantity (heads)*	*Fair Value (RMB in thousands)*	*Quantity (heads)*	*Fair Value (RMB in thousands)*	*Quantity (heads)*	*Fair Value (RMB in thousands)*
Non-current assets								
– Non-human primates for breeding	1,948	16,380	1,349	12,475	783	11,949	685	15,470
Current assets								
– Non-human primates for non-clinical studies	4,418	26,965	1,908	9,874	1,870	18,815	1,547	32,184
Total		43,345		22,349		30,764		47,654

During the Track Record Period, our biological assets mainly included our non-human primate research models that we hosted at our Nanning facilities. In addition, our biological assets also included rodent and canine research models of immaterial value. The total fair value of such rodent and canine research models and the changes of quantities of such research models did not have any material impact on our operating results during such periods.

The quantity and fair value of our non-human primate research models decreased from 6,366 and RMB43.3 million, respectively as of December 31, 2017 to 3,257 and RMB22.3 million respectively as of December 31, 2018 primarily due to our humane culling of the non-human primate research model population as part of our continuous efforts to upgrade and optimize our non-human primate research model colonies to better suit the needs of our non-clinical studies in compliance with relevant laws and regulations, as well as the natural mortality of such research models. For the same reason, the quantity of our non-human primate research models decreased to 2,653 as of December 31, 2019. The quantity of our non-human primate research models further decreased to 2,232 as of September 30, 2020, primarily due to the intragroup transactions of the non-human primate research models hosted and supplied by

our Nanning facilities to support non-clinical studies in our Beijing and Suzhou facilities, and to a lesser extent, due to natural mortality of such research models. The fair value of the non-human primate research models increased to RMB30.8 million as of December 31, 2019 and further increased to RMB47.7 million as of September 30, 2020, primarily due to the increased market price of non-human primate research models.

As of December 31, 2017, 2018 and 2019 and September 30, 2020, the fair value of our biological assets represented 4.5%, 1.9%, 2.0% and 2.5% of our total assets, respectively.

Our biological assets were independently valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), which is an independent professional appraiser not connected with us and has extensive experience in valuation of biological assets. See "— Valuation of Biological Assets" below.

Contract Assets

Our contract assets primarily relate to our contractual rights to receive consideration for work completed but not yet billed to our customers because the rights to receive payments from our customers are conditioned upon our future performance pursuant to the terms of the relevant service contracts. Contract assets are transferred to trade and bills receivables when the rights to receive payment from our customers have become unconditional. For details, see "— Critical Accounting Policies and Estimates — Contract Assets."

Our contract assets increased by 64.0% from RMB11.2 million as of December 31, 2017 to RMB18.4 million as of December 31, 2018, and further increased by 278.2% to RMB69.6 million as of December 31, 2019. The continuous increase in our contract assets was primarily due to the increase in numbers of projects we conducted for our customers which led to increased contractual obligations that were not yet fully fulfilled by us by the end of each period. Our contract assets decreased by 40.6% from RMB69.6 million as of December 31, 2019 to RMB41.4 million as of September 30, 2020, mainly due to a decrease in the number of unfulfilled contracts primarily due to the mix of different completion schedules under our service contracts.

For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, the turnover days for our contract assets were 11 days, 13 days, 25 days and 24 days, respectively. We calculate the contract assets turnover days by using the average of the opening and closing balance of the contract assets balance divided by the corresponding revenues for the relevant periods, and then multiplied by the number of days during such periods.

The turnover days of contract assets were relatively stable at 11 days in 2017 and 13 days in 2018. Our contract assets turnover days increased from 13 days in 2018 to 25 days in 2019 primarily due to the increased balance of contract assets as a result of the growth of our non-clinical services in such periods. The contract assets turnover days remained stable at 24 days for the nine months ended September 30, 2020.

As of December 31, 2020, RMB20.5 million or 49.4% of our contract assets as of September 30, 2020 had been subsequently billed. Our Directors believe such billing percentage of contract assets within a period of three months is reasonable, taking into account factors including the typical lengths of our non-clinical studies projects, the relatively infrequent billing cycles and milestones for such projects, as well as payment terms including favorable terms granted to certain key customers, all of which are consistent with the industry norm.

Our contract assets are classified into (i) within one year and (ii) over one year. As of the end of each reporting period, our contract assets were aged within one year.

Trade and Bills Receivables

Our trade and bills receivables primarily represent the outstanding amount receivable from our customers in consideration for our services that have been already billed to our customers. We bill our customers according to different fee models. See "Business — Our Fee Models" for more information.

The following table sets forth a breakdown of our trade and bills receivables as of the dates indicated. As a general company policy, we do not encourage collecting payments in the form of bills receivable, therefore the total amount of bills receivable was relatively immaterial compared to the amount of trade receivables during the relevant periods.

	As of December 31,			As of September 30,
	2017	**2018**	**2019**	**2020**
	(RMB in thousands)			
Trade receivables	44,396	57,863	106,773	82,969
Less: loss allowance	(6,856)	(7,443)	(11,296)	(5,732)
	37,540	50,420	95,477	77,237
Bills receivables	3,003	6,056	1,911	1,745
Total trade and bills receivables	40,543	56,476	97,388	78,982

During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute or disagreement with our customers in relation to the timing, amounts of billing or the collection of our trade and bills receivables.

Our trade and bills receivables increased by 39.3% from RMB40.5 million as of December 31, 2017 to RMB56.5 million as of December 31, 2018, and further increased by 72.4% to RMB97.4 million as of December 31, 2019. The continuous increase was primarily due to increased trade receivables from third parties which was generally in line with our business growth, and to a lesser extent, due to our acquisition of Biomere in December 2019. Our trade and bills receivables decreased by 18.9% from RMB97.4 million as of December 31, 2019 to RMB79.0 million as of September 30, 2020, primarily due to our increased efforts in collecting trade and bills receivables.

We typically grant our customers credit period ranging from 21 to 45 days from the day of billing. The following table sets forth an aging analysis of our trade and bills receivables, based on the invoice dates and net of loss allowance, as of the dates indicated.

	As of December 31,			As of September 30,
	2017	2018	2019	2020
		(RMB in thousands)		
Within 1 year	32,350	42,274	83,112	62,780
1 to 2 years	3,902	5,718	7,793	11,114
2 to 3 years	901	1,688	3,645	2,932
3-4 years	387	740	927	411
Total	37,540	50,420	95,477	77,237

In determining the recoverability of our trade and bills receivables, we consider the individual characteristics of each customer rather than the industry in which the customers operate, including factors such as the customer's past history of making payments when due and current ability to pay and information specific to the customer as well as pertaining to the economic environment in which the customer operates. We determine the likelihood and amount of our loss allowances based on our evaluation of the possibility of recovery and aging analysis of the relevant accounts and our management's judgment, including the assessment of potential changes in credit quality and the past collection history. As of December 31, 2017, 2018 and 2019 and September 30, 2020, we recorded loss allowances for trade and bills receivables of RMB6.9 million, RMB7.4 million, RMB11.3 million and RMB5.7 million, respectively. The decrease of loss allowance as of September 30, 2020 was primarily due to our improving efforts in collecting receivables and the write-off of a portion of the bad debt.

For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, the turnover days for our trade and bills receivables were 48 days, 43 days, 44 days and 38 days, respectively. We calculate the trade and bills receivables turnover days using the average of the opening and closing balance of the trade and bills receivables for the relevant period net of allowance for impairment losses, divided by the corresponding revenue for the period, and then multiplied by the number of days during such period.

For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, the turnover days for our trade receivables were 41 days, 39 days, 42 days and 37 days, respectively. Turnover days of the trade receivables were relatively stable at 41 days in 2017, 39 days in 2018 and 42 days in 2019.

The turnover days of trade receivable for nine months ended September 30, 2020 decreased to 37 days, primarily due to our increased efforts in collecting trade receivables.

As of December 31, 2020, RMB49.7 million, or 58.7% of our trade and bills receivables as of September 30, 2020 had been subsequently settled.

Prepayments and Other Receivables

Our prepayments and other receivables primarily represent payments for purchase of inventories, deposits, value added tax recoverable, prepayments for miscellaneous expenses, and income tax recoverable. All of the prepayments and other receivables are expected to be recovered or recognized as expense within one year.

The following table sets forth a breakdown of our prepayments and other receivables as of the dates indicated.

	As of December 31,			As of September 30,
	2017	2018	2019	2020
		(RMB in thousands)		
Prepayments for costs incurred in connection with the issuance of the Company's H Shares	–	–	–	6,514
Prepayments for purchase of inventories and provision of services	2,645	8,875	7,157	23,797
Deposits	886	1,265	2,000	3,912
Value added tax recoverable	976	7,096	9,336	3,283
Prepayments for miscellaneous expenses	405	1,214	3,773	6,023
Income tax recoverable	–	–	–	1,580
Others	666	903	2,063	1,384
	5,578	19,353	24,329	46,493
Less: loss allowance	(27)	(32)	(84)	(110)
Total prepayments and other receivables	**5,551**	**19,321**	**24,245**	**46,383**

Our prepayments and other receivables increased by 248.1% from RMB5.6 million as of December 31, 2017 to RMB19.3 million as of December 31, 2018, primarily due to (i) an increase of value added tax recoverable from RMB1.0 million to RMB7.1 million in the same period due the expansion of our Suzhou facilities which led to an increased level of equipment procurement, resulting in the deductible withholdings on VAT and (ii) an increase of prepayments for purchase of inventories and provision of services from RMB2.6 million as of December 31, 2017 to RMB8.9 million as of December 31, 2018, mainly attributable to an increase of prepayment we made to procure a stable supply of research models. Our prepayments and other receivables further increased by 25.5% to RMB24.2 million as of December 31, 2019 primarily due to (i) an increase of value added tax recoverable from RMB7.1 million to RMB9.3 million which was due to procurement of equipment for our Suzhou facilities and (ii) an increase in prepayments for miscellaneous expenses by RMB2.6 million. Our prepayments and other receivables further increased by 91.3% to RMB46.4 million as of September 30, 2020, mainly attributable to the increased prepayments made for purchase of inventories and provision of services from RMB7.2 million to RMB23.8 million, which was primarily related to research model supply contracts with our non-human primate research model suppliers.

As of December 31, 2020, RMB5.4 million, or 11.6% of our prepayments and other receivables as of September 30, 2020 had been subsequently settled.

Financial Assets at FVTPL

Our financial assets at FVTPL primarily represent the wealth management products that we purchased with our idle fund. Our financial assets at FVTPL increased by 73.7% from RMB200.7 million as of December 31, 2017 to RMB348.7 million as of December 31, 2018, then decreased by 62.5% to RMB130.7 million as of December 31, 2019 and again increased by 43.3% to RMB187.3 million as of September 30, 2020. The fluctuation was primarily due to the net effect of our purchase of new wealth management products and our redemption of the previously-bought wealth management products at maturity.

During the Track Record Period, the wealth management products purchased by us were generally described as having low or middle levels of risks in the product description manuals published by the issuing banks. The underlying assets of the wealth management products were mainly investments in various types of assets that meet regulatory requirements and are highly liquid and with higher market credit rating, including but not limited to bonds, inter-bank deposits, bond funds and other money market instruments. As the returns on all of these wealth management products are not guaranteed, we designated the whole instruments as financial assets at fair value through profit or loss.

To monitor and control the investment risks associated with our wealth management product portfolio, we have adopted a comprehensive set of internal policies and guidelines to manage our investment in wealth management products. Our finance department will analyze and evaluate the capital management needs, and propose at least two suppliers for similar wealth management products. Our chief financial officer will analyze the proposals and make

the optimal wealth management plan for the Company. Prior to making an investment in wealth management products in the amount not exceeding 10% of the net assets reported in the audited annual financial statements for the latest financial year, the proposal shall be approved by our executive management team in charge of the relevant wealth management products. Prior to making an investment in wealth management products in the amount over 10% of the net assets reported in the audited annual financial statements for the latest financial year, the proposal shall be approved by our Chairman of the Board. Our investment strategy related to wealth management products focuses on minimizing the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs,while generating desirable investment returns for the benefits of our shareholders. We primarily invest in wealth management products issued by major commercial banks in China with relatively low risks and a short to medium term of no more than one year. We make investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing banks, our own working capital conditions, and the expected profit or potential loss of the investment.

Trade Payables

Our trade payables primarily represent our obligations to pay for products and services purchased from our suppliers in the ordinary course of our business. Our trade payables increased by 43.9% from RMB10.1 million as of December 31, 2017 to RMB14.6 million as of December 31, 2018, and further increased by 134.2% to RMB34.1 million as of December 31, 2019, and then increased by 61.1% to RMB54.9 million as of September 30, 2020. Such increase was primarily due to the increased trade payables on research models and consumables used for our studies, which (i) was mainly in line with the growth of our business which resulted in increased procurements and therefore a higher balance of trade payables and (ii) reflected the increased unit price of research models and consumables in recent years.

Our payment terms with suppliers are mainly on credit ranging from 30 to 60 days from the respective invoice dates.

The following table sets forth an aging analysis of our trade payables, based on the invoice date, as of the dates indicated.

	As of December 31,			As of September 30,
	2017	2018	2019	2020
		(RMB in thousands)		
Within 1 month	2,689	7,233	24,988	45,713
1 to 3 months	3,223	1,253	7,737	8,649
3 to 6 months	2,809	2,479	1,181	125
Over 6 months	1,395	3,587	180	433
Total	10,116	14,552	34,086	54,920

For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, our trade payables turnover days were 40 days, 22 days, 29 days and 39 days, respectively. The decrease in our trade payable turnover days from 40 days to in 2017 to 22 days in 2018 was primarily because our relatively large-sized trade payables in 2016 for materials and research models had a significant effect on our trade payables turnover days in 2017. The increase in our trade payables turnover days from 22 days in 2018 to 29 days in 2019 and further to 39 days for the nine months ended September 30, 2020 was primarily due to our ability to better negotiate with our suppliers. We calculate the trade payables turnover days using the average of the opening and closing balance of the trade payables for the relevant year or period, divided by the corresponding costs of services for the year or period, and then multiplied by the number of days during such year or period.

As of December 31, 2020, RMB42.4 million, or 77.2% of our trade payables as of September 30, 2020 had been subsequently settled.

Contract Liabilities

Our contract liabilities represent our obligations to deliver services to our customers for which we have received advanced payments or we have an unconditional right to receive non-refundable payments from such customers under the relevant contracts with our customers. For details, see "— Critical Accounting Policies and Estimates — Contract Liabilities."

Our contract liabilities increased by 26.7% from RMB275.7 million as of December 31, 2017 to RMB349.3 million as of December 31, 2018, and further increased by 13.0% to RMB394.8 million as of December 31, 2019, and then increased by 36.9% to RMB540.5 million as of September 30, 2020, which was generally in line with the growth of the number of service contracts we entered into with a growing number of customers, which typically contained provisions requiring an upfront payment before the commencement of our services.

The following table sets forth a breakdown of our contract liabilities as of the dates indicated.

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	(RMB in thousands)			
Amounts received in advance of the delivery of services	275,665	349,285	394,791	540,538

As of December 31, 2020, RMB229.9 million, or 42.5% of our contract liabilities as of September 30, 2020 had been subsequently utilized.

Other Payables

The following table sets forth a breakdown of our other payables as of the dates indicated.

	As of December 31,			As of September 30,
	2017	**2018**	**2019**	**2020**
	(RMB in thousands)			
Payables for staff related costs	21,780	30,488	52,367	41,524
Payables for acquisition of property, plant and equipment	2,814	5,579	9,612	9,574
Payables for other taxes	4,703	4,777	4,737	11,690
Deposits received	191	227	191	1,761
Considerations received from employees for subscribing restricted A shares of our Company under share incentive scheme	–	9,495	14,283	14,518
Proceeds received from employees for exercising share options granted under share option scheme*	–	–	–	24,218
Interest payable	–	–	–	49
Others	301	650	433	3,450
Total other payables	29,789	51,216	81,623	106,784

* The amounts represent the proceeds received from employees for exercising share options granted under the 2019 Share Option and Restricted Share Award Scheme.

Our other payables increased by 71.9% from RMB29.8 million as of December 31, 2017 to RMB51.2 million as of December 31, 2018, and further increased by 59.4% to RMB81.6 million as of December 31, 2019, primarily driven by (i) the increased payables for staff related costs, which was in line with the increased number of our staff to support our growth and their compensation levels and our acquisition of Biomere and (ii) the increased consideration received from employees for subscribing restricted A Shares of our Company under the share incentive scheme. Our other payables increased by 30.8% to RMB106.8 million as of September 30, 2020 primarily driven by (i) the increased proceeds received from employees for exercising share options granted under the 2019 Share Option and Restricted Share Award

Scheme and (ii) increased payables for other taxes for withholding individual tax payable due to the exercise of stock options under our share incentive scheme and share option scheme, which was partially offset by decreased payables for staff related costs attributable to the advance payment of the September salaries and wages to employees on September 30, 2020 prior to the National Day holiday.

Property, Plant and Equipment

Our property, plant and equipment consist mainly of our (i) plant and buildings, (ii) right-of-use assets, (iii) machinery and equipment, (iv) vehicles, furniture and others, (v) leasehold improvement, and (vi) construction in progress.

The following table sets forth a breakdown of the net book value of our property, plant and equipment as of the dates indicated.

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	(RMB in thousands)			
Plant and buildings	167,856	183,499	264,656	257,976
Right-of-use assets	39,070	40,802	104,642	129,830
Machinery and equipment	54,054	96,879	143,999	172,129
Vehicles, furniture and others	6,288	6,075	9,698	9,981
Leasehold improvement	1,221	2,308	18,018	24,927
Construction in progress	49,164	79,587	35,307	34,578
Total	317,653	409,150	576,320	629,421

Our property, plant and equipment increased by 28.8% from RMB317.7 million as of December 31, 2017 to RMB409.2 million as of December 31, 2018, and further increased by 40.9% to RMB576.3 million as of December 31, 2019, and then increased by 9.2% to RMB629.4 million as of September 30, 2020, primarily due to the continuous expansion of our facilities as well as the purchase and improvement of equipment to meet the growing needs in our non-clinical studies services.

Right-of-Use Assets

We have adopted IFRS 16 consistently throughout the Track Record Period. Our leases have been recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our consolidated statements of financial position. We recognized right-of-use assets at the commencement date of the leases (i.e. the date on which the underlying assets are available for use), except for short-term leases and leases of low-value assets (being amount insignificant to our Group during the Track Record Period) which were recognized in our rental expenses.

The following table sets forth a breakdown of the net book value of our right-of-use assets as of the dates indicated.

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	(RMB in thousands)			
Property leased for own use, carried at depreciation costs:				
– Land use rights	39,070	38,117	37,234	61,225
– Leased land	–	–	1,564	4,926
– Office buildings	–	2,685	65,844	63,679
Total	**39,070**	**40,802**	**104,642**	**129,830**

As of December 31, 2017, 2018 and 2019 and September 30, 2020, our right-of-use assets mainly represented premiums paid by us for land situated in the PRC and lease arrangements for payments for leased land and office buildings. Our right-of-use assets remained relatively stable from RMB39.1 million as of December 31, 2017 to RMB40.8 million as of December 31, 2018. Our right-of-use assets increased by 156.5% to RMB104.6 million as of December 31, 2019 primarily due to (i) our establishment of our Wuzhou operations in December 2018 and the signing of a lease agreement to build our Wuzhou research model and laboratory facilities in March 2019, (ii) our acquisition of Biomere in 2019, and (iii) the commencement of lease liabilities incurred by our Nanning research model facilities in 2019. Our right-of-use assets further increased by 24.1% to RMB129.8 million as of September 30, 2020, primarily due to the lease of property by Biomere in 2020.

Intangible Assets

The following table sets forth a breakdown of the net book value of our intangible assets as of the dates indicated.

	As of December 31,			As of September 30,
	2017	**2018**	**2019**	**2020**
	(RMB in thousands)			
Patents and trademarks	383	323	267	229
Software	3,455	9,662	14,013	16,182
Non-competition agreement[(1)]	–	–	13,126	9,519
Customer relationship[(1)]	–	–	41,910	37,818
Total	**3,838**	**9,985**	**69,316**	**63,748**

(1) The amounts represent the intangible assets arising from non-competition agreement and customer relationship recognized upon the completion of acquisition of Biomere in December 2019.

Our intangible assets mainly consist of (i) patents and trademarks, (ii) software, (iii) non-competition agreement and (iv) customer relationship. Our intangible assets increased by 160.2% from RMB3.8 million as of December 31, 2017 to RMB10.0 million as of December 31, 2018, primarily due to the increased software asset attributable to the procurement of software by our Beijing facilities for non-clinical studies. Our intangible assets further increased by 594.2% to RMB69.3 million in 2019, primarily due to our acquisition of Biomere which led to the inclusion of non-competition and customer relationship assets. Our intangible assets decreased by 8.0% from RMB69.3 million as of December 31, 2019 to RMB63.7 million as of September 30, 2020, primarily due to the amortization of our intangible assets.

Goodwill

We did not record goodwill as of December 31, 2017 and 2018. We recorded goodwill of RMB134.0 million as of December 31, 2019 due to our acquisition of Biomere in December 2019.

In performing the impairment tests for cash-generating units containing goodwill, the recoverable amounts of the cash-generating unit was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using estimated nil growth rate at December 31, 2019 and September 30, 2020.

	As of December 31, 2019	As of September 30, 2020
Annual growth rate of revenue during the 5-year forecast period	3.0%-10.0%	0.2%-9.8%
Pre-tax discount rate	12.6%	13.9%

The headroom calculated based on the recoverable amounts deducting the carrying amount of the cash-generating unit as of December 31, 2019 and September 30, 2020 is RMB10,038,000 and RMB5,901,000 respectively:

Management have undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to annual growth rate and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively as at December 31, 2019 and September 30, 2020:

	As of December 31, 2019	As of September 30, 2020
Decrease in annual growth rate	0.2%	0.1%
Increase in pre-tax discount rate	3.5%	2.2%

As a result of the above impairment tests, our Directors are of the view that there was no impairment of goodwill as of December 31, 2019 and September 30, 2020.

Financial Assets at FVOCI

We did not record financial assets at FVOCI as of December 31, 2017 and 2018. We recorded financial assets at FVOCI of RMB12.0 million as of December 31, 2019 due to our 8.93% equity investment in JOINN (Beijing) Biotechnology Ltd. (北京昭衍生物技術有限公司) in 2019. We designated the equity investment at FVOCI as the investment was held for strategic purposes. As of December 31, 2019, the Directors believed that the fair value of the investment was approximate to the initial investment cost. As of September 30, 2020, the fair value of the financial assets was RMB59.3 million with reference to valuation conducted by an independent appraiser.

Other Non-Current Assets

Our other non-current assets mainly consist of prepayment of construction and equipment expenses. Our other non-current assets increased by 103.4% from RMB11.8 million as of December 31, 2017 to RMB23.9 million as of December 31, 2018, primarily due to the improvement of the main building of our Suzhou facilities and purchase of equipment in connection with the expansion of our Suzhou facilities. Our other non-current assets remained relatively stable at RMB25.1 million as of December 31, 2019 and increased by 75.3% to RMB44.0 million as of September 30, 2020, primarily due to our prepayment of RMB20.2 million for the acquisition of the land where we plan to build our Chongqing facilities.

Deferred Tax Assets

Our deferred tax assets increased by 55.0% from RMB4.5 million as of December 31, 2017 to RMB6.9 million as of December 31, 2018, primarily due to the increase in deductible temporary differences caused by an increase of deferred income in 2018 due to our receipt of the RMB13.5 million of government subsidies for our research model research platform. The deferred tax assets further increased by 270.3% to RMB25.6 million as of December 31, 2019, primarily attributable to the recognition of deferred tax assets for the accumulated tax losses of Biomere upon our acquisition of Biomere in 2019. Our deferred tax assets increased by 52.3% to RMB39.0 million as of September 30, 2020, primarily due to an increase of deductible temporary differences resulted from our share-based payment and an increase of our unused tax losses.

KEY FINANCIAL RATIOS

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

	Year ended December 31,			Nine months ended September 30,
	2017	2018	2019	2020
Profitability ratios				
Gross profit margin[(1)]	55.0%	51.0%	51.4%	50.5%
Net profit margin[(2)]	26.5%	25.8%	29.4%	22.5%

	As of December 31,			As of September 30,
	2017	2018	2019	2020
Liquidity ratio				
Current ratio[3]	1.92	1.68	1.29	1.29
Leverage ratio				
Gearing ratio[4]	0.0%	0.0%	2.6%	2.6%

Notes:

(1) Gross profit margin is calculated using gross profit divided by revenue and multiplied by 100%. The biological assets fair value adjustments only had a limited impact on our gross profit margin during the Track Record Period.

(2) Net profit margin is calculated using profit for the year/period divided by revenue and multiplied by 100%. The biological assets fair value adjustments only had a limited impact on our net profit margin during the Track Record Period.

(3) Current ratio is calculated using total current assets divided by total current liabilities.

(4) Gearing ratio is calculated using interest-bearing bank borrowings divided by total equity.

Our net profit margin remained relatively stable at 26.5% in 2017 and 25.8% in 2018. Our net profit margin increased from 25.8% in 2018 to 29.4% in 2019, primarily due to the continuous improvement in the cost efficiency of our operations as we continued to scale our operations. Our net profit margin decreased from 29.4% in 2019 to 22.5% in the nine months ended September 30, 2020, primarily due to (i) the increased general and administrative expenses primarily attributable to the increased staff costs, and (ii) our acquisition of Biomere which primarily offered non-GLP services with a relatively lower profit margin. Net profit margins were not significantly affected by biological assets fair value adjustments.

Our current ratio decreased from 1.92 as of December 31, 2017 to 1.68 as of December 31, 2018, primarily due to an increase in our current liabilities driven by an increased contract liabilities and a decrease in cash at bank and on hand, partially offset by an increase in financial assets at FVTPL in the periods. Our current ratio further decreased to 1.29 as of December 31, 2019, primarily attributable to an increase in our current liabilities including contract liabilities, trade and other payables and interest-bearing borrowings and a slightly decreased current assets. Our current ratio remained stable at 1.29 as of September 30, 2020.

We did not obtain interest-bearing borrowings from banks and other parties as of December 31, 2017 and 2018. Our gearing ratio was 2.6% as of December 31, 2019 due to the interest-bearing borrowings incurred by our newly acquired subsidiary Biomere, which was not material to our Group as a whole. Our gearing ratio remained stable at 2.6% as of September 30, 2020.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our working capital needs, expansion of our facilities and capabilities, and other capital expenditures. The following table sets forth a summary of our cash flows for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	(in RMB thousand)				
				(unaudited)	
Net cash generated from operating activities	118,320	160,824	148,939	101,002	234,113
Net cash used in investing activities	(220,530)	(252,045)	(103,723)	(69,500)	(178,940)
Net cash generated from/(used in) financing activities	224,218	(15,540)	(17,474)	(16,781)	(35,180)
Effect of foreign exchange rate changes on cash and cash equivalents	(90)	837	523	924	(681)
Net increase/(decrease) in cash and cash equivalents	121,918	(105,924)	28,265	15,645	19,312
Cash and cash equivalents at January 1	132,699	254,617	148,693	148,693	176,958
Cash and cash equivalents at December 31/ September 30	**254,617**	**148,693**	**176,958**	**164,338**	**196,270**

Net Cash Generated in Operating Activities

Our cash inflow from operating activities primarily comprises payments received from our customers for our services in non-clinical studies. Cash outflow from operating activities primarily comprises payments for our costs of services, operating expenses and income tax.

In the nine months ended September 30, 2020, our net cash generated from operating activities was RMB234.1 million. The difference between our net cash generated from operating activities and our profit before taxation primarily resulted from (i) the exclusion of certain non-operating incomes and gains/losses (i.e., changes in fair value of biological assets, change in fair value of financial assets at FVTPL, interest income, finance cost, net (gain)/loss on disposal of property, plant and equipment and net foreign exchange loss/(gain)), which

amounted to RMB28.4 million, (ii) adjustment for non-cash items (i.e., amortization of intangible assets, depreciation of property, plan and equipment, and equity-settled share-based payment expenses), which amounted to RMB82.2 million, and (iii) changes in working capital. Changes in the working capital accounts mainly included (i) an increase in contract liabilities of RMB145.7 million, and (ii) an increase of RMB128.3 million in contract costs, both of which were generally in line with the growth of our business.

In 2019, our net cash generated from operating activities was RMB148.9 million. The difference between our net cash generated from operating activities and our profit before taxation primarily resulted from (i) the exclusion of certain non-operating incomes and gains/losses (i.e., changes in fair value of biological assets, change in fair value of financial assets at FVTPL, interest income, finance cost, net (gain)/loss on disposal of property, plant and equipment and net foreign exchange loss/(gain)), which amounted to RMB25.2 million, (ii) adjustment for non-cash items (i.e., amortization of intangible assets, depreciation of property, plan and equipment, and equity-settled share-based payment expenses), which amounted to RMB56.3 million, and (iii) changes in working capital. Changes in the working capital accounts mainly included (i) an increase in contract assets of RMB51.2 million, (ii) an increase in contract costs of RMB48.5 million, (iii) an increase in other payables of RMB30.9 million, and (iv) an increase in trade and bill receivables of RMB31.1 million, all of which were generally in line with the growth of our business and the expansion of our facilities.

In 2018, our net cash generated from operating activities was RMB160.8 million. The difference between our net cash generated from operating activities and our profit before taxation primarily resulted from (i) the exclusion of certain non-operating incomes and gains/losses (i.e., changes in fair value of biological assets, change in fair value of financial assets at FVTPL, interest income, finance cost, net (gain)/loss on disposal of property, plant and equipment and net foreign exchange loss/(gain)), which amounted to RMB15.6 million, (ii) adjustment for non-cash items (i.e., amortization of intangible assets, depreciation of property, plan and equipment, and equity-settled share-based payment expenses), which amounted to RMB36.4 million, and (iii) changes in working capital. Changes in the working capital accounts mainly included (i) an increase in contract liabilities of RMB73.6 million, (ii) an increase in contract costs of RMB30.7 million, and (iii) an increase other payables of RMB10.8 million, all of which were generally in line with the growth of our business and the expansion of our facilities.

In 2017, our net cash generated from operating activities was RMB118.3 million. The difference between our net cash generated from operating activities and our profit before taxation primarily resulted from (i) the exclusion of certain non-operating incomes and gains/losses (i.e., changes in fair value of biological assets, change in fair value of financial assets at FVTPL, interest income, finance cost, net (gain)/loss on disposal of property, plant and equipment and net foreign exchange loss/(gain)), which amounted to RMB11.3 million, (ii) adjustment for non-cash items (i.e., amortization of intangible assets and depreciation of property, plan and equipment), which amounted to RMB24.1 million, and (iii) changes in working capital. Changes in the working capital accounts mainly included (i) an increase in contract liabilities of RMB59.4 million, and (ii) an increase in contract costs of RMB32.1 million, both of which were generally in line with the growth of our business.

Net Cash Used in Investing Activities

Our cash used in investing activities mainly reflects our cash used for our purchase of wealth management products to manage our cash on hand, acquisition of a subsidiary and purchase of property, plant and equipment.

In the nine months ended September 30, 2020, our net cash used in investing activities was RMB178.9 million, which was primarily attributable to purchase of financial assets at FVTPL of RMB384.0 million and purchase of property, plant and equipment of RMB121.3 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB331.4 million.

In 2019, our net cash used in investing activities was RMB103.7 million, which was primarily attributable to purchase of financial assets at FVTPL of RMB1,257.4 million, acquisition of Biomere of RMB196.6 million and purchase of property, plant and equipment of RMB120.8 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB1,485.9 million.

In 2018, our net cash used in investing activities was RMB252.0 million, which was primarily attributable to purchase of financial assets at FVTPL of RMB831.0 million and purchase of property, plant and equipment of RMB128.0 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB694.6 million.

In 2017, our net cash used in investing activities was RMB220.5 million, which was primarily attributable to purchase of financial assets at FVTPL of RMB372.0 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB173.8 million.

Net Cash Generated from/(Used in) Financing Activities

Our cash generated from or used in financing activities mainly comprises share issuances, payment of dividends and bank borrowings.

In the nine months ended September 30, 2020, our net cash used in financing activities was RMB35.2 million, which was primarily attributable to dividends payment of RMB55.1 million and repayment of interest-bearing borrowings of RMB31.2 million, partially offset by proceeds from new interest-bearing borrowings of RMB35.8 million, which were incurred by Biomere as part of its ordinary course of business, and proceeds received from employees for exercising share options granted under the 2019 Share Option and Restricted Share Award Scheme of RMB24.2 million.

In 2019, our net cash used in financing activities was RMB17.5 million, which was primarily attributable to dividends payment of RMB34.5 million, partially offset by proceeds from shares issued under Share Option and Restricted Share Option Schemes of RMB9.8 million and proceeds from issuance of restricted shares of RMB9.7 million.

In 2018, our net cash used in financing activities was RMB15.5 million, which was primarily attributable to dividends payment of RMB24.6 million, partially offset by proceeds from issuance of restricted shares of RMB9.6 million.

In 2017, our net cash generated from financing activities was RMB224.2 million, which was primarily attributable to net proceeds from our initial public offering of RMB231.7 million.

Working Capital

As of December 31, 2017, 2018 and 2019 and September 30, 2020, we had cash and cash equivalents of RMB254.6 million, RMB148.7 million, RMB177.0 million and RMB196.3 million, respectively.

For an ageing analysis and discussion of the turnover days of our inventories, trade and bills receivables, contract assets, trade payables and contract liabilities, please see "— Discussion of Selected Items from the Consolidated Statements of Financial Position — Inventories," "— Discussion of Selected Items from the Consolidated Statements of Financial Position — Trade and Bills Receivables," "— Discussion of Selected Items from the Consolidated Statements of Financial Position — Contract Assets," "— Discussion of Selected Items from the Consolidated Statements of Financial Position — Trade Payables" and "— Discussion of Selected Items from the Consolidated Statements of Financial Position — Contract Liabilities," respectively.

During the Track Record Period, we funded our operation mainly through cash generated in our operation and proceeds from issuance of our A Shares. Taking into account the financial resources available to us, including the estimated net proceeds of the Global Offering, cash flow generated from our operations, bank facilities available to us and cash and cash equivalents on hand, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of this Prospectus.

CAPITAL EXPENDITURES

Our principal capital expenditures relate primarily to purchase of property, plant and equipment in relation to the expansion and enhancement of our facilities. The following table sets forth our capital expenditures for the periods indicated.

	Year ended December 31,			Nine months ended September 30,
	2017	2018	2019	2020
		(RMB in thousands)		
Property, plant and equipment	16,381	120,827	114,450	106,459
Intangible assets	2,158	7,000	5,937	4,037
Total	18,539	127,827	120,387	110,496

During the Track Record Period, we financed our capital expenditures primarily with cash generated from operations and proceeds from issuance of our Shares.

We currently expect to incur approximately RMB853.7 million in capital expenditures in 2021 primarily in relation to, among others, the upgrade and expansion of our existing facilities located in Suzhou and the northern California facilities to be leased from Biorichland, our Connected Person, as well as commence constructions of new facilities in Guangzhou and Chongqing and investment in procuring high quality non-human primate research model colonies.

CAPITAL COMMITMENTS

Our capital commitments are related to our purchase of property and equipment for the construction, expansion and enhancement of our facilities. We expect to satisfy our capital commitments using cash from operations, net proceeds to be received from the Global Offering and bank borrowings available to us.

The following table below sets forth our capital commitments under non-cancellable contracts as of the dates indicated.

	As of December 31,			As of September 30,
	2017	2018	2019	2020
		(RMB in thousands)		
purchase of property, plant and equipment – contract for	21,086	21,960	21,476	18,757

INDEBTEDNESS

Borrowings

	As of December 31,			As of September 30,	As of December 31,
	2017	2018	2019	2020	2020
					(unaudited)
			(RMB in thousands)		
Short-term bank borrowings:					
– Secured	–	–	10,954	–	–
– Unsecured	–	–	59	–	–
Add: current portion of long-term bank borrowings	–	–	2,135	3,203	3,081
Total	–	–	13,148	3,203	3,081
Long-term bank borrowings:					
– Secured	–	–	11,310	14,759	13,469
– Paycheck Protection Program loan	–	–	–	11,468	10,987
Less: Current portion of long-term bank borrowings	–	–	(2,135)	(3,203)	(3,081)
Total	–	–	9,175	23,024	21,375
The carrying amounts of the long-term borrowings are repayable:					
Within one year	–	–	2,135	3,203	3,081
After one year but within two years	–	–	2,235	14,770	14,171
After two years but within five years	–	–	6,940	8,157	7,204
Over 5 years	–	–	–	97	–
Total	–	–	11,310	26,227	24,456

Secured and unguaranteed bank loans

On October 29, 2019, our subsidiary Biomere pledged certain collateral to a banking facility, with an aggregate amount of USD2.8 million acquired from the Berkshire Bank, of which USD1.6 million and USD0.8 million were utilized as of December 31, 2019 and September 30, 2020, respectively.

As of December 31, 2020, we had utilized USD0.8 million from our secured banking facility, and USD2.0 million remained unutilized under our banking facility.

Unsecured and unguaranteed bank loans

Banks have granted us banking facilities with an aggregate amount of RMB nil, RMB nil, RMB nil and RMB100.0 million as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively. Those bank loans outstanding as of December 31, 2019 and September 30, 2020 were RMB nil and RMB nil, respectively.

As of December 31, 2020, we had utilized RMB nil from our unsecured banking facilities, and RMB100.0 million remained unutilized under our banking facilities.

Except as discussed above, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of the Latest Practicable Date.

Lease Liabilities

As of December 31, 2017, 2018, and 2019 and September 30, 2020 and December 31, 2020, we have lease liabilities of nil, RMB2.9 million, RMB67.9 million, RMB65.0 million and RMB67.7 million:

	As of December 31, 2017	As of December 31, 2018	As of December 31, 2019	As of September 30, 2020	As of December 31, 2020
					(unaudited)
			(RMB in thousands)		
Current lease liabilities .	–	693	12,474	15,000	14,520
Non-current lease liabilities .	–	2,213	55,382	49,973	53,170
Total	–	2,906	67,856	64,973	67,690

CONTINGENT LIABILITIES

During the Track Record Period and up to the Latest Practicable Date, we had no contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, except as disclosed in Note 36 of the Accountants' Report set out in Appendix I to this Prospectus, we had no off-balance sheet commitments and arrangements.

RELATED PARTY TRANSACTIONS AND BALANCES

We had the following transactions with related parties during the Track Record Period.

Material Related Party Transactions

We had the following transactions with the related parties during the Track Record Period:

	For the year ended December 31,			For the nine months ended September 30,	
	2017	2018	2019	2019	2020
	(RMB in thousands)				
Sales of research models to					
– Staidson	6,181	2,532	1,246	498	182
Provision of services to					
– Staidson Group	7,147	12,349	19,246	13,598	9,490
– Beijing Heyu	–	737	2,730	2,556	–
Lease offices and equipment from					
– Biorichland LLC	36	315	220	164	421

The transactions above were carried out in accordance with the terms agreed with the counterparties.

See also Note 37 to the accountants' report set out in Appendix I to this Prospectus for our material related party transactions and balances as at December 31, 2017, 2018 and 2019 and September 30, 2020 for more details.

It is the view of our Directors that each of the related party transactions set out in Note to the accountants' report set out in Appendix I to this Prospectus (i) was conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties and (ii) does not distort our Track Record Period results or make our historical results not otherwise reflective of future performance.

VALUATION OF BIOLOGICAL ASSETS

Information about the Independent Appraiser of Our Biological Assets

We have engaged JLL, an independent appraiser, to determine the fair values of our biological assets as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively. The key appraiser of the JLL team is Mr. Simon M.K. Chan.

Mr. Simon Chan, Executive Director at JLL, is a Fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a Fellow of CPA Australia. He is also a Fellow member of Royal Institution of Chartered Surveyors (RICS), a Chartered Valuer and Appraiser (CVA), a member of The International Association of Consultants, Valuers and Analysts (IACVA). Simon oversees the business valuation services of JLL and has experience in corporate advisory and valuation. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States. Simon oversaw the valuation of biological assets for the initial public offerings and subsequent financial reports of Shandong Fengxiang Co., Ltd. (9977.HK), Eggriculture Foods Limited (8609.HK), China Modern Dairy Holdings Ltd. (1117.HK), China Huishan Dairy Holdings Company Limited (6863.HK), YuanShengTai Dairy Farm Limited (1431.HK), WH Group Limited (288.HK) and China Shengmu Organic Milk Limited (1432.HK).

Based on market reputation, track record in biological asset valuation and relevant background research, our Directors and the Sole Sponsor are satisfied that JLL is independent from us and is competent in conducting a valuation on our biological assets.

Valuation Methodology

During the Track Record Period, our biological assets mainly consisted of non-human primate research models, for which we engaged JLL to measure their fair value. Our other biological assets were not material to our financial results during the Track Record Period.

In arriving at the assessed value, two generally accepted approaches have been considered, namely, the market approach and depreciated replacement cost approach.

A market approach is adopted to value non-human primate research models at the age of 5 or lower, which is usually used for experiment. This approach was adopted because recent market prices for this age group of non-human primate research models exist near the valuation dates. The fair values of non-human primate research models at the age of 5 or lower were developed through the application of market approach with reasonable adjustments to reflect age differences.

A depreciated replacement cost approach is adopted to value non-human primate research models at the age above 5 and 8 for males and females respectively, which can be used for both breeding and experiment while predominantly are used for breeding according to the market practice, since there are no active market for these age group.

Key Assumptions and Inputs

The key input and assumption made for valuing our biological assets include the following:

- classification of our Company's biological assets according to their age and gender;
- quantity of each category of our biological assets at each valuation date;
- unit market price of key valuation input at each valuation date;
- cost for raising the non-human primate research models;
- residual breeding useful lives of non-human primate research models, which its fertility will be greatly reduced normally at the age of 15; and
- there are no hidden or unexpected conditions associated with our business that might adversely affect the reported values.

The following factors form an integral part of the bases of JLL's opinion:

- assumptions on the market and the asset that are considered to be fair and reasonable;
- consideration and analysis on the micro and macro economy affecting our biological assets;
- analysis on tactical planning, management standard and synergy of the biological assets;
- analytical review of the biological assets; and
- assessment of the liquidity of the biological assets.

Set forth below are the key inputs adopted for the valuation of our biological assets:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
Average Unit Price(RMB/head)				
Male non-human primate research model at age of 3-5	7,000-9,000	7,500-11,000	13,000-20,000	24,000-35,000
Female non-human primate research model at age of 3-8	7,000-10,000	7,500-12,000	13,000-21,000	24,000-36,000
Costs for raising non-human primate research models to the age of 3 (RMB)	0-2,600	0-2,147	0-2,546	0-2,736
End of the breeding useful lives (At the age of)	15	15	15	15

The market unit price is from the external market data during the Track Record Period.

The Sole Sponsor and JLL conducted site inspections to perform an independent verification of the physical existence and condition of the biological assets. JLL also engaged Mr. Deng Zhifeng as a consultant to advise on the physical and biological attributes of the biological assets. Mr. Deng works in a company which has been in the business of laboratory non-human primate research as well as raising laboratory animals including non-human primate research model in the PRC since 1980s. Mr. Deng has been with this company for 9 years and is currently the head of the animal resources department. He is responsible for the management of the laboratory animals as well as the raising facilities. He was responsible for obtaining the accreditation from Association for Assessment and Accreditation of Laboratory Animal Care (AAALAC) for the raising facilities. Mr. Deng graduated from Jinan University with a bachelor degree in Biological Engineering. JLL determined Mr. Deng to be suitably qualified given his expertise and past experience in the industry. JLL is satisfied with the basis of advice presented by Mr. Deng and believes it is reasonable.

The Sole Sponsor has reviewed the qualifications and relevant valuation experience of JLL and the consultant engaged. The Sole Sponsor also had various discussions with JLL in relation to its scope of work, valuation procedures, valuation bases and assumptions, valuation techniques and information required to prepare its valuation report. As confirmed by JLL, the valuation of our biological assets was conducted in accordance with the International Accounting Standard 41 issued by the International Accounting Standards Board and the International Valuation Standards issued by the International Valuation Standards Council. JLL has further confirmed that its valuation procedures provide a reasonable basis for its opinion, and that the inputs used in the valuation techniques are appropriate and reasonable.

The Reporting Accountants have performed their work on the Historical Financial Information in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Report on Historical Financial Information in Investment Circular ("**HKSIR 200**"). As part of their work on the Historical Financial Information, the Reporting Accountants have considered the results of audit procedures performed in connection with the valuation techniques and key inputs used in valuation of the biological assets. They have satisfied themselves in respect of the valuation technique chosen and the key inputs used in the valuation for the purpose of forming an opinion on the Historical Financial Information as a whole.

The Sole Sponsor discussed with our management and the Reporting Accountants with respect to the techniques chosen and inputs used in the valuations, the Sole Sponsor has further discussed with the Reporting Accountants regarding the valuation of biological assets compiled by the Valuer and noted that the Reporting Accountants had considered the audit procedures performed in accordance with the relevant auditing standards. The Sole Sponsor is satisfied that the valuation techniques chosen and the key inputs used in the valuation techniques are appropriate and reasonable.

Sensitivity Analysis

The following table indicates the instantaneous change in the value of our biological assets that would arise if the key inputs for valuation as of September 30, 2020 had changed at that date, assuming all other risk variables remained constant:

% change in unit market price of Male non-human primate research model at age of 3-5	-30%	-20%	-10%	10%	20%	30%
Change in fair value of our biological assets (RMB'000)	(9,993)	(6,662)	(3,331)	3,331	6,662	9,993
% change in unit market price of Female non-human primate research model at age of 3-8	-30%	-20%	-10%	10%	20%	30%
Change in fair value of our biological assets (RMB'000)	(4,400)	(2,933)	(1,467)	1,467	2,933	4,400
% change in costs for raising cynomolgous monkeys to the age of 3	-30%	-20%	-10%	10%	20%	30%
Change in fair value of our biological assets (RMB'000)	97	65	32	(32)	(65)	(97)
% change in end of the breeding useful lives	-30%	-20%	-10%	10%	20%	30%
Change in fair value of our biological assets (RMB'000)	(10,808)	(5,240)	(2,059)	1,441	2,506	3,326

Stock-take and Internal Control

Stock-take

We have established a standard set of protocols for stock-take, which consist of periodic stock takes to ensure the physical existence of our research models and the accuracy and integrity of the relevant data and information concerning such research models. Each of our research model breeding or hosting facilities is required to perform a full stock take on a monthly basis and our finance department is required to perform a full stock take on a quarterly basis to ensure the relevant data and information such as details of quantities, survival rates, grouping and other relevant information are accurately reflected in our digital management records. Personnel of our facilities and finance department is required to submit a detailed report signed by everyone participated in the particular stock take to the relevant departments for record and analysis. Any discrepancies with the record identified in the stock take or any biological assets discovered to be excluded from the stock take must be reported and necessary inquiries or verifications are required to be performed. The staff of our research model breeding or hosting facilities, staff of finance department and the heads of other relevant departments are required to review and confirm the results of the stock take.

Internal Control and Management System

We have adopted a policy for biological assets management. Our biological assets management policy covers among other things, the relevant accounting policies, transfer of research models among breeding and non-clinical studies groups, purchase and disposal of research models, breeding, record keeping, and stock take. To facilitate the implementation of our biological assets management policy, we keep a comprehensive record of our research model population and its key data and information.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to a variety of market risks, including credit risks, liquidity risks, interest rate risks and currency risks, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details, including relevant sensitivity analysis, see Note 35 to the Accountants' Report set out in Appendix I to this Prospectus.

Credit Risks

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to us. Our credit risk is primarily attributable to trade and other receivables. Our exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with a minimum credit rating assigned by our management, for which we considers to have low credit risk.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. At December 31, 2017, 2018 and 2019 and September 30, 2020, 5%, 9%, 9%, and

6% of the total trade receivables and contract assets, respectively, were due from the our largest debtor, and 24%, 25%, 20% and 22% of the total trade receivables and contract assets, respectively, were due from our five largest debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 21 to 45 days from the date of billing. Normally, we does not obtain collateral from customers.

Liquidity Risks

Our policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Interest Rate Risks

Our interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and at fixed rates expose us to cash flow interest rate risk and fair value interest rate risk respectively.

The following table details the profile of our interest-bearing financial liabilities at the end of each reporting period.

	As of December 31, 2017		As of December 31, 2018		As of December 31, 2019		As of September 30, 2020	
	Effective interest rate	Amounts	Effective interest rate	Amounts	Effective interest rate	Amounts	Effective interest rate	Amounts
	%	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*
Fixed rate borrowings								
– Lease liabilities	–	–	4.35-4.75	2,906	3.98-4.90	67,856	3.98-4.90	64,973
– Interest-bearing borrowings	–	–	–	–	3.98-6.49	11,369	1.00-6.49	20,779
		–		2,906		79,225		85,752
Variable rate borrowings								
– Interest-bearing borrowings	–	–	–	–	4.75	10,954	3.25	5,448
Total borrowings		–		2,906		90,179		91,200
Fixed rate borrowings as a percentage of total net borrowings		N/A		100%		87.9%		94.0%

Currency Risks

We are exposed to currency risk primarily through sales which give rise to cash, receivables and payables balances that are denominated in a currency other than the functional currency of the operations to which they relate. The currency gives rise to this risk is primarily US$ and Japanese Yen ("JPY").

Certain of our subsidiaries have foreign currency sales, capital expenditure, cash and cash equivalents and borrowings, which exposes us to foreign currency risk. We have not entered into derivative financial instruments to manage our exposure to currency risk.

The following table sets forth the carrying amounts of our foreign currency denominated monetary assets and liabilities as of the dates indicated. For presentation purposes, the amounts of the exposure are shown in RMB converted using the spot rates on the respective dates.

	As of December 31,						As of September 30,	
	2017		2018		2019		2020	
	US$	JPY	US$	JPY	US$	JPY	US$	JPY
	(RMB in thousands)							
Cash at bank and on hand	14,608	1,460	24,021	2,161	26,312	2,830	28,568	3,008
Trade receivables	–	–	–	–	–	–	892	–
Trade payables	–	–	–	–	–	–	(1,096)	–
Gross exposure arising from recognized assets and liabilities	14,608	1,460	24,021	2,161	26,312	2,830	28,364	3,008

If the exchange rate of RMB to US$ had been 5% higher/lower and all other variables were held constant, our profit after tax would increase/decrease by RMB0.6 million, RMB1.0 million, RMB1.1 million and RMB1.2 million for each of the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, respectively.

If the exchange rate of RMB to JPY had been 5% higher/lower and all other variables were held constant, our profit after tax would increase/decrease by RMB0.1 million, RMB0.1 million, RMB0.1 million and RMB0.1 million for each of the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, respectively.

See also Note 35 to the accountants' report set out in Appendix I to this Prospectus for the impact on profit after tax from currency risk as of December 31, 2017, 2018 and 2019 and September 30, 2020.

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2020 AND UNAUDITED PRO FORMA ESTIMATED BASIC EARNINGS PER SHARE

Our Directors estimate, on the bases set out in Appendix IIB and Appendix IIA to this prospectus, certain profit estimate data of the Company for the year ended December 31, 2020 as follows:

Estimated consolidated profit attributable to equity shareholders of the Company	not less than RMB300.9 million
Unaudited pro forma estimated basic earnings per share	not less than RMB1.12

The profit estimate, for which our Directors are solely responsible, has been prepared by them based on the audited consolidated results of our Group for the nine months ended September 30, 2020 and the unaudited consolidated results based on the management accounts of our Group for the three months ended December 31, 2020. The calculation of unaudited pro forma estimated basic earnings per Share is based on the estimated consolidated profit attributable to equity shareholders of our Company for the year ended December 31, 2020 and on the assumption that a weighted average number of 269,125,686 Shares (including weighted average number of 225,800,886 A shares in issue for the year ended December 31, 2020 and 43,324,800 H shares to be issued pursuant to the Global Offering as if such H Shares had been in issue on January 1, 2020) were in issue for the year ended December 31, 2020, and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the share option schemes.

DIVIDEND

Dividend Policy

During the Track Record Period, we declared cash dividends to our shareholders as follows:

	Year ended December 31			Nine months ended September 30	
	2017	**2018**	**2019**	**2019**	**2020**
	(RMB in thousands)				
Final dividend in respect of the previous year, declared and paid during the year/period	–	24,642	34,498	34,498	55,051
Dividend per ordinary share (RMB)	–	0.3	0.3	0.3	0.34

As of the Latest Practicable Date, all dividends declared had been fully paid.

We may declare dividends in the form of cash, stock or a combination of cash and stock after taking into account our cash flow condition, operation growth, net assets per share and other factors that are true and reasonable. When there is no planned material investments or cash expenditures, our Board should prioritize cash as the form of dividends, and the total amount of the dividends declared in the form of cash should equal or exceed 15% of the distributable net profit. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and applicable law. In general, we should declare dividends at least once in the years when our operations yield net profit. Our Shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board. In addition, our Board may from time to time propose such interim cash dividends as our Board considers to be justified by our capital condition, or special dividends of such amounts and on such dates as they think appropriate. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of net profits calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. In accordance with the Company Law of the PRC, the company in the PRC is required to allocate 10% of the statutory after tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the company's registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the company, provided that the retained statutory reserve shall not be less than 25% of the company's registered capital prior to the increase where the statutory reserve is used to increase the registered capital. The statutory reserve is not available for dividend distribution to shareholders of the PRC subsidiaries. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to us in the form of dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of September 30, 2020, we had distributable reserves of RMB222.9 million, which were available for distribution to our equity shareholders.

LISTING EXPENSES

Our listing expenses mainly include underwriting fees and commissions and professional fees paid to legal, accounting and other advisors for their services rendered in relation to the Listing and the Global Offering. Assuming full payment of the discretionary incentive fee, the

estimated total listing expenses (based on the mid-point of the Offer Price Range and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately HK$263.1 million, accounting for approximately of 4.28% of our gross proceeds. An estimated amount of HK$9.0 million for our listing expenses, accounting for approximately 0.15% of our gross proceeds, is expected to be expensed through the statement of profit or loss and the remaining amount of HK$254.1 million is expected to be recognized directly as a deduction from equity upon the Listing.

During the Track Record Period, we incurred listing expenses of approximately HK$7.4 million which was recognized as prepayments in the consolidated statement of financial position as of September 30, 2020, and will be accounted for as a deduction from equity upon Listing. Subsequent to the Track Record Period, we expect to further incur listing expenses of HK$255.7 million prior to and upon completion of Listing, of which (i) HK$9.0 million is expected to be recognized as expenses in our consolidated statement of profit and loss and other comprehensive income; and (ii) HK$246.7 million is expected to be accounted for as a deduction from equity upon Listing under the relevant accounting standard.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to the shareholders as of September 30, 2020 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets had the Global Offering been completed as of September 30, 2020 or any future dates.

	Audited consolidated net tangible assets of our Group attributable to equity shareholders of our Company as at September 30, 2020	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to equity shareholders of our Company as of September 30, 2020**	**Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to equity shareholders of our Company per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$133.00 per Share	824,442	4,843,844	5,668,286	20.93	23.82
Based on an Offer Price of HK$151.00 per Share	824,442	5,505,126	6,329,568	23.38	26.61

Please refer to "Appendix IIA — Unaudited Pro Forma Financial Information" for further details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this Prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since September 30, 2020, the end of the period reported in the Accountants' Report set out in Appendix I to this Prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to disclosure required under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See "Business — Our Growth Strategies" for a detailed description of our future plans and strategies.

USE OF PROCEEDS

The net proceeds from the Global Offering which our Company will receive, after deducting the underwriting commissions, the discretionary incentive fee (assuming the full payment of the discretionary incentive fee of 1.0% of the aggregate Offer Price of all the Offer Shares under the Global Offering) and the estimated expenses in relation to the Global Offering (assuming the Over-allotment is not exercised), will be:

- approximately HK$5,533.6 million, assuming an Offer Price of HK$133.00 (being the minimum Offer Price);
- approximately HK$5,909.8 million, assuming an Offer Price of HK$142.00 (being the mid-point of the Offer Price Range); or
- approximately HK$6,286.1 million, assuming an Offer Price of HK$151.00 (being the maximum Offer Price).

Our Company intends to use the net proceeds of HK$5,909.8 million, assuming an Offer Price of HK$142.00 (being the mid-point of the Offer Price Range), from the Global Offering (assuming the Over-allotment Option is not exercised) for the following purposes:

Allocation of the estimated net proceeds	Proposed main purposes
16.0%, or HK$945.6 million (equivalent to approximately RMB789.3 million)	Expand the capacity of our Suzhou facilities for non-clinical studies primarily by (i) renovating the existing equipment and facilities, (ii) building new research model breeding and inventory facilities, and (iii) recruiting experienced professionals, pursuant to the following measures and timelines. We believe the further expansion of our facility network in Suzhou is necessary to support our future growth as our current facilities in Beijing and Suzhou are operating at near maximum capacity. For details, see "— Business — Our Facilities." (1) 7.9% of the net proceeds or HK$466.9 million (equivalent to approximately RMB389.7 million) for purposes of renovating our existing laboratory and research model facilities in Suzhou with a GFA of approximately 11,000 sq.m., including improvement to the existing layout and procurement of cutting-edge equipment and laboratory technologies to support our GLP-compliant non-clinical studies facilities, with construction to be commenced in late 2020 and completed in 2021. We have obtained the real estate certificate and made the necessary filing with local branch of NDRC for the implementation of such upgrade plans;

Allocation of the estimated net proceeds	Proposed main purposes
	(2) 1.7% of the net proceeds or HK$100.5 million (equivalent to approximately RMB83.9 million) for purposes of constructing the infrastructure of our new facilities in Suzhou with a GFA of approximately 20,000 sq.m. to be used (i) for hosting our research model inventory and breeding facilities and (ii) as laboratories for our GLP-compliant non-clinical studies. We have obtained the real estate certificate and will make the filing with local branch of NDRC as required by the PRC laws and regulations before the implementation of the construction plans. We plan to commence the construction in 2021;
	(3) 5.5% of the net proceeds or HK$325.0 million (equivalent to approximately RMB271.3 million) over the next one to three years for (i) procurement of cutting-edge equipment and laboratory technologies to equip the newly built infrastructure of research model facilities and laboratories as discussed in (2) above. In particular, we plan to use approximately 2.4% of the net proceeds, or HK$141.8 million (equivalent to approximately RMB118.4 million) to purchase various types of equipment including rearing cages and equipment, detection and analytical equipment for our non-clinical studies and telemetry systems, as well as (ii) investment in the research and development of novel, customized research models;
	(4) 0.9% of the net proceeds or HK$53.2 million (equivalent to approximately RMB44.4 million) over the next three to five years for purposes of upgrading our technical and scientific research capabilities with international background at our Suzhou facilities through hiring approximately 240 experienced scientific, technical and regulatory professionals who hold at least a junior college degree in the relevant fields, with their background particularly focused on research areas such as immunology, cell biology, toxicology, pathology, pharmacology and veterinary medicine; and

Allocation of the estimated net proceeds	Proposed main purposes
10.0%, or HK$591.0 million (equivalent to approximately RMB493.3 million)	Strengthen our U.S. operations to cater to the rising customer demand for services provided by Biomere (for details, see "— Business — Our Facilities — Our Future Facilities and Facilities under Renovation"), pursuant to the following measures and timelines: (1) 7.6% of the net proceeds or HK$447.4 million (equivalent to approximately RMB373.4 million) for purposes of upgrading our existing facilities and service team in northern California. Specifically: (i) we will upgrade the northern California facilities for non-clinical studies with a GFA of approximately 6,000 sq.m. to be leased from Biorichland, our Connected Person. For more information on the underlying lease transactions, see "Connected Transactions." We plan to upgrade and customize such facilities for hosting and breeding of our research models, as well as to procure cutting-edge laboratory equipment and technologies for non-clinical studies at such facilities by the end of 2022. We plan to use approximately 3.0% of the net proceeds, or HK$177.3 million (equivalent to approximately RMB148.0 million) to purchase various types of equipment including rearing cages and equipment and detection and analytical equipment for our non-clinical studies; (ii) we will seek to hire approximately 40 additional experienced research, project management, technical and business development professionals who hold at least a junior college degree in the relevant fields over the next one to two years to support the expansion and growth of our northern California operations; (2) 2.4% of the net proceeds or HK$143.6 million (equivalent to approximately RMB119.9 million) for purposes of investing in business development efforts, expanding service teams and upgrading laboratory equipment for Biomere, over the next one to two years;

Allocation of the estimated net proceeds	Proposed main purposes
39.0%, or HK$2,304.8 million (equivalent to approximately RMB1,923.8 million)	Further expand our facility network and service capabilities in China primarily by (i) constructing new facilities in Guangzhou and Chongqing, (ii) recruiting experienced professionals, and (iii) developing cutting-edge technologies, pursuant to the following measures and timelines: (1) 17.0% of the net proceeds or HK$1,004.7 million (equivalent to approximately RMB838.6 million) for purposes of building the Phase I of our new Guangzhou facilities with a focus on non-GLP and GLP-compliant non-clinical studies in Guangzhou. Specifically, we will initiate our construction by the end of this year to build the Phase I of a safety assessment center for innovative drugs and a central laboratory with associated platforms for bioanalytical services in Guangzhou with a total GFA of approximately 18,000 sq.m. by the end of 2023. We have made the filings with local branch of NDRC of our expansion plans and have obtained the land use certificate as of the Latest Practicable Date; (2) 17.0% of the net proceeds or HK$1,004.7 million (equivalent to approximately RMB838.6 million) for purposes of building the Phase I of our new laboratories, research model breeding facilities and clinical operations in Chongqing. Specifically, we will build the Phase I of our facilities that include laboratories to support our GLP-compliant non-clinical studies, breeding facilities for research models, as well as central laboratories for clinical studies in Chongqing with a total GFA of approximately 20,000 sq.m. by the end of 2023. We are in the process of obtaining the land use certificate as of the Latest Practicable Date and have made the filing with local branch of NDRC; (3) 2.6% of the net proceeds or HK$153.7 million (equivalent to approximately RMB128.3 million) over the next three to five years for purposes of enhancing our technical and scientific research capabilities at our Guangzhou and Chongqing facilities through hiring experienced scientific, technical and regulatory professionals who hold at least a junior college degree in the relevant fields; and

Allocation of the estimated net proceeds	Proposed main purposes
	(4) 2.4% of the net proceeds or HK$141.8 million (equivalent to approximately RMB118.4 million) over the next three to five years for purposes of developing cutting-edge laboratory and research model technologies through hiring experienced technology research and development professionals, engaging in new research projects, and procuring relevant equipment and infrastructure from quality third-party suppliers;
5.0%, or HK$295.5 million (equivalent to approximately RMB246.6 million)	Broaden and deepen our integrated CRO service offerings with a particular focus on further expanding our clinical trial and related services, pursuant to the following measures and timelines: (1) 0.6% of the net proceeds or HK$35.5 million (equivalent to approximately RMB29.6 million) over the next one to three years for purposes of hiring approximately 220 experienced clinical trial operation professionals who hold at least a bachelor's degree and who have at least two years of work experience in clinical operations, medicine, quality control, statistical analysis and analysis of clinical samples, with a focus on early-stage clinical trial projects; (2) 0.4% of the net proceeds or HK$25.4 million (equivalent to approximately RMB21.2 million) for purposes of investing in business development efforts for our growing clinical trial business, through broadening and deepening relationships with our existing customers, hospitals, principal investigators, research institutions and other clinical trial participants; and (3) 4.0% of the net proceeds or HK$234.6 million (equivalent to approximately RMB195.8 million) for purposes of procuring new equipment, technologies, systems, databases and infrastructure for use in clinical trials, as well as in the related services such as bioanalytical services, to strengthen our service quality and customer experience;
20%, or HK$1,182.0 million (equivalent to approximately RMB986.6 million)	Fund potential acquisitions of suitable (i) CROs focused on non-clinical studies, (ii) CROs focused on clinical trials, and/or (iii) research model production facilities in both China and overseas to further implement our strategies to broaden our integrated service offerings along the drug R&D value chain and expand our overseas footprint over the next one to three years.

Allocation of the estimated net proceeds	Proposed main purposes
	When selecting acquisition targets, we will consider various criteria including: (i) the target's ability to achieve synergies with our existing business operations, preferably companies with a business focus on service offerings that we plan to further expand, such as clinical CRO services; (ii) the target's geographic locations, including both companies located in China and those operating in attractive overseas markets with strong customer demand for pharmaceutical CRO studies; (iii) mid-sized companies with professional teams of approximately 50-400 employees and sufficient facilities located in strategic markets; (iv) a diversified and growing customer base with high-quality large pharmaceutical companies and/or emerging biotechnology companies; (v) an operating history of approximately five to 20 years; (vi) scientific and technical expertise and qualifications, particularly in cutting-edge therapeutic areas; and (vii) financial performances with a track record and forecast of steady growth. Based on our industry intelligence and concurred by Frost & Sullivan, our Directors believe that we will be able to identify suitable acquisition targets that satisfy our selection criteria. As advised by Frost & Sullivan, there are at least 25 suitable acquisition targets in China and at least 45 suitable acquisition targets in the United States. We will leverage our industry resources and network and continue to monitor the market conditions and engage financial and legal advisors to explore and evaluate, from time to time, potential acquisition opportunities when they arise. As of the Latest Practicable Date, we have not identified any specific acquisition target, or entered into any agreements, commitments or understandings with respect to any such transaction. We currently mainly intend to acquire controlling stakes in suitable targets with a view to integrate the acquired businesses and assets to further expand our service offerings and geographic presence.
10%, or HK$591.0 million (equivalent to approximately RMB493.3 million)	Working capital and general corporate purposes.

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 estimated offer price range.

To the event that our net proceeds are either more or less than expected, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the proceeds in short-term deposits with licensed commercial banks in the PRC or Hong Kong. We will comply with the PRC laws relating to foreign exchange registration and proceeds remittance.

If the Over-allotment Option is exercised in full, the additional net proceeds which our Company will receive, after deducting underwriting commissions, the discretionary incentive fee (assuming the full payment of the discretionary incentive fee) and the estimated expenses in relation to the Global Offering, will be:

- approximately HK$834.0 million, assuming an Offer Price of HK$133.00 (being the minimum Offer Price);

- approximately HK$890.4 million, assuming an Offer Price of HK$142.00 (being the mid-point of the Offer Price Range); or

- approximately HK$946.9 million, assuming an Offer Price of HK$151.00 (being the maximum Offer Price).

The additional net proceeds will be allotted to the above purposes on a pro rata basis in the event that the Over-allotment Option is exercised.

HONG KONG UNDERWRITERS

CLSA Limited

Merrill Lynch (Asia Pacific) Limited

China International Capital Corporation Hong Kong Securities Limited

China Merchants Securities (HK) Co., Limited

Haitong International Securities Company Limited

BOCI Asia Limited

CMB International Capital Limited

BOCOM International Securities Limited

ICBC International Securities Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 3,899,300 Hong Kong Offer Shares and the International Offering of initially 39,425,500 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be offered pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Hong Kong Stock Exchange and such approval not subsequently having been

revoked prior to the commencement of trading of the H Shares on the Hong Kong Stock Exchange and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled to terminate the Hong Kong Underwriting Agreement with immediate effect:

(a) there develops, occurs, exists or comes into effect:

(i) any events or series of events in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom or any members of the European Union (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change or any event or circumstances or series of events likely to result in or represent a change or development, or prospective change (whether or not permanent) or development, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, and inter-bank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(iv) any general moratorium on commercial banking activities in the PRC (imposed by the People's Bank of China, Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority) or any other Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any Relevant Jurisdiction; or

(v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, in any of the Relevant Jurisdictions; or

(vii) any change or development involving a prospective change in or affecting taxes or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar, United States dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(viii) any litigation, proceeding, legal action or claim of any third party being threatened or instigated against any member of the Group or any of the Controlling Shareholders; or

(ix) any Director (other than an executive Director), Supervisor or a member of the Group's senior management being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company, or being subject to any disciplinary proceedings by or before any authority or political or regulatory or administrative body, agency or organization in any Relevant Jurisdiction (including, in particular, the CSRC and its local branches and representative offices, and the Shanghai Stock Exchange); or

(x) the commencement by any regulatory or political body or organization of any investigation or action against a Director or an announcement by any authority or political body or organization that it intends to investigate or take any such action; or

(xi) any Director vacating his or her office; or

(xii) any contravention by any member of the Group, any Director or any of the Controlling Shareholders of any applicable laws, including the Listing Rules, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the PRC Securities Law and the Special Regulations, all rules and regulations applicable to companies listed in the PRC, and all applicable stock exchange rules and regulations; or

(xiii) any non-compliance of this Prospectus (or any other documents used in connection with the contemplated offer and sale of the H Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xiv) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(xv) any change or prospective change in, or a materialization of, any of the risks set out in the section headed "Risk Factors" in this Prospectus; or

(xvi) the issue or requirement to issue by the Company of a supplement or amendment to this Prospectus (or to any other documents used in connection with the contemplated offer of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or

(xvii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of the Company on the Shanghai Stock Exchange,

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Sponsor and the Joint Global Coordinators:

(1) has or will have or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, financial or trading position, or performance of the Group as a whole; or

(2) has or will have or is likely to 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 dealings in the H Shares in the secondary market; or

(3) makes or will make or is likely to make it inadvisable, inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering on the terms and in the manner contemplated by this Prospectus; or

(4) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof;

and provided that in respect of any epidemic, pandemic, outbreak of infectious diseases, civil commotion, riots, public disorder or hostilities existing at the date of the Hong Kong Underwriting Agreement referred to in clause (a)(i) above, the Joint Global Coordinators shall only be entitled to terminate the Hong Kong Underwriting Agreement in accordance therewith if, in their sole opinion, there has been a material escalation in any such epidemic, pandemic, outbreak of infectious diseases, civil commotion, riots, public disorder or hostilities after the date of the Hong Kong Underwriting Agreement; or

(b) there has come to the notice of any of the Sole Sponsor or the Joint Global Coordinators:

(i) that any statement contained in any of this Prospectus, the **GREEN** Application Form (together the "**Hong Kong Public Offering Documents**"), and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (together the "**Offer Related Documents**") (including any supplement or amendment thereto), but excluding information relating to the Underwriters, was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of such document is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, constitute a material misstatement in, or a material omission from, any of the Offer Related Documents; or

(iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Sole Sponsor, the Hong Kong Underwriters or the International Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any material liability of any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement; or

(v) any material adverse change or any development involving a prospective material adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, financial or trading position, or performance of the Group as a whole; or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect or misleading, any of the warranties set forth in the Hong Kong Underwriting Agreement; or

(vii) any notice of withdrawal or cancellation or proposed withdrawal or cancellation of the listing of the A Shares on the Shanghai Stock Exchange; or

(viii) the approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any additional H Shares that may be issued upon the exercise of the Over-Allotment Option) is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions), revoked or withheld; or

(ix) the Company withdraws this Prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(x) any person (other than the Sole Sponsor) has withdrawn its consent to the issue of this Prospectus with the inclusion of its report, 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 appear; or

(xi) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the H Shares (including the additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xii) an executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company, or being subject to any disciplinary proceedings by or before any authority or political or regulatory or administrative body, agency or organization in any Relevant Jurisdiction (including, in particular, the CSRC and its local branches and representative offices, and the Shanghai Stock Exchange).

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that it will not issue any further Shares, or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering and the Over-allotment Option or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Stock Exchange and our Company that, except in compliance with the requirements of the Listing Rules, he/she will not and will procure that the relevant registered holder(s) will not, either directly or indirectly:

(a) in the period commencing on the date by reference to which disclosure of his/her shareholding in our Company 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 the securities of our Company in respect of which he/she is shown in this prospectus to be the beneficial owner(s); and

(b) in the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second 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 the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of his/her shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, he/she will and will procure that the relevant registered holder(s) will:

(a) when he/she pledges or charges any securities of our Company beneficially owned by him/her in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge/charge together with the number of the securities so pledged or charged; and

(b) when he/she receives any indication, either verbal or written, from the pledgee or chargee that any of the pledged/charged securities will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraph (a) and (b) above (if any) by any of the Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company and the Controlling Shareholders in respect of our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters not to, and to procure each other member of the Group not to, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules (and only after the consent of the relevant PRC authority (if required) has been obtained), except for the offer, allotment and issue of the Offer Shares pursuant to the Global Offering (including pursuant to any exercise of the Over-allotment Option), at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on and including the date that is six months after the Listing Date (the "**First Six-Month Period**"):

(a) offer, allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, 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 contract or agree to transfer or dispose of, in each case either directly or indirectly, conditionally or unconditionally, any H Shares or other equity 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 subscribe for or purchase, any H Shares or other securities of our Company or any interest in any of the foregoing); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any H Shares or other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other equity securities of our Company or any interest in any of the foregoing); or

(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) or (c) above is to be settled by delivery of H Shares or other equity securities of our Company in cash or otherwise (whether or not the issue of such H Shares or other securities convertible into equity securities will be completed within the First Six-Month Period).

At any time during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company shall not enter into any of the transactions specified in (a), (b) or (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. In the event that, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction during the Second Six-Month Period, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

The Controlling Shareholders have jointly and severally undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters to procure our Company to comply with the above undertakings.

Our Company has agreed and undertaken that it will not, and each of the Controlling Shareholders has further undertaken to procure that our Company will not, effect any purchase of H Shares, or agree to do so, which may reduce the holdings of H Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below the minimum public float requirements specified in the Listing Rules or any waiver granted and not revoked by the Stock Exchange

on or before the date falling one year after the Listing Date without first having obtained the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters).

Undertakings by the Controlling Shareholders in respect of themselves

The Controlling Shareholders have jointly and severally undertaken to each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, each of them:

(a) will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, 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, in each case, either directly or indirectly, conditionally or unconditionally, any H Shares or other equity 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 such other equity securities of our Company), 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 any H Shares or other securities of our Company or any interest therein, 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 transactions specified in (i), (ii) or (iii) above is to be settled by delivery of H Shares or other securities of our Company, in cash or otherwise (whether or not the transaction in relation to such H Shares or other securities will be completed within the First Six-Month Period);

(b) will not, during the Second Six-Month Period, enter into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above or agree or contract to or announce any intention to effect any such transaction if, immediately following such transaction, it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company; and

(c) until the expiry of the Second Six-Month Period, in the event that he/she enters into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above or offers to or agrees to or announces any intention to effect any such transaction, he/she will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Hong Kong Underwriters' Interests in our Company

As of the Latest Practicable Date, Merrill Lynch (Asia Pacific) Limited and its affiliates were interested in 186,338 A Shares. Save as disclosed above and save for their respective obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, our Company and the Controlling Shareholders expect to enter into the International Underwriting Agreement with the International Underwriters on or around the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into or is terminated, the Global Offering will not proceed. See the section headed "Structure of the Global Offering — The International Offering" in this prospectus.

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which our Company may be required to issue up to an aggregate of 6,498,700 Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations (if any) in the International Offering. See the section headed "Structure of the Global Offering — Over-allotment Option" in this prospectus.

Commissions and Expenses

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Underwriters may receive a discretionary incentive fee of up to 1.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK$142.00 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK$247.6 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$263.1 million (assuming an Offer Price of HK$142.00 per Offer Share (being the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Overallotment Option in full), which will be made by our Company.

Indemnity

Each of our Company and the Controlling Shareholders has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by any of our Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilization Manager or its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. CLSA Limited, Merrill Lynch (Asia Pacific) Limited and China International Capital Corporation Hong Kong Securities Limited are the Joint Global Coordinators of the Global Offering.

The listing of the H Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Sole 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 H Shares in issue and to be issued as mentioned in this prospectus.

43,324,800 Offer Shares will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 3,899,300 H Shares (subject to reallocation) in Hong Kong as described in the sub-section "The Hong Kong Public Offering" in this section below; and

(b) the International Offering of initially 39,425,500 H Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in the sub-section headed "The International Offering" this section below.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 16.0% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes. If the Over-allotment Option is exercised in full, the Offer Shares (including H Shares issued pursuant to the full exercise of the Over-allotment Option) will represent approximately 17.97% of the total Shares in issue immediately following the completion of the Global Offering and the issue of Offer Shares pursuant to the Over-Allotment Option but without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes.

References in this prospectus to applications, **GREEN** Application Form, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 3,899,300 H Shares (subject to reallocation) for subscription by the public in Hong Kong at the Offer Price, representing approximately 9% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 1.44% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the sub-section headed "Conditions of the Global Offering" in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally into two pools (with any odd lots being allocated to pool A): pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 1,949,600 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares to be offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached.

We have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules to the effect as further described below (the "**Mandatory Reallocation**"):

- 3,899,300 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 9% of the Offer Shares initially available under the Global Offering;

in the event that the International Offer Shares are fully subscribed or over-subscribed:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 12 times or more but less than 42 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 Offer Shares available under the Hong Kong Public Offering will be 6,065,500 Offer Shares, representing approximately 14% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 42 times or more but less than 88 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 Offer Shares available under the Hong Kong Public Offering will be 7,798,600 Offer Shares, representing approximately 18% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 88 times or more than 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 Offer Shares available under the Hong Kong Public Offering will be 15,597,000 Offer Shares, representing approximately 36% 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 Joint Global Coordinators (for themselves and on behalf of the Underwriters). Subject to the foregoing paragraph, the Joint Global Coordinators may in their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, at its discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in pool A and pool B under the Hong Kong Public Offering.

In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or over-subscribed as to less than 12 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering provided that, in accordance with the Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, the Offer Price would be set at HK$133.00 (low-end of the indicative Offer Price range), and certain Offer Shares may 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 Offer will be increased to 7,798,600 Offer Shares, representing approximately 18% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on Thursday, February 25, 2021.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/her/it is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he/she/it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$151.00 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$15,252.17 for one board lot of 100 H Shares. If the Offer Price, as finally determined in the manner described in the sub-section headed "Pricing and Allocation" in this section below, is less than the maximum Offer Price of HK$151.00 per Offer Share, appropriate refund payments (including the brokerage, the 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 in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 39,425,500 H Shares, representing approximately 91% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 14.56% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes).

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States in accordance with Rule 144A as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that 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 sub-section headed "Pricing and Allocation" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares and/or hold or sell its H Shares after the Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the subsection "The Hong Kong Public Offering — Reallocation" in this section above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to an aggregate of 6,498,700 additional H Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, cover over-allocations (if any) in the International Offering.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 17.97% of the total Shares in issue immediately following the completion of the Global Offering and the issue of Offer Shares pursuant to the Over-allotment Option. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilization Manager (or its affiliates or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilization Manager (or its affiliates or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilization Manager (or its affiliates or any person acting for it) and in what the Stabilization Manager reasonably regards as the best interest of our Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (c) purchasing, or agreeing to purchase, the H Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares, (e) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilization Manager (or its affiliates or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the H Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilization Manager (or its affiliates or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilization Manager (or its affiliates or any person acting for it) and selling in the open market may have an adverse impact on the market price of the H Shares;

(d) no stabilizing action can be taken to support the price of the H Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;

(e) the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

(f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-Allocation

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilization Manager (or its affiliates or any person acting for it) may cover such over-allocations by exercising the Over-allotment Option in full or in part, by using H Shares purchased by the Stabilization Manager (or its affiliates or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, or by a combination of these methods.

PRICING AND ALLOCATION

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 about Friday, February 19, 2021 and, in any event, no later than Saturday, February 20, 2021, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$151.00 per Offer Share and is expected to be not less than HK$133.00 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK$151.00 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of

HK$15,252.17 for one board lot of 100 H Shares. **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 minimum Offer Price stated in this prospectus.**

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of our Company, reduce the number of Offer Shares offered and/or the Offer Price Range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company and the Stock Exchange at **www.joinn-lab.com** and **www.hkexnews.hk**, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price Range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Offer Shares — (D) Publication of Results" in this prospectus.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Global Coordinators (on behalf of the Underwriters) and our Company agreeing on the Offer Price.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such approval and permission not subsequently having been withdrawn or revoked prior to the Listing Date;

(b) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Underwriters) and our Company;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on or before Saturday, February 20, 2021, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of our Company and the Stock Exchange at **www.joinn-lab.com** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares – (F) Refund of Application Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

H Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Friday, February 26, 2021, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE H SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, February 26, 2021, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, February 26, 2021.

The H Shares will be traded in board lots of 100 H Shares each and the stock code of the H Shares will be 6127.

IMPORTANT NOTICE TO INVESTORS:

Fully Electronic Application Process

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of the Prospectus or any printed copies of any application forms for use by the public.

The Prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "HKEXnews > New Listings > New Listing Information" section, and our website at **www.joinn-lab.com**. If you require a printed copy of the Prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the Prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that the Prospectus is available online at the website addresses above.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our H Share Registrar, at +852 3907 7333 during (i) 9:00 a.m. to 9:00 p.m. on Tuesday, February 16, 2021, Wednesday, February 17, 2021 and Thursday, February 18, 2021; and (ii) 9:00 a.m. to 12:00 noon on Friday, February 19, 2021.

(A) APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

We will not provide any printed application forms for use by the public.

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

(1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will 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.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. Who Can Apply

You can apply for Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S.

If you apply for Hong Kong Offer Shares online through the **HK eIPO White Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If an application is made by a person under a power of attorney, our Company and the Joint Global Coordinators, as our Company's agent, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

If you are applying for the Hong Kong Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares and/or a substantial shareholder of any of our Company's subsidiaries;
- you are a director, supervisor or chief executive of our Company and/or any of our Company's subsidiaries;
- you are a close associate of any of the above persons; or
- you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. Terms and Conditions of an Application

By applying through the application channels specified in the Prospectus, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Articles of Association, Companies (Winding Up and Miscellaneous Provisions) Ordinance and PRC Company Law and the Special Regulations;

(c) confirm that you have read the terms and conditions and application procedures set out in the Prospectus, in the **IPO App** and on the designated website under the **HK eIPO White Form** service, and agree to be bound by them;

(d) confirm that you have received and read the Prospectus and have relied only on the information and representations in the Prospectus in making your application and will not rely on any other information or representations, except those in any supplement to the Prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering set out in the Prospectus;

(f) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of their or our Company's respective directors, officers, employees, agents or representatives and any other parties involved in the Global Offering (the "**Relevant Persons**") and the **HK eIPO White Form** Service Provider is or will be liable for any information and representations not in the Prospectus (and any supplement to the Prospectus);

(g) 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 International Offer Shares nor participated in the International Offering;

(h) agree to disclose to our Company, the H Share Registrar, the receiving bank and the Relevant Persons any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;

(i) 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 neither our Company nor the Relevant Persons will breach any laws 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 in the Prospectus, in the **IPO App** and on the designated website under the **HK eIPO White Form** service;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) authorize (i) our Company to place your name(s) or the name of HKSCC Nominees on the register of members of our Company as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association and (ii) our Company and/or its agents to send any H Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "— Personal Collection" below to collect the H Share certificate(s) and/or refund check(s) in person;

(p) 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;

(q) understand that the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering and in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 7,798,600 Offer Shares). Further details of the reallocation are stated in the paragraph headed "Structure of the Global Offering" in the Prospectus;

(r) understand that our Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(s) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service by you or by any one as your agent or by any other person; and

(t) (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 by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

4. Minimum Application Amount and Permitted Numbers

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*
100	15,252.17	2,500	381,304.07	30,000	4,575,648.81	600,000	91,512,976.20
200	30,504.33	3,000	457,564.88	40,000	6,100,865.08	700,000	106,765,138.90
300	45,756.49	3,500	533,825.70	50,000	7,626,081.35	800,000	122,017,301.60
400	61,008.65	4,000	610,086.51	60,000	9,151,297.62	900,000	137,269,464.30
500	76,260.82	4,500	686,347.33	70,000	10,676,513.89	1,000,000	152,521,627.00
600	91,512.98	5,000	762,608.14	80,000	12,201,730.16	1,500,000	228,782,440.50
700	106,765.14	6,000	915,129.76	90,000	13,726,946.43	1,949,600[1]	297,356,164.00
800	122,017.30	7,000	1,067,651.39	100,000	15,252,162.70		
900	137,269.47	8,000	1,220,173.02	200,000	30,504,325.40		
1,000	152,521.63	9,000	1,372,694.64	300,000	45,756,488.10		
1,500	228,782.45	10,000	1,525,216.27	400,000	61,008,650.80		
2,000	305,043.25	20,000	3,050,432.54	500,000	76,260,813.50		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. Applying Through the HK eIPO White Form Service

General

Individuals who meet the criteria in "— A. Applications for Hong Kong Offer Shares — 2. Who Can Apply" above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated and registered in their own names through the **IPO App** or the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are set out in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in the Prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

If you have any questions on how to apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares, please contact the telephone enquiry line of the H Share Registrar at +852 3907 7333 which is available during (i) 9:00 a.m. to 9:00 p.m. on Tuesday, February 16, 2021, Wednesday, February 17, 2021 and Thursday, February 18, 2021; and (ii) 9:00 a.m. to 12:00 noon on Friday, February 19, 2021.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service in the **IPO App** or on the designated website at **www.hkeipo.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Tuesday, February 16, 2021 until 11:30 a.m. on Friday, February 19, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, February 19, 2021, the last day for applications, or such later time as described in the paragraph headed "— C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this section below.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application will be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service 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.

Only one application may be made for the benefit of any person. If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of the 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).

6. Applying Through the CCASS EIPO Service

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong 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).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and the H Share Registrar.

Applying through the CCASS EIPO Service

Where you have applied through the **CCASS EIPO** service (either indirectly through a broker or custodian or directly) and an application is made by HKSCC Nominees on your behalf:

(a) 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 Prospectus; and

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;

- confirm that you understand that our Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

- authorize our Company to place HKSCC Nominees' name on the H Share register of our Company as the holder of the Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association, and dispatch H Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in the Prospectus and agree to be bound by them;

- confirm that you have received and read a copy of the Prospectus and have relied only on the information and representations in the Prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to the Prospectus;

- agree that neither our Company nor the Relevant Persons is or will be liable for any information and representations not in the Prospectus (and any supplement to the Prospectus);

- agree to disclose to our Company, the H Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you;

- 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 on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company, and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in the Prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for the Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for the Prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by our Company;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for our Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law and the Special Regulations;

- agree with our Company, for itself and for the benefit of each Shareholder and each Director, supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder and each Director, supervisor, manager and other senior officer of our Company, with each CCASS Participant giving **electronic application instructions**):

  (a) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with our Company (for our Company itself and for the benefit of each Shareholder) that H Shares in our Company are freely transferable by their holders;

- authorise our Company to enter into a contract on its behalf with each Director and officer of our Company whereby each such Director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Applying through the CCASS EIPO Service

By applying through the **CCASS EIPO** service, 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 will be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and 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 initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the Prospectus.

Time for Inputting Electronic Application Instructions(1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, February 16, 2021 – 9:00 a.m. to 8:30 p.m.
- Wednesday, February 17, 2021 – 8:00 a.m. to 8:30 p.m.
- Thursday, February 18, 2021 – 8:00 a.m. to 8:30 p.m.
- Friday, February 19, 2021 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, February 16, 2021 until 12:00 noon on Friday, February 19, 2021 (24 hours daily, except on Friday, February 19, 2021, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, February 19, 2021, the last day for applications or such later time as described in "— C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this section below.

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of the 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 following Personal Information Collection Statement applies to any personal data held by the Company, the H Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service or the **HK eIPO White Form** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and its H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the Collection of Your Personal Data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or its agents and the H Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or its H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check or e-Auto Refund payment instruction, where applicable, verification of compliance with the terms and application procedures set out in the Prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Company's Register of Members;
- verifying identities of the holders of the Company's Shares;
- establishing benefit entitlements of holders of the Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Company's Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to holders of the Company's H Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of Personal Data

Personal data held by the Company and its H Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and its H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;

- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;

- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and

- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc..

Retention of Personal Data

The Company and its H Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Access to and Correction of Personal Data

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in the section headed "Corporate Information" in the Prospectus or as notified from time to time, for the attention of the secretary, or the Company's H Share Registrar for the attention of the privacy compliance officer.

7. Warning for Electronic Applications

The application for Hong Kong Offer Shares through the **CCASS EIPO** service is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** 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 day for applications to make your electronic application. Our Company, the Relevant Persons and

the **HK eIPO White Form** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through the **CCASS EIPO** service or person applying through the **HK eIPO White Form** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, February 19, 2021, the last day for applications, or such later time as described in the paragraph headed "— C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this section below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through the **HK eIPO White Form** 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 made 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).

(B) HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$151.00 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 100 Hong Kong Offer Shares, you will pay HK$15,252.17.

You must pay the maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 100 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in "4. Minimum Application Amount and Permitted Numbers" in this section, or as otherwise specified in the **IPO App** or on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering — Pricing and Allocation" in the Prospectus.

(C) EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, February 19, 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, February 19, 2021 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in the Prospectus, an announcement will be made.

(D) PUBLICATION OF RESULTS

Our Company expects to announce the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Thursday, February 25, 2021 on the websites of our Company at **www.joinn-lab.com** and 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 dates and in the manner set out below:

- in the announcement to be posted on the websites of our Company and the Stock Exchange at **www.joinn-lab.com** and **www.hkexnews.hk**, respectively, by no later than 9:00 a.m. on Thursday, February 25, 2021;

- from "IPO Results" function in the **IPO App** or the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID function" on a 24 hour basis from 8:00 a.m. on Thursday, February 25, 2021 to 12:00 midnight on Wednesday, March 3, 2021; and

- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, February 25, 2021 to Tuesday, March 2, 2021 (excluding Saturday, Sunday and public holiday in Hong Kong).

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in the section "Structure of the Global Offering" in the Prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

(E) CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

(a) If your application is revoked:

By applying through the **CCASS EIPO** service or the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before 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) in the following circumstances:

(i) if a person responsible for the Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for the Prospectus; or

(ii) if any supplement to the Prospectus is issued, in which case 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.

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the H Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your payment is not made correctly;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website at **www.hkeipo.hk**;
- you apply for more than 1,949,600 Hong Kong Offer Shares, being approximately 50% of the 3,899,300 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- our Company or the Joint Global Coordinators believe that by accepting your application, they would violate applicable securities or other laws, rules or regulations; or
- the Underwriting Agreements do not become unconditional or are terminated.

(F) 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 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in the section headed "Structure of the Global Offering — Conditions of the Global Offering" in the Prospectus are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, February 25, 2021.

(G) DISPATCH/COLLECTION OF H SHARE CERTIFICATES/e-AUTO REFUND PAYMENT INSTRUCTIONS/REFUND CHECKS

You will receive one H Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except 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 Offer Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of H Share certificates and refund checks as mentioned below, any refund checks and H Share certificate(s) are expected to be posted on or before Thursday, February 25, 2021. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier order(s).

H Share certificates will only become valid at 8:00 a.m. on Friday, February 26, 2021, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade H Shares on the basis of publicly available allocation details or prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(a) ***If you apply through the HK eIPO White Form service:***

- If you apply for 1,000,000 Hong Kong Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your H Share certificate(s) (where applicable) in person from the H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, February 25, 2021, or any other place or date notified by our Company in the newspapers as the date of dispatch or collection of H Share certificates.

- If you do not personally collect your H Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Offer Shares through the **HK eIPO White Form** service, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, February 25, 2021 by ordinary post and at your own risk.

- If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post and at your own risk.

(b) ***If you apply through the CCASS EIPO service:***

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, February 25, 2021, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in "— D. Publication of Results" above on Thursday, February 25, 2021. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, February 25, 2021 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated 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 Thursday, February 25, 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and 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 Thursday, February 25, 2021.

(H) ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange 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 advisor for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-101, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 北京昭衍新藥研究中心股份有限公司 JOINN Laboratories (China) Co., Ltd.* and CLSA Capital Markets Limited

Introduction

We report on the historical financial information of JOINN Laboratories (China) Co., Ltd. ("北京昭衍新藥研究中心股份有限公司"*, the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-101, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2017, 2018 and 2019 and 30 September 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-101 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 16 February 2021 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

* *For identification purpose only*

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2017, 2018 and 2019 and 30 September 2020, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the nine months ended 30 September 2019 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 33(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

16 February 2021

Historical Financial Information

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi ("RMB"))

		Year ended 31 December									Nine months ended 30 September					
		2017			2018			2019			2019			2020		
	Note	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*4*	301,279	–	301,279	408,798	–	408,798	639,379	–	639,379	344,175	–	344,175	631,513	–	631,513
Cost of services		(132,465)	(3,149)	(135,614)	(192,933)	(7,206)	(200,139)	(307,097)	(3,496)	(310,593)	(167,418)	(2,987)	(170,405)	(311,588)	(1,019)	(312,607)
Gross profit	*4(b)*	168,814	(3,149)	165,665	215,865	(7,206)	208,659	332,282	(3,496)	328,786	176,757	(2,987)	173,770	319,925	(1,019)	318,906
Other gains and losses, net	*5*	11,936	7,734	19,670	26,011	792	26,803	30,001	13,065	43,066	17,828	11,669	29,497	23,436	27,282	50,718
Selling and marketing expenses		(5,754)	–	(5,754)	(6,626)	–	(6,626)	(12,473)	–	(12,473)	(8,056)	–	(8,056)	(9,786)	–	(9,786)
General and administrative expenses		(56,564)	–	(56,564)	(80,258)	–	(80,258)	(102,651)	–	(102,651)	(67,555)	–	(67,555)	(148,634)	–	(148,634)
Research and development expenses		(25,577)	–	(25,577)	(23,690)	–	(23,690)	(39,627)	–	(39,627)	(26,744)	–	(26,744)	(48,885)	–	(48,885)
Profit from operations		92,855	4,585	97,440	131,302	(6,414)	124,888	207,532	9,569	217,101	92,230	8,682	100,912	136,056	26,263	162,319
Finance costs	*6(a)*	(21)	–	(21)	(94)	–	(94)	(342)	–	(342)	(225)	–	(225)	(2,688)	–	(2,688)
Profit before taxation	*6*	92,834	4,585	97,419	131,208	(6,414)	124,794	207,190	9,569	216,759	92,005	8,682	100,687	133,368	26,263	159,631
Income tax	*7*	(16,885)	(617)	(17,502)	(20,206)	732	(19,474)	(27,909)	(1,173)	(29,082)	(13,694)	(1,088)	(14,782)	(16,783)	(992)	(17,775)
Profit for the year/period		75,949	3,968	79,917	111,002	(5,682)	105,320	179,281	8,396	187,677	78,311	7,594	85,905	116,585	25,271	141,856

	Note	Year ended 31 December									Nine months ended 30 September					
		2017			2018			2019			2019			2020		
		Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*	*RMB'000*	*RMB'000*	*RMB'000*
Other comprehensive income for the year/period (after tax)	*10*															
Items that will not be reclassified to profit or loss:																
– Equity investments at fair value through other comprehensive income ("FVOCI") – net movement in fair value reserve (non-recycling)		–	–	–	–	–	–	–	–	–	–	–	–	40,236	–	40,236
Items that may be reclassified subsequently to profit or loss:																
– Exchange differences on translation of financial statements of foreign operations		(772)	–	(772)	1,811	–	1,811	(714)	–	(714)	1,484	–	1,484	(6,034)	–	(6,034)
		(772)	–	(772)	1,811	–	1,811	(714)	–	(714)	1,484	–	1,484	34,202	–	34,202
Total comprehensive income for the year/period		75,177	3,968	79,145	112,813	(5,682)	107,131	178,567	8,396	186,963	79,795	7,594	87,389	150,787	25,271	176,058

	Note	Year ended 31 December									Nine months ended 30 September					
		2017			2018			2019			2019			2020		
		Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year/period attributable to:																
Equity shareholders of the Company				79,917			105,471			187,838			86,415			142,935
Non-controlling interests				–			(151)			(161)			(510)			(1,079)
Profit for the year/period				79,917			105,320			187,677			85,905			141,856
Total comprehensive income for the year/period attributable to:																
Equity shareholders of the Company				79,145			107,282			187,124			87,899			177,137
Non-controlling interests				–			(151)			(161)			(510)			(1,079)
Total comprehensive income for the year/period				79,145			107,131			186,963			87,389			176,058
Earnings per share	*11*															
Basic (RMB)				0.43			0.47			0.83			0.38			0.63
Diluted (RMB)				0.43			0.47			0.83			0.38			0.63

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	At 31 December			At 30 September
		2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property plant and equipment	*12*	317,653	409,150	576,320	629,421
Intangible assets	*13*	3,838	9,985	69,316	63,748
Goodwill	*14*	–	–	133,962	130,772
Biological assets	*16*	16,480	12,489	11,949	15,487
Financial assets at FVOCI	*17*	–	–	12,000	59,336
Other non-current assets	*18*	11,770	23,942	25,094	43,989
Deferred tax assets	*31(b)*	4,458	6,908	25,581	38,962
		354,199	462,474	854,222	981,715
Current assets					
Inventories	*19*	10,338	12,969	49,555	73,266
Contract costs	*20*	69,265	99,921	148,437	276,705
Biological assets	*16*	27,690	10,022	18,990	32,465
Contract assets	*21*	11,231	18,414	69,645	41,358
Trade and bills receivables	*22*	40,543	56,476	97,388	78,982
Prepayments and other receivables	*23*	5,551	19,321	24,245	46,383
Financial assets at fair value through profit or loss ("FVTPL")	*24*	200,692	348,686	130,701	187,250
Cash at bank and on hand	*25*	254,617	148,693	176,958	199,888
		619,927	714,502	715,919	936,297
Current liabilities					
Interest-bearing borrowings	*26*	–	–	13,148	3,203
Trade payables	*27*	10,116	14,552	34,086	54,920
Contract liabilities	*21*	275,665	349,285	394,791	540,538
Other payables	*28*	29,789	51,216	81,623	106,784
Lease liabilities	*29*	–	693	12,474	15,000
Income tax payable	*31(a)*	7,536	8,760	17,929	5,372
		323,106	424,506	554,051	725,817
Net current assets		296,821	289,996	161,868	210,480
Total assets less current liabilities		651,020	752,470	1,016,090	1,192,195

	Note	At 31 December			At 30 September
		2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Interest-bearing borrowings	*26*	–	–	9,175	23,024
Leases liabilities	*29*	–	2,213	55,382	49,973
Deferred tax liabilities	*31(b)*	2,849	4,444	23,657	32,992
Deferred income	*32*	71,616	78,393	77,931	67,670
		74,465	85,050	166,145	173,659
NET ASSETS		576,555	667,420	849,945	1,018,536
CAPITAL AND RESERVES	*33*				
Share capital		81,800	114,995	161,717	226,745
Reserves		494,403	552,224	687,483	792,217
Total equity attributable to equity shareholders of the Company		576,203	667,219	849,200	1,018,962
Non-controlling interests		352	201	745	(426)
TOTAL EQUITY		576,555	667,420	849,945	1,018,536

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY
(Expressed in RMB)

	Note	At 31 December			At 30 September
		2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property plant and equipment	*12*	112,245	128,623	125,436	127,949
Intangible assets		3,454	9,077	10,710	11,189
Investments in subsidiaries	*15*	130,718	159,870	429,121	535,224
Financial assets at FVOCI	*17*	–	–	12,000	59,336
Other non-current assets		3,571	6,190	10,899	9,339
Deferred tax assets	*31(b)*	720	2,565	5,593	14,603
		250,708	306,325	593,759	757,640
Current assets					
Inventories	*19*	4,477	5,487	14,007	24,452
Contract costs	*20*	43,583	59,780	57,633	91,948
Contract assets	*21*	9,168	7,919	9,027	14,070
Trade and bills receivables	*22*	28,553	42,131	32,753	18,619
Prepayments and other receivables	*23*	42,798	131,646	46,997	40,302
Financial assets at FVTPL	*24*	140,355	152,776	120,690	156,623
Cash at bank and on hand	*25*	140,470	49,440	39,456	17,804
		409,404	449,179	320,563	363,818
Current liabilities					
Trade payables	*27*	3,858	9,418	6,476	34,379
Contract liabilities	*21*	165,885	200,365	157,424	203,965
Other payables	*28*	15,665	29,725	46,990	132,436
Lease liabilities	*29*	–	693	1,284	1,336
Income tax payable	*31(a)*	2,123	2,853	6,850	–
		187,531	243,054	219,024	372,116
Net current assets/(liabilities)		221,873	206,125	101,539	(8,298)
Total assets less current liabilities		472,581	512,450	695,298	749,342
Non-current liabilities					
Leases liabilities	*29*	–	2,213	3,009	2,106
Deferred tax liabilities	*31(b)*	43	2,243	3,573	13,315
Deferred income	*32*	14,466	22,335	23,936	15,010
		14,509	26,791	30,518	30,431
NET ASSETS		458,072	485,659	664,780	718,911
CAPITAL AND RESERVES	*33*				
Share capital		81,800	114,995	161,717	226,745
Reserves		376,272	370,664	503,063	492,166
TOTAL EQUITY		458,072	485,659	664,780	718,911

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company										
		Share capital	Share premium	Share award reserve	Other capital reserve	Statuary reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total Equity
		RMB'000 (Note 33(c))	*RMB'000* (Note 33(d)(i))	*RMB'000* (Note 33(d)(ii))	*RMB'000* (Note 33(d)(iii))	*RMB'000* (Note 33(d)(iv))	*RMB'000* (Note 33(d)(v))	*RMB'000* (Note 33(d)(vi))	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2017		61,300	–	–	59,614	10,059	227	–	143,928	275,128	352	275,480
Changes in equity for 2017:												
Profit for the year		–	–	–	–	–	–	–	79,917	79,917	–	79,917
Other comprehensive income		–	–	–	–	–	(772)	–	–	(772)	–	(772)
Total comprehensive income		–	–	–	–	–	(772)	–	79,917	79,145	–	79,145
Issue of ordinary shares upon listing on Shanghai Stock Exchange	*33(c)*	20,500	201,430	–	–	–	–	–	–	221,930	–	221,930
Appropriation to reserves		–	–	–	–	2,182	–	–	(2,182)	–	–	–
Balance at 31 December 2017 and 1 January 2018		81,800	201,430	–	59,614	12,241	(545)	–	221,663	576,203	352	576,555
Changes in equity for 2018:												
Profit for the year		–	–	–	–	–	–	–	105,471	105,471	(151)	105,320
Other comprehensive income		–	–	–	–	–	1,811	–	–	1,811	–	1,811
Total comprehensive income		–	–	–	–	–	1,811	–	105,471	107,282	(151)	107,131
Issue of shares under capitalisation issue	*33(c)*	32,856	(32,856)	–	–	–	–	–	–	–	–	–
Issue of restricted shares	*30*	339	9,258	(9,597)	–	–	–	–	–	–	–	–
Recognition of share-based payments		–	–	–	8,274	–	–	–	–	8,274	–	8,274
Appropriation to reserves		–	–	–	–	4,407	–	–	(4,407)	–	–	–
Dividends declared and paid in respect of the previous year	*33(b)*	–	–	102	–	–	–	–	(24,642)	(24,540)	–	(24,540)
Balance at 31 December 2018		114,995	177,832	(9,495)	67,888	16,648	1,266	–	298,085	667,219	201	667,420

	Note	Attributable to equity shareholders of the Company										
		Share capital	Share premium	Share award reserve	Other capital reserve	Statuary reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total Equity
		RMB'000 (Note 33(c))	*RMB'000 (Note 33(d)(i))*	*RMB'000 (Note 33(d)(ii))*	*RMB'000 (Note 33(d)(iii))*	*RMB'000 (Note 33(d)(iv))*	*RMB'000 (Note 33(d)(v))*	*RMB'000 (Note 33(d)(vi))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2019		114,995	177,832	(9,495)	67,888	16,648	1,266	–	298,085	667,219	201	667,420
Changes in equity for 2019:												
Profit for the year		–	–	–	–	–	–	–	187,838	187,838	(161)	187,677
Other comprehensive income		–	–	–	–	–	(714)	–	–	(714)	–	(714)
Total comprehensive income		–	–	–	–	–	(714)	–	187,838	187,124	(161)	186,963
Capital contribution from non-controlling equity owners of subsidiaries		–	–	–	–	–	–	–	–	–	700	700
Issue of shares under capitalisation issue	*33(c)*	45,998	(45,998)	–	–	–	–	–	–	–	–	–
Issue of restricted shares	*30*	405	9,339	(9,744)	–	–	–	–	–	–	–	–
Shares issued under share option scheme		342	10,439	–	(1,026)	–	–	–	–	9,755	–	9,755
Repurchase and cancellation of restricted shares		(23)	(302)	317	–	–	–	–	8	–	–	–
Unlock of restricted shares	*30(b)(ii)*	–	5,309	4,497	(5,309)	–	–	–	–	4,497	–	4,497
Recognition of share-based payments	*30*	–	–	–	11,650	–	–	–	–	11,650	5	11,655
Recognition of deferred tax asset related with share-based payments		–	–	–	3,311	–	–	–	–	3,311	–	3,311
Appropriation to reserves		–	–	–	–	18,558	–	–	(18,558)	–	–	–
Dividends declared and paid in respect of the previous year	*33(b)*	–	–	142	–	–	–	–	(34,498)	(34,356)	–	(34,356)
Balance at 31 December 2019		161,717	156,619	(14,283)	76,514	35,206	552	–	432,875	849,200	745	849,945

	Note	Attributable to equity shareholders of the Company										
		Share capital	Share premium	Share award reserve	Other capital reserve	Statuary reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total Equity
		RMB'000 (Note 33(c))	*RMB'000 (Note 33(d)(i))*	*RMB'000 (Note 33(d)(ii))*	*RMB'000 (Note 33(d)(iii))*	*RMB'000 (Note 33(d)(iv))*	*RMB'000 (Note 33(d)(v))*	*RMB'000 (Note 33(d)(vi))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)												
Balance at 1 January 2019		114,995	177,832	(9,495)	67,888	16,648	1,266	–	298,085	667,219	201	667,420
Changes in equity for the nine months ended 30 September 2019:												
Profit for the period		–	–	–	–	–	–	–	86,415	86,415	(510)	85,905
Other comprehensive income		–	–	–	–	–	1,484	–	–	1,484	–	1,484
Total comprehensive income		–	–	–	–	–	1,484	–	86,415	87,899	(510)	87,389
Capital contribution from non-controlling equity owners of subsidiaries		–	–	–	–	–	–	–	–	–	700	700
Issue of shares under capitalisation issue	*33(c)*	45,998	(45,998)	–	–	–	–	–	–	–	–	–
Shares issued under share option scheme		342	10,439	–	(1,026)	–	–	–	–	9,755	–	9,755
Unlock of restricted shares		–	5,309	4,497	(5,309)	–	–	–	–	4,497	–	4,497
Recognition of share-based payments	*30*	–	–	–	5,066	–	–	–	–	5,066	–	5,066
Dividends declared and paid in respect of the previous year	*33(b)*	–	–	142	–	–	–	–	(34,498)	(34,356)	–	(34,356)
Balance at 30 September 2019		161,335	147,582	(4,856)	66,619	16,648	2,750	–	350,002	740,080	391	740,471

	Note	Attributable to equity shareholders of the Company										
		Share capital	Share premium	Share award reserve	Other capital reserve	Statuary reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total Equity
		RMB'000 (Note 33(c))	*RMB'000 (Note 33(d)(i))*	*RMB'000 (Note 33(d)(ii))*	*RMB'000 (Note 33(d)(iii))*	*RMB'000 (Note 33(d)(iv))*	*RMB'000 (Note 33(d)(v))*	*RMB'000 (Note 33(d)(vi))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2020		161,717	156,619	(14,283)	76,514	35,206	552	–	432,875	849,200	745	849,945
Changes in equity for the nine months ended 30 September 2020:												
Profit for the period		–	–	–	–	–	–	–	142,935	142,935	(1,079)	141,856
Other comprehensive income		–	–	–	–	–	(6,034)	40,236	–	34,202	–	34,202
Total comprehensive income		–	–	–	–	–	(6,034)	40,236	142,935	177,137	(1,079)	176,058
Issue of shares under capitalisation issue	*33(c)*	64,766	(64,766)	–	–	–	–	–	–	–	–	–
Shares issued under share option scheme		199	6,290	–	(821)	–	–	–	–	5,668	–	5,668
Issue of restricted shares	*30*	63	2,923	(2,986)	–	–	–	–	–	–	–	–
Unlock of restricted shares	*30(b)(ii)*	–	3,029	2,566	(3,029)	–	–	–	–	2,566	–	2,566
Recognition of share-based payments	*30*	–	–	–	23,115	–	–	–	–	23,115	2	23,117
Recognition of deferred tax asset related with share-based payments		–	–	–	16,048	–	–	–	–	16,048	–	16,048
Dividends declared and paid in respect of the previous year	*33(b)*	–	–	185	–	–	–	–	(55,051)	(54,866)	–	(54,866)
Acquisition of non-controlling interests		–	–	–	94	–	–	–	–	94	(94)	–
Balance at 30 September 2020		226,745	104,095	(14,518)	111,921	35,206	(5,482)	40,236	520,759	1,018,962	(426)	1,018,536

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in RMB)

	Note	Year ended 31 December			Nine months ended 30 September	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Operating activities						
Profit before taxation		97,419	124,794	216,759	100,687	159,631
Adjustments for:						
Amortisation of intangible assets	*6(c)*	550	853	2,375	1,126	8,295
Depreciation of property, plant and equipment	*6(c)*	23,519	27,310	42,277	30,547	50,798
Finance costs	*6(a)*	21	94	342	225	2,688
Interest income	*5*	(1,799)	(2,262)	(1,885)	(1,385)	(1,504)
Change in fair value of financial assets at FVTPL	*5*	(2,445)	(11,572)	(10,492)	(8,646)	(3,957)
Net (gain)/loss on disposal of property, plant and equipment	*5*	(75)	55	245	33	362
Gains arising from changes in fair value of biological assets	*5*	(7,734)	(792)	(13,065)	(11,669)	(27,282)
Equity-settled share-based payment expenses	*30(c)*	–	8,274	11,655	5,066	23,117
Net foreign exchange loss/(gain)	*5*	763	(1,131)	(323)	(892)	1,244
Changes in working capital:						
Increase in inventories		(1,282)	(2,631)	(13,646)	(17,618)	(23,711)
Increase in contract costs		(32,133)	(30,656)	(48,516)	(83,521)	(128,268)
(Increase)/decrease in contract assets		(4,208)	(7,183)	(51,231)	(22,686)	28,287
Decrease in biological assets		6,425	15,069	2,281	4,919	10,269
(Increase)/decrease in trade and bill receivables		(1,219)	(15,933)	(31,101)	9,717	18,406
Decrease/(increase) in prepayments and other receivables		19,798	(13,769)	(1,345)	6,153	(14,044)
(Decrease)/increase in trade payables		(9,345)	4,435	12,772	28,167	20,834
(Decrease)/increase in other payables		(10,116)	10,766	30,934	32,462	(2,584)
Increase in contract liabilities		59,369	73,620	18,584	56,013	145,747
(Decrease)/increase in deferred income		(3,269)	588	4,217	(12,449)	(7,412)
Cash generated from operations		134,239	179,929	170,837	116,249	260,916
Tax paid	*31(a)*	(15,919)	(19,105)	(21,898)	(15,247)	(26,803)
Net cash generated from operating activities		118,320	160,824	148,939	101,002	234,113

	Note	Year ended 31 December			Nine months ended 30 September	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Investing activities						
Acquisition of a subsidiary, net of cash acquired	*34*	–	–	(196,641)	–	–
Payment for acquisition of financial assets at FVTPL		(372,000)	(831,000)	(1,257,400)	(837,400)	(384,000)
Payment for acquisition of financial assets at FVOCI		–	–	(12,000)	(12,000)	–
Proceeds from disposal of financial assets at FVTPL		173,753	694,578	1,485,877	879,329	331,408
Purchase of property, plant and equipment		(23,163)	(128,038)	(120,838)	(100,280)	(121,332)
Purchase of intangible assets		(2,158)	(1,885)	(5,937)	(1,712)	(4,037)
Proceeds from disposal of property, plant and equipment		129	–	13	12	29
Placement of restricted deposits		–	–	–	–	(3,618)
Government grant received related to assets		2,909	14,300	3,203	2,551	2,610
Net cash used in investing activities		(220,530)	(252,045)	(103,723)	(69,500)	(178,940)
Financing activities						
Proceeds from issuance of shares under A share initial public offering		231,655	–	–	–	–
Payments for issuance costs in relation to A share initial public offering		(7,416)	(200)	–	–	–
Proceeds from shares issued under share option schemes		–	–	9,755	9,755	5,668
Proceeds from employees for exercising share options granted under share option scheme	*28*	–	–	–	–	24,218
Proceeds from issuance of restricted shares		–	9,597	9,744	9,744	2,986
Proceeds from new interest-bearing borrowings	*25(b)*	6,018	–	–	–	35,839
Repayment of interest-bearing borrowings	*25(b)*	(6,018)	–	–	–	(31,229)
Dividends paid	*33(b)*	–	(24,642)	(34,498)	(34,498)	(55,051)
Interest paid	*25(b)*	(21)	–	(48)	–	(631)
Payments for repurchase of restricted shares		–	–	(317)	–	–
Capital element of lease rentals paid	*25(b)*	–	(289)	(2,055)	(1,718)	(10,275)
Interest element of lease rentals paid	*25(b)*	–	(6)	(55)	(64)	(191)

	Note	Year ended 31 December			Nine months ended 30 September	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Payments for issuance costs in relation to H share initial public offering	*23*	–	–	–	–	(6,514)
Net cash generated from/(used in) financing activities		224,218	(15,540)	(17,474)	(16,781)	(35,180)
Effect of foreign exchange rate changes on cash and cash equivalents		(90)	837	523	924	(681)
Net increase/(decrease) in cash and cash equivalents		121,918	(105,924)	28,265	15,645	19,312
Cash and cash equivalents at 1 January	*25(a)*	132,699	254,617	148,693	148,693	176,958
Cash and cash equivalents at 31 December/30 September	*25(a)*	254,617	148,693	176,958	164,338	196,270

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

JOINN Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司, the "Company") was incorporated in the People's Republic of China (the "PRC") as a joint stock limited liability company under the PRC laws. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and listed on the Shanghai Stock Exchange (stock code: 603127.SH) on 25 August 2017. The Company is ultimately controlled by Ms. Feng Yuxia and Mr. Zhou Zhiwen.

The Company and its subsidiaries (together, "the Group") are principally engaged in providing a comprehensive portfolio of contract research organization ("CRO") services including non-clinical studies services, clinical trial and related services and sales of research models. The information of the subsidiaries are set out in Note 15.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs that are effective during the Track Record Period, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from contracts with customers* and IFRS 16 *Leases*, consistently throughout the Track Record Period. The Group has not adopted any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2020. The new and revised accounting standards and interpretations issued but not yet effective or adopted for the accounting period beginning on 1 January 2020 are set out in Note 40.

As at 30 September 2020, the Company had net current liabilities of RMB8,298,000. The Historical Financial Information has been prepared on a going concern basis, because the directors of the Company are of the opinion that based on a cash flow forecast of the Company for the twelve months ending 30 September 2021 prepared by the management, the Company would have adequate funds to meet its liabilities as and when they fall due for at least twelve months from 30 September 2020. Accordingly, the directors of the Company consider it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

The functional currency of the Company is Renminbi ("RMB"), which is the same as the presentation currency of the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- biological assets (see Note 2(g)); and
- other investments in debt and equity securities (see Note 2(f)).

(b) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see Note 2(d)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see Note 2(k)(ii)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between

non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2 (p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(k)(ii)).

On disposal of a cash generating unit during the period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVTPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 35(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(u)(iii)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVTPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI, are recognised in profit or loss as other net gain.

(g) Biological assets

Biological assets of the Group mainly represent research models including non-human primates, beagle dogs and rodents for breeding and non-clinical studies. Biological assets are measured on initial recognition and at the end of each reporting period at their fair value less costs of disposal.

The feeding costs and other related costs such as staff costs, depreciation and amortisation expenses and utilities cost incurred for raising research models for non-clinical studies are capitalised until the research models begin to mate and transfer to the Group's research models for breeding. Such costs incurred for research models for breeding are charged to profit or loss during the reporting periods. Research models for breeding are classified as non-current assets and research models for non-clinical studies are classified as current assets.

Gains or losses arising from initial recognition of biological assets at fair value less costs of disposal and from a change in fair value less costs of disposal of biological assets are included in profit or loss in the period in which it arises.

(h) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(k)(ii)):

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(w)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful lives
Plant and buildings	20 – 30 years
Machinery and equipment	5 – 10 years
Vehicles, furniture, and others	5 – 10 years
Leasehold improvement	Shorter of lease term or 3-10 years
Right-of-use assets	Over the term of lease

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(k)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(k)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The useful lives of intangible assets are determined based on factors such as the attrition rate, technological obsolescence, and expiry of related legal rights. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Patents and trademarks	10 years
Software	5-10 years
Non-competition agreement	Shorter of the unexpired term of agreement and useful life
Customer relationships	10 years

Customer relationship acquired in business combinations is recognised at fair value at the acquisition dates. The useful life of customer relationship reflects the Company's directors' view of the average economic life of the customer relationship and is assessed by reference to annual attrition rate. Amortisation is calculated using the straight-line method over expected life of 10 years.

Both the period and method of amortisation are reviewed annually.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(h) and 2(k)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and bills receivables, and other receivables)

– contract assets as defined in IFRS 15 (see Note 2(m));

Other financial assets measured at fair value, including equity and debt securities measured at FVTPL, equity investments designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of fixed-rate financial assets, trade and other receivables and contract assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(u)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets;

– goodwill;

– other non-current assets; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill

allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(l) Inventories and other contract costs

(i) Inventories

Inventories mainly represent raw materials and supplies to be consumed in the rendering of services.

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using specific identification or first-in, first-out formula. Net realisable value is the estimated contracted selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Other contract costs

Other contract costs are the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 2(l)(i)).

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide services in the future; and are expected to be recovered.

Costs that relate directly to an existing contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the services to which the asset relates, less (ii) any costs that relate directly to providing those services that have not yet been recognised as expenses.

The accounting policy for revenue recognition is set out in Note 2(u).

(m) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(u)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(k)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(n)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(u)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(n)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(u)(iii)).

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(m)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(k)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(k)(i).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(w)).

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the share options will vest.

The fair value of the selected current employee services received in exchange for the grant of the restricted shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the granted shares measured as of the grant date less the proceeds received from the employees, and recorded in the capital reserve until each unlocking date and record it under reserves attributable to equity shareholders of the Company. The proceeds received from the employees is firstly recorded as other payables.

During the vesting period, the number of equity instruments that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior periods is charged/credited to the profit or loss for the period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of equity instruments that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised or the restricted shares are released (when it is included in the amount recognised in share capital for the shares issued) or the option or restricted share expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(s) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Rendering of services

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

For certain revenue from clinical trial and related services, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the Group transfers the control for services/deliverable units and has right to payment from the customers for the services performed upon finalisation, or upon the delivery and acceptance of the deliverable units.

For non-clinical studies service, contracts with customers may contain more than one performance obligations. For such arrangements, the transaction price is allocated to each performance obligation on a relative stand-alone selling price basis. Revenue is recognised with the allocated amounts at a point in time upon satisfaction of the individual performance obligations.

(ii) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(iii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(k)(i)).

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss over the useful life of the asset.

(v) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Notes 14, 16, 30 and 35(e) contains information about the assumptions and their risk factors relating to goodwill impairment, fair value of biological assets, fair value of share options granted and restricted shares under share incentive scheme and fair value of financial instruments. Other key source of estimation uncertainty is as follows:

(a) Impairment of non-current assets (other than goodwill)

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of non-current assets as described in Note 2(k)(ii). These assets are tested for impairment whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable.

When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(b) Expected credit loss for trade receivables

The credit loss for trade receivables and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, set Note 35(a). Changes in these assumptions and estimated could materially affect the result of the assessment and it may be necessary to make additional loss allowance in future periods.

(c) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and residual values, if any, of the property, plant and equipment regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of the useful lives and residual values, if any, are based on historical experience with similar assets after taking into account the anticipated changes on how such assets are to be deployed in the future. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In determining the amount of deferred tax assets to be recognised, significant judgement is required relating to the timing and level of future taxable profits, after taking into account future tax planning strategies. The amount of deferred tax assets recognised at future dates are adjusted if there are significant changes from these estimates.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in providing non-clinical drug safety assessment services to pharmaceutical and biotechnology companies. Further details regarding the Group's principal activities are disclosed in Note 4(b). Disaggregation of revenue from contracts with customers by major service lines is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15					
Rendering services:					
Non-clinical studies services	292,269	403,768	630,190	337,881	626,801
Clinical trial and related services	–	158	4,907	3,556	3,277
Sales of goods:					
Sales of research models	9,010	4,872	4,282	2,738	1,435
	301,279	408,798	639,379	344,175	631,513

During the Track Record Period, no revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer.

Details of concentration of credit risk from the Group's customers are set out is Note 35(a).

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied were RMB642,672,000, RMB824,417,000, RMB1,194,146,000 and RMB1,798,771,000 as at 31 December 2017, 2018 and 2019 and 30 September 2020, respectively. Management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as of the end of each reporting period during the Track Record Period will be recognised within 3 years from the end of each reporting period.

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Non-clinical studies services

  The Group currently offers a comprehensive range of non-clinical studies services in the PRC and the United States of America (the "USA"), including (i) drug safety assessment, (ii) drug metabolism and pharmacokinetics ("DMPK") studies; and (iii) pharmacology and efficacy studies.

- Clinical trial and related services

  These services are at their early stage, including (i) clinical CRO services, (ii) co-managed phase I clinical research units, and (iii) bioanalytical services.

- Sales of research models

  The Group engages in the design, production, breeding and sales of research models, currently including non-human primates, beagle dogs and rodents.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment result is gross profit. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

The Group's other operating income and expenses, such as other gains and losses, net and selling and administrative expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance during the Track Record Period is set out below.

	Year ended 31 December 2017			
	Non-clinical studies services	**Clinical trial and related services**	**Sales of research models**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	292,269	–	9,010	301,279
Revenue from external customer	292,269	–	9,010	301,279
Inter-segment revenue	–	–	9,751	9,751
Reportable segment revenue	292,269	–	18,761	311,030
Reportable segment gross profit	162,208	–	5,193	167,401

	Year ended 31 December 2018			
	Non-clinical studies services	**Clinical trial and related services**	**Sales of research models**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	403,768	158	4,872	408,798
Revenue from external customer	403,768	158	4,872	408,798
Inter-segment revenue	–	–	16,575	16,575
Reportable segment revenue	403,768	158	21,447	425,373
Reportable segment gross profit/(loss)	211,516	(316)	(1,082)	210,118

	Year ended 31 December 2019			
	Non-clinical studies services	**Clinical trial and related services**	**Sales of research models**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	630,190	4,907	4,282	639,379
Revenue from external customer	630,190	4,907	4,282	639,379
Inter-segment revenue	–	2,962	4,280	7,242
Reportable segment revenue	630,190	7,869	8,562	646,621
Reportable segment gross profit	326,585	1,937	1,333	329,855

	Nine months ended 30 September 2019 (unaudited)			
	Non-clinical studies services	**Clinical trial and related services**	**Sales of research models**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	337,881	3,556	2,738	344,175
Revenue from external customer	337,881	3,556	2,738	344,175
Inter-segment revenue	–	1,426	4,280	5,706
Reportable segment revenue	337,881	4,982	7,018	349,881
Reportable segment gross profit	172,851	694	1,309	174,854

	Nine months ended 30 September 2020			
	Non-clinical studies services	**Clinical trial and related services**	**Sales of research models**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	626,801	1,604	1,435	629,840
Over time	–	1,673	–	1,673
Revenue from external customer	626,801	3,277	1,435	631,513
Inter-segment revenue	–	984	19,840	20,824
Reportable segment revenue	626,801	4,261	21,275	652,337
Reportable segment gross profit	317,300	351	6,657	324,308

(ii) Reconciliations of reportable segment gross profit

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Reportable segment gross profit	167,401	210,118	329,855	174,854	324,308
Elimination of inter-segment gross profit	(1,736)	(1,459)	(1,069)	(1,084)	(5,402)
Consolidated gross profit	165,665	208,659	328,786	173,770	318,906

(iii) Geographic information

The following tables set out information about the geographical location of the Group's revenue from external customers. The geographical information about the revenue prepared by external customers' respective country/region of domicile is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
The PRC	293,995	401,916	600,817	323,865	464,947
The USA	1,745	2,603	28,595	10,667	164,750
Other countries/regions	5,539	4,279	9,967	9,643	1,816
	301,279	408,798	639,379	344,175	631,513

The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and biological assets, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The PRC	337,971	431,237	505,700	565,650
The USA	–	387	285,847	273,778
	337,971	431,624	791,547	839,428

5 OTHER GAINS AND LOSSES, NET

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Government grants (including amortisation of deferred income, see Note 32)	9,200	10,628	17,555	6,844	19,742
Interest income	1,799	2,262	1,885	1,385	1,504
Gains arising from changes in fair value of biological assets *(Note 16(a))*	7,734	792	13,065	11,669	27,282
Net foreign exchange (loss)/gain	(763)	1,131	323	892	(1,244)
Net gain/(loss) on disposal of property, plant and equipment	75	(55)	(245)	(33)	(362)
Change in fair value of financial assets at FVTPL	2,445	11,572	10,492	8,646	3,957
Others	(820)	473	(9)	94	(161)
	19,670	26,803	43,066	29,497	50,718

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Interest on interest-bearing borrowings	21	–	48	–	680
Interest on lease liabilities	–	94	294	225	2,008
	21	94	342	225	2,688

(b) Staff costs

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries, wages and other benefits	69,817	98,556	173,581	106,898	198,095
Contributions to defined contribution retirement schemes	5,973	8,086	12,392	7,288	9,112
Equity-settled share-based payment expenses *(Note 30)*	–	8,274	11,655	5,066	23,117
	75,790	114,916	197,628	119,252	230,324

The employees of the Company and the subsidiaries of the Group established in the PRC participate in a defined contribution retirement benefit scheme managed by the local government authority, whereby these companies are required to contribute to the scheme at certain rates of the employees' basic salaries. Employees of these companies are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (other than Hong Kong), from the above mentioned retirement scheme at their normal retirement age.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Amortisation of intangible assets	550	853	2,375	1,126	8,295
Depreciation charge					
– Owned property, plant and equipment	22,566	25,936	39,352	28,329	41,567
– Right-of-use assets	953	1,374	2,925	2,218	9,231
Recognition/(reversal) of expected credit loss	2,003	622	3,648	1,054	(2,885)

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Current tax					
Provision for the year/period	14,536	20,235	32,912	11,096	14,388
Under/(over)-provision in respect of prior year/period	2,783	94	(505)	(505)	–
	17,319	20,329	32,407	10,591	14,388
Deferred tax					
Origination and reversal of temporary differences *(Note 31(b))*	183	(855)	(3,325)	4,191	3,387
	17,502	19,474	29,082	14,782	17,775

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit before taxation	97,419	124,794	216,759	100,687	159,631
Tax calculated tax rate of 25% *(Note (i))*	24,355	31,198	54,190	25,171	39,908
Tax effect of non-deductible expenses	1,140	1,612	1,547	1,012	1,169
Tax effect of unused tax losses and temporary differences not recognised	1,804	3,045	2,642	1,708	2,139
Tax effect of different tax rates of subsidiaries operating in other jurisdictions and tax concessions *(Notes (ii) and (iii))*	(9,880)	(12,214)	(22,927)	(8,166)	(17,807)
Tax effect of additional tax deduction on research and development expenses *(Note (iv))*	(2,700)	(4,261)	(5,865)	(4,438)	(7,634)
Under/(over)-provision in respect of prior year/period	2,783	94	(505)	(505)	–
	17,502	19,474	29,082	14,782	17,775

Notes:

(i) The Company and the subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to the PRC Corporate Income Tax rate of 25% during the Track Record Period.

(ii) The subsidiaries of the Group incorporated in the USA are subject to Federal Corporate Tax and State Income Tax. The federal income tax rate was 35% and the state income tax rate was 8.84% during the year ended 31 December 2017. On 22 December 2017, the 2017 Tax Cuts and Jobs Act was enacted, which reduces the federal corporate tax rate from 35% to 21% and becomes effective on 1 January 2018. The federal corporate tax rate remains at 21% and the state income tax rate remains at a range from 8% to 8.87% during the years ended 31 December 2018 and 2019 and the nine months period ended 30 September 2020.

A subsidiary of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% during the year ended 31 December 2017. The two-tiered profits tax rates regime are applicable from the year of assessment 2018/19 onwards. The profits tax rate for the first Hong Kong Dollars ("HK$") 2,000,000 of profits of corporations will be lowered to 8.25%, and profits above that amount will continue to be subject to the tax rate of 16.5%.

(iii) The PRC Corporate Income Tax Law allows enterprises to apply for certificate of "High and New Technology Enterprise" ("HNTE"), which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfilment of the recognition criteria.

The Company and JOINN Laboratories (Suzhou) Co., Ltd. ("JOINN Suzhou", 昭衍(蘇州)新藥研究中心有限公司), a subsidiary of the Group, was qualified as a HNTE. Accordingly, the Company and JOINN Suzhou are entitled to the preferential tax rate of 15% for the three calendar years ended 31 December 2017, 2018 and 2019. As of the date of this report, the Company and JOINN Suzhou are in the progress of renewing the HNTE qualification, and the directors of the Company are of the opinion that the Company and JOINN Suzhou are qualified to the preferential tax rate of 15% for the nine months ended 30 September 2020.

Pursuant to the article 27 of Law of the People's Republic of China on Enterprise Income Tax (No.63 Order of the President of the People's Republic of China), certain subsidiaries of the Group, are entitled to 50% income tax exemptions on its non-human primates research models breeding business during the Track Record Period.

(iv) According to the relevant tax rules in the PRC, qualified research and development expenses are allowed for additional tax deduction based on 50% or 75% of such expenses.

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the emoluments of the directors and supervisors of the Company during the Track Record Period are as followings:

	Year ended 31 December 2017						
	Directors' and Supervisors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (Note 30)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Ms. Feng Yuxia (Chairperson)	–	1,458	–	31	1,489	–	1,489
Mr. Zuo Conglin	–	446	195	34	675	–	675
Mr. Gao Dapeng	–	246	68	30	344	–	344
Non-executive directors							
Mr. Gu Xiaolei	–	–	–	–	–	–	–
Ms. Gu Meifang	–	–	–	–	–	–	–
Mr. Du Guanhua	77	–	–	–	77	–	77
Independent non-executive directors							
Ms. Dong Min	77	–	–	–	77	–	77
Ms. Wei Caihong	77	–	–	–	77	–	77
Mr. Zhang Ruoming	77	–	–	–	77	–	77
Supervisors							
Ms. Li Ye	–	197	45	25	267	–	267
Ms. Yin Lili	–	231	84	30	345	–	345
Mr. Sun Huiye	–	285	210	1	496	–	496
	308	2,863	602	151	3,924	–	3,924

	Year ended 31 December 2018						
	Directors' and Supervisors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (Note 30)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Ms. Feng Yuxia (Chairperson)	–	1,499	–	35	1,534	–	1,534
Mr. Zuo Conglin	–	468	292	46	806	389	1,195
Mr. Gao Dapeng	–	314	232	43	589	389	978
Non-executive directors							
Mr. Gu Xiaolei	–	–	–	–	–	–	–
Ms. Gu Meifang	–	–	–	–	–	–	–
Mr. Du Guanhua	78	–	–	–	78	–	78
Independent non-executive directors							
Ms. Dong Min	78	–	–	–	78	–	78
Ms. Wei Caihong	78	–	–	–	78	–	78
Mr. Zhang Ruoming	78	–	–	–	78	–	78
Supervisors							
Ms. Li Ye	–	271	113	32	416	–	416
Ms. Yin Lili	–	291	137	39	467	–	467
Mr. Sun Huiye	–	329	224	6	559	–	559
	312	3,172	998	201	4,683	778	5,461

	Year ended 31 December 2019						
	Directors' and Supervisors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (Note 30)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Ms. Feng Yuxia (Chairperson)	–	1,657	213	38	1,908	–	1,908
Mr. Zuo Conglin	–	585	194	50	829	471	1,300
Mr. Gao Dapeng	–	483	242	48	773	471	1,244
Ms. Sun Yunxia (appointed on 28 January 2019)	–	340	206	45	591	450	1,041
Mr. Yao Dalin (appointed on 28 January 2019)	–	1,042	92	–	1,134	450	1,584
Non-executive directors							
Mr. Gu Xiaolei	–	–	–	–	–	–	–
Ms. Gu Meifang (resigned on 28 January 2019)	–	–	–	–	–	–	–
Mr. Du Guanhua (resigned on 28 January 2019)	6	–	–	–	6	–	6
Independent non-executive directors							
Ms. Dong Min (resigned on 28 January 2019)	6	–	–	–	6	–	6
Ms. Wei Caihong (resigned on 28 January 2019)	6	–	–	–	6	–	6
Mr. Zhang Ruoming (resigned on 28 January 2019)	6	–	–	–	6	–	6
Mr. Sun Mingcheng (appointed on 28 January 2019)	73	–	–	–	73	–	73
Mr. Zhai Yonggong (appointed on 28 January 2019)	73	–	–	–	73	–	73
Mr. Ou Xiaojie (appointed on 28 January 2019)	73	–	–	–	73	–	73
Supervisors							
Ms. Li Ye	–	366	365	40	771	–	771
Ms. Yin Lili	–	397	323	44	764	–	764
Mr. Sun Huiye	–	449	420	6	875	–	875
	243	5,319	2,055	271	7,888	1,842	9,730

	Nine months ended 30 September 2019 (unaudited)						
	Directors' and Supervisors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (Note 30)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Ms. Feng Yuxia (Chairperson)	–	1,233	160	31	1,424	–	1,424
Mr. Zuo Conglin	–	433	146	39	618	160	778
Mr. Gao Dapeng	–	353	182	37	572	160	732
Ms. Sun Yunxia (appointed on 28 January 2019)	–	303	168	39	510	160	670
Mr. Yao Dalin (appointed on 28 January 2019)	–	838	90	–	928	160	1,088
Non-executive directors							
Mr. Gu Xiaolei	–	–	–	–	–	–	–
Ms. Gu Meifang (resigned on 28 January 2019)	–	–	–	–	–	–	–
Mr. Du Guanhua (resigned on 28 January 2019)	6	–	–	–	6	–	6
Independent non-executive directors							
Ms. Dong Min (resigned on 28 January 2019)	6	–	–	–	6	–	6
Ms. Wei Caihong (resigned on 28 January 2019)	6	–	–	–	6	–	6
Mr. Zhang Ruoming (resigned on 28 January 2019)	6	–	–	–	6	–	6
Mr. Sun Mingcheng (appointed on 28 January 2019)	53	–	–	–	53	–	53
Mr. Zhai Yonggong (appointed on 28 January 2019)	53	–	–	–	53	–	53
Mr. Ou Xiaojie (appointed on 28 January 2019)	53	–	–	–	53	–	53
Supervisors							
Ms. Li Ye	–	267	274	29	570	–	570
Ms. Yin Lili	–	289	242	33	564	–	564
Mr. Sun Huiye	–	332	315	4	651	–	651
	183	4,048	1,577	212	6,020	640	6,660

	Nine months ended 30 September 2020						
	Directors' and Supervisors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (Note 30)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Ms. Feng Yuxia (Chairperson)	–	1,240	170	–	1,410	–	1,410
Mr. Zuo Conglin	–	461	124	26	611	861	1,472
Mr. Gao Dapeng	–	415	110	26	551	696	1,247
Ms. Sun Yunxia	–	414	104	26	544	968	1,512
Mr. Yao Dalin	–	791	160	–	951	696	1,647
Non-executive director							
Mr. Gu Xiaolei	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Sun Mingcheng	64	–	–	–	64	–	64
Mr. Zhai Yonggong	64	–	–	–	64	–	64
Mr. Ou Xiaojie	64	–	–	–	64	–	64
Supervisors							
Ms. Li Ye	–	344	208	26	578	–	578
Ms. Yin Lili	–	361	194	26	581	–	581
Mr. Sun Huiye	–	387	226	3	616	–	616
	192	4,413	1,296	133	6,034	3,221	9,255

During the Track Record Period, no emoluments were paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Track Record Period, of the five individuals with the highest emoluments, 3, 3, 5, 5 (unaudited) and 2 are directors or supervisors for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining individuals during the Track Record Period are as followings:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries and other emoluments	1,515	1,465	–	–	5,709
Discretionary bonuses	156	323	–	–	–
Retirement scheme contributions	34	50	–	–	422
Share-based payments *(Note 30)*	–	778	–	–	–
	1,705	2,616	–	–	6,131

The emoluments of the remaining 2, 2, nil, nil (unaudited) and 3 individuals for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020, respectively, who are amongst the five highest paid individuals of the Group are within the following bands:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals (unaudited)*	*Number of individuals*
Nil to HK$1,000,000	1	–	–	–	–
HK$1,000,001 to HK$1,500,000	1	1	–	–	–
HK$1,500,001 to HK$2,000,000	–	1	–	–	1
HK$2,500,001 to HK$3,000,000	–	–	–	–	2
	2	2	–	–	3

10 OTHER COMPREHENSIVE INCOME

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Equity investments at FVOCI – net movement in fair value reserve (non-recycling) *(Note 35(e))*	–	–	–	–	47,336
Tax effect *(Note 31(b))*	–	–	–	–	(7,100)
Net-of-tax amount	–	–	–	–	40,236
Exchange differences on translation of financial statements of foreign operations	(772)	1,811	(714)	1,484	(6,034)
Tax effect	–	–	–	–	–
Net-of-tax amount	(772)	1,811	(714)	1,484	(6,034)
	(772)	1,811	(714)	1,484	34,202

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share during the years ended 31 December 2017, 2018 and 2019, and for the nine months ended 30 September 2019 and 2020 is based on the profit attributable to equity shareholders of the Company of RMB79,917,000, RMB105,471,000, RMB187,838,000, RMB86,415,000 (unaudited) and RMB142,935,000 for the years ended 31 December 2017, 2018 and 2019 and for the nine months ended 30 September 2019 and 2020, respectively, and the weighted average number of ordinary shares calculated as below:

Weighted average number of ordinary shares

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	'000	*'000*	*'000*	*'000 (unaudited)*	*'000*
Issued ordinary shares at 1 January	168,207	224,459	225,389	225,389	226,404
Effect of shares issued upon listing on Shanghai Stock Exchange *(Note 33(c))*	18,751	–	–	–	–
Effect of restricted shares issued *(Note 30(b))*	–	–	(930)	(930)	(1,018)
Effect of restricted shares unlocked *(Note 30(b))*	–	–	298	248	142
Effect of shares issued under share option schemes *(Note 30(b))*	–	–	279	213	124
Weighted average number of ordinary shares at 31 December/30 September	186,958	224,459	225,036	224,920	225,652

The weighted average number of ordinary shares shown above for the purposes of calculating basic earnings per share during the Track Record Period have been retrospectively adjusted to reflect the effect of issuance of shares under capitalisation issue (Note 33(c)(ii)).

(b) Diluted earnings per share

The calculation of the diluted earnings per share during the years ended 31 December 2017, 2018 and 2019, and for the nine months ended 30 September 2019 and 2020 is based on the profit attributable to equity shareholders of the Company of RMB79,917,000, RMB105,471,000, RMB187,838,000, RMB86,415,000 (unaudited) and RMB142,935,000 for the years ended 31 December 2017, 2018 and 2019 and for the nine months ended 30 September 2019 and 2020, respectively, and the weighted average number of ordinary shares (diluted) calculated as below:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	'000	*'000*	*'000 (unaudited)*	*'000*	*'000*
Weighted average number of ordinary shares at 31 December/30 September	186,958	224,459	225,036	224,920	225,652
Effect of restricted shares outstanding *(Note 30(b))*	–	189	317	449	667
Effect of deemed issue of shares under share option schemes *(Note 30(a))*	–	113	257	349	1,105
Weighted average number of ordinary shares (diluted) at 31 December/30 September	186,958	224,761	225,610	225,718	227,424

The weighted average number of ordinary shares shown above for the purposes of calculating diluted earnings per share during the Track Record Period have been retrospectively adjusted to reflect the effect of issuance of shares under capitalisation issue (Note 33(c)(ii)).

12 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

The Group

	Plant and buildings	Right-of-use assets	Machinery and equipment	Vehicles, furniture, and others	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2017	205,542	47,329	122,437	13,453	568	49,164	438,493
Additions	28	–	11,866	3,613	874	–	16,381
Disposals	–	–	(16)	(933)	–	–	(949)
At 31 December 2017	205,570	47,329	134,287	16,133	1,442	49,164	453,925
Additions	–	3,106	54,331	1,427	1,496	60,467	120,827
Disposals	–	–	(1,127)	(31)	–	(1,958)	(3,116)
Transfer in/(out)	24,502	–	3,584	–	–	(28,086)	–
At 31 December 2018	230,072	50,435	191,075	17,529	2,938	79,587	571,636
Additions	188	4,869	55,812	4,792	4,129	44,660	114,450
Disposals	–	–	(4,409)	(541)	–	–	(4,950)
Acquisition of a subsidiary *(Note 34)*	–	62,463	14,061	780	12,902	5,917	96,123
Transfer in/(out)	93,141	–	1,593	69	–	(94,803)	–
Exchange adjustments	–	(567)	(127)	(7)	(117)	(54)	(872)
At 31 December 2019	323,401	117,200	258,005	22,622	19,852	35,307	776,387
Additions	60	35,893	50,854	2,497	1,256	15,899	106,459
Disposals	–	–	(2,111)	(474)	–	–	(2,585)
Transfer in/(out)	3,742	–	3,936	–	8,923	(16,601)	–
Exchange adjustments	–	(1,474)	(350)	(26)	(304)	(27)	(2,181)
At 30 September 2020	327,203	151,619	310,334	24,619	29,727	34,578	878,080
Accumulated depreciation:							
At 1 January 2017	(29,342)	(7,306)	(67,592)	(9,346)	(66)	–	(113,652)
Charge for the year	(8,372)	(953)	(12,656)	(1,383)	(155)	–	(23,519)
Written back on disposals	–	–	15	884	–	–	899
At 31 December 2017	(37,714)	(8,259)	(80,233)	(9,845)	(221)	–	(136,272)
Charge for the year	(8,859)	(1,374)	(15,031)	(1,637)	(409)	–	(27,310)
Written back on disposals	–	–	1,068	28	–	–	1,096
At 31 December 2018	(46,573)	(9,633)	(94,196)	(11,454)	(630)	–	(162,486)
Charge for the year	(12,172)	(2,925)	(23,992)	(1,984)	(1,204)	–	(42,277)
Written back on disposals	–	–	4,179	514	–	–	4,693
Exchange adjustments	–	–	3	–	–	–	3
At 31 December 2019	(58,745)	(12,558)	(114,006)	(12,924)	(1,834)	–	(200,067)
Charge for the period	(10,482)	(9,231)	(25,960)	(2,159)	(2,966)	–	(50,798)
Written back on disposals	–	–	1,754	441	–	–	2,195
Exchange adjustments	–	–	7	4	–	–	11
At 30 September 2020	(69,227)	(21,789)	(138,205)	(14,638)	(4,800)	–	(248,659)
Net book value:							
At 31 December 2017	167,856	39,070	54,054	6,288	1,221	49,164	317,653
At 31 December 2018	183,499	40,802	96,879	6,075	2,308	79,587	409,150
At 31 December 2019	264,656	104,642	143,999	9,698	18,018	35,307	576,320
At 30 September 2020	257,976	129,830	172,129	9,981	24,927	34,578	629,421

The Company

	Plant and buildings	Right-of-use assets	Machinery and equipment	Vehicles, furniture, and others	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2017	90,424	4,686	80,194	5,203	568	–	181,075
Additions	–	–	2,109	2,473	874	–	5,456
Disposals	–	–	(16)	(347)	–	–	(363)
At 31 December 2017	90,424	4,686	82,287	7,329	1,442	–	186,168
Additions	–	3,106	21,554	398	1,071	4,421	30,550
Disposals	–	–	(310)	–	–	–	(310)
Transfer in/(out)	–	–	201	–	–	(201)	–
At 31 December 2018	90,424	7,792	103,732	7,727	2,513	4,220	216,408
Additions	188	2,476	5,183	1,585	2,588	2,753	14,773
Disposals	–	–	(4,169)	(290)	–	–	(4,459)
Transfer in/(out)	4,275	–	1,593	69	–	(5,937)	–
At 31 December 2019	94,887	10,268	106,339	9,091	5,101	1,036	226,722
Additions	–	–	9,734	1,602	665	3,971	15,972
Disposals	–	–	(1,084)	(347)	–	–	(1,431)
Transfer in/(out)	3,025	–	435	–	–	(3,460)	–
At 30 September 2020	97,912	10,268	115,424	10,346	5,766	1,547	241,263
Accumulated depreciation:							
At 1 January 2017	(13,432)	(909)	(43,492)	(3,393)	(66)	–	(61,292)
Charge for the year	(4,741)	(100)	(7,243)	(736)	(155)	–	(12,975)
Written back on disposals	–	–	15	329	–	–	344
At 31 December 2017	(18,173)	(1,009)	(50,720)	(3,800)	(221)	–	(73,923)
Charge for the year	(4,698)	(521)	(7,573)	(943)	(422)	–	(14,157)
Written back on disposals	–	–	295	–	–	–	295
At 31 December 2018	(22,871)	(1,530)	(57,998)	(4,743)	(643)	–	(87,785)
Charge for the year	(4,785)	(1,315)	(9,651)	(1,003)	(980)	–	(17,734)
Written back on disposals	–	–	3,958	275	–	–	4,233
At 31 December 2019	(27,656)	(2,845)	(63,691)	(5,471)	(1,623)	–	(101,286)
Charge for the period	(3,465)	(986)	(7,316)	(825)	(791)	–	(13,383)
Written back on disposals	–	–	1,029	326	–	–	1,355
At 30 September 2020	(31,121)	(3,831)	(69,978)	(5,970)	(2,414)	–	(113,314)
Net book value:							
At 31 December 2017	72,251	3,677	31,567	3,529	1,221	–	112,245
At 31 December 2018	67,553	6,262	45,734	2,984	1,870	4,220	128,623
At 31 December 2019	67,231	7,423	42,648	3,620	3,478	1,036	125,436
At 30 September 2020	66,791	6,437	45,446	4,376	3,352	1,547	127,949

Certain of the Group's property, plant and equipment in Biomedical Research Models, Inc ("Biomere") were pledged to secure certain bank borrowings of Biomere (Note 26(c)).

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

The Group

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property leased for own use, carried at depreciation cost:				
– Land use rights	39,070	38,117	37,234	61,225
– Leased land	–	–	1,564	4,926
– Office buildings	–	2,685	65,844	63,679
	39,070	40,802	104,642	129,830

The Company

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property leased for own use, carried at depreciation cost:				
– Land use rights	3,677	3,577	3,476	3,401
– Office buildings	–	2,685	3,947	3,036
	3,677	6,262	7,423	6,437

The land use rights included in "Right-of-use assets" represent premiums paid by the Group for land situated in the PRC. The lease terms of these land use rights are 50 years.

The Group has yet to obtain the certificate for certain land use right with aggregate carrying amounts of RMB24,705,000 at 30 September 2020. The directors of the Company are of the opinion that the aforesaid matters will not have any significant impact on the Group's position as at the end of the reporting period.

The Group leased land expires from 1.5 to 20 years and leases offices expire from 2 to 10 years. None of the leases includes an option to purchase the leased assets at the end of the lease term.

The analysis of expense items in relation to leases recognised in profit or loss are as follows:

The Group

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying assets:					
– Land use rights	953	953	882	690	881
– Leased land	–	–	829	617	637
– Office buildings	–	421	1,214	911	7,713
	953	1,374	2,925	2,218	9,231
Interest on lease liabilities *(Note 6(a))*	–	94	294	225	2,008
Expense relating to short-term leases	112	466	1,552	1,311	2,021

Further details on lease liabilities are set out in Notes 25(c) and 29.

13 INTANGIBLE ASSETS

	Patents and trademarks	**Software**	**Non-competition agreement**	**Customer relationships**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2017	537	3,185	–	–	3,722
Additions	72	2,086	–	–	2,158
At 31 December 2017	609	5,271	–	–	5,880
Additions	–	7,000	–	–	7,000
At 31 December 2018	609	12,271	–	–	12,880
Additions	–	5,937	–	–	5,937
Acquisition of a subsidiary *(Note 34)*	–	–	13,624	42,649	56,273
Exchange adjustments	–	–	(123)	(387)	(510)
At 31 December 2019	609	18,208	13,501	42,262	74,580
Additions	–	4,037	–	–	4,037
Exchange adjustments	–	–	(321)	(1,006)	(1,327)
At 30 September 2020	609	22,245	13,180	41,256	77,290

	Patents and trademarks	Software	Non-competition agreement	Customer relationships	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated amortisation:					
At 1 January 2017	(168)	(1,324)	–	–	(1,492)
Charge for the year	(58)	(492)	–	–	(550)
At 31 December 2017	(226)	(1,816)	–	–	(2,042)
Charge for the year	(60)	(793)	–	–	(853)
At 31 December 2018	(286)	(2,609)	–	–	(2,895)
Charge for the year	(56)	(1,586)	(378)	(355)	(2,375)
Exchange adjustments	–	–	3	3	6
At 31 December 2019	(342)	(4,195)	(375)	(352)	(5,264)
Charge for the period	(38)	(1,868)	(3,295)	(3,094)	(8,295)
Exchange adjustments	–	–	9	8	17
At 30 September 2020	(380)	(6,063)	(3,661)	(3,438)	(13,542)
Net book value:					
At 31 December 2017	383	3,455	–	–	3,838
At 31 December 2018	323	9,662	–	–	9,985
At 31 December 2019	267	14,013	13,126	41,910	69,316
At 30 September 2020	229	16,182	9,519	37,818	63,748

The amortisation of intangible assets is included in cost of services and general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The useful lives of patents and trademarks of 10 years are determined based on terms of expiry of related legal rights.

The useful lives of software are around 5-10 years which are determined based on technological obsolescence.

Non-competition agreement is amortised over the shorter of the unexpired term of the agreement and its estimated useful lives, which is 3 years.

The useful life of the customer relationship recognised in acquisition of Biomere is 10 years, which is determined based on the factor of the attrition rate.

14 GOODWILL

	RMB'000
Cost	
At 1 January 2017, 31 December 2017 and 31 December 2018	–
Acquisition of Biomere *(Note 34)*	135,187
Exchange adjustments	(1,225)
At 31 December 2019	133,962
Exchange adjustments	(3,190)
At 30 September 2020	130,772

Impairment tests for cash-generating units containing goodwill

The goodwill arose from the acquisition of Biomere in 2019 (Note 34).

The recoverable amounts of the cash-generating unit was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using estimated nil growth rate at 31 December 2019 and 30 September 2020.

	As at 31 December 2019	**As at 30 September 2020**
Annual growth rate of revenue during the 5-year forecast period	3.0%-10.0%	0.2%-9.8%
Pre-tax discount rate	12.6%	13.9%

The headroom calculated based on the recoverable amounts deducting the carrying amount of the cash-generating unit as at 31 December 2019 and 30 September 2020 is RMB10,038,000 and RMB5,901,000 respectively.

Management have undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to annual growth rate and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively as at 31 December 2019 and 30 September 2020:

	As at 31 December 2019	**As at 30 September 2020**
Decrease in annual growth rate	0.2%	0.1%
Increase in pre-tax discount rate	3.5%	2.2%

As a result of the above impairment tests, the directors of the Company are of the view that there was no impairment of goodwill as at 31 December 2019 and 30 September 2020.

15 INVESTMENTS IN SUBSIDIARIES

Particulars of subsidiaries are as follows:

Name of company	Place of incorporation/ establishment and kind of legal entity	Date of incorporation	Particulars of issued/paid-in capital	Group's effective interest					Principal activities
				At 31 December			At 30 September 2020	As of date of report	
				2017	2018	2019			
JOINN Suzhou 昭衍(蘇州)新藥研究中心有限公司 *(Notes (i) and (iv))*	The PRC, limited liability company	11 December 2008	RMB 100,000,000	100%	100%	100%	100%	100%	Non-clinical studies services and sales of research models
Beijing Shikang Qianyan Technology Co., Ltd. 北京視康前沿技術有限公司 *(Notes (i) and (iii))*	The PRC, limited liability company	23 January 2013	RMB 1,000,000	65%	65%	65%	65%	65%	Clinical trial and related services
JOINN Laboratories, CA Inc. *(Note (iii))*	The United States of America, limited liability company	21 June 2013	10,000,000 shares	100%	100%	100%	100%	100%	Non-clinical studies services
Guangdong Qianyan Biological Science and Technology Co., Ltd. 廣東前沿生物科技有限公司 *(Notes (i) and (iv))*	The PRC, limited liability company	29 August 2014	RMB 10,000,000	100%	100%	100%	100%	100%	Research models breeding
JOINN Laboratories (HK) Limited 昭衍(香港)新藥研究中心有限公司 *(Note (v))*	Hong Kong, limited liability company	2 August 2016	3,000,000 shares	100%	100%	100%	100%	100%	Investment management
JOINN MedSafe Co., Ltd. 北京昭衍鳴訊醫藥科技有限責任公司 *(Notes (i) and (iv))*	The PRC, limited liability company	30 July 2018	RMB 18,900,000	–	91%	91%	100%	100%	Clinical trial and related services
JOINN Clinical (Suzhou) Co., Ltd. 蘇州昭衍醫藥科技有限公司 *(Notes (i) and (iv))*	The PRC, limited liability company	3 August 2018	RMB 3,500,000	–	100%	100%	100%	100%	Clinical trial and related services
JOINN Laboratories (Wuzhou) Co., Ltd. 梧州昭衍新藥研究中心有限公司 *(Notes (i) and (iv))*	The PRC, limited liability company	4 December 2018	RMB 3,000,000	–	100%	100%	100%	100%	Non-clinical studies services
JOINN Biotech (Wuzhou) Co., Ltd. 梧州昭衍生物技術有限公司 *(Notes (i) and (iv))*	The PRC, limited liability company	25 December 2018	RMB 41,000,000	–	100%	100%	100%	100%	Research models breeding
JOINN Clinical (Beijing) Co., Ltd. 昭衍(北京)醫藥科技有限公司 *(Notes (i) and (iv))*	The PRC, limited liability company	5 September 2019	RMB 8,000,000	–	–	100%	100%	100%	Clinical trial and related services
Qichen (Suzhou) Biological Science and Technology Co. Ltd. 蘇州啟辰生物科技有限公司 *(Notes (i) and (iv))*	The PRC, limited liability company	5 June 2019	RMB 5,500,000	–	–	55%	55%	55%	Non-clinical studies services
Joinn Laboratories (Delaware) Corporation *(Note (iii))*	The USA, limited liability company	5 June 2019	1,000 shares	–	–	100%	100%	100%	Investment management
Biomere *(Note (iii))*	The USA, limited liability company	12 November 1996	200,000 shares	–	–	100%	100%	100%	Non-clinical studies services
JOINN Laboratories (Chongqing) Co., Ltd. 昭衍(重慶)新藥研究中心有限公司 *(Notes (i) and (iii))*	The PRC, limited liability company	28 November 2019	RMB 21,000,000	–	–	100%	100%	100%	Non-clinical studies services
JOINN Laboratories (Guangzhou) Co., Ltd. 昭衍(廣州)新藥研究中心有限公司 *(Note (i))*	The PRC, limited liability company	15 January 2020	RMB 31,000,000	–	–	–	100%	100%	Non-clinical studies services
Qianyan Biotech (Guangxi) Co., Ltd. 廣西前沿生物技術有限公司 *(Note (i))*	The PRC, limited liability company	12 June 2020	RMB 11,000,000	–	–	–	100%	100%	Research models breeding
JOINN Medical Testing Laboratories (Beijing) Co., Ltd. 昭衍(北京)檢測技術有限公司 *(Note (i))*	The PRC, limited liability company	30 July 2020	RMB 7,000,000	–	–	–	–	100%	Clinical trial and related services

Notes:

(i) The official names of these entities are in Chinese. The English translation is included for identification purpose only.

(ii) The financial statements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries/regions in which they were incorporated and/or established.

(iii) No audited financial statements have been prepared for these companies.

(iv) The financial statements of the Company and certain subsidiaries of the Company established in the PRC for the years ended 31 December 2017 and 2018 have been audited by Ruihua Certified Public Accountants LLP 瑞華會計師事務所 (特殊普通合夥). The financial statements of the Company and certain subsidiaries of the Company established in the PRC for the year ended 31 December 2019 has been audited by Tianheng Certified Public Accountants LLP 天衡會計師事務所 (特殊普通合夥).

(v) The financial statements of this company for the years ended 31 December 2017, 2018 and 2019 have been audited by Pivot CPA Limited.

All companies comprising the Group have adopted 31 December as their financial year end date.

16 BIOLOGICAL ASSETS

The biological assets of the Group are mainly including research models for non-clinical studies, which are classified as current assets and research models for breeding, which are classified as non-current assets of the Group.

	As at 31 December			As at 30 September
	2017	2018	2019	2020
Non-current-assets				
– Non-human primates for breeding	16,380	12,475	11,949	15,470
– Beagle dogs for breeding	61	–	–	–
– Rodents for breeding	39	14	–	17
	16,480	12,489	11,949	15,487
Current assets				
– Non-human primates for non-clinical studies	26,965	9,874	18,815	32,184
– Beagle dogs for non-clinical studies	406	–	–	–
– Rodents for non-clinical studies	319	148	175	281
	27,690	10,022	18,990	32,465
	44,170	22,511	30,939	47,952

(a) Analysis of non-human primates

	Non-human primates for breeding	Non-human primates for non-clinical studies	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	18,499	28,468	46,967
Breeding cost*	–	2,701	2,701
Decrease due to sales	(214)	(9,537)	(9,751)
Decrease due to mortality	(1,973)	(2,333)	(4,306)
Changes in fair value of biological assets *(Note 5)*	(1,763)	9,497	7,734
Transfer	1,831	(1,831)	–
At 31 December 2017	16,380	26,965	43,345
Breeding cost*	–	3,008	3,008
Decrease due to sales	(2,706)	(13,869)	(16,575)
Decrease due to mortality	(3,579)	(4,642)	(8,221)
Changes in fair value of biological assets *(Note 5)*	(1,178)	1,970	792
Transfer	3,558	(3,558)	–
At 31 December 2018	12,475	9,874	22,349
Breeding cost*	–	1,986	1,986
Decrease due to sales	–	(4,280)	(4,280)
Decrease due to mortality	(1,273)	(1,083)	(2,356)
Changes in fair value of biological assets *(Note 5)*	654	12,411	13,065
Transfer	93	(93)	–
At 31 December 2019	11,949	18,815	30,764
Increase due to purchasing/raising	–	2,574	2,574
Breeding cost*	–	1,452	1,452
Decrease due to sales	(12)	(13,522)	(13,534)
Decrease due to mortality	(179)	(705)	(884)
Changes in fair value of biological assets *(Note 5)*	3,712	23,570	27,282
At 30 September 2020	15,470	32,184	47,654

Note:

* Breeding cost incurred for non-human primates mainly include feeding costs, staff costs, depreciation and amortisation expenses and utilities costs. Breeding cost incurred for non-human primates for breeding has been charged to profit or loss during the Track Record Period.

The quantities of non-human primates are summarised as follows:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	(Heads)	*(Heads)*	*(Heads)*	*(Heads)*
Non-current biological assets				
– Non-human primates for breeding	1,948	1,349	783	685
Current biological assets				
– Non-human primates for non-clinical studies	4,418	1,908	1,870	1,547

(b) Fair value measurement of biological assets

The fair value measurements of biological assets fall into level 3 of the fair value hierarchy.

The Group's non-human primates were revalued as at 31 December 2017, 2018 and 2019 and 30 September 2020. The valuations were carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer. The Group's finance manager and the chief financial officer have discussion with the valuers on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting period.

The fair values of biological assets are determined using market approach and depreciated replacement cost approach. Market price and replacement cost and adjustment factors based on the characteristics of the biological assets (including age, gender, health status, breeding useful life and etc.) were used in the calculations of fair values.

Information about Level 3 fair value measurements:

Type	Valuation approach	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Male non-human primate research models at 3 to 5 years	The fair value of male non-human primate research models at 3 to 5 years old is determined by referring to the market price.	Average market price of the male non-human primates of 3 to 5 years old: RMB7,000 to RMB9,000, RMB7,500 to 11,000, RMB13,000 to 20,000 and RMB24,000 to RMB35,000, as at 31 December 2017, 2018 and 2019 and 30 September 2020, respectively	The higher the market price, the higher the fair value

Type	Valuation approach	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Female non-human primate research models of 3 to 8 years	The fair value of female non-human primate research models at 3 to 8 years old are determined by referring to the market price/ replacement cost.	Average market price/replacement cost of the female non-human primates of 3 to 8 years old: RMB7,000 to RMB10,000, RMB7,500 to RMB12,000, RMB13,000 to RMB21,000 and RMB24,000 to RMB36,000, as at 31 December 2017, 2018 and 2019 and 30 September 2020, respectively	The higher the market price/replacement cost, the higher the fair value
Non-human primate research models below 3 years	The fair values of non-human primate research models below 3 years are determined through adjusting the market price of non-human primate research models at 3 years old by cost to completion and the margins that would be required by a raiser.	Average market price of non-human primates of 3 years old: RMB7,000, RMB7,500, RMB13,000 and RMB24,000, as at 31 December 2017, 2018 and 2019 and 30 September 2020, respectively; Costs for raising non-human primate research models to the age of 3: Nil to RMB2,600, Nil to RMB2,147, Nil to RMB2,546 and Nil to RMB2,736 as at 31 December 2017, 2018, 2019 and 30 September 2020	The higher the market price, the higher the fair value. The higher the breeding costs, the lower the fair value

For female non-human primate research models above 8 years and male non-human primate research models above 5 years, the fair values is estimated using depreciated replacement cost approach, which are based on the residue useful lives and the replacement cost of female non-human primate research models at the age of 8 and male non-human primate research models at the age of 5 years, respectively.

The estimated fair value of non-human primates increases/decreases as a result of an increase/decrease in the market price and replacement cost. As at 31 December 2017, 2018 and 2019 and 30 September 2020 if market price and replacement cost increases/decreases by 10%, the estimated fair value of biological assets would have increased/decreased by RMB4,335,000, RMB2,235,000, RMB3,076,000 and RMB4,765,000, respectively.

Changes in fair value of biological assets are presented in "Other gains and losses, net" in the consolidated statements of profit or loss and other comprehensive income.

17 FINANCIAL ASSETS AT FVOCI

The Group and the Company

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at FVOCI (non-recycling)				
– Equity investments in a non-listed company	–	–	12,000	59,336

The equity investments in a non-listed company represent 8.93% equity interest in JOINN (Beijing) Biotechnology Ltd. (北京昭衍生物技術有限公司). The Group designated the unlisted equity investments at FVOCI (non-recycling), as the investment is held for strategic purposes.

18 OTHER NON-CURRENT ASSETS

The Group

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayment for land use rights	–	–	–	20,231
Prepayments for acquisition of property, plant and equipment	9,290	18,734	18,147	16,487
Others	2,480	5,208	6,947	7,271
	11,770	23,942	25,094	43,989

19 INVENTORIES

The Group

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials and consumables	10,338	12,969	49,613	73,266
Less: write-down of inventories	–	–	(58)	–
	10,338	12,969	49,555	73,266

The Company

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw material and consumables	4,477	5,487	14,007	24,452
Less: write-down of inventories	–	–	–	–
	4,477	5,487	14,007	24,452

20 CONTRACT COSTS

The Group

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Costs to fulfill contracts	69,265	99,921	152,344	282,292
Less: write-down of contract costs	–	–	(3,907)	(5,587)
	69,265	99,921	148,437	276,705

The Company

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Costs to fulfill contracts	43,583	59,780	60,353	95,463
Less: write-down of contract costs	–	–	(2,720)	(3,515)
	43,583	59,780	57,633	91,948

21 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

The Group

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets	11,287	18,505	69,995	41,566
Less: loss allowance	(56)	(91)	(350)	(208)
	11,231	18,414	69,645	41,358

The Company

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets				
– Subsidiaries	4,292	1,838	306	6,011
– Other related parties	1,512	1,275	903	4,076
– Third parties	3,389	4,837	7,862	4,023
	9,193	7,950	9,071	14,110
Less: loss allowance	(25)	(31)	(44)	(40)
	9,168	7,919	9,027	14,070

The contract assets primarily relate to the Group's right to the consideration for work completed but not yet billed. The contract assets will be transferred to trade receivables when the rights become unconditional.

(b) Contract liabilities

The Group

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts received in advance of the delivery of services	275,665	349,285	394,791	540,538

The Company

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts received in advance of the delivery of services				
– Subsidiaries	6,729	22,167	–	232
– Other related parties	12,255	15,533	4,323	6,540
– Third parties	146,901	162,665	153,101	197,193
	165,885	200,365	157,424	203,965

The Group

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue recognised during the year/period that was included in the contract liabilities at the beginning of the year/period	100,738	154,072	231,575	186,124

The Company

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue recognised during the year/period that was included in the contract liabilities at the beginning of the year/period	42,994	80,142	111,090	64,014

Normally the Group and the Company receives advanced payments before the provision of non-clinical study services to customers. Contract liabilities represent the Group's and the Company's obligations to transfer services to customers for which the Group or the Company have received advanced payments received from such customers.

22 TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	44,396	57,863	106,773	82,969
Less: loss allowance	(6,856)	(7,443)	(11,296)	(5,732)
	37,540	50,420	95,477	77,237
Bills receivable	3,003	6,056	1,911	1,745
	40,543	56,476	97,388	78,982

The Company

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables due from				
– Subsidiaries	9,803	33,674	4,215	7,855
– Other related parties	532	545	526	240
– Third parties	22,968	12,654	33,221	11,599
	33,303	46,873	37,962	19,694
Less: loss allowance	(4,750)	(4,742)	(5,838)	(1,075)
	28,553	42,131	32,124	18,619
Bills receivables	–	–	629	–
	28,553	42,131	32,753	18,619

(a) Ageing analysis

The ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

The Group

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	32,350	42,274	83,112	62,780
1 to 2 years	3,902	5,718	7,793	11,114
2 to 3 years	901	1,688	3,645	2,932
3 to 4 years	387	740	927	411
	37,540	50,420	95,477	77,237

The Company

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	19,196	11,811	26,349	17,790
1 to 2 years	4,767	14,229	599	506
2 to 3 years	3,217	11,678	2,072	209
3 to 4 years	479	3,218	271	114
Over 4 years	894	1,195	2,833	–
	28,553	42,131	32,124	18,619

Trade receivables are due within 21 to 45 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 35(a).

23 PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for purchase of inventories and provision of services	2,645	8,875	7,157	23,797
Prepayments for costs incurred in connection with the issuance of the Company's H shares *(Note (i))*	–	–	–	6,514
Deposits	886	1,265	2,000	3,912
Value added tax recoverable	976	7,096	9,336	3,283
Prepayments for miscellaneous expenses	405	1,214	3,773	6,023
Income tax recoverable *(Note 31(a))*	–	–	–	1,580
Others	666	903	2,063	1,384
	5,578	19,353	24,329	46,493
Less: loss allowance	(27)	(32)	(84)	(110)
	5,551	19,321	24,245	46,383

The Company

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from subsidiaries	39,121	118,886	39,049	23,066
Prepayments for purchase of inventories and provision of services	1,896	7,618	4,640	6,338
Prepayments for costs incurred in connection with the issuance of the Company's H shares *(Note (i))*	–	–	–	6,514
Deposits	519	902	1,157	1,374
Value added tax recoverable	703	2,721	349	395
Prepayments for miscellaneous expenses	–	848	1,342	979
Income tax recoverable *(Note 31(a))*	–	–	–	1,580
Others	585	697	486	56
	42,824	131,672	47,023	40,302
Less: loss allowance	(26)	(26)	(26)	–
	42,798	131,646	46,997	40,302

All of the prepayments and other receivables are expected to be recovered or recognised as expense within one year.

Note:

(i) The balance will be transferred to the share premium account within equity upon the listing of the Company's H shares on Hong Kong Stock Exchange.

24 FINANCIAL ASSETS AT FVTPL

The Group

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB wealth management products	200,692	348,686	130,701	187,250

The Company

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB wealth management products	140,355	152,776	120,690	156,623

25 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand	1	2	5	–
Cash at bank	254,616	148,691	176,953	199,888
Cash at bank and on hand included in the consolidated statements of financial position	254,617	148,693	176,958	199,888
Less: restricted deposits	–	–	–	(3,618)
Cash and cash equivalents included in the consolidated cash flow statements	254,617	148,693	176,958	196,270

The Company

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand	1	1	4	–
Cash at bank	140,469	49,439	39,452	17,804
	140,470	49,440	39,456	17,804

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Interest-bearing borrowings	Interest payable	Considerations received for subscribing restricted A shares	Lease liabilities	Total
	RMB'000 (Note 26)	*RMB'000 (Note 28)*	*RMB'000 (Note 28)*	*RMB'000 (Note 29)*	*RMB'000*
At 1 January 2017	–	–	–	–	–
Changes from financing cash flows:					
Proceeds from interest-bearing borrowings	6,018	–	–	–	6,018
Repayment of interest-bearing borrowings	(6,018)	–	–	–	(6,018)
Interest paid	–	(21)	–	–	(21)
Total changes from financing cash flows	–	(21)	–	–	(21)
Other change:					
Interest expenses *(Note 6(a))*	–	21	–	–	21
At 31 December 2017	–	–	–	–	–

	Interest-bearing borrowings	Interest payable	Considerations received for subscribing restricted A shares	Lease liabilities	Total
	RMB'000 (Note 26)	*RMB'000 (Note 28)*	*RMB'000 (Note 28)*	*RMB'000 (Note 29)*	*RMB'000*
At 1 January 2018	–	–	–	–	–
Changes from financing cash flows:					
Capital element of lease rentals paid	–	–	–	(289)	(289)
Interest element of lease rentals paid	–	–	–	(6)	(6)
Considerations received for subscribing restricted A shares of the Company	–	–	9,597	–	9,597
Total changes from financing cash flows	–	–	9,597	(295)	9,302

	Interest-bearing borrowings	Interest payable	Considerations received for subscribing restricted A shares	Lease liabilities	Total
	RMB'000 (Note 26)	*RMB'000 (Note 28)*	*RMB'000 (Note 28)*	*RMB'000 (Note 29)*	*RMB'000*
Other changes:					
Interest expenses *(Note 6(a))*	–	–	–	94	94
Capitalisation of new leases	–	–	–	3,107	3,107
Effects of payments of dividend for restricted shares	–	–	(102)	–	(102)
Total other changes	–	–	(102)	3,201	3,099
At 31 December 2018	–	–	9,495	2,906	12,401
At 1 January 2019	–	–	9,495	2,906	12,401
Changes from financing cash flows:					
Interest paid	–	(48)	–	–	(48)
Capital element of lease rentals paid	–	–	–	(2,055)	(2,055)
Interest element of lease rentals paid	–	–	–	(55)	(55)
Considerations received for subscribing restricted A shares of the Company	–	–	9,744	–	9,744
Repurchase and cancellation of restricted A shares	–	–	(317)	–	(317)
Total changes from financing cash flows	–	(48)	9,427	(2,110)	7,269
Exchange adjustments	(963)	–	–	(566)	(1,529)
Other changes:					
Interest expenses *(Note 6(a))*	–	48	–	294	342
Capitalisation of new leases	–	–	–	4,869	4,869
Acquisition of a subsidiary	23,286	–	–	62,463	85,749
Unlock of restricted shares	–	–	(4,497)	–	(4,497)
Effects of payments of dividend for restricted shares	–	–	(142)	–	(142)
Total other changes	23,286	48	(4,639)	67,626	86,321
At 31 December 2019	22,323	–	14,283	67,856	104,462

	Interest-bearing borrowings	Interest payable	Considerations received for subscribing restricted A shares	Lease liabilities	Total
	RMB'000 (Note 26)	*RMB'000 (Note 28)*	*RMB'000 (Note 28)*	*RMB'000 (Note 29)*	*RMB'000*
(Unaudited)					
At 1 January 2019	–	–	9,495	2,906	12,401
Changes from financing cash flows:					
Capital element of lease rentals paid	–	–	–	(1,718)	(1,718)
Interest element of lease rentals paid	–	–	–	(64)	(64)
Considerations received for subscribing restricted A shares of the Company	–	–	9,744	–	9,744
Total changes from financing cash flows	–	–	9,744	(1,782)	7,962
Other changes:					
Interest expenses *(Note 6(a))*	–	–	–	225	225
Capitalisation of new leases	–	–	–	4,866	4,866
Unlock of restricted shares	–	–	(4,497)	–	(4,497)
Effects of payments of dividend for restricted shares	–	–	(142)	–	(142)
Total other changes	–	–	(4,639)	5,091	452
At 30 September 2019	–	–	14,600	6,215	20,815

	Interest-bearing borrowings	Interest payable	Considerations received for subscribing restricted A shares	Proceeds received from employees for exercising share options granted under share option scheme	Lease liabilities	Total
	RMB'000 (Note 26)	*RMB'000 (Note 28)*	*RMB'000 (Note 28)*	*RMB'000 (Note 28)*	*RMB'000 (Note 29)*	*RMB'000*
At 1 January 2020	22,323	–	14,283	–	67,856	104,462
Changes from financing cash flows:						
Proceeds from interest-bearing borrowings	35,839	–	–	–	–	35,839
Repayment of interest-bearing borrowings	(31,229)	–	–	–	–	(31,229)
Interest paid	–	(631)	–	–	–	(631)
Capital element of lease rentals paid	–	–	–	–	(10,275)	(10,275)
Interest element of lease rentals paid	–	–	–	–	(191)	(191)

	Interest-bearing borrowings	Interest payable	Considerations received for subscribing restricted A shares	Proceeds received from employees for exercising share options granted under share option scheme	Lease liabilities	Total
	RMB'000 (Note 26)	*RMB'000 (Note 28)*	*RMB'000 (Note 28)*	*RMB'000 (Note 28)*	*RMB'000 (Note 29)*	*RMB'000*
Considerations received for subscribing restricted A shares of the Company	–	–	2,986	–	–	2,986
Considerations received from employees for exercising share options granted under share option scheme	–	–	–	24,218	–	24,218
Total changes from financing cash flows	4,610	(631)	2,986	24,218	(10,466)	20,717
Exchange adjustments	(706)	–	–	–	(1,474)	(2,180)
Other changes:						
Interest expenses *(Note 6(a))*	–	680	–	–	2,008	2,688
Capitalisation of new leases	–	–	–	–	7,049	7,049
Unlock of restricted shares	–	–	(2,566)	–	–	(2,566)
Effects of payments of dividend for restricted shares	–	–	(185)	–	–	(185)
Total other changes	–	680	(2,751)	–	9,057	6,986
At 30 September 2020	26,227	49	14,518	24,218	64,973	129,985

(c) Total cash outflow for leases

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Within operating cash flows	112	466	1,552	1,311	2,021
Within investing cash flows	–	–	–	–	28,844
Within financing cash flows	–	295	2,110	1,782	10,466
	112	761	3,662	3,093	41,331

These amounts relate to the following:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Lease rentals paid	112	761	3,662	3,093	12,487
Payments for land use right and leased land	–	–	–	–	28,844
	112	761	3,662	3,093	41,331

26 INTEREST-BEARING BORROWINGS

(a) The Group's short-term bank borrowings are analysed as follows:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings				
– Secured *(Note 26(c))*	–	–	10,954	–
– Unsecured	–	–	59	–
	–	–	11,013	–
Add: Current portion of long-term bank borrowings *(Note 26(b))*	–	–	2,135	3,203
	–	–	13,148	3,203

(b) The Group's long-term bank borrowings are analysed as follows:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings				
– Secured *(Note 26(c))*	–	–	11,310	14,759
– Paycheck Protection Program loan ("PPP loan", Note 26(d))	–	–	–	11,468
	–	–	11,310	26,227
Less: Current portion of long-term bank borrowings *(Note 26(a))*	–	–	(2,135)	(3,203)
	–	–	9,175	23,024

The Group's long-term bank borrowings are repayable as follows:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	–	–	2,135	3,203
After 1 year but within 2 years	–	–	2,235	14,770
After 2 years but within 5 years	–	–	6,940	8,157
Over 5 years	–	–	–	97
	–	–	11,310	26,227

(c) Secured bank borrowings

In 2019, Biomere signed a loan and security agreement with a bank to request a US$2,000,000 line of credit loan for 2 years, a US$800,000 equipment line of credit loan with a 5-year term, and a US$1,632,000 term loan with a 5-year term and annual interest rate of 3.98%. As the collaterals, Biomere granted to the bank a continuing security interest in and so pledged and assigned to the bank all the present and future right, title and interest in the assets and rights of Biomere, wherever located, whether now owned or hereafter acquired or arising and all products and proceeds thereof: all, instruments (including promissory notes), documents, accounts, chattel paper, deposit accounts, letter of credit rights, commercial tort claims, securities and all other investment property, all general intangibles, supporting obligations, any other contract rights or rights to the payment of money, account receivables, insurance claims and proceeds, tort claims and all other personal and equipment and fixtures of any kind and nature.

On 29 October 2019, the US$1,632,000 term loan was fully drawn.

As at 31 December 2019 and 30 September 2020, the loan balance for line of credit loan amounted to US$1,561,000 and nil, respectively, and the loan balance for equipment line of credit loan amounted to nil and US$800,000, respectively.

The interest rates for the line of credit loan and the equipment line of credit loan are variable equal to the highest per annum rate of interest published by Wall Street Journal from time to time. For the effective interest rates, please refer to Note 34(c).

(d) PPP loan

On 28 April 2020, Berkshire Bank approved a US$1,683,900 loan to Biomere, under the Paycheck Protection Program (PPP) pursuant to the Coronavirus Aid, Relief and Economic Security (CARES) Act. The PPP loan has a term of two years, is unsecured, and is guaranteed by the Small Business Administration (SBA). The loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest and principal deferred. Some or all of the loan may be forgiven if certain relevant conditions are met.

Neither the pledge nor the guarantee are provided by the related parties of the Group.

27 TRADE PAYABLES

The Group

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	10,116	14,552	34,086	54,920

The Company

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables due to				
– Subsidiaries	–	3,515	–	21,318
– Third parties	3,858	5,903	6,476	13,061
	3,858	9,418	6,476	34,379

At 31 December 2017, 2018 and 2019 and 30 September 2020, the ageing analysis of trade payables, based on the invoice date, is as follows:

The Group

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	2,689	7,233	24,988	45,713
1 to 3 months	3,223	1,253	7,737	8,649
3 to 6 months	2,809	2,479	1,181	125
Over 6 months	1,395	3,587	180	433
	10,116	14,552	34,086	54,920

The Company

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	2,746	8,483	5,438	30,160
1 to 3 months	399	448	345	3,936
3 to 6 months	207	309	681	72
Over 6 months	506	178	12	211
	3,858	9,418	6,476	34,379

As at 31 December 2017, 2018 and 2019 and 30 September 2020, all trade payables of the Group and the Company are expected to be settled within one year or are payable on demand.

28 OTHER PAYABLES

The Group

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables for staff related costs	21,780	30,488	52,367	41,524
Payables for acquisition of property, plant and equipment	2,814	5,579	9,612	9,574
Payables for other taxes	4,703	4,777	4,737	11,690
Deposits received	191	227	191	1,761
Considerations received from employees for subscribing restricted A shares of the Company under share incentive scheme	–	9,495	14,283	14,518
Proceeds received from employees for exercising share options granted under share option scheme *(note)*	–	–	–	24,218
Interest payable	–	–	–	49
Others	301	650	433	3,450
	29,789	51,216	81,623	106,784

The Company

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to subsidiaries	–	–	2,675	65,605
Payables for staff related costs	12,016	16,616	24,238	18,375
Payables for acquisition of property, plant and equipment	800	794	3,590	1,931
Payables for other taxes	2,789	2,644	2,022	7,084
Considerations received from employees for subscribing restricted A shares of the Company under share incentive scheme	–	9,495	14,283	14,518
Proceeds received from employees for exercising share options granted under share option scheme *(note)*	–	–	–	24,218
Others	60	176	182	705
	15,665	29,725	46,990	132,436

Note: The amounts represent the proceeds received from employees for exercising share options granted under 2019 Share Option and Restricted Share Award Scheme.

All of the other payables are expected to be settled within one year or are repayable on demand.

29 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's and the Company's lease liabilities at 31 December 2017, 2018 and 2019 and 30 September 2020.

The Group

	31 December 2017		31 December 2018		31 December 2019		30 September 2020	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	–	–	693	708	12,474	12,856	15,000	15,137
After 1 year but within 2 years	–	–	662	708	11,753	12,616	13,776	14,463
After 2 years but within 5 years	–	–	1,551	1,794	32,551	37,758	32,834	37,042
After 5 years	–	–	–	–	11,078	14,380	3,363	6,271
	–	–	2,213	2,502	55,382	64,754	49,973	57,776
	–	–	2,906	3,210	67,856	77,610	64,973	72,913
Less: total future interest expenses		–		(304)		(9,754)		(7,940)
Present value of lease obligations		–		2,906		67,856		64,973

The Company

	31 December 2017		31 December 2018		31 December 2019		30 September 2020	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	–	–	693	708	1,284	1,309	1,336	1,364
After 1 year but within 2 years	–	–	662	708	1,306	1,396	1,348	1,440
After 2 years but within 5 years	–	–	1,551	1,794	1,703	1,920	758	840
	–	–	2,213	2,502	3,009	3,316	2,106	2,280
	–		2,906	3,210	4,293	4,625	3,442	3,644
Less: total future interest expenses		–		(304)		(332)		(202)
Present value of lease obligations		–		2,906		4,293		3,442

30 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 27 February 2018, a share incentive scheme ("2018 Share Option and Restricted Share Award Scheme") was approved at the Company's first extraordinary general meeting of 2018. On 9 March 2018, the Company granted 396,000 share options and 342,000 restricted shares to the eligible directors and employees (the "Participants") of the Group under 2018 Share Option and Restricted Share Award Scheme, of which the registration was completed on 19 April 2018. Each option gives the Participants the right to subscribe for one ordinary share of the Company at an exercise price of RMB56.62, and the Participants are entitled to subscribe the Company's restricted shares at RMB28.31 each.

On 15 August 2019, a share incentive scheme ("2019 Share Option and Restricted Share Award Scheme") was approved at the Company's 4th extraordinary general meeting of 2019. On 9 September 2019, the Company granted 1,124,000 share options and 405,000 restricted shares to the eligible directors and employees (the "Participants") of the Group under 2019 Share Option and Restricted Share Award Scheme, of which the registration was completed on 14 October 2019 (the "First Batch"). Each option gives the Participants the right to subscribe for one ordinary share in the Company at an exercise price of RMB48.11, and the Participants are entitled to subscribe the Company's restricted shares at RMB24.06 each.

On 24 June 2020, the Company granted 175,000 share options and 63,000 restricted shares to the eligible directors and employees (the "Participants") of the Group under 2019 Share Option and Restricted Share Award Scheme, of which the registration was completed on 11 August 2020 (the "Second Batch"). Each option gives the Participants the right to subscribe for one ordinary share in the Company at an exercise price of RMB94.77, and the Participants are entitled to subscribe the Company's restricted shares at RMB47.39 each.

On 15 July 2020, a share incentive scheme ("2020 Share Option Scheme") was approved at the Company's second extraordinary general meeting of 2020. On 17 July 2020, the Company granted 2,090,000 share options to the eligible directors and employees (the "Participants") of the Group under 2020 Share Option Scheme, of which the registration was completed on 31 August 2020. Each option gives the Participants the right to subscribe for one ordinary share of the Company at an exercise price of RMB94.77.

Pursuant to the terms of the above schemes, the numbers and exercise/repurchase prices of the outstanding share options and restricted shares will be adjusted according to the resolution in respect of the Company's dividend distribution and transfer from share premium to share capital.

(a) Share options

(i) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting Conditions	Contractual life of options
Options granted to directors:			
– on 24 June 2020 under 2019 Share Option and Restricted Share Award Scheme	108,000	Both performance and service period conditions apply *(Note (ii))*	1-2 years
– on 17 July 2020 under 2020 Share Option Scheme	186,000	Both performance and service period conditions apply *(Note (i))*	1-3 years
Options granted to employees:			
– on 9 March 2018 under 2018 Share Option and Restricted Share Award Scheme	396,000	Both performance and service period conditions apply *(Note (i))*	1-3 years
– on 9 September 2019 under 2019 Share Option and Restricted Share Award Scheme	1,124,000	Both performance and service period conditions apply *(Note (i))*	1-3 years
– on 24 June 2020 under 2019 Share Option and Restricted Share Award Scheme	67,000	Both performance and service period conditions apply *(Note (ii))*	1-2 years
– on 17 July 2020 under 2020 Share Option Scheme	1,904,000	Both performance and service period conditions apply *(Note (i))*	1-3 years
Total share options granted	3,785,000		

Notes:

(i) The options will vest over a three-year period, with 50%, 30% and 20% of total options vesting respectively on the first trading day after the first, second and third anniversary date from the date of the registration of grant, upon meeting the achievement of vesting conditions with reference to both financial performance of the Group and service period and individual performance of the directors and the employees.

(ii) The options will vest over a two-year period, with 50% and 50% of total options vesting respectively on the first trading day after the first and second anniversary date from the date of the registration of grant, upon meeting the achievement of vesting conditions with reference to both financial performance of the Group and service period and individual performance of the directors and the employees.

(ii) The number and weighted average exercise prices of share options are as follows:

	Year ended 31 December						Nine months ended 30 September 2020	
	2017		2018		2019			
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year/period	–	–	–	–	RMB40.23	551,600	RMB43.40	1,479,740
Granted during the year/period	–	–	RMB56.62	396,000	RMB48.11	1,124,000	RMB94.77	2,265,000
Effect of issuance of shares under capitalisation issue *(Note 33(c)(ii))*	–	–	RMB(0.75)	157,600	RMB(0.75)	220,640	RMB(0.85)	504,637
Exercised during the year/period	–	–	–	–	RMB28.52	(342,020)	RMB28.52	(198,744)
Forfeited during the year/period	–	–	RMB56.62	(2,000)	RMB28.52	(74,480)	RMB33.77	(138,004)
Outstanding at the end of the year/period	–	–	RMB40.23	551,600	RMB43.40	1,479,740	RMB68.53	3,912,629
Exercisable at the end of the year/period	–	–	–	–	–	–	–	–

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes model. The contractual life of the share option is used as an input into this model.

Fair value of share options and assumptions	2018 Share Option and Restricted Share Award Scheme	The First Batch under 2019 Share Option and Restricted Share Award Scheme in 2019	The Second Batch under 2019 Share Option and Restricted Share Award Scheme in 2020	2020 Share Option Scheme
Fair value at measurement date	RMB5.88 – RMB14.89	RMB15.34 – RMB17.90	RMB12.06 – RMB18.75	RMB13.40 – RMB23.62
Share price	RMB60.88	RMB62.50	RMB94.61	RMB96.86
Exercise price	RMB56.62	RMB48.11	RMB94.77	RMB94.77
Expected volatility (expressed volatility used in the modelling under Black-Scholes model)	20% – 33%	26% – 30%	30% – 32%	30% – 32%
Option life (contract life used in the modelling under Black-Scholes model)	1 – 3 years	1 – 3 years	1 – 2 years	1 – 3 years
Expected dividends	0%	1%	0.18%	0.17%
Risk-free interest rate	1.50% – 2.75%	1.50% – 2.75%	2.22% – 2.63%	2.22% – 2.69%

(b) Restricted shares

(i) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting Conditions	Contractual life of options
Restricted shares granted to directors:			
– on 9 March 2018 under 2018 Share Option and Restricted Share Award Scheme	80,000	Both performance and service period conditions apply *(Note (i))*	1-3 years
– on 9 September 2019 under 2019 Share Option and Restricted Share Award Scheme	120,000	Both performance and service period conditions apply *(Note (i))*	1-3 years
Restricted shares granted to employees:			
– on 9 March 2018 under 2018 Share Option and Restricted Share Award Scheme	262,000	Both performance and service period conditions apply *(Note (i))*	1-3 years
– on 9 September 2019 under 2019 Share Option and Restricted Share Award Scheme	285,000	Both performance and service period conditions apply *(Note (i))*	1-3 years
– on 24 June 2020 under 2019 Share Option and Restricted Share Award Scheme	63,000	Both performance and service period conditions apply *(Note (ii))*	1-2 years
Total share Restricted shares granted	810,000		

Notes:

(i) The restricted shares will vest over a three-year period, with 50%, 30% and 20% of total restricted shares vesting respectively on the first trading day after the first, second and third anniversary date from the date of the registration of grant, upon meeting the achievement of vesting conditions with reference to both financial performance of the Group and service period and individual performance of the directors and employees.

(ii) The restricted shares will vest over a two-year period, with 50% and 50% of total restricted shares vesting respectively on the first trading day after the first and second anniversary date from the date of the registration of grant, upon meeting the achievement of vesting conditions with reference to both financial performance of the Group and service period and individual performance of the employees.

(ii) Set out below are details of the movements of the restricted shares:

	Year ended 31 December			Nine months ended 30 September
	2017	2018	2019	2020
Outstanding at the beginning of the year/period	–	–	474,600	727,420
Granted during the year/period	–	342,000	405,000	63,000
Forfeited during the year/period	–	(3,000)	–	–
Effect of issuance of shares under capitalisation issue *(Note 33(c)(ii))*	–	135,600	189,840	218,056
Unlocked during the year/period	–	–	(319,480)	(182,280)
Repurchased and cancelled during the year/period	–	–	(22,540)	–
Outstanding at the end of the year/period	–	474,600	727,420	826,196

The restricted shares granted on 9 March 2018, 9 September 2019 and 24 June 2020 were valued at RMB32.57, RMB38.44 and RMB47.22 per share, respectively, which is the difference between the market price of the ordinary share at the grant date and the proceeds received from the employees.

(c) During the Track Record Period, the Group has recognised share-based payment expenses of nil, RMB8,274,000, RMB11,655,000, RMB5,066,000 (unaudited) and RMB23,117,000 respectively.

31 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

The Group

	Year ended 31 December			Nine months ended 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net balance of income tax payable at 1 January	6,136	7,536	8,760	17,929
Provision for the year/period *(Note 7(a))*	17,319	20,329	32,407	14,388
Credit to reserve	–	–	(1,340)	(1,722)
Income tax paid	(15,919)	(19,105)	(21,898)	(26,803)
Net balance of income tax payable at 31 December/ 30 September	7,536	8,760	17,929	3,792

	Year ended 31 December			Nine months ended 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Represented by:				
Income tax recoverable included in prepayments and other receivables *(Note 23)*	–	–	–	(1,580)
Income tax payable	7,536	8,760	17,929	5,372
	7,536	8,760	17,929	3,792

The Company

	Year ended 31 December			Nine months ended 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net balance of income tax payable at 1 January	1,837	2,123	2,853	6,850
Provision for the year/period	5,061	6,636	10,831	–
Credit to reserve	–	–	(858)	–
Income tax paid	(4,775)	(5,906)	(5,976)	(8,430)
Net balance of income tax payable/(recoverable) at 31 December/ 30 September	2,123	2,853	6,850	(1,580)
Represented by:				
Income tax recoverable included in prepayments and other receivables *(Note 23)*	–	–	–	(1,580)
Income tax payable	2,123	2,853	6,850	–
	2,123	2,853	6,850	(1,580)

(b) Deferred tax assets and liabilities recognised:

(i) Movements of each component of deferred tax assets and liabilities

The deferred tax assets/(liabilities) recognised in the statement of financial position and the movements throughout the Track Record Period are as follows:

The Group

	Assets					Liabilities				
Deferred tax arising from	**Unused tax losses**	**Credit Loss allowance**	**Deferred income**	**Equity settled share-based payments**	**Others**	**Fair value adjustments arising from acquisition of a subsidiary**	**Changes in fair value of financial assets**	**Accelerated Tax allowance for depreciation expenses**	**Changes in fair value of biological assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	323	727	2,986	–	81	–	–	–	(2,325)	1,792
Credited/(charged) to profit or loss *(Note 7(a))*	–	303	(1,412)	–	1,450	–	(78)	–	(446)	(183)
At 31 December 2017 and 1 January 2018	323	1,030	1,574	–	1,531	–	(78)	–	(2,771)	1,609
Credited/(charged) to profit or loss *(Note 7(a))*	283	86	1,408	562	111	–	(438)	(2,175)	1,018	855
At 31 December 2018 and 1 January 2019	606	1,116	2,982	562	1,642	–	(516)	(2,175)	(1,753)	2,464
Credited/(charged) to profit or loss *(Note 7(a))*	2,982	558	356	1,116	716	(259)	410	(1,294)	(1,260)	3,325

Deferred tax arising from	Assets					Liabilities				Total
	Unused tax losses	Credit Loss allowance	Deferred income	Equity settled share-based payments	Others	Fair value adjustments arising from acquisition of a subsidiary	Changes in fair value of financial assets	Accelerated Tax allowance for depreciation expenses	Changes in fair value of biological assets	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Credited to the reserve	–	–	–	1,971	–	–	–	–	–	1,971
Additions from acquisition of a subsidiary *(Note 34)*	11,415	150	–	–	–	(17,464)	–	–	–	(5,899)
Exchange adjustments	(588)	(3)	–	–	–	654	–	–	–	63
At 31 December 2019 and 1 January 2020	14,415	1,821	3,338	3,649	2,358	(17,069)	(106)	(3,469)	(3,013)	1,924
Credited/(charged) to profit or loss *(Note 7(a))*	1,393	(938)	(1,099)	(489)	334	2,099	(381)	(2,352)	(1,954)	(3,387)
Credited to the reserve	–	–	–	14,326	–	–	–	–	–	14,326
Charged to other comprehensive income *(Note 10)*	–	–	–	–	–	–	(7,100)	–	–	(7,100)
Exchange adjustments	(144)	(2)	–	–	–	353	–	–	–	207
At 30 September 2020	15,664	881	2,239	17,486	2,692	(14,617)	(7,587)	(5,821)	(4,967)	5,970

The Company

	Assets					Liabilities		
	Unused tax losses	**Credit Loss allowance**	**Deferred income**	**Equity settled share-based payments**	**Others**	**Changes in fair value of financial assets**	**Accelerated Tax allowance for depreciation expenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:								
At 1 January 2017	–	338	–	–	–	–	–	338
Credited/(charged) to profit or loss	–	382	–	–	–	(43)	–	339
At 31 December 2017 and 1 January 2018	–	720	–	–	–	(43)	–	677
Credited/(charged) to profit or loss	–	–	1,457	388	–	(25)	(2,175)	(355)
At 31 December 2018 and 1 January 2019	–	720	1,457	388	–	(68)	(2,175)	322
Credited/(charged) to profit or loss	–	166	491	704	408	(36)	(1,294)	439
Credited to the reserve	–	–	–	1,259	–	–	–	1,259
At 31 December 2019 and 1 January 2020	–	886	1,948	2,351	408	(104)	(3,469)	2,020
Credited/(charged) to profit or loss	2,618	(719)	(1,207)	(1,367)	119	(290)	(2,352)	(3,198)
Credited to the reserve	–	–	–	9,566	–	–	–	9,566
Charged to other comprehensive income	–	–	–	–	–	(7,100)	–	(7,100)
At 30 September 2020	2,618	167	741	10,550	527	(7,494)	(5,821)	1,288

(ii) Reconciliations to the statement of financial position

The Group

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	4,458	6,908	25,581	38,962
Deferred tax liabilities	(2,849)	(4,444)	(23,657)	(32,992)
	1,609	2,464	1,924	5,970

The Company

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	720	2,565	5,593	14,603
Deferred tax liabilities	(43)	(2,243)	(3,573)	(13,315)
	677	322	2,020	1,288

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB16,843,000, RMB29,023,000, RMB39,590,000 and RMB47,716,000 as at 31 December 2017, 2018 and 2019 and 30 September 2020, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction/entity.

Such cumulative tax losses will be carried forward and expire in years as follows:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year of 2021	4,111	4,111	4,111	4,111
Year of 2022	4,795	4,795	4,795	4,795
Year of 2023	–	7,011	7,011	7,011
Year of 2024	–	–	1,208	1,208
After 2024	7,937	13,106	22,465	30,591
	16,843	29,023	39,590	47,716

32 DEFERRED INCOME

The Group

	Year ended 31 December			Nine months ended 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	75,533	71,616	78,393	77,931
Additions	3,788	15,646	12,933	5,889
Credit to profit or loss	(7,705)	(8,869)	(13,395)	(16,150)
At 31 December/30 September	71,616	78,393	77,931	67,670

The Company

	Year ended 31 December			Nine months ended 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	17,242	14,466	22,335	23,936
Additions	–	13,680	9,325	2,433
Credit to profit or loss	(2,776)	(5,811)	(7,724)	(11,359)
At 31 December/30 September	14,466	22,335	23,936	15,010

Deferred income of the Group mainly represents government grants received in relation to the acquisition of property, plant and equipment, which would be recognised in "Other gains and losses, net" over the expected useful lives of the relevant assets.

33 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity during the Track Record Period are set out below:

	Share capital	Share premium	Share award reserve	Other capital reserve	Statutory reserve	Fair value reserve (non-recycling)	Retained profits	Total equity
	RMB'000 (Note 33(c))	*RMB'000* (Note 33(d)(i))	*RMB'000* (Note 33(d)(ii))	*RMB'000* (Note 33(d)(iii))	*RMB'000* (Note 33(d)(iv))	*RMB'000* (Note 33(d)(vi))	*RMB'000*	*RMB'000*
At 1 January 2017	61,300	–	–	59,738	10,059	–	83,222	214,319
Changes in equity:								
Profit and total comprehensive income for the year	–	–	–	–	–	–	21,823	21,823
Issue of ordinary shares upon listing on Shanghai Stock Exchange	20,500	201,430	–	–	–	–	–	221,930
Appropriation to reserves	–	–	–	–	2,182	–	(2,182)	–

	Share capital	Share premium	Share award reserve	Other capital reserve	Statutory reserve	Fair value reserve (non-recycling)	Retained profits	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 33(c))	*(Note 33(d)(i))*	*(Note 33(d)(ii))*	*(Note 33(d)(iii))*	*(Note 33(d)(iv))*	*(Note 33(d)(vi))*		
At 31 December 2017 and 1 January 2018	81,800	201,430	–	59,738	12,241	–	102,863	458,072
Changes in equity:								
Profit and total comprehensive income for the year	–	–	–	–	–	–	43,853	43,853
Issue of shares under capitalisation issue *(Note 33(c))*	32,856	(32,856)	–	–	–	–	–	–
Issue of restricted shares *(Note 30)*	339	9,258	(9,597)	–	–	–	–	–
Recognition of share-based payments *(Note 30)*	–	–		8,274	–	–	–	8,274
Appropriation to reserves	–	–	–	–	4,407	–	(4,407)	–
Dividends declared and paid in respect of the previous year *(Note 33(b))*	–	–	102	–	–	–	(24,642)	(24,540)
At 31 December 2018	114,995	177,832	(9,495)	68,012	16,648	–	117,667	485,659
At 1 January 2019	114,995	177,832	(9,495)	68,012	16,648	–	117,667	485,659
Changes in equity:								
Profit and total comprehensive income for the year	–	–	–	–	–	–	185,458	185,458
Issue of shares under capitalisation issue *(Note 33(c))*	45,998	(45,998)	–	–	–	–	–	–
Issue of restricted shares *(Note 30)*	405	9,339	(9,744)	–	–	–	–	–
Shares issued under share option scheme	342	10,439	–	(1,026)	–	–	–	9,755
Repurchase and cancellation of restricted shares	(23)	(302)	317	–	–	–	8	–
Unlock of restricted shares *(Note 30(b)(ii))*	–	5,309	4,497	(5,309)	–	–	–	4,497
Recognition of share-based payments *(Note 30)*	–	–	–	11,650	–	–	–	11,650
Recognition of deferred tax asset related with share-based payments	–	–	–	2,117	–	–	–	2,117
Appropriation to reserves	–	–	–	–	18,558	–	(18,558)	–
Dividends declared and paid in respect of the previous year *(Note 33(b))*	–	–	142	–	–	–	(34,498)	(34,356)
At 31 December 2019	161,717	156,619	(14,283)	75,444	35,206	–	250,077	664,780

	Share capital	Share premium	Share award reserve	Other capital reserve	Statutory reserve	Fair value reserve (non-recycling)	Retained profits	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 33(c))	*(Note 33(d)(i))*	*(Note 33(d)(ii))*	*(Note 33(d)(iii))*	*(Note 33(d)(iv))*	*(Note 33(d)(vi))*		
(Unaudited)								
At 1 January 2019	114,995	177,832	(9,495)	68,012	16,648	–	117,667	485,659
Changes in equity:								
Profit and total comprehensive income for the period	–	–	–	–	–	–	27,490	27,490
Issue of shares under capitalisation issue *(Note 33(c))*	45,998	(45,998)	–	–	–	–	–	–
Recognition of share-based payments (Note 30)	–	–	–	5,065	–	–	–	5,065
Shares issued under share option scheme	342	10,439	–	(1,026)	–	–	–	9,755
Unlock of restricted shares	–	5,309	4,497	(5,309)	–	–	–	4,497
Dividends declared and paid in respect of the previous year *(Note 33(b))*	–	–	142	–	–	–	(34,498)	(34,356)
At 30 September 2019	161,335	147,582	(4,856)	66,742	16,648	–	110,659	498,110
At 1 January 2020	161,717	156,619	(14,283)	75,444	35,206	–	250,077	664,780
Changes in equity:								
Profit for the period	–	–	–	–	–	–	27,853	27,853
Other comprehensive income	–	–	–	–	–	40,236	–	40,236
Total comprehensive income for the period	–	–	–	–	–	40,236	27,853	68,089
Issue of shares under capitalisation issue *(Note 33(c))*	64,766	(64,766)	–	–	–	–	–	–
Shares issued under share option scheme	199	6,290	–	(821)	–	–	–	5,668
Issue of restricted shares *(Note 30)*	63	2,923	(2,986)	–	–	–	–	–
Unlock of restricted shares *(Note 30(b)(ii))*	–	3,029	2,566	(3,029)	–	–	–	2,566
Recognition of share-based payments *(Note 30)*	–	–	–	23,108	–	–	–	23,108
Recognition of deferred tax asset related with share-based payments	–	–	–	9,566	–	–	–	9,566
Dividends declared and paid in respect of the previous year *(Note 33(b))*	–	–	185	–	–	–	(55,051)	(54,866)
At 30 September 2020	226,745	104,095	(14,518)	104,268	35,206	40,236	222,879	718,911

(b) Dividends

Dividends declared and paid to the equity shareholders of the Company during the Track Record Period are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Final dividend in respect of the previous year, declared and paid during the year/period	–	24,642	34,498	34,498	55,051
Dividend per ordinary share (RMB)	–	0.3	0.3	0.3	0.34

(c) Share capital

(i) Issued share capital

	Year ended 31 December						Nine months ended 30 September	
	2017		2018		2019		2020	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
		RMB'000		*RMB'000*		*RMB'000*		*RMB'000*
Ordinary shares, issued:								
At 1 January	61,300,000	61,300	81,800,000	81,800	114,994,600	114,995	161,716,920	161,717
Issue of ordinary shares upon listing on Shanghai Stock Exchange *(Note (i))*	20,500,000	20,500	–	–	–	–	–	–
Issue of restricted shares *(Note 30)*	–	–	339,000	339	405,000	405	63,000	63
Shares issued under share option scheme	–	–	–	–	342,020	342	198,744	199
Issue of shares under capitalisation issue *(Note (ii))*	–	–	32,855,600	32,856	45,997,840	45,998	64,766,265	64,766
Repurchase and cancellation of restricted shares	–	–	–	–	(22,540)	(23)	–	–
At 31 December/ 30 September	81,800,000	81,800	114,994,600	114,995	161,716,920	161,717	226,744,929	226,745

Notes:

(i) On 25 August 2017, the Company issued 20,500,000 ordinary shares with a par value of RMB1.00, at a price of RMB11.30 per share upon the listing of the shares on the Shanghai Stock Exchange. The proceeds of RMB20,500,000, representing the par value, were credited to the Company's share capital. The remaining proceeds, net of share issuance expenses, of RMB201,430,000 were credited to the share premium account.

(ii) Pursuant to the written resolutions of the shareholders of the Company passed on 15 May 2018, 4 new shares for every 10 existing shares of the Company were issued out of reserve to all shareholders. As a result, 32,855,600 shares were issued and RMB32,856,000 was transferred from share premium to share capital.

Pursuant to the written resolutions of the shareholders of the Company passed on 22 March 2019, 4 new shares for every 10 existing shares of the Company were issued out of reserve to all shareholders. As a result, 45,997,840 shares were issued and RMB45,998,000 was transferred from share premium to share capital.

Pursuant to the written resolutions of the shareholders of the Company passed on 12 May 2020, 4 new shares for every 10 existing shares of the Company were issued out of reserve to all shareholders. As a result, 64,766,265 shares were issued and RMB64,766,000 was transferred from share premium to share capital.

All shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. All shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Share premium

Share premium represents the the net proceeds received in excess of the total amount of the par value of shares issued as disclosed in Note 33(c).

(ii) Share award reserve

The amount represents the consideration payable to the employees of the Group for restricted shares issued under the share incentive scheme before vesting conditions are met.

(iii) Other capital reserve

The capital reserve comprises the following:

– the portion of the grant date fair value of unexercised share options and unvested restricted shares granted to the employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(r)(ii).

– the difference between the total amount of the nominal value of shares issued and the amount of the net assets injected by the promoters upon the establishment of the Company.

– the difference between the consideration paid on the acquisition of non-controlling interests and the carrying amount of the non-controlling interests.

(iv) Statutory reserve

Pursuant to the Company's Articles of Association, the Company is required to transfer 10% of net profit (after offsetting prior year losses) at determined in accordance with the accounting rules and regulations of the PRC to the statutory reserve until such reserve reaches 50% of the registered capital of the Company. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the Company and is non-distributable other than in liquidation.

(v) Exchange reserve

The exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations into RMB. The reserve is dealt with in accordance with the accounting policy set out in Note 2(v).

(vi) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see Note 2(f)(ii)).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

34 ACQUISITION OF A SUBSIDIARY

On 10 December 2019, the Group acquired 100% interest of Biomedical Research Models, Inc ("Biomere"), at a consideration of US$28,156,000 (equivalent to RMB198,214,000 using the exchange rate prevailing at the transaction date) which mainly engaged in providing non-clinical studies services.

The Group incurred acquisition-related costs of RMB3,150,000 which has been included in "General and administrative expenses" for the year ended 31 December 2019.

The fair values of the identifiable assets and liabilities of the subsidiary acquired through acquisition of a subsidiary as at the date of acquisition are set out as follow:

	Note	**Biomere**
		RMB'000
Property, plant and equipment	*12(a)*	33,660
Right-of-use assets	*12(a)*	62,463
Intangible assets	*13*	56,273
Deferred tax assets	*31(b)*	11,565
Inventories		5,129
Contract costs		19,671
Trade receivables		9,811
Prepayments and other receivables		1,122
Cash at bank and on hand		1,573
Short-term interest-bearing borrowings		(14,027)
Trade payables		(6,762)
Contract liabilities		(26,922)
Other payables		(1,343)
Long-term interest-bearing borrowings		(9,259)
Lease liabilities		(62,463)
Deferred tax liabilities	*31(b)*	(17,464)
Total identifiable net assets at fair value		63,027

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	Year ended 31 December 2019
	RMB'000
Cash consideration	198,214
Cash and cash equivalents acquired	(1,573)
Net cash outflow included in cash flows used in investing activities	196,641

Goodwill arising from the acquisition has been recognised as follows.

	RMB'000
Total consideration transferred	198,214
Less: Fair value of identifiable net assets	(63,027)
Goodwill *(Note 14)*	135,187

Intangible assets include non-competition agreement and customer relationship recognised upon the completion of the acquisition. The non-competition agreement represents a contract with restrictive covenants with Mr. Mark Nedelman, Chief Executive Officer of Biomere, under which Mr. Mark agreed no competition for a 3-year period after his termination or resignation. Such contract was signed as part of the acquisition of Biomere in December 2019. The directors of the Company expect that the non-competition agreement will generate benefits for the Group in future and therefore identified it as an intangible asset.

The values of assets and liabilities recognised on acquisition are their fair values. In determining the fair values of property, plant and equipment, intangible assets and inventories, the directors of the Group have referenced the fair value adjustments to valuation reports issued by an independent valuer.

The fair value of property, plant and equipment are determined by replacement cost approach, where based on the prevailing market prices for repurchasing of the same items adjusting with the useful life. The fair value of intangible assets are determined by income approach. The fair value measurement of property, plant and equipment and intangible assets fall into level 3 of the fair value hierarchy.

Goodwill arose in the acquisition because the cost of consolidation included a control premium. In addition, the consideration paid for the consolidation effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

(i) Acquired receivables

The fair value and gross contractual amounts of acquired trade receivables is RMB9,811,000.

(ii) Revenue and profit contribution

Since the acquisition, Biomere contributed RMB6,835,000 to the Group's revenue and a loss of RMB2,973,000 to the consolidated net profit respectively for the year ended 31 December 2019.

Had the acquisition taken place on 1 January 2019, the management estimates that the revenue and the profit for the year of the Group would have been RMB766,792,000 and RMB193,000,000 respectively for the year ended 31 December 2019.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, contract assets and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with a minimum credit rating assigned by the management of the Group, for which the Group considers to have low credit risk.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2017, 2018 and 2019 and 30 September 2020, 5%, 9%, 9%, and 6% of the total trade receivables and contract assets, respectively, were due from the Group's largest debtor, and 24% and 25%, 20% and 22% of the total trade receivables and contract assets, respectively, were due from the Group's five largest debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 21 to 45 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets at 31 December 2017, 2018 and 2019 and 30 September 2020:

	At 31 December 2017		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.5%	32,191	161
Less than 90 days past due	2%	6,636	133
less than 1 year	5%-6%	5,334	286
1 to 2 years	20%	4,876	974
2 to 3 years	45%	1,637	736
3 to 4 years	72%	1,377	990
Over 4 years past due	100%	3,632	3,632
Total		55,683	6,912

	At 31 December 2018		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.5%	42,215	210
Less than 90 days past due	1.45%	7,377	111
less than 1 year	4%	11,892	475
1 to 2 years	6.9%	6,141	424
2 to 3 years	28.2%	2,349	661
3 to 4 years	50%	1,478	737
Over 4 years past due	100%	4,916	4,916
Total		76,368	7,534

	At 31 December 2019		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.5%	113,279	566
Less than 90 days past due	1.5%	24,702	371
less than 1 year	3%	16,193	482
1 to 2 years	6%	8,291	497
2 to 3 years	20%	4,556	911
3 to 4 years	50%	1,853	926
Over 4 years past due	100%	7,894	7,893
		176,768	11,646

	At 30 September 2020		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.5%	71,198	356
Less than 90 days past due	1.5%	10,945	164
less than 1 year	3.0%	23,213	696
1 to 2 years	7.2%	11,982	869
2 to 3 years	23.2%	3,816	885
3 to 4 years	73.2%	1,530	1,119
Over 4 years past due	100%	1,851	1,851
Total		124,535	5,940

Expected loss rates are based on actual loss experience over the recent past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables and contract assets of the Group during the Track Record Period is as follows:

	Year ended 31 December			Nine months ended 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January	4,886	6,912	7,534	11,646
Exchange adjustments	–	5	516	(7)
Loss allowance recognised/(reversed) during the year/period	2,026	617	3,596	(2,911)
Write-off during the year/period	–	–	–	(2,788)
Balance at 31 December/30 September	6,912	7,534	11,646	5,940

Movement in the loss allowance account in respect of other receivables of the Group during the Track Record Period is as follows:

	Year ended 31 December			Nine months ended 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January	50	27	32	84
Loss allowance (reversed)/recognised during the year/period	(23)	5	52	26
Balance at 31 December/30 September	27	32	84	110

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at 31 December 2017, 2018 and 2019 and 30 September 2020 of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest dates the Group can be required to pay:

	At 31 December 2017					
	Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	10,116	–	–	–	10,116	10,116
Other payables	3,306	–	–	–	3,306	3,306
	13,422	–	–	–	13,422	13,422

	At 31 December 2018					
	Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities *(Note 29)*	708	708	1,794	–	3,210	2,906
Trade payables	14,552	–	–	–	14,552	14,552
Other payables	6,456	–	–	–	6,456	6,456
	21,716	708	1,794	–	24,218	23,914

	31 December 2019					
	Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings *(Note 26)*	13,562	2,558	7,344	–	23,464	22,323
Lease liabilities *(Note 29)*	12,856	12,616	37,758	14,380	77,610	67,856
Trade payables	34,086	–	–	–	34,086	34,086
Other payables	10,236	–	–	–	10,236	10,236
	70,740	15,174	45,102	14,380	145,396	134,501

	At 30 September 2020					
	Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings *(Note 26)*	3,671	15,247	8,531	98	27,547	26,227
Lease liabilities (Note 29)	15,137	14,463	37,042	6,271	72,913	64,973
Trade payables	54,920	–	–	–	54,920	54,920
Other payables	14,834	–	–	–	14,834	14,834
	88,562	29,710	45,573	6,369	170,214	160,954

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The following table details the profile of the Group's interest-bearing financial liabilities at the end of each reporting period.

	At 31 December 2017		At 31 December 2018		At 31 December 2019		At 30 September 2020	
	Effective interest rate	Amounts	Effective interest rate	Amounts	Effective interest rate	Amounts	Effective interest rate	Amounts
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
Fixed rate borrowings								
– Lease liabilities	–	–	4.35%-4.75%	2,906	3.98%-4.90%	67,856	3.98%-4.90%	64,973
– Interest-bearing borrowings	–	–	–	–	3.98%-6.49%	11,369	1%-6.49%	20,779
		–		2,906		79,225		85,752
Variable rate borrowings								
– Interest-bearing borrowings	–	–	–	–	4.75%	10,954	3.25%	5,448
Total borrowings		–		2,906		90,179		91,200
Fixed rate borrowings as a percentage of total net borrowings		N/A		100%		87.9%		94.0%

(d) Currency risk

The Group is exposed to currency risk primarily through sales which give rise to cash, receivables and payables balances that are denominated in a currency other than the functional currency of the operations to which they relate. The currency gives rise to this risk is primarily US$ and Japanese Yen ("JPY").

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rates at the respective year/period end dates. Differences resulting from the translation of financial statements of foreign operations into the Group's presentation currency are excluded.

	At 31 December 2017		At 31 December 2018		At 31 December 2019		At 30 September 2020	
	US$	JPY	US$	JPY	US$	JPY	US$	JPY
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	14,608	1,460	24,021	2,161	26,312	2,830	28,568	3,008
Trade receivables	–	–	–	–	–	–	892	–
Trade payables	–	–	–	–	–	–	(1,096)	–
Gross exposure arising from recognised assets and liabilities	14,608	1,460	24,021	2,161	26,312	2,830	28,364	3,008

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

		Effect on profit after tax			
		As at 31 December			As at 30 September
	Increase/(decrease) in foreign exchange rates	2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
US$	5%	621	1,021	1,118	1,205
	(5%)	(621)	(1,021)	(1,118)	(1,205)
JPY	5%	62	92	120	128
	(5%)	(62)	(92)	(120)	(128)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency, which depends on the foreign currencies the Group is exposed to, may or may not have an effect on the Group's net assets. The analysis is performed on the same basis during the Track Record Period.

(e) Fair values measurement

Fair value hierarchy

Fair values are categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

(i) Financial assets measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy.

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	Fair value measurements categorised into Level 3	Fair value measurements categorised into Level 3	Fair value measurements categorised into Level 3	Fair value measurements categorised into Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments in a non-listed company *(Note 17)*	–	–	12,000	59,336
RMB wealth management products *(Note 24)*	200,692	348,686	130,701	187,250

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

The fair value of unlisted equity instruments is determined using the price to book ratio of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. At 30 September 2020, if the discount for lack of marketability had been one percentage point higher/lower, the Group's total comprehensive income and fair value reserve (non-recycling) would have been RMB644,000 lower/higher respectively.

The fair value of RMB wealth management products is determined by calculating based on the discounted cash flow method. The main level 3 inputs used by the Group for RMB wealth management products are the expected rates of return. At 31 December 2017, 2018 and 2019 and 30 September 2020, if the expected rate of return of the investment in RMB wealth management products held by the Group had been one percentage point higher/lower, the Group's profit for the year/period and retained profits would have been RMB134,000, RMB788,000, RMB192,000 and RMB754,000 higher/lower respectively.

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

	Year ended 31 December			Nine months ended 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity instruments *(Note 17):*				
At 1 January	–	–	–	12,000
Additions in investments	–	–	12,000	–
Changes in fair value recognised in other comprehensive income *(Note 10)*	–	–	–	47,336
At 31 December/30 September	–	–	12,000	59,336

	Year ended 31 December			Nine months ended 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB wealth management products *(Note 24):*				
At 1 January	–	200,692	348,686	130,701
Additions in investments	372,000	831,000	1,257,400	384,000
Net realised and unrealised gains or losses recognised in profit or loss during the year/period	2,445	11,572	10,492	3,957
Disposal of financial assets	(173,753)	(694,578)	(1,485,877)	(331,408)
At 31 December/30 September	200,692	348,686	130,701	187,250

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017, 2018 and 2019 and 30 September 2020.

36 COMMITMENTS

Capital commitments outstanding at respective reporting period end dates not provided for in the Historical Financial Information were as follows:

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Purchase of property, plant and equipment:				
– Contracted for	21,086	21,960	21,476	18,757

37 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

(a) Names and relationships of the related parties that had material transactions with the Group during the Track Record Period:

Names of related parties	Relationship
Staidson (Beijing) Biopharmaceuticals Co., Ltd. ("Staidson") 舒泰神(北京)生物製藥股份有限公司*	A company controlled by the controlling shareholders
Beijing De Feng Rui Biotechnology Co., Ltd. 北京德豐瑞生物技術有限公司*	A subsidiary of Staidson
Beijing Sannuo Jiayi Biotechnology Co., Ltd. 北京三諾佳邑生物技術有限責任公司*	A subsidiary of Staidson
Staidson BioPharma Inc.	A subsidiary of Staidson
Beijing Nuo Wei Kang Pharmaceutical Technology Co., Ltd. 北京諾維康醫藥科技有限公司*	A subsidiary of Staidson
Biorichland LLC	A company controlled by close family members of the controlling shareholders
Beijing Heyu Pharmaceutical Technology Co., Ltd. ("Beijing Heyu") 北京和輿醫藥科技有限公司*	A company controlled by close family members of the director of the Company

* The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.

(b) Transactions with related parties during the Track Record Period

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Sales of research models to					
– Staidson	6,181	2,532	1,246	498	182
Provision of services to					
– Staidson and its subsidiaries	7,147	12,349	19,246	13,598	9,490
– Beijing Heyu	–	737	2,730	2,556	–
Lease offices and equipment from					
– Biorichland LLC	36	315	220	164	421

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

(c) Balances with related parties

The Group's balances with related parties as at the end of each reporting period are as follows:

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets				
– Staidson and its subsidiaries	2,279	2,264	1,788	4,887
– Beijing Heyu	–	–	861	–
Trade and bills receivables				
– Staidson and its subsidiaries	1,218	1,239	775	1,144
– Beijing Heyu	80	80	73	–
Contract liabilities				
– Staidson and its subsidiaries	11,565	13,604	6,278	12,595
– Beijing Heyu	1,627	1,942	66	66

The balances with related parties disclosed above are trade in nature.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9 is as follows:

Total remuneration is included in "staff costs" in Note 6(b).

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Short-term employee benefits	5,441	6,270	8,453	6,296	6,694
Retirement scheme contributions	185	252	318	241	176
Share-based payments	–	1,556	2,220	715	4,037
	5,626	8,078	10,991	7,252	10,907

38 SUBSEQUENT EVENTS

No significant subsequent events have occurred since 30 September 2020.

39 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At 30 September 2020, the directors consider the immediate and ultimate controlling parties of the Group to be Ms. Feng Yuxia and Mr. Zhou Zhiwen.

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON 1 JANUARY 2020

Up to the date of this report, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period beginning on 1 January 2020 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendment to IFRS 16, *Leases,* Covid-19-related rent concessions	1 June 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform — Phase 2*	1 January 2021
Amendments to IFRS 3, *Business Combinations*, Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
IFRS 17, *Insurance contracts*	1 January 2023
Amendments to IAS 1, *Presentation of financial statements, Classification of liabilities as current or non-current*	1 January 2023
Amendments to IFRS 4, *Extension of the temporary exemption from applying IFRS 9*	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Subsequent financial statements

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 September 2020.

The information set forth below does not form part of the Accountants' Report received from KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to equity shareholders of the Company as at 30 September 2020 as if the Global Offering had taken place on 30 September 2020.

The 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 financial position of the Group had the Global Offering been completed as at 30 September 2020 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as at 30 September 2020[(1)]	**Estimated net proceeds from the Global Offering[(2)]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB[(3)]*	*HK$[(4)]*
Based on an Offer Price of HK$133.00 per H Share	824,442	4,843,844	5,668,286	20.93	23.82
Based on an Offer Price of HK$151.00 per H Share	824,442	5,505,126	6,329,568	23.38	26.61

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as at 30 September 2020 is arrived after deducting intangible assets of RMB63,748,000 and goodwill of RMB130,772,000 from the consolidated total equity attributable to the equity shareholders of the Company as of 30 September 2020 of RMB1,018,962,000, which is extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 43,324,800 H Shares to be issued pursuant to the Globally Offering and the indicative Offer Prices of HK$133.00 per H Share and HK$151.00 per H Share, being the low end and high end of Offer Price range, after deduction of the estimated underwriting fees and other related expenses payable by the Group and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the share option schemes. The estimated net proceeds of the Global Offering have been converted to Renminbi at the exchange rate of HK$1.0000 to RMB0.87872 prevailing on 30 September 2020. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted into RMB, or vice versa, at that rate or at any other rates.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 270,779,529 Shares, being the number of shares expected to be in issue following the completion of the Global Offering, and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option. and the options granted under the share option schemes.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share amounts in RMB are converted to Hong Kong dollar with the exchange rate of RMB0.87872 to HK$1.0000 prevailing on 30 September 2020. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted into RMB, or vice versa, at that rate or at any other rates.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 September 2020.

B. UNAUDITED PRO FORMA ESTIMATED BASIC EARNINGS PER SHARE

The following unaudited pro forma estimated basic earnings per Share for the year ended 31 December 2020 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2020. This unaudited pro forma estimated basic earnings per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our financial results of the Group for the year ended 31 December 2020 or for any future periods.

Estimated consolidated profit attributable to equity shareholders of our Company for the year ended 31 December 2020[(1)]	not less than RMB300.9 million (approximately HK$360.5 million)[(3)]
Unaudited pro forma estimated basic earnings per Share[(2)]	not less than RMB1.12 (approximately HK$1.34)[(3)]

Notes:

(1) The bases on which the above profit estimate for the year ended 31 December 2020 has been prepared are set out in Part A of Appendix IIB to this prospectus. Our Directors have prepared the estimated consolidated profit attributable to equity shareholders of our Company for the year ended 31 December 2020 based on the audited consolidated results of our Group for the nine months ended 30 September 2020 and the unaudited consolidated results of our Group based on the management accounts of our Group for the remaining three months ended 31 December 2020.

(2) The calculation of unaudited pro forma estimated basic earnings per Share is based on the estimated consolidated profit attributable to equity shareholders of our Company for the year ended 31 December 2020 and on the assumption that a weighted average number of 269,125,686 Shares (including weighted average number of 225,800,886 A shares in issue for the year ended 31 December 2020 and 43,324,800 H shares to be issued pursuant to the Global Offering as if such H Shares had been in issue on 1 January 2020) were in issue for the year ended 31 December 2020, and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the share option schemes.

(3) For the purpose of this unaudited pro forma estimated basic earnings per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.8347 to HK$1.00 available on the Latest Practicable Date.

C. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF 北京昭衍新藥研究中心股份有限公司 JOINN LABORATORIES (CHINA) CO., LTD.[1]

We have completed our assurance engagement to report on the compilation of pro forma financial information of 北京昭衍新藥研究中心股份有限公司 JOINN Laboratories (China) Co., Ltd.[1] (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 September 2020 and the unaudited pro forma estimated basic earnings per share for the year ended 31 December 2020, and related notes as set out in Part A and Part B of Appendix IIA to the prospectus dated 16 February 2021 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A and Part B of Appendix IIA to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the H shares of the Company (the "Global Offering") on the Group's financial position as at 30 September 2020 and the estimated basic earnings per share of the Company for the year ended 31 December 2020, as if the Global Offering had taken place at 30 September 2020 and 1 January 2020, respectively. As part of this process, information about the Group's financial position as at 30 September 2020 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus, and information about the Group's estimate of the consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2020 (the "Profit Estimate") has been extracted by the Directors from the section headed "Appendix IIB- Profit Estimate" in the Prospectus on which a letter from us has been published as set out in Appendix IIB to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 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").

[1] For identification purposes only.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical or estimated financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 September 2020 or 1 January 2020 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

16 February 2021

The estimate of the consolidated profit attributable to equity shareholders of our Company for the year ended December 31, 2020 is set out in "Financial Information – Profit estimate for the year ended December 31, 2020" in the Prospectus.

(A) PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2020

Our Directors have prepared the profit estimate (the "**Profit Estimate**") based on the audited consolidated results of our Group for the nine months ended September 30, 2020 and the unaudited consolidated results based on the management accounts of our Group for the three months ended December 31, 2020. The Profit Estimate has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarised in the Accountants' Report as set out in Appendix I to the Prospectus.

Profit Estimate for the year ended December 31, 2020

Estimated consolidated profit attributable to equity shareholders of our Company	not less than RMB300.9 million

(B) LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for the inclusion in this prospectus, received from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in relation to our Group's profit estimate for the year ended December 31, 2020.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

16 February 2021

The Directors
北京昭衍新藥研究中心股份有限公司
JOINN Laboratories (China) Co., Ltd.[1]

CLSA Capital Markets Limited

Dear Sirs,

北京昭衍新藥研究中心股份有限公司 JOINN Laboratories (China) Co., Ltd.[1] (the "Company")

Profit Estimate for Year Ended 31 December 2020

We refer to the estimate of the consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2020 (the "Profit Estimate") set forth in the section headed "Appendix IIB — Profit Estimate" in the prospectus of the Company dated 16 February 2021 (the "Prospectus").

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the nine months ended 30 September 2020 and the unaudited consolidated results based on the management accounts of the Group for the three months ended 31 December 2020.

The Company's directors are solely responsible for the Profit Estimate.

[1] *For identification purposes only.*

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures. We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the Directors as set out in Appendix IIB of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 16 February 2021, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE SOLE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus by the Sole Sponsor in connection with the estimate of our consolidated profit attributable to equity shareholders of the Company for the year ended December 31, 2020.

February 16, 2021

The Directors
JOINN Laboratories (China) Co., Ltd.*

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to the equity shareholders of JOINN Laboratories (China) Co., Ltd.* (the "**Company**", together with its subsidiaries, the "**Group**") for the year ended December 31, 2020 (the "**Profit Estimate**") as set out in the prospectus issued by the Company dated February 16, 2021 (the "**Prospectus**").

The Profit Estimate, for which you as the directors of the Company (the "**Directors**") are solely responsible, has been prepared based on (i) the audited consolidated results of the Group for the nine months ended September 30, 2020; and (ii) the unaudited consolidated results of the Group for the three months ended December 31, 2020.

We have discussed with you the bases and assumptions made by the directors of the Company, as set forth in Part (A) of Appendix IIB to the Prospectus, upon which the Profit Estimate has been made. We have also considered the letter dated February 16, 2021 addressed to yourselves and ourselves from KPMG regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by KPMG, we are of the opinion that the Profit Estimate, for which you as Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
CLSA Capital Markets Limited
LIU Hiu Lau
Managing Director

* *For identification purpose only*

This Appendix sets out summaries of the main clauses of our Articles of Association adopted on September 15, 2020, which shall become effective as at the date on which the H shares are listed on the Stock Exchange. As the main purpose of this Appendix is to provide potential investors with an overview of the Articles of Association, it may not necessarily contain all information that is important for prospective investors. As discussed in the appendix headed "Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection" to this Prospectus, the full document of the Articles of Association in Chinese is available for examination.

1 DIRECTORS AND BOARD OF DIRECTORS

(1) Power to allocate and issue shares

The Articles of Association does not contain clauses that authorize the Board of Directors to allocate or issue shares. The Board of Directors shall prepare suggestions for share allotment or issue, which are subject to approval by the Shareholders at the general Shareholders' meeting in the form of a special resolution. Any such allotment or issue shall be in accordance with the procedures stipulated in appropriate laws, administrative regulations and supervision rules of shares listed region.

(2) Power to dispose assets of our Company or any subsidiary

In any case that the Board of Directors intends to dispose assets, if the sum of the expected value of the fixed assets to be disposed of, and the amount or value of the value received from the fixed assets of our Company disposed of within the four months immediately preceding this suggestion for disposal exceeds 33% of the value of fixed assets of our Company indicated on the latest audited balance sheet submitted at the Shareholders' meeting, the Board of Directors shall not dispose of or agree to dispose of such fixed assets without the approval of the Shareholders' meeting.

For the purposes of the Articles of Association, a disposition of fixed assets includes certain acts of transfer of interests in assets, but does not include the provision of fixed assets as security.

The validity of the transactions with respect to the disposal of fixed assets of our Company shall not be affected by the violation of the above restrictions contained in this section.

(3) Appointment, Resignation and Dismissal

The Board of Directors consists of no more than eleven Directors, at least four of whom are independent Directors. The number of independent directors shall be no less than one-third of the total number of Directors. The Board of Directors has one chairman. Directors are elected at the general Shareholders' meeting. The Directors need not hold any of our shares.

The chairman of the Board shall be elected and dismissed by a vote of more than one half of the Directors. Provided that it is in compliance with relevant laws, regulations and rules as well as the regulatory rules of which our Company's shares are listed, the general Shareholders' meeting may remove any Director whose term has not expired by an ordinary resolution without affecting any claim for damages that may be made pursuant to any contract.

The chairman of the Board and other Directors all serve three-year terms. Upon expiration of the term, the Director may be re-elected. Director can be senior management personnel at the same time. However, the number of the Directors who are also senior management personnel shall not be more than half of the total number of Directors. There is no provision in the Articles of Association that imposes any age limit for Directors beyond which retirement of a Director is mandatory.

(4) Borrowing powers

The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors, other than provisions which (a) give the Board the power to formulate proposals for the issuance of corporate bonds by our Company; and (b) require the issuance of corporate bonds to be approved by the Shareholders in general meeting by way of a special resolution.

2 DIRECTORS, SUPERVISORS, GENERAL MANAGER AND OTHER SENIOR MANAGEMENT

(1) Emoluments or compensation for Directors and Supervisors

As provided in the written contract entered between our Company and the Directors or Supervisors in connection with their emoluments, they are entitled to compensation or other payments subject to the approval of the Shareholders at the Shareholders' meeting in advance. The aforesaid emoluments include:

i. emoluments in respect of his service as a Director, Supervisor or senior management of our Company;

ii. emoluments in respect of his service as a Director, Supervisor or senior management of any subsidiary of our Company;

iii. emoluments in respect of other service in relation to the management of our Company and any subsidiary of our Company; and

iv. payment by way of compensation for loss of office or retirement from office of a Director or Supervisors.

It should be concluded in the emolument contract that where our Company is to be acquired, the Directors and Supervisors should be entitled to compensation or other payments for loss of office or retirement from office subject to the approval of the Shareholders at the Shareholders' meeting in advance.

Acquisition of our Company refers to any of the following circumstances:

i. an offer made by any person to all Shareholders; or

ii. an offer made by any person aiming to make the offeror to become the controlling shareholder of our Company. The definition of controlling shareholder is the same as defined in the Articles of Association.

If the relevant Director or Supervisor fails to comply with the above requirements, any payment received shall belong to the person who sells the shares in acceptance of the aforesaid offer. The Director or Supervisor shall bear all expenses arising from the distribution of such payments to the person in a proportional manner and all related expenses shall not be deducted from these payments distributed.

(2) Loans or Guarantees of Loans to Directors, Supervisors, general manager or other senior management

Our Company shall neither provide the Directors, Supervisors, general manager or other senior management of our Company or our parent company with loans or loan guarantees either directly or indirectly, nor provide persons related to the above personnel with loans or loan guarantees.

The following circumstances are exempted from the above clauses:

(i) our Company provides our subsidiaries with loans or loan guarantees;

(ii) our Company provides any of the Directors, Supervisors, the general manager or other senior management with loans, loan guarantees or any other fund pursuant to the employment contracts approved at the Shareholders' meeting, for paying expenses incurred for the purpose of our Company or performing his duties owed to our Company; and

(iii) in case that the normal scope of business of our Company covers the provision of loans or loan guarantees, our Company may provide any of the Directors, Supervisors, the general manager or other senior management and other related personnel with loans or loan guarantees, provided that the conditions of such loans or loan guarantees shall be normal commercial conditions.

In the event that our Company provides loans in violation of this restriction, the person who receives the loan(s) must pay off the loan(s) immediately, regardless of the conditions of loans. Any loan guarantee provided by our Company in violation of the above requirements shall not be mandatorily enforced against us, unless under the following circumstances:

i. the loan provider unknowingly provides loans to personnel related to the Directors, Supervisors, the general manager or other senior management of our Company or its parent company; or

ii. the collateral provided by our Company is sold lawfully by the lender to the bona fide buyer.

(3) Disclosure of interests in contracts, transactions or arrangements with our Company

Where a Directors, Supervisors, the general manager and other senior management has material interests in the contracts, transactions or arrangements that our Company has entered into or plans to enter into directly or indirectly (except for employment contracts that our Company entered into with the Directors, the general manager and other senior management), the above personnel shall disclose the nature and degree of their interests to the Board of Directors as soon as possible no matter whether the above contracts, transactions or arrangements are subject to the approval of the Board of Directors in normal circumstances.

With respect to any contract, transaction or arrangement in which a Director or his Associates (defined in Hong Kong Listing Rules) have a material interest, the Director shall not vote and shall not be included in the quorum, except for the exceptions provided in Hong Kong Listing Rules and specified in this Article of Association.

Unless the Directors, Supervisors, the general manager and other senior management who have interests have made disclosure to the Board of Directors in accordance with the above requirements and the Board of Directors approves the matters at the meeting provided that such interested personnel are not included in the quorum and not participate in voting, our Company shall have the right to cancel the contracts, transactions or arrangements, except where the opposite party is a bona fide party without knowledge of the acts of related Directors, Supervisors, the general manager and other senior management violating their obligations.

Where related personnel of the Directors, Supervisors, the general manager and other senior management have interests in certain contracts, transactions and arrangements, the relevant Directors, Supervisors and senior management shall be deemed to have interests.

Prior to our Company's first considering the relevant contracts, transactions or arrangements, if the Directors, Supervisors, the general manager and other senior management have notified the Board of Directors in writing and stated that with regard to the content of such notice, they have interest in certain contracts, transactions and arrangements thereafter. And within the scope specified by such notice, the relevant Directors, Supervisors, the general manager and other senior management should be considered having made disclosures which are in accordance with this Article of Association.

(4) Qualifications

None of the following persons shall serve as our Director, Supervisor, general manager or senior management:

i. a person who has no civil capacity or has limited civil capacity;

ii. a person who has been convicted for corruption, bribery, embezzlement, larceny, or disrupting the social economic order within five years since the expiry date of the sentence, or has been deprived of political rights because of any crime within five years since the expiry date of the sentence;

iii. a person who is a former director, factory manager or general manager of a company or enterprise that was bankrupt and liquidated within three years since the date of completion of bankruptcy and liquidation of such company or enterprise, and was personally liable for the bankruptcy of such company or enterprise;

iv. a person who has served as the legal representative of a company or enterprise whose business license was revoked or was ordered to close due to violation of laws within three years since the date on which the business license of such company or enterprise was revoked, and was personally liable for the revocation or order to close of our Company or enterprise;

v. a person who has a relatively large sum of debt, due and unpaid;

vi. a person who is prohibited by China Securities Regulation Commission's from entering into the securities market and is still in such prohibition period;

vii. a person who is administratively sanctioned by the CSRC within the last three years;

viii. a person who is publicly reprimanded by the stock exchange or criticized by the stock exchange for twice or more times within the last three years;

ix. a person who is publicly recognized by the stock exchange as unfit to serve as a director, supervisor and senior management;

x. a person who is investigated by the judicial agencies for violation of criminal law and such case is pending;

xi. any other person who is otherwise not eligible under laws or administrative regulations;

xii. a person who is not a natural person;

xiii. a person judged by the competent agencies to have violated the provisions of relevant securities laws, being involved in deceptive or dishonest acts and is within five years of the date on which the judgment was made; or

xiv. other matters provided by laws, regulations, other documents and the listing rules of which our Company's shares are listed.

The election, appointment or employment of the Directors, Supervisors, general manager or other senior management shall be invalid if such election, appointment or employment is in violation of this section. If the Directors, Supervisors, general manager or senior management falls into the situations provided in the above-mentioned situations during their term of office, they would be dismissed by our Company.

The validity of an act of the Directors, general manager or other senior management on behalf of our Company to bona fide third parties shall not be affected by any irregularities in their appointment, election or qualifications.

(5) Duties

The Directors, Supervisors, general manager and other senior management shall bear the obligations of good faith and diligence towards our Company. In the event of violation of obligations owed to our Company by the Directors, Supervisors, general manager and other senior management, we shall have the right to take the following measures in addition to various rights and remedial measures stipulated in laws, administrative regulations:

i. require related Directors, Supervisors, general manager or other senior management to compensate our Company for losses sustained as a result of their neglect of duty;

ii. cancel any contract or transaction entered into between our Company and related Directors, Supervisors, general manager or senior management as well as any contract or transaction entered into between our Company and third person when the third person knew or should have known that the Directors, Supervisors, the general manager or other senior management acting on behalf of our Company violated their obligations owed to our Company;

iii. require the relevant Directors, Supervisors, general manager or other senior management to turn over the proceeds obtained from the violation of their obligations;

iv. recover funds collected by the relevant Directors, Supervisors, general manager or other senior management that should have been collected for our Company, including but not limited to commissions;

v. require the relevant Directors, Supervisors, general manager or other senior management to return the interest earned or that may be earned from funds that should have been paid to our Company;

When performing their duties, the Directors, Supervisors, general manager and other senior management of our Company must comply with the principle of good faith and shall not put themselves in situations where their own interests may conflict with the obligations they have undertaken. This principle includes, without limitation, performing the following obligations:

i. acting honestly in the best interests of our Company as the starting point of any action;

ii. exercising powers within and not exceeding the scope of authority;

iii. exercising conferred discretionary powers personally without being manipulated by others; not transferring discretionary powers to other persons unless permitted by laws, administrative regulations or with the informed consent given in a general Shareholders' meeting;

iv. treating Shareholders of the same class equally and Shareholders of different classes fairly;

v. entering into contract, transaction or arrangement with our Company is not allowed, unless in line with the Articles of Association or otherwise by the approval of the general Shareholders' meeting with its full knowledge;

vi. seeking private gain using the properties of our Company in any manner is not allowed, unless agreed by the general Shareholders' meeting with its full knowledge;

vii. using one's position to take bribes or other illegal income is not allowed, nor is any form of embezzlement of our property, including, but not limited to, opportunities beneficial to our Company;

viii. accepting commissions associated with transactions of our Company is not allowed unless agreed by the general Shareholders' meeting with its full knowledge;

ix. complying with the Articles of Association, faithfully executing one's duties and protecting our Company's interests, and not to exploit one's position and power in our Company to advance one's own private interests;

x. not to compete with our Company in any kind unless agreed by the general Shareholders' meeting with its full knowledge;

xi. not to lend our Company's funds to any other person, misappropriate our funds or deposit the assets or funds of our Company in an account opened in one's own name or other names, and not to provide securities for the debt of our shareholder or any other people using our Company's assets, unless otherwise provided by the laws, regulations or the Articles of Association;

xii. disclosure of confidential information relating to our Company obtained during employment without the consent of the general Shareholders' meeting with its full knowledge is not allowed; unless in the interest of our Company, using such information is also not allowed; however, under the following circumstances the information may be disclosed to a court or other competent government agencies as required by:

(i) the provisions of the law;

(ii) for the public interests;

(iii) the interests of the Directors, Supervisors, manager or senior management.

The Directors, Supervisors, general manager and other senior management may not direct the following personnel or institutions ("related personnel") to do what they are prohibited from doing:

i. spouses or minor children of the Directors, Supervisors, the general manager and other senior management;

ii. trustees of the Directors, Supervisors, the general manager and other senior management or the persons mentioned in the preceding paragraph;

iii. partners of the Directors, Supervisors, the general manager and other senior management or persons mentioned in i and ii above;

iv. any company under de facto control by the Directors, Supervisors, the general manager and other senior management individually or jointly with the persons or other directors, supervisors and senior management of companies mentioned in i, ii and iii above; and

v. directors, Supervisors, the general manager or other senior management of the controlled companies mentioned in the preceding paragraph.

The good faith obligation of the Directors, Supervisors, the general manager and other senior management may not necessarily cease with the termination of their terms; their obligation to keep the trade secrets of our Company in confidence shall survive the termination of their terms. Other duties may continue for such period as fairness may require depending on the time lapse between the termination and the act concerned and any circumstance and condition under which the relationships between them and our Company are terminated.

Unless otherwise provided in the Articles of Association, liabilities of Directors, Supervisors, general manager and other senior management arising from the violation of specific duties may be dissolved by informed general Shareholders' meeting.

Apart from the obligations set forth in related laws, administrative regulations or the listing rules of the stock exchange where the shares of our Company are listed, the Directors, Supervisors, the general manager or other senior management shall assume the following obligations for each of the Shareholders when exercising their rights and performing their responsibilities:

i. they shall not cause our Company to operate beyond the scope of business indicated on our business license;

ii. they shall sincerely act for the best interests of our Company as the starting point of any action;

iii. they may not deprive our Company of our assets in any manner, including, but not limited to, opportunities beneficial to our Company; and

iv. they shall not deprive the Shareholders of personal rights and interests, including, but not limited to, the right to receive dividends and to vote, except for restructuring of our Company approved at the Shareholders' meeting pursuant to the provisions of the Articles of Association.

The Directors, Supervisors, the general manager and other senior management of our Company have the responsibility when exercising their rights or carrying out their obligations to act with the care, diligence and skill due from a reasonably prudent person under similar circumstances.

In the event of any loss caused to our Company as a result of violation of any laws, administrative regulations or Articles of Association by the Directors or senior management when performing their duties in our Company, the Shareholders holding 1% or more shares separately or jointly for over 180 consecutive days shall have the right to submit a written request to the Board of Supervisors to file an action with the people's court. Where supervisors violate laws, administrative regulations or the Articles of Association in their duty performance and cause loss to our Company, the Shareholders may submit a written request to the Board of Directors to file an action with the people's court.

In the event that the Board of Supervisors or the Board of Directors refuse to file an action upon receipt of the Shareholders' written request specified in the preceding paragraph, or fail to file an action within 30 days upon receipt thereof, or in the event that the failure to immediately file an action in an emergency case will cause irreparable damage to the interests of our Company, the Shareholder(s) specified in the preceding paragraph may, in their own name, directly file an action to the court for the interest of our Company.

In the event of any other person infringes upon the legitimate rights and interests of our Company and causes losses thereto, the shareholder(s) specified in this Articles of Association may file an action with the competent court pursuant to the provisions of the preceding two paragraphs.

In the event of a Director or senior management person violates laws, administrative regulations or our Company's Articles of Association, thereby damaging the interests of the Shareholder(s), the Shareholder(s) may file an action with the competent court.

3 MODIFICATION OF THE ARTICLES OF ASSOCIATION

Our Company may amend the Articles of Association based on the provisions of the laws, administrative regulations and Articles of Association.

In any of the following circumstances, our Company shall amend the Articles:

i. if upon amendments to the PRC Company Law or relevant laws and administrative regulations, any terms contained in the Articles become inconsistent with the provisions of the amended laws and administrative regulations;

ii. a change in our Company causes inconsistency with those contained in the Articles; or

iii. a resolution being passed by the Shareholders' general meeting to amend our Articles.

Where the amendments to the Articles of Association passed by the general Shareholders' meetings need the examination and approval of the competent authorities, these amendments shall be submitted hereto for approval. Where the amendment of the Articles of Association involves registration, it shall be necessary to carry out the lawfully prescribed procedures for registration change.

4 VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSIFIED SHARES

Any plan of our Company of changing or abolishing the rights of a classified Shareholder is subject to the approval of the general Shareholders' meeting in the form of a special resolution and the approval of the affected classified Shareholders at a separately convened the Shareholders' meeting before it can be implemented.

The rights of a classified Shareholder shall be deemed as changed or abolished under the following circumstances:

i. increase or decrease the number of the classified shares, or increase or decrease the number of classified shares with equal or more voting rights, distribution rights, other privileges than this type of classified shares;

ii. convert all or part of the classified shares into other classes, or convert another class of shares, partly or wholly, into the shares of such class or authorize such conversion rights;

iii. remove or reduce the right of the classified shares to accrued dividends generated or rights to cumulative dividends;

iv. reduce or remove a dividend preference or a liquidation preference attached to shares of such class;

v. add, remove or reduce the right of the classified shares to convert share rights, options rights, voting rights, transfer rights, pre-emptive rights, and the right to obtain the securities of our Company;

vi. remove or reduce the right of the classified shares to receive funds payable of our Company in specified currencies;

vii. create new classified shares entitled to equal or more voting rights, distribution rights, or other privileges than the classified shares;

viii. restrict the transfer or ownership of the classified shares or increase such restrictions;

ix. issue subscription or conversion rights for this or other classified shares;

x. increase the rights and privileges of other classes of shares;

xi. the restructuring plan of our Company may constitute different classes of Shareholders to assume responsibilities disproportionately in restructuring; and

xii. amend or abolish clauses stipulated in this paragraph.

Whether or not the affected classified Shareholders have voting rights at the Shareholders' meeting, in the event of matters described above from ii through viii, xi to xii in the above paragraph, they have voting rights at the classified Shareholders' meeting, but the Shareholders that have interests at stake shall have no voting rights at the classified Shareholders' meeting.

Shareholders that have interests at stake include:

i. where our Company makes an offer to all the Shareholders at the same ratio according to this Articles of Association or purchase their own shares through public transaction in the Stock Exchange, Shareholders that have interests at stake refer to controlling shareholders as defined in this Articles of Association;

ii. where our Company purchase its own shares through reaching an agreement outside the Stock Exchange in accordance with the Articles of Association, Shareholders that have interests at stake shall mean the Shareholders who are relevant to such agreement;

iii. in our Company's re-organization plan, Shareholders that have interests at stake shall mean Shareholder who bear liability at a rate that is lower than other Shareholders in the same class or who hold different interests with other Shareholders in the same class.

The resolution of the classified Shareholders' meeting shall be passed by votes representing more than two thirds of shareholding with voting rights attending the classified Shareholders' meeting.

At least 20 business days before convening an annual classified Shareholders' meeting, or 15 days (and not less than 10 business days) before convening an extraordinary classified Shareholders' meeting, our Company shall inform all registered holders of the classified shares. In calculating the above starting period, our company should not include the date convening the meeting and the date of the notice. The above business day refers to a day on which the Stock Exchange of Hong Kong is open for trading in securities.

For shareholders holding domestic shares, the notice of Shareholder's meeting could be in the form of announcement, which should be published on one or more newspapers designated by the security regulatory authority of the State Council, 20 days before convening an annual Shareholders' meeting, or 15 days before convening an extraordinary Shareholders' meeting. All the shareholders holding domestic shares would be considered having received the notice regarding Shareholder's meeting once the announcement is published. For H share shareholders, the announcement could also be published on the website designated by Hong Kong Stock Exchange or the website of our Company. All the H share shareholders would be considered having received the notice regarding Shareholder's meeting once the announcement is published.

Where there are special rules in the listing rules of the stock exchange where the shares are listed, the special rules prevail.

Insofar as possible, any classified Shareholders' meeting shall be held in accordance with the same procedures as those of the Shareholders' meeting, and unless otherwise provided in the Articles of Association, any clause that relates to the procedures for convening the Shareholders' meeting in the Articles of Association shall apply to classified Shareholders' meeting.

Apart from the holders of other classified shares, the holders of domestic shares and the H share shareholders are deemed as different classified Shareholders.

The special procedures for voting by the classified Shareholders shall not apply under the following circumstances:

i. upon the approval by a special resolution at the general Shareholders' meeting, our Company either separately or concurrently issues domestic shares and H shares once every 12 months, and the number of those domestic shares and H shares to be issued shall not account for more than 20% of each of its outstanding shares;

ii. the plan to issue domestic shares and H shares upon the establishment of our Company is completed within 15 months of the date of approval by the securities regulatory authorities of the State Council; and

iii. upon the approval by the securities regulatory authorities of the State Council, the domestic shareholders transfer its shares to foreign investors and list them on traded overseas markets.

5 SPECIAL RESOLUTIONS NEEDED TO BE ADOPTED BY ABSOLUTE MAJORITY VOTE

The resolutions of the Shareholders' meeting shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution may be adopted by a simple majority of the votes held by the Shareholders (including proxies of Shareholders) attending the general Shareholders' meeting.

A special resolution can be adopted by a two-thirds majority of the votes held by the Shareholders (including proxies of Shareholders) attending the general Shareholders' meeting.

6 VOTING RIGHTS

The ordinary Shareholders have the right to attend or appoint a proxy to attend and vote at the general Shareholders' meeting. When voting at the general Shareholders' meeting, the Shareholder (including proxy) may exercise his or her voting rights in accordance with the number of shares with voting power held with each share representing one vote.

According to Hong Kong Listing Rules, General Shareholders' meeting adopt vote by ballot, unless the meeting host decides on the principle of good faith to allow resolutions purely related to procedures or administrative matters to be voted by shows of hands. When voting at a general Shareholders' meeting, Shareholders (including their proxies) who are entitled to two or more votes are not required to vote against or in favor with their total number of votes.

When the number of dissenting votes equals the number of supporting votes, regardless of voting by ballot or show of hands, the chairman of the Board of Directors is entitled to one additional vote.

7 RULES ON GENERAL SHAREHOLDERS' MEETINGS

The general Shareholders' meetings are divided into annual general Shareholders' meetings and extraordinary general Shareholders' meetings. The annual general shareholders' meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

8 ACCOUNTING AND AUDITS

(1) Financial and accounting policies

Our Company shall develop its financial accounting policies pursuant to laws, administrative regulations and rules developed by the competent department.

The Board of Directors shall submit the financial reports to Shareholders, as required by the laws, rules and regulations or regulatory documents to be prepared by our Company, at every annual general Shareholders' meetings.

Apart from the PRC accounting standards and regulations, the financial statements of our Company shall also conform to international accounting standards or the accounting standards of overseas areas where the shares are listed. In the event of any major discrepancy between the financial statements prepared in accordance with the two types of accounting standards, such difference must be provided in the notes to the financial statements. As to the distribution of after-tax profits of our Company in a fiscal year, the after-tax profits indicated on the two financial reports, whichever is lower shall prevail.

Our Company shall make its financial reports available at our Company for inspection by the Shareholders 20 days before the annual general Shareholders' meeting is convened. Each Shareholder is entitled to obtain one copy of the financial report.

Our Company shall send the financial reports, together with the balance sheet and income statement or income and expenditure statement to each of the H share shareholders by postage-paid mail or by the manner, including publication on our Company's website or website of the Hong Kong Stock Exchange and other websites provided by Hong Kong Listing Rules revised from time to time, as allowed in laws and regulation of the region where our

Company's shares are listed and the listing rules of the stock exchange where our Company's shares are listed at least 21 days before the annual general Shareholders' meeting is convened and the recipient's address shall be the address as registered in the register of Shareholders.

The interim results or financial information published or disclosed by our Company shall at the same time be prepared in accordance with the PRC accounting standards, rules and regulations as well as international accounting standards or the accounting standards of the overseas area in which the shares are listed.

The annual financial report shall be reported to the China security management department and the stock exchange within four months of the end of each accounting year, while the Interim financial reports shall be reported to branches of China security management department and stock exchange within two months since the six months anniversary preceding the end of a fiscal year.

(2) Appointment and Dismissal of Accountants

Our company shall appoint an accounting firm qualified to engage in securities-related business to undertake matters including audits of accounting statements, the verification of net assets and other relevant consultancy services. The term of appointment shall be one year which commence on the date of conclusion of the current shareholders' meeting and end on the date of conclusion of the subsequent shareholders' meeting, and may be renewed.

If the position of an appointed accounting firm is vacant, the Board of Directors may appoint an accounting firm before the start of general Shareholders' meeting, provided that such appointment shall be confirmed by the next general Shareholders' meeting. However, if during the vacant period, our Company has other incumbent accounting firm, such accounting firm may still perform.

The Shareholders may replace the accounting firm through an ordinary resolution at the general Shareholders' meeting prior to the expiration of the term of any accounting firm notwithstanding the terms and conditions of the contract howsoever entered into between our Company and the accounting firm. The compensation rights against our Company by the relevant accounting firm due to dismissal shall not be affected thereof.

9 NOTICE AND AGENDA OF GENERAL SHAREHOLDERS' MEETINGS

The general Shareholders' meeting is the authorized organ of our Company that performs duties and exercises powers in accordance with the law.

Under any of the following circumstances, our Company shall convene an extraordinary general Shareholders' meeting within two months:

i. the number of Directors is less than the number specified in the PRC Company Law or less than two thirds of the number required in the Articles of Association;

ii. the uncovered losses of our Company reach one-third of its total paid-in share capital;

iii. the Shareholders with 10% or more shares of our Company separately or jointly request to convene an extraordinary general Shareholders' meeting;

iv. the Board of Directors considers it necessary;

v. the Board of Supervisors considers it necessary;

vi. any other circumstances stipulated in laws, administrative regulations, regulations of the authorities, regulatory documents, the listing rules of stock exchange of the place in which our Company's shares are listed and the Articles of Association.

In the event that the Board of Director agree to convene an extraordinary general Shareholders' meeting, the notice of convening extraordinary general Shareholders' meeting shall be issued within 5 days after the Board of Directors made a resolution. Changes to the original proposal in the notice shall require the consent of the Board of Supervisor. With regard to the proposal of convening an extraordinary general Shareholders' meeting made by the Board of Supervisors, if the Board of Directors made a rejection or does not respond within 10 days after it receiving the proposal, it shall be deemed as the Board of Directors is unable to or fails to perform its meeting duty of convening the general Shareholders' meeting and the Board of Supervisors may convene and preside over the meeting by its own.

If the Board of Directors does not issue a notice of convening the meeting within 10 days after receiving the above written requirement, or refused to convene, the shareholders who separately or jointly hold 10% or more of the shares may request the Board of Supervisors in writing to convene the meeting. If the Board of Supervisors does not issue the notice about convening the meeting within 5 days after receiving the above written requirement, the shareholders who holds 10% or more of the shares of our Company or several shareholders who hold 10% or more of the shares of our Company jointly for 90 days or more consecutively may convene and chair the meeting.

In the event that the general shareholders' meeting is convened, the Board of Directors, the Board of Supervisors and shareholders who separately or jointly hold more than 3% of the shares of our Company may submit a proposal 10 days before the meeting.

The notice of the general shareholders' meeting shall be made in writing, including the following contents:

i. the place, the date and the hour of the meeting;

ii. the matters and proposals to be discussed at the meeting;

iii. information and explanations necessary for the shareholders to exercise an informed judgment on the proposals before them. It principally includes (but is not limited to), where a proposal is made to amalgamate our Company, to repurchase shares, to reorganize the share capital or to restructure our Company in any other way, the conditions of the proposed transaction must be provided in detail together with the proposed contract (if any), and the cause and consequence of such proposal must be properly explained;

iv. disclosure of the nature and extent, if any, of the material interests of any Director, Supervisor, the general manager and other senior management in the matter to be discussed and the effect of the proposed matter on such Director, Supervisor, or senior management in their capacity as shareholders in so far as it is different from the effect on the interests of the shareholders of the same class;

v. the full text of any special resolution proposed to be voted at the meeting;

vi. conspicuous statement that all shareholders are entitled to attend the meeting and appoint proxy to attend and vote and that proxy need not be a shareholder;

vii. description of the convener of the meeting;

viii. the delivery date and place lodging proxy forms;

ix. the registration date of the share of the holder entitled to attend;

x. name and phone number of the standing contact person for affairs.

Unless otherwise provided by laws, rules, regulatory rules where the shares are listed, and the Articles of Association, the notice of the general shareholders' meeting shall be sent in person or by postage-paid mail to the shareholders (regardless of whether such shareholders have the right to vote at the shareholders' meeting), whereas recipient's address shall be according to the address registered with the register of shareholders. For domestic shareholders, the notice of our shareholders' meeting may be given in the form of an announcement.

Abovementioned announcement shall be published in one or more newspapers designated by the securities governing authority of the State Council before 20 days of the annual general Shareholders' meeting, or before 15 days of the extraordinary general Shareholders' meeting. Once the announcement is made, all domestic shareholders shall be deemed to have received the notice of the general shareholders' meeting.

Where in accordance with the requirements of laws, administrative regulations, regulations of the authorities and regulatory rules where the shares are listed and performing relevant procedures, notice sent to H share shareholders could be published on the websites

designated by Hong Kong Stock Exchange and the website of our Company, as alternative to in person or by postage-paid mail. Once the announcement is published, all shareholders holding H shares shall be deemed to have received the notice of the general shareholders' meeting.

The resolution of the general shareholders' meeting includes ordinary resolution and special resolution. The following matters shall be approved by the general shareholders' meeting through ordinary resolutions:

i. work report of the Board of Directors and the Board of Supervisors;

ii. plans of earnings distribution and loss make-up schemes drafted by the Board of Directors;

iii. appointment or dismissal of the members of the Board of Directors and the Board of Supervisors, and their payment and payment methods;

iv. annual budget and final account report;

v. annual report of our Company;

vi. other matters other than those approved by special resolution stipulated in the laws, administrative regulations, listing rules of the stock exchange where the shares are listed or the Articles of Association.

The following matters shall be approved by special resolution at the general shareholders' meeting:

i. the increase or decrease of the registered capital, or the issuance of shares, warrants or other quasi-securities;

ii. issuance of company bond;

iii. division, merger, dissolution and liquidation of our Company;

iv. amendment of the Articles of Association;

v. substantial assets acquired or disposed of or security provided for an amount exceeding 30% of the latest audited total assets of our Company within one year;

vi. guarantee provided for an amount exceeding 30% of the latest audited total assets of our Company, based on the principle of accumulation of the guarantee amount over a period of twelve consecutive months;

vii. share equity incentive plan;

viii. other matters as required by the laws, administrative regulations, listing rules of the stock exchange where the shares are listed and the Articles of Association, and as approved by ordinary resolution of the general shareholders' meeting which are believed could materially affect our Company and need to be approved by special resolution.

In the event that any resolution of the general Shareholders' meeting or resolution of the Board of Directors violates laws or administrative regulations, any shareholder is entitled to request the court to deem it as invalid.

In the event that the convening procedure or voting formula of the shareholders meeting or meeting of the Board of Directors violates any of laws, administrative regulations or the Articles of Association, or resolution of which violates the Articles of Association, any shareholder is entitled to ask the court to overturn within 60 days after the resolution was adopted.

10 RIGHTS OF OUR COMPANY TO PURCHASE OUR OUTSTANDING ISSUED SHARES

Under any of the following circumstances, our Company may buy back our outstanding issued shares according to the procedures stipulated in laws, administrative regulations, regulations of authorities, regulatory documents, listing rules of the stock exchange where the shares are listed and the Articles of Association:

i. reduce our Company's registered capital;

ii. merger with other companies which hold our shares;

iii. granting shares to the staff of our Company as incentives;

iv. requesting our Company to buy back its shares from shareholders who vote against any resolutions adopted at the general shareholders' meeting concerning the merger and division of our Company;

v. to convert shares into bond issued by our Company which is convertible to stock of our Company;

vi. necessary for our Company to maintain our Company's value and Shareholders' equity; or

vii. other circumstances as permitted by the laws, administrative regulations, regulations of the authorities and listing rules of which the shares of our Company are listed.

In the case referred to in subparagraph vi of the preceding paragraph, one of the following conditions shall be met:

(i) the closing price of our Company's stock is lower than its net assets per share for the most recent period;

(ii) a cumulative decline of 30% in the closing price of our Company's shares over a period of 20 consecutive trading days;

(iii) other conditions as prescribed by the CSRC.

Our Company may buy back shares in any of the following ways:

i. buying back shares through public trading on the securities exchange;

ii. making a comprehensive buyback offer in the same proportion to all shareholders;

iii. buying back shares by an agreement outside a stock exchange;

iv. in other ways approved by the laws, administrative regulations and other measures permitted by the competent securities department of the State Council.

Where our Company buys back the shares by an agreement outside a stock exchange, it shall obtain prior approval at the general shareholders' meeting pursuant to the Articles of Association. Likewise, subject to the prior approval of the general shareholders' meeting, our Company may cancel or amend the contract signed in the aforesaid manner or waive any of its rights in the contract.

The contract that buys back the shares includes (but is not limited to) an agreement that consents to undertake the obligation to buy back the shares and obtain the rights to buy them back.

Our Company shall not transfer any contract that buys back the shares or any rights conferred under the contract.

Unless our Company has entered into the liquidation process, we must observe the following provisions for the buyback of issued shares:

i. where our Company buys back shares at book value, the funds shall be deducted from the book balance of our distributable earnings and the proceeds obtained from the issue of new shares to buy back the old shares;

ii. where our Company buys back the shares at a premium to the book value, the portion equivalent to book value shall be deducted from the book balance of our distributable earnings and the proceeds obtained from the issue of new shares made for the purpose of buying back of old shares, while the portion higher than book value shall be dealt with in the following manner:

(i) where the shares bought back were issued at book value, the funds shall be deducted from the book balance of our distributable revenue;

(ii) where the shares bought back were issued at a premium to the book value, the funds shall be deducted from the book balance of our distributable revenue and the proceeds obtained from the issue of new shares made for the purpose of buying back of old shares. However, the amount deducted from the proceeds obtained from the issue of new shares shall not exceed the total premium amount obtained when the shares bought back were issued or the amount in our premium account (or capital reserve account) when the old shares are bought back (including the premium amount of the issue of new shares).

iii. The funds paid by our Company for the following purposes shall be expensed from our distributable earnings:

(i) to obtain the right to buy back the shares;

(ii) to modify contract to buy back the shares;

(iii) to release obligation of our Company under the share buyback contract.

iv. After the total book value of the cancelled shares is deducted from our registered capital pursuant to the relevant provisions, the amount deducted from the distributable earnings for paying up the book value portion of the shares bought back shall be credited to our premium account (or capital reserve account).

11 SHARE TRANSFERS

The shares of our Company holding by the funders thereof shall not be transferred within one year of the date of establishment of our Company. The shares issued before the public issuance of shares by our Company shall not be transferred within one year of the date on which the stocks of our Company are listed and traded on a securities exchange.

The Directors, Supervisors, and senior management of our Company shall declare, to our Company, information on their holdings of the shares of our Company and the changes thereto. The shares transferrable by them during each year of their term of office shall not exceed 25% of their total holdings of the shares of our Company. The shares that they held in our Company shall not be transferred within one year of the date on which the stocks of our Company are listed and traded. The aforesaid persons shall not transfer their shares of our Company within

six months from the date of their resignation. The abovementioned persons who intend to buy or sell our Company's shares during their term of office shall, in accordance with relevant regulations, report to the Exchange in advance for the record; any changes in our Company's shares shall be reported to our Company and announced by our Company on the stock exchange's website in a timely manner.

Where a Director, Supervisor or senior management of our Company, or a shareholder who holds 5% or more of the shares of our Company sells the shares of our Company within six months of purchasing such shares, or repurchases the shares within six months of selling such shares, the gains therefrom shall belong to our Company, and the Board of Directors of our Company shall recover such gains and related information shall be disclosed in a timely manner. However, if any security company holds more than 5% of the shares of our Company through underwriting, the sell of such shares shall be exempt from restrictions provided in this paragraph.

With regard to the H Shares that capital of which has been full-paid could be transferred without limitation in accordance with the Articles of Association. However, unless satisfying the following conditions, the Board of Directors may refuse to recognize any transfer document without giving any reason:

i. document that related to any share ownership or transfer documents that may affect the ownership of the shares shall be registered and such payment shall not exceed the maximum fee provided by the Stock Exchange of Hong Kong in its Listing Rules from time to time;

ii. the transfer documents only involve H Shares listed in Hong Kong;

iii. the stamp duty chargeable on the transfer documents has been paid;

iv. the relevant share certificate, and upon the reasonable request of the Board of Directors, any evidence in relation to the right of the transferor to transfer the shares has been submitted;

v. if the shares are to be transferred to joint holders, the number of the joint holders shall not exceed four; and

vi. our Company does not have any lien on the relevant shares.

Respective parts of shareholder register's revision or rectification shall be subject to the laws of region where respective parts the revised or rectified shareholder register is stored. No change may be made to the information in the register of shareholders as a result of the share transfer within 30 days before the general shareholders' meeting is convened or within five days prior to the benchmark date on which our Company has decided to distribute dividends.

12 PROVIDE FINANCIAL ASSISTANCE FOR ACQUIRING THE SHARES OF OUR COMPANY OR SHARES OF ANY SUBSIDIARY

Subject to the Articles of Association, our Company or our subsidiaries (including our affiliated enterprises) shall not provide any financial assistance at any time or in any kind to personnel that acquires or plans to acquire our shares. Such personnel include any who undertake obligations, directly or indirectly, from acquiring the shares; and our Company or any of our subsidiaries (including our affiliated enterprises) shall not provide personnel mentioned in the preceding paragraph with financial assistance at any time or in any manner, to mitigate or exempt the obligations of the above personnel.

For the purpose of the above provisions, "Financial assistance" includes, but is not limited to:

i. gifts;

ii. guarantees (including acts of the guarantor assuming liabilities or providing properties to ensure that the obligor performs the obligations), compensation (excluding compensation arising from mistakes of our Company), release or waiver of rights;

iii. provision of loans or signing of contracts whereby our Company performs some obligations before others, change of the parties to the loans/contracts as well as the assignment of the rights in the loans/contracts; and

iv. financial assistance provided by our Company in any other manner when it is insolvent, has no net assets, or will suffer significant decreases in net assets.

"Assuming obligations" includes obligator undertaking obligations by way of contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or changing its financial status in any other manner.

The following transactions are not deemed to be prohibited:

i. related financial assistance provided by our Company which is in good faith in our interest and the main purpose of the financial assistance is not to acquire our shares or is an incidental part of a master plan of our Company;

ii. the lawful distribution of our properties by way of dividend;

iii. the allotment of bonus shares as shares;

iv. reducing the registered capital, redeeming the shares or adjusting the equity structure pursuant to the Articles of Association;

v. our Company granting loans within our scope of business and in the ordinary course of our business, provided that such loans shall not result in reduction in the net assets of our Company or even if the net assets are reduced, such financial assistance is paid from the profit available for distribution; and

vi. our Company providing the employee stock ownership plan with fund, provided that such financial assistance shall not result in reduction in the net assets of our Company or, even if the net assets are reduced, such financial assistance is paid from the profit available for distribution.

13 POWER FOR ANY SUBSIDIARY OF OUR COMPANY TO OWN SHARES IN ITS PARENT

There are no provisions in the Articles of Association relating to ownership by subsidiary of our Company of shares in its parent.

14 DIVIDEND AND OTHER DISTRIBUTION METHODS

A shareholder is entitled to receive interest with regard to payment of the shares which was paid before reminder notice. However, advance payment of the shares is not subject to any further dividend thereof.

Our Company shall appoint receiving agents on behalf of H share shareholders.

Receiving agents shall receive dividends and other payable funds that are distributed with respect to our H shares for relevant shareholders. Receiving agents appointed by our Company on behalf of H share shareholders shall be a trust company registered under the Trustee Ordinance of Hong Kong.

After the shareholders' meeting of our Company make a resolution on dividends distribution plan, the Board of Directors shall complete the distribution within 2 months after the convening of the shareholders' meeting.

15 SHAREHOLDER PROXIES

Any shareholder who is entitled to attend and vote at general shareholders' meeting has the right to appoint one or more persons (who may not necessarily be shareholders) as his or her shareholder proxy to attend and vote at the meeting in his or her place. Pursuant to the authorization of the shareholder, the proxy may exercise the following rights:

i. speak for the shareholder at the general shareholders' meeting;

ii. demand a poll individually or with others;

iii. exercise the right to vote by a show of hands or a poll, but the shareholder proxy may only exercise the right to vote by a poll when more than one proxy is appointed.

The proxy appointment shall be in writing and shall be signed by the appointor or a person duly authorized in writing. Where the appointor is a legal person, the stamp of the legal person shall be affixed, or signed by its Director or a duly authorized agent.

The power of attorney must be kept at the residential address or other location designated in the notice convening the meeting no later than 24 hours before the meeting at which the power of attorney is put to vote is convened or 24 hours before the designated time. If the power of attorney is signed by another person authorized by the appointor by means of power of attorney or other instrument of authorization, the power of attorney or other instrument must be verified by a notary. The power of attorney or other instrument verified by the notary must be kept together with the power of attorney at our residential address or other location designated at the notice convening the meeting.

A legal person shareholder should attend the meeting by its legal representatives or persons authorized by its Board of Directors or other decision-making authorities.

Any blank power of attorney form sent by the Directors to the shareholder for appointing a shareholder proxy shall allow the shareholder, according to his or her free will, to instruct the proxy to vote and provide instructions separately for matters to be put to vote on each item on the meeting agenda. The power of attorney shall specify whether the shareholder proxy could vote at his or her own discretion if the shareholder does not provide specific instructions.

The votes of the shareholder proxy given pursuant to the terms of the power of attorney shall remain valid notwithstanding the death, loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that our Company does not receive written notice concerning such matters before the related meeting is convened.

16 REVIEW THE REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

Our Company shall make a register of shareholders in accordance with evidentiary documents provided by the securities registration authorities. The register of Shareholders shall be sufficient evidence to the holding of the Shares of our Company by a Shareholder.

Pursuant to the understanding reached and agreement entered into between the competent agency in charge of securities of the PRC and the overseas securities regulatory authorities, our Company may keep the original register of H share shareholders and entrust an overseas entity to manage it. The original register of shareholders of H shares listed in Hong Kong shall be kept in Hong Kong.

Our Company shall keep a copy of the register of H share shareholders at our residential address. The overseas entrusted agency shall at all times maintain consistency between the original and copy of the register of H share shareholders.

In case of inconsistency between the original and copy of the register of H share shareholders, the original shall prevail.

Our Company must keep a complete register of shareholders. The register of Shareholders shall include the following:

i. register of shareholders kept at our residential address other than those specified in ii and iii below;

ii. register of the holders of our overseas listed foreign shares kept at the location of the stock exchange where such shares are listed; and

iii. register of shareholders kept in other locations according to the decision of the Board of Directors as required for the listing of the shares.

Different parts of the shareholders' register shall not overlap. The transfer of shares registered in a certain part of the register of shareholders shall not be registered elsewhere in the register of shareholders as long as the shares remain registered.

Any alteration or rectification to any part of the register of shareholders shall be made in accordance with the laws in the place where such part of the register of shareholders is maintained.

No change of the register of shareholders as a result of share transfer shall be made within 30 days before the general shareholders' meeting is convened or within five days prior to the record date on which our Company decides to pay dividends.

When our Company convenes the general shareholders' meeting, pays dividends, goes into liquidation or is involved in other actions that require the confirmation of identities, the Board of Directors shall fix a date as the equity registration date, upon expiration of which the shareholders whose names registered on the register of shareholders shall be the shareholders entitled to relevant equity.

Any person who objects to the register of shareholders and requests to register his or her name (title) in the register of shareholders or to remove his or her name (title) from the register of shareholders may apply to the court with jurisdiction to amend the register of shareholders.

17 RESTRICTIONS ON RIGHTS OF CONTROLLING SHAREHOLDERS

Apart from the obligations required in laws, administrative regulations, regulations of the authorities, regulatory documents and listing rules of stock exchange where the shares are listed, our Controlling Shareholders shall not make any decision that is detrimental to the interest of all or part of the shareholders on the following issues by exercising his or her shareholder voting rights:

i. releasing the Directors and Supervisors from the responsibility of acting honestly in the best interest of our Company;

ii. permitting the Directors and Supervisors (for their own or others' interests) to deprive our Company of assets in any form, including, but not limited to, any opportunity that is beneficial to our Company; and

iii. permitting the Directors and Supervisors (for their own or others' interests) to deprive other shareholders of their personal rights and interests, including, but not limited to, any distribution or voting right, but excluding the restructuring of our Company approved at the general shareholders' meeting pursuant to the Articles of Association.

18 PROCEDURES FOR LIQUIDATION

Under any of the following circumstances, our Company shall be lawfully dissolved and liquidated:

i. the term of business of our Company has expired or other circumstances that may lead to the liquidation of our Company as stipulated in the Articles of Association;

ii. the general shareholders' meeting adopts a resolution to dissolve our Company;

iii. our Company needs to be dissolved for the purpose of merger or division;

iv. the business license is revoked, or our Company is ordered to close or be eliminated according to applicable law and administrative regulations;

v. where our Company encounters significant difficulties in business and management, continuous survival may be significantly detrimental to the interests of the shareholders, and the difficulties may not be overcome through other means, shareholders who hold more than 10% of all voting rights of our Company's shareholders may request the People's Court to dissolve our Company; or

vi. our Company is declared legally bankrupt as a result of failure to pay debts as they fall due.

Where our Company is dissolved due to the provisions set forth in i, ii, iv, and v above, the liquidation team shall be established within 15 days from the date of the event leading to liquidation to commence dissolution and the personnel of the liquidation team shall consist of the persons determined by the Directors or the general shareholders' meeting.

In the event the liquidation team is not established to conduct liquidation during such period, the creditors can request the people's court to appoint relevant personnel to establish the liquidation team for liquidation.

In the event that our Company is dissolved in accordance with the provisions set forth in vi above, the people's court shall organize the shareholders, related agencies and professionals to form the liquidation team pursuant to relevant provisions of the law.

If the Board of Directors decides to liquidate our Company (except where our Company is liquidated after declaring bankruptcy), the Board of Directors shall state in the notice of the general shareholders' meeting convened for this purpose that the Board of Directors has performed a comprehensive investigation of the status of our Company and believes that our Company is able to pay off all of our debts within 12 months of the commencement of the liquidation.

After the resolution to liquidate our Company is adopted by the general shareholders' meeting, the powers of the Board of Directors shall terminate immediately.

In accordance with the instructions of the general shareholders' meeting, the liquidation team shall at least once a year report at the general shareholders' meeting on the income and expenditure of the liquidation team, progress of the business and liquidation of our Company, and submit a final report at the general shareholders' meeting upon completion of liquidation.

Within 10 days from the establishment of the liquidation team, the creditors shall be notified and an announcement shall be published in the media for at least three times within 60 days. The creditors shall declare their claims to the liquidation team within 30 days from the date on which the notice is received or 45 days from the date of announcement if the notice is not received.

Creditors who declare claims shall state relevant issues related to the claims and provide proofs. The liquidation team shall carry out registration of the claims. During the period for declaration of claims, the liquidation group shall not make any repayment to the creditors.

During the liquidation, our Company shall continue to exist, but shall not carry out business activities irrelevant to the liquidation. The property of our Company shall not be distributed to any shareholder before full payments have been made out of the property according to the aforesaid provision.

Upon liquidation for the purpose of company dissolution, in the event the liquidation team finds that, after taking stock of our Company's property and preparing the balance sheet and list of property, that the assets are insufficient to pay the debts, it shall immediately apply to the people's court to declare bankruptcy.

After our Company is declared bankrupt by ruling of the people's court, the liquidation team shall turn over matters regarding the liquidation to the people's court.

Upon closure of liquidation of our Company, the liquidation team shall prepare a liquidation report, income and expenditure statement and financial record during the liquidation period, which, after being verified by a China-registered accountant, shall be submitted to our general shareholders' meeting or the people's court for recognition. Within 30 days of the date of confirmation by the shareholders' meeting or people's court, the liquidation team shall submit the above-mentioned documents to our Company registration authority and apply for cancellation of our registration and publish an announcement on our termination.

19 OTHER IMPORTANT PROVISIONS FOR OUR COMPANY OR THE SHAREHOLDERS

(1) General Provisions

Our Company is a permanently existing joint stock limited company.

Our Company may invest in other limited liability companies or joint stock limited company, provided that except as otherwise provided by law, the liabilities of our Company to be invested in are limited to the amount of its capital contribution and our Company could not assume joint and several liability to the invested company.

The Articles of Association regulate our Company's organization and conduct guidance and is binding on our Company, the shareholders, Directors, Supervisors and senior management. Subject to no violation of the relevant provisions of the Articles of Association, shareholders may sue shareholders; shareholders may sue the Directors, Supervisors and senior management; shareholders may sue our Company, and our Company may sue shareholders, Directors, Supervisors, general manager or other senior management.

The above said suing includes filing an action and applying for an arbitration with an arbitral institution.

(2) Share and Transfer

Our Company may, in light of our Company's operational and developmental needs and in accordance with laws and regulations, increase its capital by any of the following methods subject to a separate resolution of the general meeting:

i. issuing new shares to unspecified investors;

ii. placing new shares with existing shareholders;

iii. giving new shares to existing shareholders;

iv. converting the reserve funds into share capital;

v. other means approved by the laws, administrative regulations and the competent securities department of the State Council.

Upon approval to increase our Company's capital via an issue of new shares according to the provisions of the Articles of Association, the matter shall be dealt with in accordance with the procedures of related laws, administrative regulations, regulations of the authorities, regulatory documents and listing rules of stock exchange where the shares are listed. etc.

Our Company may decrease our registered share capital and shall comply with the procedures stipulated in Company Law of the PRC, other related regulations and the Articles of Association.

If our Company decreases our registered capital, we shall prepare a balance sheet and a list of properties.

Upon approval by the competent securities department of the State Council, our Company may issue shares to domestic and overseas investors.

For the purpose of the preceding paragraph, overseas investors shall refer to investors from foreign countries and Hong Kong, Macao or Taiwan region who subscribe for shares issued by our Company; domestic investors shall refer to investors within the territory of the PRC apart from above-mentioned region who subscribe for shares issued by our Company.

(3) Shareholders

The shareholders of our Company are persons lawfully holding our Company's shares and whose names (titles) are already listed in the register of shareholders. Shareholder is entitled to rights and assumes obligations pursuant to the classification and ratio of his or her shares. Shareholder holding the same classified share has the same rights and assumes the same obligations.

The rights of our ordinary shareholders are as follows:

i. to receive distribution of dividends and other forms of benefits according to the number of shares held;

ii. to legally require, convene, preside over, participate in or appoint a shareholder proxy to participate in and exercise corresponding voting rights at the Shareholders' meeting;

iii. to supervise and manage business and operational activities of our Company, provide suggestions or submit queries;

iv. to transfer, grant and pledge our Company's shares held according to the provisions of the laws, administrative regulations, regulations of the authorities, regulatory documents and listing rules of stock exchange and the Articles of Association;

v. to obtain relevant information according to the provisions of the Articles of Association;

vi. to participate in the distribution of the remaining assets of our Company according to the proportion of shares held upon our termination or liquidation;

vii. to require our Company to acquire the shares from Shareholders voting against any resolutions adopted at the general Shareholders' meeting concerning the merger and division of our Company;

viii. to submit a written extraordinary proposal 10 days before the meeting for shareholder(s) who separately or jointly hold(s) more than 3% of the shares of our Company; and

ix. other rights conferred by laws, administrative regulations, regulations of the authorities, regulatory documents and listing rules of stock exchange, or the Articles of Association.

When any person is interested directly or indirectly in the shares of our Company, our Company shall not freeze or otherwise impair any of the rights attaching to any share by reason only that the person has not disclosed his interests to our Company.

The share certificates are signed by the chairman of the Board of Directors. Where the stock exchange on which our Company's shares are listed requires other senior management to sign the share certificates, they shall also be signed by other such personnel. The share certificates shall become effective after being affixed with the stamp of our Company or print-stamped. Affixing our Company stamp to the share certificates is subject to the authorization of the Board of Directors. The signature of the chairman of the Board of Director or other senior management may also be printed. Under conditions of paperless issuance and trading, the provisions of securities administrative authorities of the region where our Company's shares listed shall apply.

If any person whose name appears in the register of shareholders or requests to register his or her name (title) in the register of shareholders loses his or her share certificates (that is, "original share certificates"), he or she may apply to our Company to reissue new share certificates for those shares.

In the event holder of Domestic shares applies to our Company for a reissue after losing the share certificates, the matter shall be dealt with pursuant to related provisions of the Company Law.

In the event a H share shareholder applies to our Company for a reissue after losing the share certificates, the matter may be dealt with pursuant to the laws, rules of the stock exchange where the original register of H share shareholder is kept, or other related provisions.

If a H shareholder loses share certificates and applies to our Company for a replacement issue, the share certificates shall be issued in compliance with the following requirements:

i. the applicant shall submit the application in the standard format designated by our Company and attach a notary certificate or legal declaration. The contents of the notary certificate or legal declaration shall include the reason for the applicant's request, circumstances and evidence of loss of share certificates, as well as a statement that nobody else may request to be registered as a shareholder with respect to the pertinent shares;

ii. before deciding to issue new share certificates, our Company does not receive any statement in which any person other than the applicant requests to be registered as the shareholder with respect to the shares;

iii. if our Company decides to issue new share certificates to the applicant, we shall publish an announcement in an eligible newspaper designated by the Board of Directors indicating that we plan to reissue new share certificates. The announcement period shall be 90 days and the announcement shall be published at least once every 30 days;

iv. before publishing the announcement indicating that we plan to re-issue new share certificates, our Company shall submit a copy of the announcement to be published to the stock exchange on which the shares are listed and may publish the announcement after receiving a reply from the stock exchange confirming that the announcement has been displayed at the stock exchange. The period of displaying the announcement at the stock exchange is 90 days. If the registered shareholders of the related shares do not approve the application for reissue of new share certificates, our Company shall mail the copy of the announcement to be repeatedly published to the Shareholders;

v. in the event that nobody raises any objection to the reissue of new share certificates to our Company, upon expiration of the 90-day display period of the announcement specified in iii and iv above, the new share certificates may be reissued according to the application made by the applicant;

vi. when re-issuing new share certificates according to the Articles of Association, our Company shall immediately cancel the original share certificates and register the cancellation and replacement issue on the register of shareholders;

vii. all expenses incurred by our Company from the cancellation of the original share certificates and replacement issue of the new share certificates shall be borne by the applicant. Before the applicant has provided reasonable security, our Company shall have the right to refuse to take any action.

(4) Shareholders Failing to be Contacted

In compliance with the provisions of related laws, administrative regulations, regulations of the authorities and regulatory documents of the PRC, our Company may exercise expropriate right to unclaimed dividend. However, our Company can only exercise such right after the expiration of the applicable corresponding valid period which started after the distribution of dividend was declared.

Our Company may terminate sending dividend coupons by mail to any H share shareholders. However, the said termination can only be made after the holder fails to withdraw from the dividend coupons for consecutive two times or the dividend coupons cannot be delivered to the receiver and returned thereof.

In compliance with the conditions indicated below, Our Company is entitled to dispose the stock held by H share shareholders whom we fail to contact at first time in accordance with appropriate manner as considered by the Board of Directors:

i. our Company has paid dividends at least three times on these Shares within 12 years, but no one has claimed the dividends during that period;

ii. upon expiration of the 12-year period, our Company publishes an announcement in one or more newspaper of our Company's listing place, indicating our intention to sell the Shares and notifies the stock exchange where such Shares are listed of such intention.

(5) The Board of Directors

The Board of Directors is responsible to the general Shareholders' meeting and exercises the following powers:

i. to convene the general Shareholders' meeting and report on work to the general Shareholders' meeting;

ii. implement the resolutions of the general Shareholders' meeting;

iii. determine the business and investment plans of our Company;

iv. devise the annual financial budget and closing account plans of our Company;

v. devise the earnings distribution and loss offset plans of our Company;

vi. formulate the plans for increasing or decreasing our Company's registered capital, the issuance of corporate bonds or other securities, as well as the listing of the stock of our Company;

vii. formulate plans for major acquisitions of our Company, the buy-back of shares of our Company, corporate merger, separation of our Company, changing the form and dissolution of our Company;

viii. determine such matters as our Company's external investment, purchase or sale of assets, asset pledge, external guarantee, entrusting wealth management and connected transaction within the scope authorised by the general Shareholders' meeting;

ix. decide on the setup of our Company's internal management organisation;

x. appoint or dismiss the general manager of our Company and the secretary of the Board of Directors; based on the nomination of the general manager, appoint or dismiss senior management of our Company such as vice manager, the chief financial officer, and determine their remuneration;

xi. set the basic management systems of our Company;

xii. make the modification plan to the Articles of Association;

xiii. manage the disclosure of company information;

xiv. propose the appointment or replacement of the accounting firm that performs audits for our Company at the general Shareholders' meeting;

xv. attend to the work report of our Company's general manager and review the work of the general manager;

xvi. other powers and duties authorized by the laws, administrative regulations, regulations of the authorities, listing rules of the stock exchange where the shares of our Company are listed and the Articles of Association.

The above resolutions adopted by the Board of Directors, except those in vi, vii and xii and those subject to laws, administrative regulations, listing rules of the shares of Company are listed must be approved by more than a two-thirds vote of the Directors, may be approved by more than half of the votes by the Directors.

Meetings of the Board of Directors shall be attended by more than one-half of the Directors (including proxies) before the Board of Directors meeting can be convened.

(6) Secretary of the Board of Directors

Our Company shall have one secretary of the Board of Directors. The secretary of the Board of Directors must be a natural person with the requisite expertise and experience and be appointed by the Board of Directors. The secretary to the Board shall be responsible for the preparations for general meetings and Board meetings, keeping of documentation and shareholders' data, matters relating to information disclosure of our Company, etc., to ensure:

i. complete organizational documents and records are available for our Company;

ii. our Company prepares and submits documents and reports required by relevant authorities pursuant to the law; and

iii. the register of Shareholders of our Company is properly established, and that persons entitled to receive relevant records and documents of our Company are given timely access to such records and documents.

(7) Board of Supervisors

Our Company shall set up a Board of Supervisors.

The Board of Supervisors consists of three Supervisors and includes one chairman. The chairman of the Board of Supervisors shall be elected and dismissed by more than a two-thirds vote of the members of the Board of Supervisors.

The Board of Supervisors shall consist of two Shareholder's representatives and one employee's representative. The Supervisors assumed by the employee representatives shall be elected and dismissed democratically by the employees and the Supervisors assumed by the Shareholder's representatives shall be elected and dismissed by the general meeting.

Resolutions of the Board of Supervisors shall require approval from two-third of all the Supervisors. The Supervisors serve three-year terms. The Supervisors may, after the expiration of the term of office, be re-elected and re-appointed.

The Directors, the general manager and other senior management shall not also serve as Supervisors.

The Board of Supervisors is responsible to the general Shareholders' meeting and lawfully exercises the following powers:

i. to review and give written comments to regular reports of our Company formulated by the Board;

ii. examine the financial standing of our Company;

iii. supervise our Company's duties performing of Directors and senior management, and put forward suggestions for dismissing any Directors or senior management who are in breach of the laws, administrative regulations, listing rules of stock exchange where the shares are listed, the Articles of Association or resolutions of the general Shareholders' meetings;

iv. require the Directors, general manager and other senior management to take corrective measures when their actions are detrimental to our Company's interests;

v. verify the financial information such as the financial reports, business reports and profit distribution plans to be submitted by the Board to the general Shareholders' meetings and, should any queries arise, to authorize, in the name of our Company, a re-examination by the certified public accountants and practicing auditors;

vi. to represent our Company to negotiate with the Directors;

vii. propose to convene an extraordinary general Shareholders' meeting, and where the Board of Directors fails to perform the duties in relation, to convene or preside over the general Shareholders' meeting, to convene and preside over the general Shareholders' meeting;

viii. submit proposals at the general Shareholders' meetings;

ix. bring actions against the Directors and senior management in accordance with the laws;

x. investigate into any abnormalities in operation of our Company; if necessary, to engage accounting firms, law firms and other professional institutions to assist its work, and the expenses shall be borne by our Company;

xi. other powers and duties stipulated in the Articles of Association.

The Supervisors may attend the meetings of the Board of Directors, query or provide suggestions on the resolution matters of the Board meeting.

(8) General manager

Our Company has one general manager, appointed or dismissed by the Board of Directors. The general manager of our Company is responsible to the Board of Directors and exercises the following powers:

i. be in charge of the producing and operational management of our Company, organize the enforcement of resolutions of the Board of Directors and report to the Board of Directors on work;

ii. organize the implementation of the annual operation plans and investment schemes decided by the Board of Directors;

iii. formulate the structure scheme of the internal department of our Company;

iv. formulate the fundamental management policies of our Company;

v. formulate the specific management rules of our Company;

vi. propose the appointment or dismissal of our Company's vice general manager and financial officer to the Board of Directors;

vii. appoint or dismiss other management personnel except those who shall be appointed or dismissed by the Board of Directors;

viii. other responsibilities authorized by the Articles of Association and the Board of Directors.

(9) Reserves

When the annual after-tax earnings of our Company are distributed, our Company must allocate 10% of the earnings to the statutory reserve of our Company.

When the total amount of the statutory reserve exceeds 50% of our Company's registered capital, no more allocations need to be drawn.

If our Company's statutory reserve is insufficient to offset our losses during the previous year, the earnings generated during the current year must be used to make up the losses before allocating the statutory reserve in accordance with the requirements set forth above.

After allocation to the statutory reserve from the after-tax earnings of our Company, we may also allocate to the reserves at will from after-tax earnings in line with the resolution(s) adopted at the general Shareholders' meeting.

After our Company has made up for its losses and made allocations to its statutory reserve fund, the remaining profits are distributed in proportion to the number of shares held by the Shareholders, unless otherwise specified by the Articles of Association.

If the general Shareholders' meeting violates the above provisions and profits are distributed to the Shareholders before our Company makes up for losses or makes allocations to the statutory reserve fund, the profits distributed in violation of the provisions must be returned by such Shareholders to our Company.

The shares held by our Company itself shall not be subject to profit distribution.

Our Company's reserves must be used only for offsetting losses of our Company, expanding the scale of business and operations or for conversion into capital to increase our capital, but the capital reserve shall not be used to offset losses of our Company.

Where the statutory reserve converses into capital, the remaining statutory reserve shall not be less than 25% of the registered capital of our Company before such conversion.

(10) Settlement of Disputes

Our Company shall comply with the following rules governing the settlement of disputes:

i. Whenever there occur any dispute or claim between H share shareholders and our Company, H share shareholders and our Company's Directors, Supervisors, general manager or other senior management, or H share shareholders and shareholders of domestic Shares regarding the rights or obligations relating to the affairs of our Company conferred or imposed by the Articles of Association, the Company Law or any other relevant laws and administrative regulations, such disputes or claims shall be referred by the relevant parties to arbitration.

   Where the aforesaid dispute or claim of rights is referred to arbitration, the entire claim or the dispute as a whole must be referred to arbitration, and any parties who have a cause of action based on the same facts giving rise to the dispute or the claim or whose participation is necessary for the settlement of such dispute or claim, are bound by the award of the arbitration provided that such person is our Company or a shareholder of our Company, a Director, a Supervisor, general manager or other senior management.

   Disputes in relation to the definition of shareholders and disputes in relation to the shareholders' register need not be resolved by arbitration;

ii. A claimant may elect for arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body so elected by the applicants.

   If a claimant elects for arbitration at HKIAC, any party to the dispute or claim may request the arbitration to be conducted in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC;

iii. The laws of the PRC are applicable to the arbitration for the disputes or claims of rights referred to in paragraph (i) above, unless otherwise provided in the laws and administrative regulations;

iv. The award of an arbitration body shall be final and binding on all parties.

This Appendix contains a summary of laws and regulations on companies and securities in the PRC, certain major differences between the PRC Company Law and Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance as well as the additional regulatory provisions of the Hong Kong Stock Exchange on joint stock limited companies of the PRC. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, please see section entitled "Regulatory Overview" in this Prospectus.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments and international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2015 revision) (《中華人民共和國立法法(2015年修訂)》) (the "**Legislation Law**"), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

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

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, environmental protection, and historical and cultural protection based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court of the PRC (the "**Supreme People's Court**") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

THE PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 revision) (《中華人民共和國人民法院組織法(2018年修訂)》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The higher-level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The PRC Civil Procedure Law (2017 revision) (《中華人民共和國民事訴訟法(2017年修訂)》) (the "**Civil Procedure Law**"), which was adopted in 1991 and amended in 2007, 2012 and 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC.

If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

THE COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company which was incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in the PRC:

- The PRC Company Law which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively and the latest revision of which was implemented on October 26, 2018;

- The Special Regulations of the State Council on Share Offering and Listing Overseas by Joint-Stock Limited Liability Companies (國務院關於股份有限公司境外募集股份及上市的特別規定) (the "**Special Regulations**") which were promulgated by the State Council on August 4, 1994 pursuant to Articles 85 and 155 of the Company Law in force at that time, and were applicable, to the overseas share subscription and listing of joint stock limited companies;

- The Mandatory Provisions of Articles of Association of Companies Listing Overseas (到境外上市公司章程必備條款) (the "**Mandatory Provisions**") which were issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on August 27, 1994, stating the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in the section entitled "Appendix V — Summary of the Articles of Association" in this Prospectus; and

- On October 17, 2019, the State Council issued a circular in connection with the adjustments in regulations concerning companies registered in China and listed abroad (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)) (Circular No. 97 of the State Council, effective October 17, 2019), pursuant to which it agreed that companies registered in China and listed abroad shall comply with the PRC Company Law with respect to the notice period, shareholders right to formulate proposals and the procedures for convening a general meeting, and that relevant procedures set forth in Article 20 to Article 22 of the Special Regulations shall no longer apply.

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

General

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. According to the Special Regulations, SOEs or enterprises with the majority of their assets owned by the PRC government may be restructured into joint stock limited companies which may issue shares to overseas investors in accordance with the relevant regulations. These companies, if incorporated by promotion, may have less than five promoters and may issue new shares once incorporated.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of

association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the prospectus to ensure that the prospectus does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong, the Macau and Taiwan and listed overseas are known as overseas listed foreign invested shares, and those shares issued to investors within the PRC other than the territories specified above are known as Domestic Shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the China Securities Regulatory Commission (the "**CSRC**"). Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the PRC Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company shall obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as "overseas listed and foreign invested shares." Shares issued to investors within the PRC by joint stock limited companies, which also issues overseas listed and foreign shares, are known as "domestic shares." Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance program may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

Registered Shares

Under the PRC Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall also be in registered form.

Under the PRC Company Law, when the company issues share in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a document and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;
- it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

Repurchase of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting; (v) use of shares for conversion of convertible corporate bonds issued by a listed company; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' general meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be canceled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralized trading shall be adopted publicly.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;

- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;

- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's operations;

- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;

- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;

- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and

- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the Company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;

- to elect or remove the directors and supervisors (other than the representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;

- to examine and approve reports of the board of directors;

- to examine and approve reports of the board of supervisors;

- to examine and approve the company's proposed annual financial budget and final accounts;

- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;

- to decide on any increase or reduction of the company's registered capital;

- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

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

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

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

Pursuant to the PRC Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

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

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

Board

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

Under the PRC Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;

- to prepare plans for the merger, division, dissolution and change in the form of the company;

- to decide on the setup of the company's internal management organs;

- to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;

- to exercise any other power under the articles of association.

Board Meetings

Under the PRC Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

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

Chairman of the Board

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or
- a person who is liable for a relatively large amount of debts that are overdue.

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

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

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

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

The board of supervisors of a company shall hold at least one meeting every six months. According to the PRC Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors, while according to the Opinions on Supplementary Amendment to Articles of Associations by Companies to be listed in Hong Kong (《關於到香港上市公司對公司章程作補充修改的意見的函》), a resolution of the board of supervisors shall be passed by more than two-thirds of all the supervisors.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;
- to initiate proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management; and
- other powers specified in the articles of association.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business plans and investment proposals;
- to formulate the general administration system of the company;
- to formulate the company's detailed rules;
- to recommend the appointment and dismissal of deputy managers and person in charge of finance;
- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- to other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company.

Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties.

Directors and senior management are prohibited from:

- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

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

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory board, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least 180 days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisory violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, manager and other senior management shall have duty of loyalty to the company. They are required to faithfully perform their duties, to protect the interests of the company and not to use their positions in the company for their own benefits. The Mandatory Provisions contain detailed stipulations on these duties.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary common reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the Company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The Company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The Company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Special Regulations provide that a company shall employ an independent accounting firm complying with the relevant regulations of the State to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. The Special Regulations require that any dividend and other distribution to shareholders of overseas-listed foreign shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the company's approval department authorized by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court and request the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy. Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas. According to Rule 2(6) of the Regulatory Guidelines for the Application Documents and Examination Procedures for the Overseas Share Issuance and Listing by Joint Stock Companies (《關於股份有限公司境外發行股票和上市申報文件及審核程序的監管指引》) promulgated by CSRC (effective from January 1, 2013), the approval documents for overseas stock issuance and listing by the company granted by CSRC shall be valid for a period of 12 months.

Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions.

Suspension and Termination of Listing

The PRC Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (《中華人民共和國證券法》(2019年修訂)) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

Where the stock exchange decides on delisting of securities, it shall promptly announce and file records with the securities regulatory authority of the State Council.

Merger and Division

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

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

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

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

SECURITIES LAW AND REGULATIONS

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

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. The PRC Securities Law, which was revised on December 28, 2019 and came into effect on March 1, 2020, is divided into 14 chapters and 226 articles, regulating, among other things, the issue and trading of securities, the listing of securities, and takeovers by listed companies.

Article 224 of the PRC Securities Law provides that domestic enterprises which, directly or indirectly, issue securities or list and trade their securities outside the PRC shall comply with the relevant regulations of the State Council. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**Arbitration Law**") was passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) ("**CIETAC**") in accordance with its rules or the Hong Kong International Arbitration center ("**HKIAC**") in accordance with its Securities Arbitration Rules (the "**Securities Arbitration Rules**"). Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules. In accordance with the Arbitration Regulations of CIETAC (《中國國際經濟貿易仲裁委員會仲裁規則》) which was amended on November 4, 2014 and implemented on January 1, 2015, CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, based on an agreement of the parties, including disputes involving Hong Kong based on the agreement of the parties. The arbitration commission is established in Beijing and its branches and centers have been set up in Shenzhen, Shanghai, Tianjin, Chongqing, Zhejiang, Hubei, Fujian, Shanxi, Jiangsu, Sichuan and Shandong.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》) (the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and

Hong Kong (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial judgment and its enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院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》) promulgated by the Supreme People's Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between the court of China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in China or Hong Kong that meet certain conditions of the aforementioned regulations.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong company law is primarily set out in the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance, supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate

existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain preemptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

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

Share Capital

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

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

Restrictions on Shareholding and Transfer of Shares

Under PRC law, A Shares of the Company, which are denominated and subscribed for in Renminbi, can be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors, while also being eligible securities under the Northbound Trading Link, A Shares of the Company can be subscribed for and traded by Hong Kong and other overseas investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares

they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers.

There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our Controlling Shareholders to the Hong Kong Stock Exchange.

Financial Assistance for Acquisition of Shares

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

Variation of Class Rights

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

Under the Companies Ordinance, no rights attached to any class of shares can be varied except:

(i) If there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions;

(ii) If there are not relevant provisions in the articles of associations, then (1) with the consent in writing of at least three fourths of the total voting rights of holders of the shares in the class in question, or (2) with the approval of a special resolution of the holders of the relevant class at a separate meeting.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and

prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

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

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

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

In addition, the Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, the company may be wound up by the court if the court considers that it is just and equitable to do so, in addition, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to make an appropriate order regulating the affairs of the company. Furthermore, under certain circumstances, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

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

The Mandatory Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Whereas notice of an extraordinary general meeting must be given not less than 15 days before the meeting. According to the Official Reply of the State Council on Adjusting the Provisions Governing Matters Including the Application of the Notice Period for the Convening of Shareholders' General Meetings by Companies Listed Overseas (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) promulgated by the State Council on October 17, 2019, the notice period for a shareholders' meeting, the shareholder proposal right, and the procedures for convening a shareholders' meeting, for those joint stock companies established within the territory of China but listed outside the territory of China, should be governed by the PRC Company Law.

For a company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in the case of any other meeting, at least 14 days for a limited company and at least 7 days for an unlimited company.

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting.

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member.

Voting

Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

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

Financial Disclosure

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

The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

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

Information on Directors and Shareholders

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

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years now and would be extended to three years according to PRC Civil Code (《中華人民共和國民法典》), promulgated on 28 May 2020 and to become effective on 1 January 2021. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Section 674 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance.

Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Dispute Arbitration

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

Mandatory Deductions

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

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder.

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years now or three years beginning from 1 January, 2021. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the Special Regulations, directors, supervisors are not permitted to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the PRC Company Law and the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN THE HONG KONG LISTING RULES AND SHANGHAI STOCK EXCHANGE LISTING RULES

As our A Shares are listed on the Shanghai Stock Exchange, we are also subject to the Shanghai Stock Exchange Listing Rules. Set out below is a summary of the material differences between the Hong Kong Listing Rules and the Shanghai Stock Exchange Listing Rules:

Periodic financial reporting

There are material differences in financial reporting standards and practices regarding, for example, industry-specific financial reporting requirements, announcement of preliminary results, form and content of periodic financial reports and post-vetting of periodic financial reports.

Classification and disclosure requirements for notifiable transactions

The method of classification of notifiable transactions under the Hong Kong Listing Rules and the disclosure requirement pertaining to such transactions differ from those under the Shanghai Stock Exchange Listing Rules.

Connected transactions

The definition of a connected person under the Hong Kong Listing Rules and the definition of a related party under the Shanghai Stock Exchange Listing Rules are different. In addition, the disclosure and shareholder approval requirements for connected transactions under the Hong Kong Listing Rules and for related party transactions under the Shanghai Stock Exchange Listing Rules, as well as the respective exemptions are different.

Disclosure of inside information

The scope, timing and method of disclosure of inside information are different between the Hong Kong Listing Rules and Shanghai Stock Exchange Listing Rules.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

The history of our Company dates back to August 11, 1995 when JOINN Laboratories (China) Research and Development Centre was established on August 11, 1995. On February 25, 1998, JOINN Laboratories (China) Research and Development Centre was converted into JOINN Laboratories (China) Research Centre, a joint stock co-operative enterprise (股份合作制企業). On February 14, 2008, JOINN Laboratories (China) Research Centre was converted into JOINN Laboratories (China), a limited liability Company and our Company's predecessor. On December 26, 2012, upon approval by Beijing Administration for Industry and Commerce, JOINN Laboratories (China) was restructured into a joint-stock company and was renamed as JOINN Laboratories (China) Co., Ltd. Since August 25, 2017, our A Shares have been listed on the main board of the Shanghai Stock Exchange with the stock code of 603127. Our registered office is located at A5 Rongjing East Street, Beijing Economic-Technological Development Area, Beijing, 100176, China.

We have established a place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and has registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on October 23, 2020. Ms. Ho Wing Tsz Wendy and Mr. Ng Cheuk Ming have been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, we are subject to relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendices IV and V to this Prospectus respectively.

B. Changes in the Share Capital of Our Company

Save as disclosed below, there has been no alteration in our share capital within two years immediately preceding the date of this Prospectus.

As approved at our Company's second extraordinary Shareholders' meeting in 2018 dated May 15, 2018, due to the implementation of the 2018 Share Option and Restricted Share Award Scheme and the 2017 dividend distribution plan, our Company agreed to increase the registered capital from RMB81,800,000 to RMB114,994,600. The industrial and commercial registration of the same was completed on September 5, 2018.

As approved at our Company's fifth extraordinary Shareholders' meeting in 2019 dated November 15, 2019, due to the implementation of the 2018 Share Option and Restricted Share Award Scheme, 2019 Share Option and Restricted Share Award Scheme and the 2018 dividend distribution plan, our Company agreed to increase the registered capital from RMB114,994,600 to RMB161,739,460. The industrial and commercial registration of the same was completed on January 10, 2020.

As approved at our Company's seventh extraordinary Shareholders' meeting in 2019 dated December 27, 2019, due to the cancellation of 22,540 restricted Shares under the 2018 Share Option and Restricted Share Award Scheme, our Company agreed to decrease the registered capital from RMB161,739,460 to RMB161,716,920. The industrial and commercial registration of the same was completed on May 26, 2020.

As approved at our Company's second extraordinary Shareholders' meeting in 2020 dated July 15, 2020, our Company agreed to increase the registered capital from RMB161,716,920 to RMB161,915,664 due to the implementation of the 2018 Share Option and Restricted Share Award Scheme and 2019 dividend distribution plan, and subsequently increase the registered capital form RMB161,915,664 to RMB226,681,929 due to the implementation of 2019 dividend distribution plan. The industrial and commercial registration of the same was completed on July 21, 2020.

As approved at the eighteenth meeting of the third Board of Company on June 28, 2020, due to the implementation and adjustment of the 2019 Share Option and Restricted Share Award Scheme, our registered capital increased from RMB226,681,929 to RMB226,744,929.

As approved at the twenty-fourth meeting of the third Board of Company on January 19, 2021, due to the implementation of the 2019 Share Option and Restricted Share Award Scheme, our registered capital increased from RMB226,774,929 to RMB227,454,729.

Upon completion of the Global Offering, but without taking into account any exercise of the Over-allotment Option and any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes, our registered capital will increase to RMB270,779,529, comprising 227,454,729 A Shares and 43,324,800 H Shares fully paid up, representing approximately 84.00% and 16.00% of our registered capital, respectively.

C. Shareholders' Resolutions

Pursuant to the Shareholders' meeting held on September 15, 2020, the following resolutions, among others, were duly passed:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued before the exercise of the Over-allotment Option shall not exceed 25% of the enlarged share capital of our Company upon completion of the Global Offering and granting the Underwriters the Over-allotment Option of no more than 15% of the above number of H Shares to be issued;

(c) subject to the completion of the Global Offering, the conditional adoption of the Articles of Association, which shall become effective on Listing Date; and

(d) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

D. Further Information about Our Principal Subsidiaries

The list of our principal subsidiaries as of September 30, 2020 is set out in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus. There has been no alteration in the share capital of any of our principal subsidiaries within the two years immediately preceding the date of this Prospectus.

E. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, please refer to the section headed "Appendix III — Summary of Articles of Association" in this Prospectus.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

We have entered into the following contract(s) (not being contracts entered into in the ordinary course of business) within two years preceding the date of this Prospectus, which is or may be material:

(a) the cornerstone investment agreement dated February 10, 2021 entered into between our Company, Lake Bleu Prime Healthcare Master Fund Limited, CLSA Capital Markets Limited and CLSA Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(b) the cornerstone investment agreement dated February 10, 2021 entered into between our Company, Worldwide Healthcare Trust PLC, Orbimed New Horizons Master Fund, L.P., CLSA Capital Markets Limited and CLSA Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(c) the cornerstone investment agreement dated February 10, 2021 entered into between our Company, China Structural Reform Fund Corporation Limited, CLSA Capital Markets Limited and CLSA Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(d) the cornerstone investment agreement dated February 10, 2021 entered into between our Company, CPE Greater China Enterprises Growth Fund, CLSA Capital Markets Limited and China International Capital Corporation Hong Kong Securities Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(e) the cornerstone investment agreement dated February 10, 2021 entered into between our Company, SCC Growth VI Holdco F, Ltd., CLSA Capital Markets Limited and China International Capital Corporation Hong Kong Securities Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(f) the cornerstone investment agreement dated February 10, 2021 entered into between our Company, Janchor Partners Pan-Asian Master Fund, CLSA Capital Markets Limited and CLSA Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(g) the cornerstone investment agreement dated February 10, 2021 entered into between our Company, CRF Investment Holdings Company Limited, CLSA Capital Markets Limited and CLSA Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(h) the cornerstone investment agreement dated February 10, 2021 entered into between our Company, Carmignac Gestion SA, acting on behalf of Carmignac China New Economy and Carmignac Portfolio Emerging Discovery, CLSA Capital Markets Limited and Merrill Lynch (Asia Pacific) Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(i) the cornerstone investment agreement dated February 10, 2021 entered into between our Company, Octagon Capital Advisors LP, CLSA Capital Markets Limited and China International Capital Corporation Hong Kong Securities Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(j) the cornerstone investment agreement dated February 10, 2021 entered into between our Company, The Valliance Fund, CLSA Capital Markets Limited and China International Capital Corporation Hong Kong Securities Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus; and

(k) the Hong Kong Underwriting Agreement.

B. Our Material Intellectual Property Rights

Trademarks

As of September 30, 2020, our Group has registered the following key trademarks which are material to the business of our Group:

No.	Trademark Registered
1 . . .	昭衍 JOINN
2 . . .	昭衍
3 . . .	JOINN

As of September 30, 2020, our Group has 68 trademark registrations in countries throughout the world including in all countries in which our Group currently operates. None of these trademarks are registered in Hong Kong.

Patents

As of September 30, 2020, our Group had registered the following key patents in relation to the business of our Group as a whole:

No.	Patent Registered	Granting Country of Organization	Expiration Date
1 . . .	Novel alanine transaminase enzyme and methods of use	PRC	2022.5.13
2 . . .	A mouth dilator for animal tests	PRC	2033.12.25
3 . . .	A kind of teaching is with dissecting mouse experiment device	PRC	2034.07.28
4 . . .	A kind of arteria coronaria blocks and fills device and the method making myocardial infarction animal model again	PRC	2035.03.08
5 . . .	Full-automatic quantitative aerosol inhaler device	PRC	2027.09.11

Domain Names

As of September 30, 2020, our Group has registered the following key domain names which are material to the business of our group:

No.	Domain Name	Name of Registered Proprietor	Expiration Date
1 . . .	joinnlabs.com	Company	2024.03.27
2 . . .	joinn-lab.com	Company	2022.09.12

Software Copyrights

As of September 30, 2020, the key software copyrights in relation to the business of our Group as a whole were:

No.	Copyright Name	Place of Registration
1 . . .	Drug screening and effectiveness evaluation service system V1.0	PRC
2 . . .	Pre-clinical drug safety evaluation technology service system V1.0	PRC
3 . . .	DMPK evaluation and analysis system V1.0	PRC
4 . . .	JOINNMedSafe XML file management system V1.0	PRC
5 . . .	JOINNMedSafe iPVMAP enterprise pharmacovigilance management platform V1.0	PRC

C. Share Option and Restricted Share Award Schemes

Pursuant to Administrative Measures for the Equity Incentives of Listed Companies (《上市公司股權激勵管理辦法》) issued by the CSRC, as amended and supplemented from time to time, our Company may adopt various equity incentive schemes at the same time provided that the aggregate number of A Shares involved in equity incentive schemes within any validity period shall not exceed 10% of our Company's total share capital.

The 2018 Share Option and Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme were adopted and approved by the Shareholders' meetings held on February 27, 2018, August 15, 2019 and July 15, 2020 respectively. The terms of the Share Option and Restricted Share Award Schemes are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve any grant of options by our Company to subscribe for new Shares after the Listing. The terms of each of the Share Option and Restricted Share Award Schemes are substantially similar and are summarized below.

(a) Purpose

The purpose of the Share Option and Restricted Share Award Schemes is to establish the long-term incentive mechanism of our Company, attract and retain talents, mobilize the enthusiasm of the directors, senior management and key technical employees of our Company, foster shared interests among the shareholders, our Company and operators, thereby promoting sustained, long-term and healthy growth of our Company.

(b) Types of Awards

The Share Option and Restricted Share Award Schemes provides for awards of options and RSUs ("**Awards**"), except the 2020 Share Incentive Scheme does not provide awards of RSUs.

(c) Administration

The Shareholders' meeting is the highest authority of the Share Option and Restricted Share Award Schemes. The Board is the managing authority of the Share Option and Restricted Share Award Schemes. The board of Supervisors and independent non-executive Directors are the supervising authorities of the Share Option and Restricted Share Award Schemes.

(d) Scope of Participants

The Directors, senior management and key technical employees of our Company (excluding independent non-executive Directors, Supervisors, shareholders that hold more than 5% of our Company's shares and the controlling shareholder and their spouses, parents, and children).

(e) Source of Shares

The Shares underlying the Share Option and Restricted Share Award Schemes shall be A Shares privately issued by our Company.

(f) Maximum Number of Shares

The maximum number of shares involved with the Awards to be granted to an eligible employee under all effective Share Option and Restricted Share Award Schemes shall not exceed 1% of the total outstanding share capital of our Company. The total number of shares involved with all effective Share Option and Restricted Share Award Schemes shall not exceed 10% of the total outstanding share capital of our Company.

(g) Term of the Share Option and Restricted Share Award Schemes

Subject to the termination provisions under the Share Option and Restricted Share Award Schemes, the Share Option and Restricted Share Award Schemes shall be valid and effective commencing on the date that the Awards are granted to when such Awards are no long under any lock-ups, fully exercised or cancelled. The term of validity shall not exceed 48 months.

(h) Date of Grant

The date on which the Awards are granted shall be determined by the Board, subject to approval of the Share Option and Restricted Share Award Schemes by the shareholders' meeting, which shall be a trading day. The Awards shall be granted, registered and announced within 60 days after the approval of the Share Option and Restricted Share Award Schemes by the shareholders' meeting. Otherwise, the Share Option and Restricted Share Award Schemes shall be terminated, and the Awards thereunder that have not been granted shall become invalid.

(i) Lock-up Period

The lock-up periods for the Awards underlying the Share Option and Restricted Share Award Schemes are 12 months, 24 months and 36 months, respectively, commencing from the date the Awards were registered. During the lock-up period, the Awards shall not be transferred, used as guarantee or repayment of debt.

(j) Grant and Exercise of Awards

On and subject to certain terms of the Share Option and Restricted Share Award Schemes, Awards can be granted to or exercised by any eligible employee, i.e., linking the grant and exercise of the Awards to the attainment or performance of milestones by our Company and the grantee. If the performance of our Company, the relevant grantee and other conditions are not fulfilled in the stipulated period, the Awards shall be repurchased or cancelled by our Company.

(k) Rights and Obligations of our Company

(1) Our Company has the right to interpret and implement the Share Option and Restricted Share Award Schemes, and evaluate the performance of the grantee in accordance with the provisions of the Share Option and Restricted Share Award Schemes. If the performance of the grantee does not fulfill the conditions under the Share Option and Restricted Share Award Schemes, our Company will repurchase or cancel the Awards as stipulated by the Share Option and Restricted Share Award Schemes.

(2) Our Company shall not to provide loans or financial assistance in any other forms to the grantee.

(3) Our Company shall promptly perform the obligations of declaration and information disclosure of the Share Option and Restricted Share Award Schemes in accordance with relevant regulations.

(4) Our Company shall actively assist the grantee on exercising the Awards in accordance with the relevant provisions under the Share Option and Restricted Share Award Schemes and relevant regulates of the CSRC, the Shanghai Stock Exchange and China Securities Depository and Clearing Company Limited (中國證券登記結算有限責任公司) ("CSDC"). However, if the grantee fails to exercise its Awards for the reasons that are attributable to the Shanghai Stock Exchange or CSDC, our Company shall not be liable for the losses causes to such grantee.

(5) The determination of the grantee under the Share Option and Restricted Share Award Schemes by our Company does not mean the grantee is entitled to serve our Company, nor does it constitute any commitment to the employment period of the grantee. The employment relationship between our Company and the grantee remains subject to the employment contract signed by our Company and the grantee.

(l) Rights and Obligations of the Grantee

(1) The grantee shall work diligently abide by professional ethics, making contributions to the development of our Company.

(2) The grantee shall locking up its granted Awards in accordance with the provisions of the Share Option and Restricted Share Award Schemes.

(3) The source of funds of the grantee shall be self-raised funds.

(4) When our Company distributes dividends, the grantee of options and RSUs shall receive dividends in proportion to the underlying A Shares of the options and RSUs respectively.

(5) The grantee of RSUs shall be entitled to voting rights in respect of the underlying A Shares of the RSUs. The grantee of options shall only be entitled to voting rights in respect of the underlying A Shares of the options upon the exercise of such options and grant of the corresponding A Shares to the grantee.

(6) The Awards granted under the Share Option and Restricted Share Award Schemes shall not be transferred, used as guarantee or repayment of debt.

(7) The grantee shall pay personal income tax and other taxes in accordance with relevant laws and regulations with regard to the income obtained from the Share Option and Restricted Share Award Schemes.

(8) In the event that the grantee ceases to be an eligible grantee before the granted Awards are fully exercised, the unvested Awards shall be repurchased or cancelled by our Company.

(9) In the event that the grantee ceases to be an eligible grantee due to the false records, misleading statements or material omissions in the disclosed documents by our Company, the grantee shall return all the benefits obtained from the Share Option and Restricted Share Award Schemes to our Company.

(10) Upon the approval of the Share Option and Restricted Share Award Schemes by the shareholders' meeting, a written agreement shall be signed by and between our Company and each of the grantee, stipulating respective rights and obligations and other related matters under such Share Option and Restricted Share Award Schemes.

(11) Other rights and obligations stipulated by relevant laws, regulations and the Share Option and Restricted Share Award Schemes.

(m) Outstanding options and RSUs under the Share Option and Restricted Share Award Schemes

As of the Latest Practicable Date, the maximum number of options and RSUs approved to be granted under the Share Option and Restricted Share Award Schemes, namely, the 2018 Share Option and Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme, have been fully granted to the eligible grantees.

As of the Latest Practicable Date, our Company had granted options under the Share Option and Restricted Share Award Schemes to 360 grantees, including four Directors, two senior management members of our Company, 19 employees of our Group who have been granted options to subscribe for 25,000 A Share or more and 335 other employees of our Group to subscribe for an aggregate of 3,202,829 A Shares, representing approximately 1.18% of our Company's issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes). No option under the Share Option and Restricted Share Award Schemes has been granted to other connected person of our Company. The following table summarizes the number of underlying A Shares of the outstanding options under the Share Option and Restricted Share Award Schemes as of the Latest Practicable Date.

Name of grantee	Position held at our Company	Address	Exercise price *(RMB per Share)*	Number of A Shares underlying the outstanding options Granted	Date of grant	Vesting period	Approximate percentage of issued Shares immediately after completion of the Global Offering *(Note 1)*
Directors							
Zuo Conglin	Vice Chairperson of the Board, Executive Director	No. 3, Dongtangzi Hutong Dongcheng District Beijing, China	94.77	96,000	July 17, 2020	*(Note 5)*	0.04%
Gao Dapeng	Executive Director, General Manager, Secretary to the Board, Joint Company Secretary	Room 1701, Unit 1, Building 11 Fengdan Yihao 5 Luhua Road Daxing District Beijing, China	94.77	30,000	July 17, 2020	*(Note 5)*	0.01%
Sun Yunxia	Executive Director, Vice General Manager	1-1301, Building 27 Yuquan Jiayuan Tiancunshan South Road Haidian District Beijing, China	94.77 94.77	108,000 30,000	June 24, 2020 July 17, 2020	*(Note 4)* *(Note 5)*	0.04% 0.01%

Name of grantee	Position held at our Company	Address	Exercise price *(RMB per Share)*	Number of A Shares underlying the outstanding options Granted	Date of grant	Vesting period	Approximate percentage of issued Shares immediately after completion of the Global Offering *(Note 1)*
Yao Dalin	Executive Director, Senior Vice General Manager, Chief Scientific Officer	11906 Piedmont Rd. Clarksburg MD 20871 Maryland, United States	94.77	30,000	July 17, 2020	*(Note 5)*	0.01%
Subtotal:				**294,000**			**0.11%**
Senior management							
Gu Jingliang	Vice General Manager, Head of Sales Department	No. 3, No. 15 Ronghuazhong Street Yizhuang, Daxing District Beijing, China	20.13	2,744	March 9, 2018	*(Note 2)*	0.00%
Yu Aishui	Chief Financial Officer	24-4-602, Zone 1 Hexiejiayuan Dongxiaokouzhen Changping District Beijing, China	94.77	10,000	June 24, 2020	*(Note 4)*	0.00%
			94.77	15,000	July 17, 2020	*(Note 5)*	0.01%
Subtotal:				**27,744**			**0.01%**
Employees with outstanding options to acquire 25,000 A Shares or more							
Cai Yuchun	Practice Director	Room 302, Wumen, 1st Floor 38 Taiping Road, Haidian District Beijing, China	20.13	2,744	March 9, 2018	*(Note 2)*	0.00%
			34.12	14,700	September 9, 2019	*(Note 3)*	0.01%
			94.77	20,000	June 24, 2020	*(Note 4)*	0.01%
			94.77	12,000	July 17, 2020	*(Note 5)*	0.00%
Yue Duoduo	Audit Director	Room 402, Unit 3, Building 1 Shicheng Baili, Yizhuang Daxing District Beijing, China	20.13	2,744	March 9, 2018	*(Note 2)*	0.00%
			34.12	8,400	September 9, 2019	*(Note 3)*	0.00%
			94.77	34,000	July 17, 2020	*(Note 5)*	0.01%
Zhang Sucai	Institutional Manager	No.3, No.15 Ronghuazhong Street Yizhuang, Daxing District Beijing, China	20.13	2,744	March 9, 2018	*(Note 2)*	0.00%
			34.12	11,200	September 9, 2019	*(Note 3)*	0.00%
			94.77	22,000	July 17, 2020	*(Note 5)*	0.01%

Name of grantee	Position held at our Company	Address	Exercise price *(RMB per Share)*	Number of A Shares underlying the outstanding options Granted	Date of grant	Vesting period	Approximate percentage of issued Shares immediately after completion of the Global Offering *(Note 1)*
Ma Jinling	COO Assistant, Senior Director of Toxicology	No.52 Sanlihe West Street Xicheng District Beijing, China	20.13	2,744	March 9, 2018	*(Note 2)*	0.00%
			34.12	8,400	September 9, 2019	*(Note 3)*	0.00%
			94.77	20,000	July 17, 2020	*(Note 5)*	0.01%
Xu Jie	Deputy General Manager of Subsidiary	No.1 Zhaoyan Road Taicang Biomedical Industrial Park Suzhou, Jiangsu, China	20.13	2,744	March 9, 2018	*(Note 2)*	0.00%
			34.12	8,400	September 9, 2019	*(Note 3)*	0.00%
			94.77	20,000	July 17, 2020	*(Note 5)*	0.01%
Zhang Haifei	Practice Director	No.3, No.15 Ronghuazhong Street Yizhuang Daxing District Beijing, China	20.13	2,744	March 9, 2018	*(Note 2)*	0.00%
			34.12	8,400	September 9, 2019	*(Note 3)*	0.00%
			94.77	20,000	July 17, 2020	*(Note 5)*	0.01%
Zhang Yanlin	Institutional Manager	No.3, No.15 Ronghuazhong Street Yizhuang, Daxing District Beijing, China	20.13	2,744	March 9, 2018	*(Note 2)*	0.00%
			34.12	8,400	September 9, 2019	*(Note 3)*	0.00%
			94.77	20,000	July 17, 2020	*(Note 5)*	0.01%
Li Hongzhen	Practice Director	No.3, No.15 Ronghuazhong Street Yizhuang Daxing District Beijing, China	20.13	2,744	March 9, 2018	*(Note 2)*	0.00%
			34.12	8,400	September 9, 2019	*(Note 3)*	0.00%
			94.77	2,000	June 24, 2020	*(Note 4)*	0.00%
			94.77	17,000	July 17, 2020	*(Note 5)*	0.01%
Jiang Lijie	Practice Director	No.77 Xizhanghua Street, Yulong, Daxing District, Beijing, China	94.77	29,000	July 17, 2020	*(Note 5)*	0.01%
Shi Yansheng	Practice Director	No. 1402, Bingmen, Building 12 No.26, Dianchang Road Fengtai District Beijing, China	94.77	12,000	June 24, 2020	*(Note 4)*	0.00%
			94.77	17,000	July 17, 2020	*(Note 5)*	0.01%
Wei Bo	Practice Director	Room 305, Building 10 Tiesheyuan Staff Quarters No.2 Xiying Road Yanta District Xi'an, Shaanxi, China	34.12	16,800	September 9, 2019	*(Note 3)*	0.01%
			94.77	12,000	July 17, 2020	*(Note 5)*	0.00%

Name of grantee	Position held at our Company	Address	Exercise price *(RMB per Share)*	Number of A Shares underlying the outstanding options Granted	Date of grant	Vesting period	Approximate percentage of issued Shares immediately after completion of the Global Offering *(Note 1)*
Cao Yang	Practice Director	Room 101, No. 600, Lane 555 Jinping Road Minhang District Shanghai, China	20.13	2,744	March 9, 2018	*(Note 2)*	0.00%
			34.12	8,400	September 9, 2019	*(Note 3)*	0.00%
			94.77	17,000	July 17, 2020	*(Note 5)*	0.01%
Du Mu	Practice Director	No.1 Zhaoyan Road Taicang Biomedical Industrial Park Suzhou, Jiangsu, China	20.13	2,744	March 9, 2018	*(Note 2)*	0.00%
			34.12	8,400	September 9, 2019	*(Note 3)*	0.00%
			94.77	17,000	July 17, 2020	*(Note 5)*	0.01%
Du Zhanjiang	Practice Director	No.1 Zhaoyan Road Biomedical Industrial park Taicang, Jiangsu, China	20.13	2,744	March 9, 2018	*(Note 2)*	0.00%
			34.12	8,400	September 9, 2019	*(Note 3)*	0.00%
			94.77	17,000	July 17, 2020	*(Note 5)*	0.01%
He Yanan	Practice Director	Room 131, Building 7, Courtyard 19 Ciqu Street, Taihu Tongzhou District Beijing, China	20.13	2,744	March 9, 2018	*(Note 2)*	0.00%
			34.12	8,400	September 9, 2019	*(Note 3)*	0.00%
			94.77	17,000	July 17, 2020	*(Note 5)*	0.01%
Rui Zhipei	Practice Director	Room 501, Unit 3, Building 34, Xinhainanli, Majuqiao Tongzhou District Beijing, China	20.13	2,744	March 9, 2018	*(Note 2)*	0.00%
			34.12	8,400	September 9, 2019	*(Note 3)*	0.00%
			94.77	17,000	July 17, 2020	*(Note 5)*	0.01%
Xiao Linlin	Practice Director	Room 202, Unit 1, Building 7 Area 3, Jiulong Villa Xihongmen Daxing District Beijing, China	20.13	2,744	March 9, 2018	*(Note 2)*	0.00%
			34.12	8,400	September 9, 2019	*(Note 3)*	0.00%
			94.77	17,000	July 17, 2020	*(Note 5)*	0.01%
Luo Xifeng	Non-Clinical Sales Director	402, Unit 4, Building 21, Kaitai Xili, Daxing District Beijing, China	20.13	2,195	March 9, 2018	*(Note 2)*	0.00%
			34.12	7,000	September 9, 2019	*(Note 3)*	0.00%
			94.77	17,000	July 17, 2020	*(Note 5)*	0.01%
Yang Shijun	Clinical Sales Director	151 Malianwa North Road Haidian District Beijing, China	20.13	1,646	March 9, 2018	*(Note 2)*	0.00%
			34.12	7,000	September 9, 2019	*(Note 3)*	0.00%
			94.77	17,000	July 17, 2020	*(Note 5)*	0.01%
Subtotal:				**592,758**			**0.22%**

Name of grantee	Position held at our Company	Address	Exercise price *(RMB per Share)*	Number of A Shares underlying the outstanding options Granted	Date of grant	Vesting period	Approximate percentage of issued Shares immediately after completion of the Global Offering *(Note 1)*
Employees with outstanding options to acquire less than 25,000 A Shares							
20 employees with outstanding options to acquire between 20,001 and 24,999 A Shares			20.13	35,672	March 9, 2018	*(Note 2)*	0.01%
			34.12	145,600	September 9, 2019	*(Note 3)*	0.05%
			94.77	260,000	July 17, 2020	*(Note 5)*	0.10%
28 employees with outstanding options to acquire between 15,001 and 20,000 A Shares			20.13	31,830	March 9, 2018	*(Note 2)*	0.01%
			34.12	142,800	September 9, 2019	*(Note 3)*	0.05%
			94.77	20,000	June 24, 2020	*(Note 4)*	0.01%
			94.77	310,000	July 17, 2020	*(Note 5)*	0.11%
41 employees with outstanding options to acquire between 10,001 and 15,000 A Shares			20.13	34,574	March 9, 2018	*(Note 2)*	0.01%
			34.12	139,300	September 9, 2019	*(Note 3)*	0.05%
			94.77	1,000	June 24, 2020	*(Note 4)*	0.00%
			94.77	339,000	July 17, 2020	*(Note 5)*	0.13%
60 employees with outstanding options to acquire between 5,001 and 10,000 A Shares			20.13	41,709	March 9, 2018	*(Note 2)*	0.02%
			34.12	105,700	September 9, 2019	*(Note 3)*	0.04%
			94.77	264,000	July 17, 2020	*(Note 5)*	0.10%
186 employees with outstanding options to acquire between 1 and 5,000 A Shares			20.13	3,842	March 9, 2018	*(Note 2)*	0.00%
			34.12	55,300	September 9, 2019	*(Note 3)*	0.02%
			94.77	2,000	June 24, 2020	*(Note 4)*	0.00%
			94.77	356,000	July 17, 2020	*(Note 5)*	0.13%
Subtotal				**2,288,327**			**0.84%**
Total:				**3,202,829**			**1.18%**

Notes:

(1) Such percentage figures are based on the assumption that the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes.

(2) This batch of outstanding options under the 2018 Share Option and Restricted Share Award Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options between April 19, 2019 and April 18, 2020; (ii) as to 30% of the aggregate number the options between April 19, 2020 and April 18, 2021; and (iii) as to 20% of the aggregate number of options between April 19, 2021 and April 18, 2022.

(3) This batch of outstanding options under the 2019 Share Option and Restricted Share Award Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options between October 14, 2020 and October 13, 2021; (ii) as to 30% of the aggregate number of options between October 14, 2021 and October 13, 2022; and (iii) as to 20% of the aggregate number of options between October 14, 2022 and October 13, 2023.

(4) This batch of outstanding options under the 2019 Share Option and Restricted Share Award Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options between August 11, 2021 and August 10, 2022; and (ii) as to 50% of the aggregate number of options between August 11, 2022 and August 10, 2023.

(5) This batch of outstanding options under the 2020 Share Option Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options on between August 31, 2021 and August 30, 2022; (ii) as to 30% of the aggregate number of options between August 31, 2022 and August 30, 2023; and (iii) as to 20% of the aggregate number of options between August 31, 2023 and August 30, 2024.

The following table summarizes the number of underlying A Shares of the outstanding RSUs under the Share Option and Restricted Share Award Schemes as of the Latest Practicable Date:

Name of grantee	**Consideration paid for the grant *(RMB per Share)***	**Number of A Shares underlying the outstanding RSUs granted**	**Date of grant**	**Unlocking period**	**Approximate percentage of issued Shares immediately after completion of the Global Offering** *(Note 1)*
Directors					
Zuo Conglin	9.81/	31,976	March 9, 2018	*(Note 2)*	0.01%
	16.94		September 9, 2019	*(Note 3)*	
Gao Dapeng	9.81/	31,976	March 9, 2018	*(Note 2)*	0.01%
	16.94		September 9, 2019	*(Note 3)*	
Sun Yunxia	9.81/	31,976	March 9, 2018	*(Note 2)*	0.01%
	16.94		September 9, 2019	*(Note 3)*	
Yao Dalin	9.81/	31,976	March 9, 2018	*(Note 2)*	0.01%
	16.94		September 9, 2019	*(Note 3)*	
Subtotal:		**127,904**			**0.05%**

Name of grantee	Consideration paid for the grant *(RMB per Share)*	Number of A Shares underlying the outstanding RSUs granted	Date of grant	Unlocking period	Approximate percentage of issued Shares immediately after completion of the Global Offering *(Note 1)*
Senior Management					
Gu Jingliang	9.81/	40,390	March 9, 2018	*(Note 2)*	0.01%
	16.94/		September 9, 2019	*(Note 3)*	
	47.39		June 24, 2020	*(Note 4)*	
Yu Aishui	47.39	4,000	June 24, 2020	*(Note 4)*	0.00%
Subtotal:		**44,390**			**0.02%**
89 other employees	9.81/	366,663	March 9, 2018	*(Note 2)*	0.14%
	16.94/		September 9, 2019	*(Note 3)*	
	47.39		June 24, 2020	*(Note 4)*	
Total:		**538,957**			**0.20%**

Notes:

(1) Such percentage figures are based on the assumption that the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes.

(2) This batch of outstanding RSUs under the 2018 Share Option and Restricted Share Award Scheme shall be unlocked in accordance with the unlocking periods as follows: (i) as to 50% of the aggregate number of RSUs between April 19, 2019 and April 18, 2020; (ii) as to 30% of the aggregate number of RSUs between April 19, 2020 and April 18, 2021; and (iii) as to 20% of the aggregate number of RSUs between April 19, 2021 and April 18, 2022.

(3) This batch of outstanding RSUs under the 2019 Share Option and Restricted Share Award Scheme shall be unlocked in accordance with the unlocking periods as follows: (i) as to 50% of the aggregate number of RSUs between October 14, 2020 and October 13, 2021; (ii) as to 30% of the aggregate number of RSUs between October 14, 2021 and October 13, 2022; and (iii) as to 20% of the aggregate number of RSUs between October 14, 2022 and October 13, 2023.

(4) This batch of outstanding RSUs under the 2019 Share Option and Restricted Share Award Scheme shall be unlocked in accordance with the unlocking periods as follows: (i) as to 50% of the aggregate number of RSUs between August 11, 2021 and August 10, 2022; and (ii) as to 50% of the aggregate number of RSUs between August 11, 2022 and August 10, 2023.

D. Summary of Our Certificates, Permits and Licenses

The following table sets forth a summary of the key licenses, permits and certificates that we held and which are necessary for our business as at the Latest Practicable Date:

Holder	Certificate/ Permit/License	Issue Authority	Establishment/ Issue Date	Expiry Date
Company	Drug GLP Certification Approval	NMPA	September 30, 2011	N/A
JOINN Laboratories (Suzhou)	Drug GLP Certification Approval	NMPA	February 22, 2013	N/A
JOINN Laboratories (Suzhou)	Drug GLP Certification Approval	NMPA	August 1, 2014	N/A
JOINN Laboratories (Suzhou)	Drug GLP Certification Approval	NMPA	August 13, 2020	N/A
Company	Permit for Usage of Experimental Animals	Beijing Municipal Science & Technology Commission	February 2, 2019	February 2, 2024
Company	Permit for Usage of Experimental Animals	Beijing Municipal Science & Technology Commission	August 8, 2016	August 8, 2021
Company	Permit for Usage of Experimental Animals	Beijing Municipal Science & Technology Commission	August 8, 2019	August 8, 2024
JOINN Laboratories (Suzhou)	Permit for Usage of Experimental Animals	Jiangsu Province Department of Science & Technology	March 26, 2019	March 25, 2024
JOINN Laboratories (Suzhou)	Permit for Usage of Experimental Animals	Jiangsu Province Department of Science & Technology	March 26, 2019	March 25, 2024
JOINN Laboratories (Suzhou)	Permit for Production of Experimental Animals	Jiangsu Province Department of Science & Technology	January 16, 2018	January 15, 2023
Guangxi Qianyan	Permit for Production of Experimental Animals	Guangxi Zhuang Autonomous Region Department of Science & Technology	January 28, 2021	January 27, 2026
Guangxi Qianyan	Domestication and Breeding Approval of Wild Animals under Special State Protection	Department of Forestry of Guangxi Zhuang Autonomous Region	June 23, 2020	N/A
Guangxi Qianyan	Decision on Change of Domestication and Breeding Approval of Wild Animals under Special State Protection	Department of Forestry of Guangxi Zhuang Autonomous Region	October 22, 2020	N/A

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, (i) compliance of relevant laws of regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

B. Remuneration of Directors and Supervisors

Save as disclosed in the sections headed "Directors, Supervisors and Senior Management" and under "Appendix I — Accountants' Report — Notes to Historical Financial Information — 8. Directors' and Supervisors' Emoluments" in this Prospectus, no Director or Supervisor received other remuneration or benefits in kind from our Company in respect of each of the three financial years ended December 31, 2017, December 31, 2018 and December 31, 2019.

4. DISCLOSURE OF INTERESTS

A. Disclosure of Interests of Directors and Supervisors

Save as disclosed below, immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes, none of our Directors or Supervisors has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to our Company, once the Shares are listed on the Hong Kong Stock Exchange.

Interest in Shares of our Company

Name	Title	Nature of Interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the relevant class as of the Latest Practicable Date (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes)	Approximate percentage of shareholding in the total share capital immediately after the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes)
Ms. Feng[(1)] . .	Chairperson of the Board, Executive Director	Beneficial owner	A Shares	64,073,468	28.17%	23.66%
		Interest of spouse	A Shares	34,568,986	15.20%	12.77%
Mr. Gu Xiaolei . . .	Non-executive Director	Beneficial owner	A Shares	16,078,455	7.07%	5.94%
Zuo Conglin . .	Executive Director	Beneficial owner	A Shares	9,900,032	4.35%	3.66%
Sun Yunxia . .	Executive Director	Beneficial owner	A Shares	1,901,716	0.84%	0.70%

Note:

(1) Mr. Zhou is the spouse of Ms. Feng. Under the SFO, each of Ms. Feng and Mr. Zhou is deemed to be interested in the A Shares that the other person is interested in. Ms. Feng holds 64,073,468 of our A Shares, representing 28.17% of our total issued share capital as of the Latest Practicable Date (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes). Mr. Zhou holds 34,568,986 of our A Shares, representing 15.20% of our total issued share capital as of the Latest Practicable Date (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes). Therefore, Ms. Feng and Mr. Zhou are each deemed to be interested in a total of 98,642,454 of Shares, representing 43.37% of our total issued share capital as of the Latest Practicable Date (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes).

Save as disclosed in this Prospectus, as of the Latest Practicable Date, none of the Directors or Supervisors or their respective spouses and children under 18 years of age had been granted by our Company or had exercised any rights to subscribe for shares or debentures of our Company or any of our associated corporations.

B. Disclosure of Interests of Substantial Shareholders

For information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see the section headed "Substantial Shareholders" in this Prospectus.

Interests of substantial shareholders in members of our Group (excluding our Company)

Our subsidiaries	Authorized share capital/ Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
Beijing Shikang Qianyan Technology Co., Ltd. (北京視康前沿技術有限公司)	RMB1,000,000	Yao Nin (姚寧)	35
Qichen (Suzhou) Biological Science and Technology Co., Ltd. (蘇州啟辰生物科技有限公司)	RMB10,000,000	Huang Wenjuan (黃雯涓)	45

C. Disclaimers

Save as disclosed in this Prospectus:

(a) none of our Directors, Supervisors or experts (as named under "E. Qualification of Experts" in this Appendix) has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this Prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group taken as a whole; and

(c) without taking into account any Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at shareholders' meetings of any member of our Group in the Shares or underlying Shares of our Company.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

B. Sole Sponsor

CLSA Capital Markets Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letter entered into between our Company and the Sole Sponsor, we have agreed to pay the Sole Sponsor a fee of US$500,000 to act as the sponsor of our Company in connection with the proposed listing on the Stock Exchange.

C. Preliminary Expenses

We have not incurred any material preliminary expense.

D. Promoters

Information of our promoters as of the time of our Company's conversion into a joint stock company in December 2012 is as follows:

No.	Name
1. . .	Ms. Feng
2. . .	Mr. Zhou
3. . .	Mr. Gu Zhenqi (顧振其)
4. . .	Ms. Gu Meifang (顧美芳)
5. . .	Mr. Zuo Conglin (左從林)
6. . .	Mr. Li Chengyu (李成玉)
7. . .	Suzhou Xiangtang Venture Capital Co., Ltd. (蘇州香塘創業投資有限責任公司)
8. . .	Kunshan Hengding Foundation Equity Investment Partnership LP (昆山恒鼎基業股權投資合夥企業(有限合夥))
9. . .	Ms. Sun Yunxia (孫雲霞)
10. .	Jiangsu Jinmao Low Carbon Industry Venture Capital Co., Ltd. (江蘇金茂低碳產業創業投資有限公司)
11. .	Mr. Feng Qiuling (馮邱淩)
12. .	Mr. Sun Huiye (孫輝業)
13. .	Ms. Liu Xiuwen (劉秀文)
14. .	Mr. Cai Yuchun (蔡玉春)
15. .	Mr. Gu Jingliang (顧靜良)
16. .	Mr. He Yanan (何亞男)
17. .	Ms. Ma Jingling (馬金玲)

No.	Name
18.	Ms. Yin Lili (尹麗莉)
19.	Ms. Du Jie (杜傑)
20.	Mr. Yu Chunrong (于春榮)
21.	Mr. Zhang Sucai (張素才)
22.	Mr. Li Hongzhen (李洪貞)
23.	Ms. Li Yuejuan (李月娟)
24.	Mr. Song Shaowei (宋紹偉)
25.	Mr. Zhang Haifei (張海飛)
26.	Mr. Yang Xiaodong (楊曉東)
27.	Mr. Zhang Yanlin (張延林)
28.	Mr. Zhang Qingzhi (張青枝)
29.	Ms. Ma Xianmei (馬憲梅)
30.	Mr. Wang Hui (王輝)
31.	Ms. Li Ye (李葉)
32.	Mr. Wang Xiaofan (王曉凡)
33.	Mr. Deng Le (鄧樂)
34.	Ms. Peng Xia (彭霞)
35.	Mr. Xu Jie (徐潔)
36.	Mr. Zhang Shaojie (張少傑)
37.	Mr. Song Liangwen (宋良文)
38.	Ms. Fan Yong (樊勇)

Save as disclosed in this Prospectus, within the three years immediately preceding the date of this Prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this Prospectus.

E. Qualification of Experts

The qualifications of the experts, as defined under the Hong Kong Listing Rules, who have given opinions in this Prospectus, are as follows:

Name	Qualification
CLSA Capital Markets Limited . . .	Licensed to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) of regulated activities under the SFO
KPMG	Certified Public Accountants, Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Tian Yuan Law Firm	PRC legal advisors

Name	Qualification
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Biological assets appraiser
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

F. Consents of Experts

Each of the experts named in paragraph E above has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

As of the Latest Practicable Date, none of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

G. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate charged on each of the seller and purchaser is HK$1.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

H. Binding Effect

This Prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

I. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this Prospectus as mentioned in "Appendix I — Accountants' Report — 36. Related Party Transactions and Balances."

J. Miscellaneous

Save as disclosed in this Prospectus:

(a) within the three 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, or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Company or any of our subsidiaries; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company;

(b) there are no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Prospectus;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) save for our A Shares which are listed on the Shanghai Stock Exchange and the H Shares to be issued in connection with the Global Offering, none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(g) we are a foreign investment joint stock limited company and are subject to the Foreign Investment Law of the People's Republic of China; and

(h) all necessary arrangements have been made to enable the H shares to be admitted into CCASS for clearing and settlement.

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 (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the **GREEN** Application Form;

(b) a copy of each of the material contracts referred to in the section headed "2. Further Information About Our Business — A. Summary of Our Material Contracts" in Appendix V to this Prospectus; and

(c) the written consents referred to in the section headed "5. Other Information — F. Consents of Experts" in Appendix V to this Prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Davis Polk & Wardwell at 18/F, The Hong Kong Club Building, 3A Chater Road, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

(a) the Articles of Association;

(b) the Accountants' Report from KPMG, the text of which is set out in Appendix I to this Prospectus;

(c) the audited consolidated financial statements of our Group for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020;

(d) the letters relating to the profit estimate received from KPMG and the Sole Sponsor, the text of which are set out in Appendix IIB to this Prospectus;

(e) the report from KPMG relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix IIA to this Prospectus;

(f) the material contracts referred to in the section headed "2. Further Information About Our Business — A. Summary of Our Material Contracts" in Appendix V to this Prospectus;

(g) the written consents referred to in the section headed "5. Other Information — F. Consents of Experts" in Appendix V to this Prospectus;

(h) the service contracts referred to in the section headed "3. Further Information About Our Directors and Supervisors — A. Particulars of Directors' and Supervisors' Contracts" in Appendix V to this Prospectus;

(i) the legal opinions issued by Tian Yuan Law Firm, our legal advisors as to PRC law in respect of certain general corporate matters and property interests of our Group;

(j) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed "Industry Overview" in this Prospectus;

(k) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations;

(l) the Shanghai Stock Exchange Listing Rules, together with an unofficial English translation;

(m) the terms of the Share Option and Restricted Share Award Schemes;

(n) the list of all the grantees under the Share Option and Restricted Share Award Schemes, containing all details as required under Rule 17.02(1)(b), 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; and

(o) the valuation report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, our biological assets appraiser.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