Post Hearing Information Pack of

WUXI BIOLOGICS (CAYMAN) INC.
藥明生物技術有限公司*

(Incorporated in the Cayman Islands with limited liability)

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

WUXI BIOLOGICS (CAYMAN) INC.
藥明生物技術有限公司*

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[REDACTED]

Total number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] (comprising [REDACTED] and [REDACTED] Shares, subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] (subject to adjustment)**
Number of [REDACTED]	**:**	**[REDACTED] (comprising [REDACTED] and [REDACTED], subject to adjustment and the [REDACTED])**
[REDACTED]	**:**	**HK$[REDACTED] per [REDACTED], 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 and subject to refund on final [REDACTED])**
Nominal value	**:**	**US$0.000025 per Share**
Stock code	**:**	**[REDACTED]**

[REDACTED] and Joint Sponsors

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

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EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

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CONTENTS

SUMMARY

This summary aims to give you an overview of the information contained in this document and should be read in conjunction with the full text of this document. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document, including our financial statements and the accompanying notes, before you decide to invest in the [REDACTED].

There are risks associated with any investment. Some of the particular risks of investing in the [REDACTED] are set forth in the section headed "Risk Factors". You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

Our mission is to transform and accelerate pharmaceutical discovery, development and manufacturing in the fast growing field of biologics to benefit patients worldwide.

We are a global leading biologics services provider that offers comprehensive, integrated and highly customizable services through our teams of scientists, proprietary technology platform and know-how, state-of-the-art laboratories, and cGMP-compliant manufacturing facilities to pharmaceutical and biotechnology companies. We are the only open-access biologics technology platform in the world offering end-to-end solutions, according to the Frost & Sullivan Report, empowering anyone to discover, develop and manufacture biologics from concept to commercial manufacturing. Our business model is built on a "follow-the-molecule" strategy: our customers' demand for our services typically increases as their biologics advance through the biologics development process and ultimately to commercial manufacturing. As a result, our revenue from each integrated project typically increases as the project advances. Our proprietary intellectual property and unique end-to-end services also allow us to share the upside of our customers' projects through milestone and royalty fees in certain projects.

We have strong technical capabilities and an open-access technology platform that allows our customers to initiate a project at any stage in the development process. We have assembled one of the largest biologics development teams in the global biologics industry, according to the Frost & Sullivan Report, with 732 scientists as of December 31, 2016. We also operate one of the world's largest cell culture development laboratories, according to the Frost & Sullivan Report, with over 260 bioreactors with individual capacity ranging from 1L to 200L. We are currently building the world's largest disposable bioreactor-based biologics commercial manufacturing facilities with a planned manufacturing capacity of 30,000L.

Headquartered in Wuxi, Jiangsu, China, we ranked first in China's biologics outsourcing services market and fifth in the global biologics outsourcing services market in terms of revenue in 2016, with a market share of 48.0% and 1.8%, respectively, according to the Frost & Sullivan Report. We attribute our success to our seasoned management team supported by a pool of talented scientists. We are led by our visionary founder, Dr. Li, and our CEO, Dr. Zhisheng Chen. Members of our senior management team have an average of 20 years' industry experience in their areas of expertise. We believe the strength of our management team together with our unique value proposition will continue to help us attract and retain talent from all over the world.

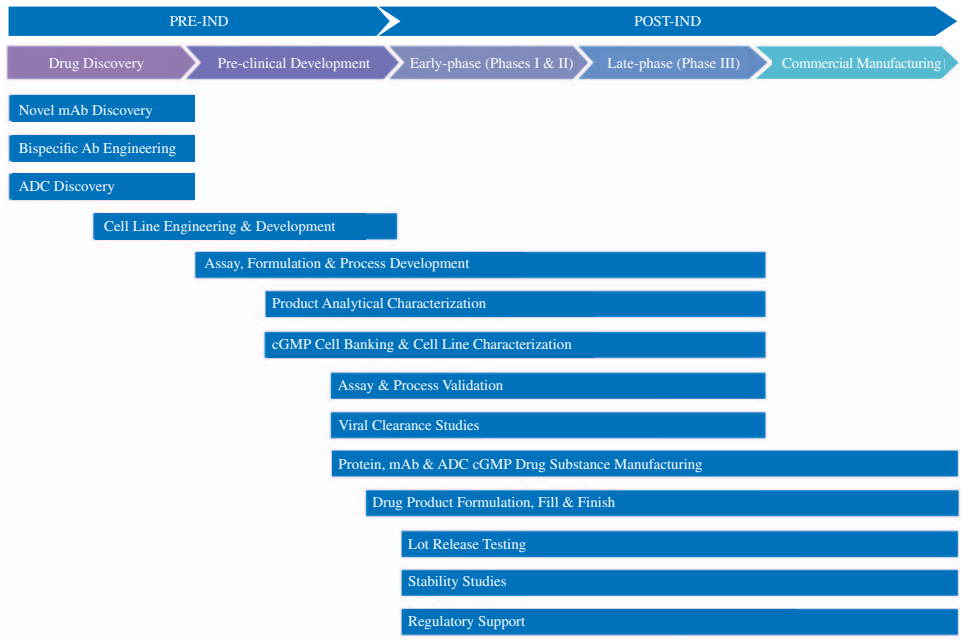
SUMMARY

We are proud of our WuXi PharmaTech heritage. Prior to the Reorganization, we were controlled by WuXi PharmaTech. We believe being affiliated with WuXi PharmaTech and its subsidiaries, a leading technology and capability platform group serving the global pharmaceutical, biopharmaceutical and medical device industry, has helped us gain the trust and confidence of new customers. For details of our history, see "History and Corporate Development".

OUR BUSINESS MODEL

We provide a comprehensive array of services for the drug discovery, development and manufacturing of biologics to our customers, which are primarily pharmaceutical and biotechnology companies. Biologics are a subset of pharmaceuticals and are revolutionizing the treatment of diseases in many major therapeutic areas globally, primarily benefiting from groundbreaking progress in genetics, molecular biology and biochemistry over the past three decades, according to the Frost & Sullivan report. The biologics development process typically spans five stages: (i) drug discovery, (ii) pre-clinical development, (iii) early-phase (phases I & II) clinical development, (iv) late-phase (phase III) clinical development, and (v) commercial manufacturing. Services required for the biologics development process can be grouped into two categories: (1) pre-IND services, which include services provided during the first two stages of the biologics development process, and (2) post-IND services, which include services provided during the remaining three stages of the biologics development process.

The following chart illustrates the main services that form our integrated biologics technology platform. See "Business — Our Services" for more details about our services.



SUMMARY

Our end-to-end service platform enables us to provide service offerings covering the entire biologics development process. It also enables us to provide customized solutions to our customers according to their respective service requirements at any stage of the biologics development process, empowering anyone to discover, develop and manufacture biologics from concept to commercial manufacturing. Our service platform is the foundation of our "follow-the-molecule" strategy, whereby our customers' demand for our services typically increases as their biologics advance through the biologics development process and ultimately to commercial manufacturing. As a result, our revenue from each integrated project also typically increases as the project advances. We believe our large pharmaceutical company customers turn to us to relieve constraints on their in-house research and development capabilities and capacity, to achieve more flexibility in managing their resources, to establish a smooth supply chain while maintaining high quality and to gain access to the fast-growing Chinese market. Under Chinese regulatory requirements, a biologic drug developed and manufactured outside of China cannot be introduced to the Chinese market unless it is registered as an imported drug or its development and manufacturing process is repeated in China, either of which can take six to eight years. Our small- to medium-sized biotechnology company customers, who often do not have sufficient in-house research, development and manufacturing capabilities, rely on our integrated platform and proprietary technologies to address their research, development and manufacturing needs and allow them to focus scarce resources on their core strengths.

As of the Latest Practicable Date, we had 334 on-going projects, 127 of which require us to provide services across different stages of the biologics development process, namely, integrated projects. The following table shows the status of our on-going projects as of the Latest Practicable Date:

Biologics development process	Number of on-going projects	Number of on-going integrated projects	Typical duration	Typical revenue
Pre-IND				
- Drug discovery	71	—	2 years	US$1.5-2.5 million
- Pre-clinical development	219	90	2 years	US$4-6 million
Post-IND				
- Early-phase (phases I & II) clinical development	38	33	3 years	US$4-6 million
- Late-phase (phase III) clinical development	5	3	3-5 years	US$20-50 million
- Commercial manufacturing	1	1	Annually	US$50-100 million annually when a biologic drug reaches peak sales after a ramp-up period, typically around five years
Total:	334	127		

The following table sets forth a breakdown of our revenue by pre-IND services and post-IND services during the Track Record Period:

	Year ended December 31,		
	2014	2015	2016
	(RMB million)		
Pre-IND services	277.5	334.7	681.3
Post-IND services	54.4	222.3	307.7
Total	331.9	557.0	989.0

Our default fee model is the fee-for-service, or FFS, model. Under the FFS model, we determine the fee level for each discovery, development or manufacturing step based on the scope of the services required for achieving such step, the estimated costs and expenses of the required services, the amount of time allocated for achieving such discovery, development or manufacturing step, the prices charged by our competitors for similar services, among others. Under the FFS service contracts, in addition to service fees, we sometimes are able to leverage our integrated biologics technology platform and proprietary technologies to receive additional fees in the form of milestone fee and royalty fee. The milestone fee structure allows us to receive, on top of the service fees, a milestone fee (typically ranging from RMB0.5 million to RMB50 million) for each preset milestone reached, which is typically a critical point in the biologics development process, such as the signing of the service contract, the completion of an important discovery, development or manufacturing step or the success of a regulatory filing. The royalty fee structure allows us to receive, on top of the service fees, typically up to 8% of the sales revenue (net of taxes) of the relevant biologics product for a period ranging between five years and 15 years, if such product is successfully commercialized. We had not generated any revenue from the royalty fee structure as of the Latest Practicable Date. Fees received from our service contracts and work orders under the FFS model contributed 97.2%, 95.4% and 96.4% of our revenue in the years ended December 31, 2014, 2015 and 2016, respectively.

We adopt the full-time-equivalent, or FTE, model where a customer requests us to assign a team of scientists to its project and strongly prefers the FTE model or where the work scope of a project makes it difficult for us to estimate the cost and adopt the FFS model. Under the FTE model, we designate employees to the customer's projects at a fixed rate per FTE employee per period of time. We determine the amount of service fees based on the number of scientists and the amount of time required for completing the project, among others.

See "Business — Our Business Model — Our Fee Model" for more details.

The following table sets forth a breakdown of our revenue by fee model during the Track Record Period:

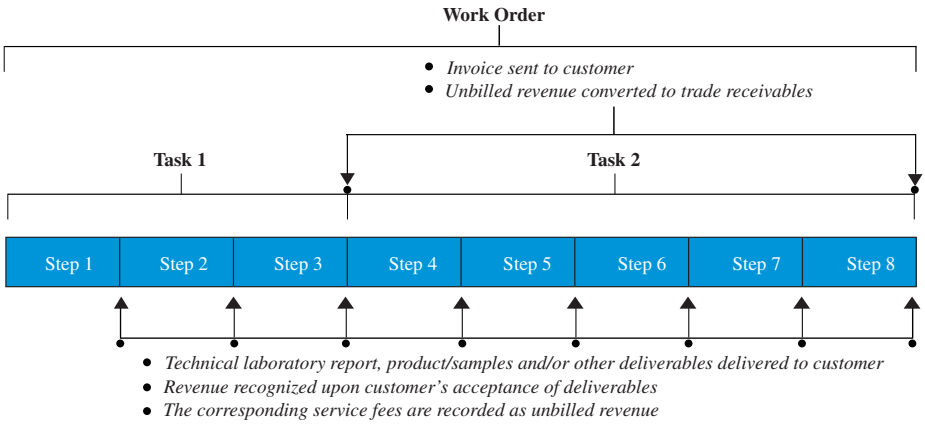
	Year ended December 31,		
	2014	2015	2016
	(RMB million)		
Fee-for-service	322.6	531.5	953.3
Full-time-equivalent	9.3	25.5	35.7
Total	331.9	557.0	989.0

Our Revenue Recognition Mechanism

We generally enter into long-term service agreements with our customers for our integrated services. Services for each project under a long-term service agreement are provided pursuant to a separate and distinct work order. A work order typically comprises a number of tasks, each in turn including several steps. According to our contractual arrangements with our customers, we typically bill our customers after we complete a task. A task is deemed to be completed after all the steps within such task are completed. Our customer contracts and work orders include specifications about the services to be rendered at each step and the deliverables that we should send to the customer upon completion of such step. Our project team also interacts with each customer's project-management team through daily emails, bi-weekly reports and regular conference calls to give the customer timely updates of the progress of its projects. We are typically required to deliver a technical laboratory report, product/samples and/or other deliverables and transfer the relevant data and rights to the customer after all the services have been rendered for a step. A particular step is deemed to be completed upon the customer's acceptance of the deliverables in relation to such step, which indicates that the customer is satisfied with the services provided by us at such step and would like us to proceed to the next step of the project. Revenue from the services rendered for a particular step is recognized only after we receive such acceptance from the customer. As a result, the corresponding service fee for each step is recorded as unbilled revenue upon the completion of such step until the entire task is completed, at which time we will bill the customer. Unbilled revenue is converted into a receivable at this time. Our revenue recognition mechanism is in line with the common industry practice, according to the Frost & Sullivan Report. Based on the foregoing, our Directors are of the view that the revenue attributable to a particular step is recognized fairly and reasonably and not prematurely.

A work order may also include a pre-set milestones. Milestone fee is recognized immediately upon the project reaching a pre-set milestone, which may or may not coincide with the completion of a specific step or task under the work order. In addition, we may be able to receive royalty fee on certain contracts. Under the royalty fee structure, we typically require the customer to make royalty payment quarterly after the successful commercialization of the relevant biologics. The customer is responsible for submitting a quarterly sales report to us and making royalty payment within 30 days after the end of each quarter. Royalty fee for each quarter is recognized by the end of such quarter. We had not generated any revenue from the royalty fee structure as of the Latest Practicable Date because none of our projects with the royalty fee structure had advanced to commercialization.

The following chart is an illustration of our typical revenue recognition mechanism under a work order.



OUR FACILITIES

As of the Latest Practicable Date, we had three operation sites in Wuxi, Shanghai and Suzhou, respectively, all conveniently located within driving distance from each other. Our world-class facilities in Wuxi and Shanghai are designed pursuant to global regulatory standards and in compliance with cGMP regulations, which enables us to simultaneously advance in parallel the development and registration of innovative biologics and biosimilars for both China and overseas markets. The following table sets forth a summary of our operation sites as of the Latest Practicable Date:

	Wuxi	Shanghai	Suzhou
Commencement of operation date	October 2012	October 2011	December 2014
GFA (sq.m.)	15,296	17,748	10,116
Key features	√ Capable of entire single-use disposable operation √ ISPE "Facility of the Year" Honorable Mention Award √ One of the world's first facilities using fully disposable bioreactors √ Have been cGMP compliant since 2012	√ One of the world's first facilities with an integrated platform spanning biologics drug discovery to late-phase (phase III) clinical development √ One of the world's largest biologics development laboratories	√ The first non-government affiliated biosafety testing facility in Asia

FUTURE EXPANSION

In 2016, most of the projects we worked on that used our clinical manufacturing facilities were at the early-phase (phases I & II) clinical development stage, where the quantity of biologics required to be manufactured in one batch varies widely depending on the status and progress of the customer's clinical trials. As such, for a project at the early-phase (phases I & II) clinical development stage, we may be asked to manufacture a batch of biologics whose volume is smaller than the capacity of a

particular bioreactor. Nevertheless, our bioreactor would be occupied by such project and cannot be used to simultaneously manufacture another biologic drug candidate. As a result, although "liter" is commonly used to measure the manufacturing capacity of a facility, "batch" is commonly used as industry practice to calculate the utilization rate of facilities used for early-phase (phases I & II) clinical development, according to the Frost & Sullivan Report. The utilization rate of our biologics clinical manufacturing facilities in 2016 was approximately 84%, calculated using the actual number of batches of biologics produced by the bioreactors for clinical manufacturing in 2016 (being approximately 24.9 batches) divided by the theoretical maximum number of batches that can be produced by those bioreactors assuming non-stop operations. Our existing clinical manufacturing facilities consist of two fed-batch bioreactors and one perfusion bioreactor, among other equipment. The standard turnaround time required for a fed-batch bioreactor and a perfusion bioreactor to manufacture one batch of biologics is 30 days and 70 days, respectively. Assuming 365-day non-stop operation, theoretically these bioreactors are able to manufacture approximately 29.55 batches of biologics per annum.

As part of our "follow-the-molecule" strategy and due to our positioning as an "end-to-end" services provider, we plan to expand our commercial and research manufacturing capacities. Due to regulatory requirements, lengthy and costly technology transfer processes and customers' need to ensure uninterrupted supply, once engaged, our customers generally engage our integrated services for the entire biologics development process and do not change to other services providers. In addition, our customers' demand for our services typically increases as their biologics advance through the biologics development process and ultimately to commercial manufacturing. Accordingly, we anticipate that our customers will increasingly turn to us for biologics clinical development and biologics commercial manufacturing services going forward as their projects in our pipeline progress.

We are currently working on one integrated project for which we are preparing for commercial manufacturing, and three integrated projects that are about to start late-phase (phase III) clinical development. Most of these projects have drug candidates that are similar to biologic drugs which are already approved for commercial manufacturing or pending such approval, and therefore have a higher chance of being successfully commercialized compared to novel biologics. We estimate that each of these projects will ramp up gradually in coming years and each alone will potentially take up 30,000L of commercial manufacturing capacity once it reaches peak sales. It typically takes around five years for a biologics drug to reach peak sales after it begins commercialization, according to the Frost & Sullivan Report. We also plan to negotiate new projects which are likely to lead to commercial manufacturing, and the availability of new commercial manufacturing facilities will help us obtain such projects. As a result, we are expanding our commercial manufacturing capacity by building new commercial drug substance cGMP manufacturing facilities at our Wuxi site. The new facilities, which will install the same type of bioreactors currently in use on our clinical manufacturing facilities, are expected to support protein and mAb cGMP drug substance manufacturing. Upon completion, our clinical and commercial manufacturing capacity in Wuxi will increase from the current 5,000L to 35,000L. As of the Latest Practicable Date, we had completed the construction of part of the new facilities at our Wuxi site, which are currently under pilot operation. We expect the new facilities in Wuxi to commence operation by the end of 2017. We will continue to assess our commercial manufacturing capacity from time to time based on the projects in our pipeline and the utilization rate of our commercial manufacturing facilities in operation. Should the need arise, we will plan and build additional commercial manufacturing facilities ahead of time, and we plan to fund such future expansion with banking facilities available to us and cash from our operations.

In addition, based on the current status of our ongoing integrated projects, we estimate that by the end of 2018, those projects' demand for clinical manufacturing will exceed three times of our current clinical manufacturing capacity, assuming all of those projects will progress as planned. We also expect to continue to take on new integrated projects, some of which may also progress to the early-phase (phases I & II) clinical development stage in the next two years. As a result, we are increasing our clinical manufacturing capacity by adding mammalian DS clinical manufacturing facilities with a planned capacity of 7,000L at our Shanghai site. We started construction in February 2017, and such new facilities are expected to commence operation in the second quarter of 2018.

Based on our estimate of the future demand for clinical and commercial manufacturing from our ongoing integrated projects as well as the new projects currently under negotiation, our Directors are of the view that there will be sufficient demand for our expanded capacity. After the new facilities in Wuxi and Shanghai are put into use, we estimate that the annual depreciation charge relating to these facilities would be approximately RMB59 million and RMB52 million, respectively.

We expect biologics commercial manufacturing to form a significant portion of our overall business going forward. Despite the fact that we use similar disposable bioreactors for both clinical and commercial manufacturing, we have limited experience in manufacturing biologic drugs at a commercial scale. During the Track Record Period, one of our integrated projects progressed through the late-phase (phase III) clinical development stage and we are currently preparing for commercial manufacturing on this project. As a result, we did not generate any revenue from commercial manufacturing during the Track Record Period. In addition, our expansion into biologics commercial manufacturing may adversely affect our gross profit margin, because biologics commercial manufacturing may have a lower profit margin than biologics discovery and development, and we may not be able to fully utilize the new commercial manufacturing facilities immediately or within a reasonable period of time after we commence operation. See "Business — Future Expansion" and "Risk Factors — Risks Relating to Our Business and Industry — Our business expansion in manufacturing may not be successful." for more details.

OUR STRENGTHS

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

- Fully integrated biologics discovery, development and manufacturing platform;
- World-class technical capabilities and capacity to serve customers globally;
- Industry leading, experienced and professional management team supported by a strong talent base;
- Proven track record with growing customer base; and
- A gateway for the booming China biologics market.

OUR STRATEGIES

We aim to leverage our end-to-end technology platform and to capitalize on the significant growth potential of the global biologics outsourcing services market to become the leading global biologics services provider. We plan to execute the following key strategies to achieve our goal:

- Expand commercial and research manufacturing capacities;
- Invest in cutting-edge technologies through both in-house research and development and potential acquisitions;
- Building upon strong customer relationships to secure new projects from existing customers;
- Leveraging our existing market position to expand our customer base;
- Continue to attract, train and retain quality talent to support our rapid growth; and
- Capitalize on our strategic China location to provide customers with a unique value proposition.

OUR CUSTOMERS

We have a diversified customer base. Most of our customers are pharmaceutical and biotechnology companies, including many renowned industry players, such as AstraZeneca UK, Ltd., Genentech, Inc., TESARO, Inc., Momenta Pharmaceuticals, Inc., Amicus Therapeutics Inc., Janssen Research & Development, LLC (a Johnson & Johnson company), TaiMed Biologics Inc., OPKO Biologics Ltd., CStone Pharmaceuticals, Harbin Gloria Pharmaceuticals Co., Ltd., Hualan Genetic Engineering Co., Ltd., Zhejiang Medicine Co., Ltd. and Chia Tai Tianqing Pharmaceutical Group Co., Ltd. As of the Latest Practicable Date, we had worked with 12 out of the 20 largest pharmaceutical companies in the world as measured by their respective pharmaceutical sales in 2016.

We enjoy a high level of customer loyalty and have developed solid working relationships with many customers. Revenue generated from our existing customers amounted to RMB228.6 million, RMB423.2 million and RMB690.0 million for the years ended December 31, 2014, 2015 and 2016, respectively, accounting for 68.9%, 76.0% and 69.8% of our total revenue in each year. Many of our customers return to us for additional projects, and our customer base grew both in number and in average revenue per customer during the Track Record Period. We provided services to 78, 124 and 163 customers in the years ended December 31, 2014, 2015 and 2016, respectively. The average revenue per customer generated from our ten largest customers increased significantly from RMB21.6 million for the year ended December 31, 2014 to RMB42.5 million for the year ended December 31, 2015, and to RMB65.6 million for the year ended December 31, 2016. Our five largest customers in the year ended December 31, 2016 had relationships with us ranging from one to four years. As of the Latest Practicable Date, we had a total backlog of US$383.4 million, which represents the total amount of service fee (excluding milestone and royalty fees) for services that we have contracted to perform but have not performed yet.

None of our Directors, their respective associates, or Shareholders who, to the knowledge of our Directors, own 5% or more of our issued share capital had any interest in any of our five largest customers during the Track Record Period, except for CStone Pharmaceuticals.

CStone Pharmaceuticals

CStone Pharmaceuticals is a virtual biotech company which was incorporated in December 2015. According to the Frost & Sullivan Report, CStone Pharmaceuticals received approximately US$150 million in its series A financing in 2016, which was one of the largest early-stage financings globally in the biotechnology sector in recent years. To the best knowledge of our Company, CStone Pharmaceuticals has a pipeline covering five therapeutic areas and is led by its chief executive officer, Dr. Frank Jiang, the former head of Asia-Pacific R&D at Sanofi S.A. (a renowned multinational pharmaceutical company).

As of the Latest Practicable Date, CStone Pharmaceuticals was held as to approximately 46.8% interest by WuXi Healthcare Ventures II, L.P. ("WuXi Ventures"), an investment fund, on a fully diluted basis. To the best knowledge of our Company, the shareholders of CStone Pharmaceuticals, including WuXi Ventures, are Independent Third Parties. WuXi AppTec indirectly held, through its wholly-owned subsidiary, WAHK, an approximately 17.3% limited partner interest in WuXi Ventures as of the Latest Practicable Date. To the best of our Company's knowledge, the rest of the limited partner interests were held by a number of institutional investors, which are Independent Third Parties. WuXi Ventures is managed by its sole general partner, WuXi Healthcare Management, LLC ("WuXi Ventures GP"), where Dr. Li and Mr. Edward Hu (our two non-executive Directors) each held 20% voting rights. The remaining 60% voting rights in WuXi Ventures GP were held by three individuals who are all Independent Third Parties each holding 20% voting rights. As a result, despite the aforesaid indirect interests held by Dr. Li and Mr. Edward Hu in CStone Pharmaceuticals, CStone Pharmaceuticals is not considered a connected person of our Company under the Listing Rules.

Our Directors confirm that the transactions between our Group and CStone Pharmaceuticals have been, and will continue to be, conducted on an arm's length basis and on normal commercial terms in the ordinary and usual course of the Group's business. Both Dr. Li and Mr. Edward Hu have both abstained, and will continue to abstain, from voting on any board resolutions of our Company related to the transactions between our Group and CStone Pharmaceuticals. See "Business — Customers" for more information about our contractual arrangements with CStone Pharmaceuticals.

OUR SUPPLIERS

Owing to our vast array of services, we procure a wide variety of raw materials, such as reagents and culture media, and equipment, such as bio-reactors and chromatograph columns. These raw materials and equipment are generally available from various suppliers in quantities adequate to meet our needs. Many of our suppliers offer both equipment needed for our integrated services and the corresponding raw materials. We primarily source our raw materials and equipment from a variety of suppliers that are located in China or have branches or subsidiaries in China. Each of our five largest suppliers in 2014, 2015 and 2016 is a multinational company with branches or subsidiaries in China. We have maintained stable relationships with many of our key suppliers. Each of our five largest

suppliers in the year ended December 31, 2016 had over five years of relationships with us. None of our Directors, their respective associates, or Shareholders who, to the knowledge of our Directors, own 5% or more of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period.

INTELLECTUAL PROPERTY PROTECTION

The protection of our customers' intellectual property is essential to our businesses. In addition to protecting our customers' intellectual property, our success also substantially depends on our ability to protect our own proprietary rights. Our customers generally retain ownership of all intellectual property associated with their projects, including the intellectual property that they provide to us and the intellectual property arising from the services we provide. Protecting the proprietary rights of our customers has been a top priority since our inception. We have adopted various measures and procedures regarding the protection of intellectual property. See "Business — Intellectual Property Protection" for more details.

COMPETITION

In 2016, the global biologics market size was US$220.8 billion, representing approximately 19.1% of the global pharmaceutical market, according to the Frost & Sullivan Report. The global biologics outsourcing services market has grown rapidly in recent years, reaching US$8.4 billion in terms of market size in 2016, and is expected to reach US$20.0 billion in 2021, representing a CAGR of 19.0% from 2016 to 2021, according to the Frost & Sullivan Report. We face competition from other biologics outsourcing services providers in the global biologics outsourcing services market. The global biologics outsourcing services market is highly fragmented with the top six players accounting for an aggregate of 27.7% market share in terms of revenue in 2016, according to the Frost & Sullivan Report. Except for the top two players, Lonza and Boehringer Ingelheim, which accounted for 11.4% and 8.0% market share in 2016, respectively, none of the other players had reached a 3% market share in 2016, according to the Frost & Sullivan Report. We are a leading player in the global biologics outsourcing services market, being the only open-access biologics technology platform in the world offering end-to-end solutions and ranking fifth in terms of revenue in 2016 with a market share of 1.8%, according to the Frost & Sullivan Report. We ranked first in China's biologics outsourcing services market in terms of revenue in 2016 with a market share of 48.0%, according to the Frost & Sullivan Report.

SUMMARY FINANCIAL INFORMATION

The following tables summarize our consolidated financial results during the Track Record Period and should be read in conjunction with the section headed "Financial Information" on pages 231 to 287 of this document and the accountants' report set out in Appendix I to this document, together with the respective accompanying notes.

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

	Year ended December 31,		
	2014	2015	2016
		(RMB'000)	
Revenue	331,850	557,042	989,029
Cost of services	(208,596)	(376,321)	(599,919)
Gross profit	123,254	180,721	389,110
Profit before tax	49,012	65,402	175,846
Income tax expense	(7,034)	(20,893)	(34,750)
Profit and total comprehensive income for the year	41,978	44,509	141,096

For the years ended December 31, 2014, 2015 and 2016, our revenue amounted to RMB331.9 million, RMB557.0 million and RMB989.0 million, respectively. The increase in our revenue during the Track Record Period was primarily attributable to (i) additional projects from existing and new customers headquartered in the U.S. and China, and (ii) an increase in the revenue generated from our on-going projects mainly because the relevant customers' demand for our services increased as their biologics advanced through the biologics development process.

We recorded net profit of RMB42.0 million, RMB44.5 million and RMB141.1 million and our net profit margin was 12.6%, 8.0%, and 14.3% for the years ended December 31, 2014, 2015 and 2016, respectively. The decrease in our net profit margin in 2015 was primarily attributable to an increase in our share-based compensation expense in relation to the WuXi PharmaTech Stock Units and WuXi PharmaTech Options held by our employees. See "Financial Information Factors Affecting Our Results of Operations and Financial Condition Privatization of WuXi PharmaTech and Reorganization WuXi PharmaTech Share-based Compensation" for more information. The increase in our gross profit margin in 2016 was primarily due to (i) the growth of our business, which enabled us to achieve greater economies of scale, (ii) an increase in the amount of integrated projects starting from the discovery stage that require us to utilize our own proprietary technologies, which enabled us to receive RMB115.5 million of milestone fees on top of service fees, and (iii) the appreciation of the U.S. dollar against the Renminbi.

Summary of Consolidated Statements of Financial Position

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	(RMB'000)			(Unaudited)
Current Assets	229,157	601,112	829,856	960,209
Current Liabilities	260,894	1,201,928	800,825	880,108
Net Current (Liabilities)/Assets	(31,737)	(600,816)	29,031	80,101

We recorded net current liabilities as of December 31, 2014 and 2015, respectively, primarily attributable to inter-company loans from WXAT Shanghai to fund the construction of the new facilities at our Wuxi site and payable to related parties in relation to the Reorganization. We had repaid all of the inter-company loans from WXAT Shanghai and a significant portion of the advances from related parties as of the Latest Practicable Date. We plan to settle the remaining advances from related parties and the inter-company loan from WuXi PharmaTech, which was granted to us in 2016, before the Listing. We estimate that we will settle in total approximately RMB315 million of such advances and inter-company loan using available banking facilities before the Listing. Taking into account the estimated [REDACTED] of the [REDACTED], cash flow generated from our operations and bank facilities available to us, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next twelve months from the date of this document.

Summary of Consolidated Statements of Cash Flows

	Year ended December 31,		
	2014	2015	2016
		(RMB'000)	
Net cash provided by operating activities	21,505	107,150	81,921
Net cash used in investing activities	(50,120)	(336,216)	(421,144)
Net cash provided by financing activities	30,436	377,400	332,763
Effects of exchange rate changes	(49)	3,947	17,333
Net increase in cash and cash equivalents	1,772	152,281	10,873
Cash and cash equivalents at beginning of year	4,176	5,948	158,229
Cash and cash equivalents at end of year	5,948	158,229	169,102

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,		
	2014	2015	2016
		(%)	
Profitability ratios			
Gross profit margin	37.1	32.4	39.3
Net profit margin	12.6	8.0	14.3
Return on equity[(1)]	12.5	17.2	67.8

	As of December 31,		
	2014	2015	2016
		(%)	
Liquidity ratio			
Current ratio[(2)]	87.8	50.0	103.6
Leverage ratio			
Gearing ratio[(3)]	13.3	203.9	272.1

Notes:

1. Return on equity is calculated using profit and total comprehensive income for the year attributable to equity shareholders of our Company divided by the average of the opening and closing balances of total equity in the relevant year and multiplied by 100%.
2. Current ratio is calculated using total current assets divided by total current liabilities and multiplied by 100%.
3. Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by total equity and multiplied by 100%.

Our return on equity increased from 17.2% for the year ended December 31, 2015 to 67.8% for the year ended December 31, 2016, primarily due to a significant increase in our profit and total comprehensive income from RMB44.5 million for the year ended December 31, 2015 to RMB141.1 million for the year ended December 31, 2016. Our return on equity increased from 12.5% for the year ended December 31, 2014 to 17.2% for the year ended December 31, 2015, primarily due to a decrease in total equity in 2015, which was mainly attributable to RMB205.3 million of deemed distribution to equity holders of our Company and RMB89.1 million of net distribution to WXAT Shanghai.

Our current ratio increased from 50.0% as of December 31, 2015 to 103.6% as of December 31, 2016, primarily attributable to significant decreases in trade and other payables and inter-company loans from WXAT Shanghai, and increase in trade and other receivables. Our current ratio decreased from 87.8% as of December 31, 2014 to 50.0% as of December 31, 2015, primarily because of increases in our trade and other payables and inter-company loans from WXAT Shanghai.

Our gearing ratio increased from 203.9% as of December 31, 2015 to 272.1% as of December 31, 2016, primarily attributable to an increase in our bank loans, partially offset by a decrease in interest-bearing inter-company loans from WXAT Shanghai. Our gearing ratio increased from 13.3% as of December 31, 2014 to 203.9% as of December 31, 2015, primarily due to an increase in inter-company loans from WXAT Shanghai due to our expansion of the Wuxi site and a decrease in total equity in 2015.

OUR SHAREHOLDERS

Immediately upon the completion of the [REDACTED] without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or the [REDACTED] Share Option, the Founding Individuals will collectively control approximately [REDACTED]% voting power at general meetings of our Company, which comprises [REDACTED]% voting power through Biologics Holdings by way of voting control by the Founding Individuals in Biologics Holdings and [REDACTED]% interest controlled by the Founding Individuals in our Company. Therefore, the Founding Individuals will continue to be our Controlling Shareholders after the Listing. Please refer to the section headed "Relationship with Our Controlling Shareholders" of this document for further details.

Biologics Holdings is owned by the Founding Individuals as to 20.83% representing 56.82% of the voting power at general meetings of Biologics Holdings and by other investors including Ally Bridge, Boyu Capital, Temasek Pavilion JVCo, Ping An, Hillhouse Capital, Yunfeng Capital, Sequoia Capital, Legend Capital, SPDB International, G&C IV Limited and Xiaozhong Investment as to [REDACTED]% representing 43.18% of the voting power at general meetings of Biologics Holdings. Please refer to "History and Corporate Development — Reorganization — Push-Down" for the voting arrangement in Biologics Holdings.

For details of the shareholding structure of the Company, please refer to the section headed "History and Corporate Development — Corporate Structure" of this document.

DELISTING OF WUXI PHARMATECH AND THE REORGANIZATION

On August 9, 2007, WuXi PharmaTech completed an initial public offering of ADSs on the NYSE, at the offer price of US$14.00 per ADS (i.e. one ADS represented eight shares), resulting in a market capitalization of approximately US$833.7 million. Subsequently, on December 10, 2015, WuXi PharmaTech, which then wholly owned our Company, was taken private by a consortium led by the Founding Individuals and included the Financial Investors. For the Delisting, the purchase price paid to the NYSE investors was US$5.75 per share or US$46.00 per ADS resulting in a market capitalization of approximately US$3,622.2 million. Such purchase price was determined with reference to (i) the market price of the ADSs of WuXi PharmaTech; (ii) trading multiples of similar companies; and (iii) financial terms of certain relevant business combinations and other transactions on the NYSE. The Delisting was financed by debt financing under the LBO Facility Agreement and the Management Facility Agreement as well as equity commitment of the consortium. Our Directors confirm that, to the best of their knowledge and belief, WuXi PharmaTech had been in compliance with all applicable U.S. securities laws and regulations as well as rules and regulations of the NYSE in all material respects, and had not been subject to any disciplinary action by the relevant regulators,

during the period when it was listed on the NYSE and up to the Delisting. Our biologics business was one of the five distinct business units of WuXi PharmaTech prior to the Delisting. For the purposes of the Listing and optimizing our corporate structure, our Group underwent the Reorganization. For details, please see the section headed "History and Corporate Development — Reorganization" of this document.

RECENT DEVELOPMENTS

We constantly evaluate our headcount and the capacity of our facilities and plan ahead based on the expected needs of our customers. As our customers' projects continue to advance, we believe that over the coming years, we are likely to fully utilize our new commercial manufacturing facilities currently under construction. In early 2017, we started preliminary discussions with a local government authority in Shanghai regarding potentially acquiring a land parcel in Shanghai for the purpose of constructing new biologics manufacturing facilities when the need arises. Based on the preliminary discussions, we expect to incur no more than RMB180 million for the land use rights and related costs and expenses. However, there is no guarantee we will be able to successfully acquire this land parcel and we do not expect to enter into any formal negotiation regarding the land acquisition before the Listing.

In order to settle our outstanding loans from related parties and payable to related parties in relation to the Reorganization, we entered into a one-year credit facility with HSBC on March 14, 2017. The credit facility is unsecured and not guaranteed and grants us a line of credit up to US$40 million, at an interest rate of LIBOR plus 1.0% per annum, subject to further agreements between us and HSBC upon drawdown. As of the Latest Practicable Date, we had not made any drawdown under this credit facility. We plan to draw down the funds before the Listing to settle our outstanding obligations to related parties.

In order to fund our future capital expenditure needs, for example, potential land acquisition as disclosed above and the improvement and maintenance of our existing facilities, we entered into another one-year credit facility with HSBC on March 14, 2017. The credit facility is unsecured and not guaranteed and grants us a line of credit up to US$40 million, at an interest rate of LIBOR plus 1.6% per annum, which will be stepped up by 0.25% per annum after six months from the first drawdown. As of the Latest Practicable Date, we had not made any drawdown under this credit facility. We plan to draw down the funds should any capital expenditure need arise in the future.

Our Directors confirm that, since December 31, 2016 and up to the date of this document, there had been no material adverse change in our business operation, results of operations and financial condition or trading conditions.

USE OF [REDACTED]

Assuming the [REDACTED] is not exercised and assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the proposed range of the [REDACTED] of HK$[REDACTED] to HK$[REDACTED] per [REDACTED]), we estimate that the net [REDACTED] of the [REDACTED] received by us, after deducting the estimated [REDACTED]

fees and commissions and expenses payable by us in connection with the [REDACTED], will be approximately HK$[REDACTED]. We currently intend to apply such net [REDACTED] for the following purposes. Please see the section headed "Future Plans and Use of [REDACTED]" on pages 287 to 288 of this document for details.

We will not receive any of the [REDACTED] from the sale of the [REDACTED] by the [REDACTED] in the [REDACTED].

Percentage and Amount of Net [REDACTED]	**Intended Application**
[REDACTED]	Approximately HK$[REDACTED] for our expansions, including (i) approximately HK$[REDACTED] and HK$[REDACTED] on the construction and equipment purchase for the new facilities at our Wuxi site, respectively, and (ii) approximately HK$[REDACTED] and HK$[REDACTED] on the construction and equipment purchase for the new facilities at our Shanghai site, respectively (see "Business — Future Expansion" for more details), and approximately HK$[REDACTED] for the improvement and maintenance of our existing facilities
[REDACTED]	Repayment of a portion of our outstanding bank facilities

DIVIDENDS

Our Company currently does not have any dividend policy. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law. 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 Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, 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.

LISTING EXPENSES

Our listing expenses mainly include [REDACTED] and commissions and professional fees paid to legal advisers and the Reporting Accountants for their services rendered in relation to the Listing and the [REDACTED]. The estimated total listing expenses (based on the mid-point of our indicative [REDACTED] for the [REDACTED] and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately RMB[REDACTED]. We incurred listing expenses of RMB[REDACTED] for the year ended December 31, 2016, which was recognized as other

expenses. We expect to further incur listing expenses of RMB[REDACTED] in connection with the [REDACTED], of which an estimated amount of RMB[REDACTED] is expected to be recognized as other expenses and the remaining amount of RMB[REDACTED] is expected to be recognized directly as a deduction from equity upon the Listing. Our Directors do not expect such expenses would have a material adverse impact on our results of operations for the year ending December 31, 2017.

[REDACTED] STATISTICS (1)

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]
Market capitalization of our Shares upon completion of the [REDACTED] (2)	HK$[REDACTED]	HK$[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible asset value per [REDACTED] (3)	HK$[REDACTED]	HK$[REDACTED]

(1) All statistics in this table are presented based on the assumption that options granted under the [REDACTED] Share Option Scheme and the [REDACTED] are not exercised.

(2) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue and outstanding following the completion of the [REDACTED].

(3) The unaudited [REDACTED] adjusted consolidated net tangible asset value per Share is calculated after the adjustments referred to in "Appendix II — Unaudited [REDACTED] Financial Information" to this document and on the basis of [REDACTED] Shares expected to be in issue and outstanding immediately following the completion of the [REDACTED].

SUMMARY OF MATERIAL RISK FACTORS

Our business faces risks including those set out in "Risk Factors" section on pages 34 to 66 of this document. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in the [REDACTED]. Some of the major risks that we face include:

- We are dependent on our customers' spending on and demand for outsourced biologics discovery, development and manufacturing. A reduction in spending or demand could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

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

- The loss of services of our senior management and key scientific personnel could severely disrupt our business and growth.

- Any failure to comply with existing regulations and industry standards or any adverse actions by the drug approval authority against us could negatively impact our reputation and our business, financial condition, results of operations, cash flows and prospects.

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

- We face increasing competition and our inability to compete effectively may result in downward pricing pressure or reduced demand for our services.

- Our business expansion in manufacturing may not be successful.

- We may not be successful in protecting our customers' or our own intellectual property.

- As our service contracts are typically contingent on successful completion of pre-set steps in the biologics development process, we may bear financial risk related to the success of our customer's project.

Unless the context otherwise requires, the following expressions have the following meanings in this document. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this document.

"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Ally Bridge"	ABG-WX (HK) Limited, a company engaged in investment incorporated under the laws of Hong Kong on September 4, 2015 with limited liability which is managed or advised by ABG Capital Partners II GP, L.P. and a shareholder of Life Science Holdings
	[REDACTED]
"Articles of Association" or "Articles"	our articles of association, which will become effective upon the [REDACTED], and as amended from time to time, a summary of which is contained in Appendix III to this document
"associate"	has the meaning ascribed to it under the Listing Rules
"AstraZeneca"	AstraZeneca, Inc., one of the largest pharmaceutical companies in the world in terms of revenue and headquartered in London and a shareholder of our connected person, WX MedImmune, and its subsidiaries
"AstraZeneca Option Facility"	one of our biologics manufacturing facilities on which we granted AstraZeneca an option to acquire
"Audit Committee"	the audit committee of the Board
"Biologics Business Unit"	a business unit previously within WXAT Shanghai and the predecessor of our Group before the Reorganization
"Biologics Holdings"	WuXi Biologics Holdings Limited, a company incorporated under the laws of the BVI on December 17, 2015 with limited liability and a Shareholder of the Company
"Biologics Investments"	WuXi Biologics Investments Limited (formerly known as Global Bond Investments Limited), a company incorporated under the laws of Hong Kong on November 18, 2010 with limited liability and a wholly-owned subsidiary of the Company

"Board of Directors" or "Board"	our board of Directors
"Boyu Capital"	Glorious Sunshine Limited, a company engaged in investment and incorporated under the laws of the Cayman Islands on March 3, 2015 with limited liability which is managed or advised by Boyu Capital General Partner, L.P., a shareholder of Life Science Holdings
"Business Day"	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	British Virgin Islands
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CFDA"	China Food and Drug Administration
"China" or "PRC"	the People's Republic of China, which for the purpose of this document and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Companies Law" or "Cayman Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"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", "WuXi Biologics", "Group", "our Group", "we" or "us"	WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司*), a company incorporated under the laws of Cayman Islands with limited liability on February 27, 2014 and except where the context indicated otherwise (i) our subsidiaries and (ii) with respect to the period before our Company became the holding company of our present subsidiaries, the business operated by our present subsidiaries or (as the case may be) their predecessors
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Dr. Li, Dr. Zhao, Mr. Xiaozhong Liu, Mr. Zhaohui Zhang, Biologics Holdings, G&C Limited, G&C I Limited, G&C III Limited, G&C V Limited, G&C VI Limited, G&C VII Limited, G&C IX Limited, G&C Partnership L.P., Group & Cloud Limited, i-growth Ltd, I-Invest World Ltd and New WuXi ESOP L.P.
"CSRC"	China Securities Regulatory Commission (中華人民共和國證券監督管理委員會)
"Delisting"	the delisting of WuXi PharmaTech from the NYSE
"Director(s)"	the director(s) of the Company or any one of them
"Dr. Li"	Dr. Ge Li, our chairman, non-executive Director, Controlling Shareholder and the spouse of Dr. Zhao
"Dr. Zhao"	Dr. Ning Zhao, the spouse of Dr. Li
"EMA"	refers to European Medicines Agency, a European Union agency for the evaluation of medicinal products
"EPO"	refers to Erythropoietin, a type of recombinant therapeutic protein that controls red blood cell production
"European Union" or "EU"	a politico-economic union of 28 member states that are located primarily in Europe
"FDA"	The Food and Drug Administration of the United States
"fee-for-service" or "FFS"	a payment model where services are unbundled and paid for separately
"Financial Investors"	Ally Bridge, Boyu Capital, Temasek Pavilion JVCo, Ping An, Hillhouse Capital, Yunfeng Capital, Sequoia Capital, Legend Capital and SPDB International

* for identification purpose only

"FIRDC"	foreign-invested research and development center
"Founding Individuals"	Dr. Li, Dr. Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent global market research and consulting company which was founded in 1961 and is based in the United States
"Frost & Sullivan Report"	a report prepared by Frost & Sullivan on the global and Chinese biologics and biologics services market, which was commissioned by the Company
"full-time-equivalent" or "FTE"	a payment model that indicates the workload of an employed person in a way that makes workloads or class loads comparable across various contexts
	[REDACTED]
"Hillhouse Capital"	Hillhouse Capital Fund II, L.P., an exempted limited partnership engaged in investment formed under the laws of the Cayman Islands on July 14, 2015 which is managed or advised by Hillhouse Fund Holdings GP, Ltd. and a shareholder of Life Science Holdings
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HK Biologics"	WuXi Biologics (Hong Kong) Limited, a company incorporated under the laws of Hong Kong on May 12, 2014 with limited liability and an indirect wholly-owned subsidiary of the Company
	[REDACTED]
"HKICS"	The Hong Kong Institute of Chartered Secretaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HNTE"	high and new technology enterprise
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
	[REDACTED]

[REDACTED]

"Hong Kong Share Registrar"	[REDACTED]

[REDACTED]

"HSBC"	The Hongkong and Shanghai Banking Corporation Limited
"ICSA"	The Institute of Chartered Secretaries and Administrators in the United Kingdom
"IFRS"	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
"Independent Third Party"	a party which is not connected (as defined in the Listing Rules) to our Company or our connected persons

[REDACTED]

[REDACTED]

"International Society for Pharmaceutical Engineering" or "ISPE"	a not-for-profit industry trade group for pharmaceutical science and manufacturing professionals headquartered in the United States

[REDACTED]

"Joint Sponsors"	Merrill Lynch Far East Limited, Morgan Stanley Asia Limited and China Merchants Securities (HK) Co., Limited
"Latest Practicable Date"	May 22, 2017, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document

"LBO Facility Agreement"	the US$800,000,000 Facility Agreement dated November 20, 2015 between, among others, WuXi Merger Limited as borrower, Shanghai Pudong Development Bank Co., Ltd. as facility agent and Ping An Bank Co., Ltd. as security agent, as revised and supplemented from time to time
"Legend Capital"	Constant Cypress Limited, a wholly owned company of Legend Capital Management Limited engaged in investment and incorporated under the laws of the British Virgin Islands on September 16, 2015, and a shareholder of Life Science Holdings
"LIBOR"	London Interbank Offered Rate
"Life Science Holdings"	New WuXi Life Science Holdings Limited, a company incorporated under the laws of Cayman Islands on July 2, 2015 with limited liability, which holds 100% issued share capital of Life Science Limited
"Life Science Limited"	New WuXi Life Science Limited, a company incorporated under the laws of the Cayman Islands on July 2, 2015 with limited liability, which holds 100% issued share capital of WuXi PharmaTech
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
	[REDACTED]
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"M&A Rules"	the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)
"Management Facility Agreement"	the US$300,000,000 Facility Agreement dated November 20, 2015 for Group & Cloud Limited arranged by Ping An Bank Co., Ltd. and Shanghai Pudong Development Bank Co., Ltd. as mandated lead arrangers with Shanghai Pudong Development Bank Co., Ltd. as facility agent and Ping An Bank Co., Ltd. as security agent, as revised and supplemented from time to time

"MedImmune/AstraZeneca"	the global biologics research and development arm of AstraZeneca, which is an indirect shareholder of our connected person, WX MedImmune
"Memorandum of Association" or "Memorandum"	our memorandum of association, which will become effective upon the [REDACTED], and as amended from time to time, a summary of which is contained in Appendix III to this document
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"NASDAQ"	the National Association of Securities Dealers Automated Quotations Stock Market
"Nextcode"	WuXi NextCode Genomics (Shanghai) Co., Ltd. (明碼(上海)生物科技有限公司), a company incorporated in the PRC on June 2, 2015, which is ultimately controlled by Dr. Li
"Nextcode Holdings"	WuXi NextCode Holdings Limited, a company incorporated under the laws of the BVI on December 17, 2015, which is ultimately controlled by Dr. Li
"NDRC"	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
	[REDACTED]
"NYSE"	the New York Stock Exchange

[REDACTED]

[REDACTED]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Ping An"	Pingan WX Pharm Limited, a company engaged in investment and incorporated under the laws of the Cayman Islands on October 28, 2015 with limited liability, an affiliate of Ping An Insurance (Group) Company of China Ltd., and a shareholder of Life Science Holdings
"PRC GAAP"	Chinese accounting standards issued by the Ministry of Finance of China
"[REDACTED] Share Option(s)"	the option(s) granted by the Company under the [REDACTED] Share Option Scheme
"[REDACTED] Share Option Scheme"	the [REDACTED] Share Option Scheme adopted by the Company with effect from January 5, 2016 and amended on August 10, 2016, the principal terms of which are summarized in "Appendix IV — Statutory and General Information — E. Other Information — [REDACTED] Share Option Scheme"

[REDACTED]

"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Regulation S"	Regulation S under the US Securities Act
"related parties"	has the meaning as set out in the paragraph headed "Related parties" under note 35 to the accountants' report set out in Appendix I to this document
"Reorganization"	the corporate reorganization of our Group conducted in preparation for the [REDACTED], details of which are described in the section headed "History and Corporate Development — Reorganization"

"RMB"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the US Securities Act
"SAFE"	the State Administration for Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SAIC"	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商總局)
	[REDACTED]
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
	[REDACTED]
"Sequoia Capital"	Sequoia Capital China GF Holdco III-A, Ltd., a company engaged in investment and incorporated under the laws of the Cayman Islands on January 13, 2014 with limited liability which is managed or advised by SC China Holding Limited, and a shareholder of Life Science Holdings
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of US$0.000025 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Shanghai Biologics"	WuXi Biologics (Shanghai) Co., Ltd. (上海藥明生物技術有限公司), a company incorporated in the PRC on January 6, 2015 and an indirect wholly-owned subsidiary of the Company

"Shanghai Biopharma"	WuXi Biopharmaceuticals (Shanghai) Co., Ltd. (上海藥明康德生物醫藥有限公司), a company incorporated on April 7, 2017 and an indirect wholly-owned subsidiary of the Company
"Suzhou Biologics"	WuXi AppTec (Suzhou) Testing Technology Co., Ltd. (蘇州藥明康德檢測檢驗有限責任公司), a company incorporated in the PRC on May 30, 2012 and an indirect wholly-owned subsidiary of the Company
"SPDB International"	SPDBI WX Limited, a wholly-owned company of Shanghai Pudong Development Bank engaged in investment and incorporated under the laws of the Cayman Islands on October 15, 2015 with limited liability, and a shareholder of Life Science Holdings
"Stabilizing Manager"	Morgan Stanley Asia Limited or any of its affiliates or any person acting for it
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed to it in the Listing Rules
"Substantial Shareholder"	has the meaning ascribed to it in the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Temasek Pavilion JVCo"	Summer Bloom Investments Pte. Ltd., a company engaged in investment incorporated under the laws of Singapore on September 28, 2015 with limited liability, jointly held by Temasek Life Sciences Private Limited, Palace Investments Pte. Ltd. and Pavilion Capital International Pte. Ltd., and a shareholder of Life Science Holdings
"Track Record Period"	the period comprising the three financial years of the Company ended December 31, 2014, 2015 and 2016
"UK Biologics"	WuXi Biologics UK Ltd, a company incorporated under the laws of the United Kingdom on December 2, 2016 with limited liability and an indirect wholly-owned subsidiary of the Company
	[REDACTED]
"United States" or "US"	the United States, as defined in Regulation S

"US Biologics"	WuXi Biologics USA, LLC, a company incorporated under the laws of Delaware, US on April 21, 2016 with limited liability and an indirect wholly-owned subsidiary of the Company
"US Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"WAHK"	WuXi AppTec (Hong Kong) Limited, a company incorporated under the laws of Hong Kong on March 26, 2012 with limited liability and a wholly-owned subsidiary of WuXi AppTec
"WASH BU Acquisition"	the transfer the Biologics Business Unit, including but not limited to its assets and liabilities, employees and contractual rights and obligations, by WXAT Shanghai to Shanghai Biologics at a price of RMB127 million, pursuant to an asset transfer agreement entered into by Shanghai Biologics and WXAT Shanghai on April 20, 2015. See "History and Corporate Development — Our Group — Shanghai Biologics."
"WuXi Biopharma"	WuXi AppTec Biopharmaceuticals Co., Ltd. (無錫藥明康德生物技術股份有限公司), a company incorporated in the PRC on May 25, 2010 and an indirect wholly-owned subsidiary of the Company
"WuXi PharmaTech"	WuXi PharmaTech (Cayman) Inc., a company incorporated under the laws of the Cayman Islands on March 16, 2007 with limited liability, which directly holds 79.17% issued share capital of Biologics Holdings. Its shares were listed on the NYSE (stock code: WX), and were delisted from the NYSE on December 10, 2015
"WuXi Enterprise"	WuXi Biologics Holdings Co., Ltd. (無錫藥明康德企業管理有限公司), a company incorporated in the PRC on August 14, 2014 and an indirect wholly-owned subsidiary of the Company

"WuXi Investment"	WuXi AppTec Investment & Development Co., Ltd. (無錫藥明康德投資發展有限公司), a company incorporated in the PRC on June 29, 2011 and a wholly-owned subsidiary of WXAT Shanghai
"WX MedImmune"	WuXi MedImmune Biopharmaceutical Co. Ltd (無錫藥明利康生物醫藥有限公司), a company incorporated in the PRC on September 5, 2013, which is a wholly owned subsidiary of WuXi MedImmune Biopharmaceutical Co. Limited, a joint venture established in HK and owned as to 50% by WAHK and 50% by MedImmune Limited, a subsidiary of MedImmune/AstraZeneca
"WuXi AppTec"	WuXi AppTec Co., Ltd. (無錫藥明康德新藥開發股份有限公司), a company incorporated in the PRC on December 1, 2000, in which the Founding Individuals and investors own 34.48% and 65.52% of its voting power, respectively
"WuXi AppTec Group"	WuXi AppTec and its subsidiaries
"WuXi Medi Biologics"	WuXi Medi Biologics, Inc. (無錫明德生物醫藥有限公司), a company incorporated in the PRC on September 26, 2016 and a wholly-owned subsidiary of our Company
"WuXi PharmaTech Share-based Compensation"	the share-based compensation in relation to the WuXi PharmaTech Stock Units and WuXi PharmaTech Options granted by WuXi PharmaTech to our employees before the Delisting
"WuXi PharmaTech Options"	the options to purchase the shares of WuXi PharmaTech granted by the compensation committee of WuXi PharmaTech
"WuXi PharmaTech Stock Units"	the restricted stock units of the shares of WuXi PharmaTech issued by WuXi PharmaTech
"WXAT BVI"	WuXi AppTec (BVI) Inc., a company incorporated under the laws of the BVI on June 3, 2004 with limited liability and a wholly-owned subsidiary of WuXi PharmaTech
"WXAT Shanghai"	WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司), a company incorporated in the PRC on April 2, 2002 and a wholly-owned subsidiary of WuXi AppTec
"Xiaozhong Investment"	Shanghai Xiaozhong Investment Center (Limited Partnership) (上海曉鐘投資中心(有限合夥)), a limited partnership established in the PRC on October 10, 2015 advised by Yinfu Capital and a shareholder of Life Science Holdings

"Yinfu Capital"	Yinfu Capital Management Co., Ltd., a company engaged in investment management incorporated under the laws of the PRC on February 11, 2014 with limited liability and the general partner of Xiaozhong Investment
"Yunfeng Capital"	Yunfeng II WX Limited, a company engaged in investment and incorporated under the laws of the BVI on September 16, 2015 with limited liability, which managed or advised by Yunfeng Capital Limited, and a shareholder of Life Science Holdings
"%"	per cent.

Unless otherwise specified, statements contained in this document assume no exercise of the [REDACTED].

All times refer to Hong Kong time.

If there is any inconsistency between the Chinese name of the PRC laws and regulations or PRC entities mentioned in this document and their English translation, the Chinese version shall prevail.

Unless otherwise specified, amounts denominated in RMB and US$ have been converted into Hong Kong dollars in this document for the purpose of illustration only and at the rates set forth below:

US$1.00 : HK$7.76

RMB0.896 : HK$1.00

US$1.00 : RMB6.95

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

Unless otherwise specified, references to years in this document are to calendar years.

Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purposes only.

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

Unless otherwise specified, discussions on and disclosure of financial data under the consolidated statements of comprehensive income are in relation to continuing operations.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains certain technical terms used in this document in connection with our Company. Such terms and their meanings may not correspond to standard industry definitions or usage.

"AKTA chromatography system"	a fast protein liquid chromatography system developed by GE Healthcare and is often used to analyze or purify mixtures of proteins
"allergenic"	substance which has the capacity to induce allergy
"antibody drug conjugates" or "ADCs"	an emerging class of highly potent biopharmaceutical drugs designed as a targeted therapy for the treatment of people with cancer
"antibody" or "Ab"	also known as an immunoglobulin, is 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
"ARX788"	an advanced ADC therapeutic candidate
"assay" or "bioassay"	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
"bioanalytical"	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
"biohazardous"	of or relating to the health risk posed by the possible release of a pathogen into the environment
"biologics"	a subset of pharmaceuticals that are composed of a mixture of sugars, proteins, nucleic acids or complex compositions and may be made from biological sources
"bioreactor"	a cultivation chamber optimized for cell cultivation in biologics pilot plant or manufacturing
"biosafety"	the prevention of large-scale loss of biological integrity, focusing both on ecology and human health
"biosimilar"	the generic version of a patented biologic drug

GLOSSARY OF TECHNICAL TERMS

"bispecific mAb"	artificial protein that is composed of fragments of two different monoclonal antibodies and consequently binds to two different types of antigen
"buffer solution"	an aqueous solution consisting of a mixture of a weak acid and its conjugate base, or vice versa
"cell banking"	the process of generating a large number of cells, dividing them into many small vials and store the vials in liquid nitrogen to preserve them for future manufacturing
"cell culture"	the process by which cells are grown under controlled conditions, generally outside of their natural environment
"cell line characterization"	the process of ensuring the cells to produce the biologic drug candidates as expected, are free of microbial or mycoplasma contamination, and are not contaminated by foreign viruses
"cell line"	a cell culture developed from a single cell and therefore consisting of cells with a uniform genetic makeup
"chemistry, manufacturing and controls" or "CMC"	an important and detailed section in a dossier to support clinical studies and marketing applications
"Chinese hamster ovary" or "CHO"	the ovary of the Chinese hamster, of which cell lines derived from it are often used in biological and medical research and commercially in the production of therapeutic proteins
"chromatography"	a method used by scientists for separating organic and inorganic compounds for analysis
"clinical trial"	an experiment done in clinical research
"conjugation"	the joining of two compounds
"cultural medium" or "medium"	a solid or liquid or semi-solid designed to support the growth of microorganisms or cells
"Current Good Manufacturing Practice regulations" or "cGMP"	regulations enforced by the FDA on pharmaceutical and biotech firms to ensure that the products produced meet specific requirements for identity, strength, quality and purity
"DNA"	a molecule that carries most of the genetic instructions used in the development, functioning and reproduction of all known living organisms and many viruses
"drug product formulation"	the process in which different chemical substances, including the active drug, are combined to produce a final medicinal product
"drug product" or "DP"	A dosage form that contains an active drug ingredient

GLOSSARY OF TECHNICAL TERMS

"drug substance" or "DS"	an active ingredient that is intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease or to affect the structure or any function of the human body, but does not include intermediates use in the synthesis of such ingredient
"fill and finish"	the last process in the production of pharmaceuticals that involves the filling of the bottle and any post-filling processes
"fusion protein"	proteins created through the joining of two or more genes that originally coded for separate proteins
"gene therapy"	an experimental technique that uses genes to treat or prevent disease
"Good Laboratory Practices" or "GLP"	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
"host cell"	a living cell invaded by or capable of being invaded by an agent
"HPLC"	refers to High Performance Liquid Chromatography, a form of column chromatography that pumps a sample mixture in a solvent at high pressure through a column with chromatographic packing material
"humanization"	the process of modifying non-human species whose protein sequences to increase their similarity to antibody variants produced naturally in humans
"immuno-oncology"	the study of utilizing one's own immune system to stop the growth of cancer cells
"Ibalizumab"	a humanized monoclonal antibody and a member of an emerging class of HIV therapies known as viral-entry inhibitors.
"in vitro"	Latin for "in glass"; studies in vitro are conducted using components of an organism that have been isolated from their usual biological surroundings, such as microorganisms, cells or biological molecules
"in vivo"	Latin for "within the living"; studies in vivo are those in which the effects of various biological entities are tested on whole, living organisms as opposed to a partial or dead organism, or those done in vitro ("within the glass"), i.e., in a laboratory environment using test tubes, petri dishes etc.

GLOSSARY OF TECHNICAL TERMS

"investigational new drug" or "IND"	an experimental drug for which a pharmaceutical company obtains permission to ship across jurisdictions (usually to clinical investigators) before a marketing application for the drug has been approved
"L"	refers to liter, a metric unit of capacity that equals to 1,000 cubic centimeters
"LabWare"	refers to LabWare, Inc., a company that develops and implements Laboratory Information Management Systems and Electronic Laboratory Notebooks headquartered in the United States
"lipids"	a group of naturally occurring molecules that include fats, waxes and fat-soluble vitamins
"lot release testing"	the process of evaluating each batch of a product before giving approval for its release onto the market
"macromolecules"	the large molecules necessary for life, include carbohydrates, lipids, nucleic acids and proteins
"mammalian drug substance"	an active ingredient made of mammalian cells or tissues that is intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease
"mammalian"	of or relating to mammals
"media"	substances, usually resin, that are used for affinity, ion exchange, size exclusion, and hydrophobic interaction chromatography
"molecule"	an electrically neutral group of two or more atoms held together by chemical bonds
"monoclonal antibody" or "mAb"	antibodies capable of binding to specific antigens and inducing immunological responses against the target antigens. Monoclonal antibodies when used as a cancer treatment have the ability to bind only to cancer cell-specific antigens and interrupt the growth of cancer cells to achieve efficient treatment with low dosages and less toxic side effects than traditional chemotherapy
"monovalent"	possesses affinity for one epitope, antigen, or strain of microorganism
"nucleic acids"	large biomolecules, essential for all known forms of life
"oncology"	the study and treatment of tumors

GLOSSARY OF TECHNICAL TERMS

"perfusion"	a method of drug manufacturing which media and other nutrients are continuously exchanged and product is harvested throughout the cell culture development period
"personalized biologic drug"	drug that tailors therapeutic intervention to the individual needs of the patients
"phage display"	a laboratory technique that uses viruses that infect bacteria to connect proteins with the genetic information that encodes them
"phage library"	a collection of human antibodies
"preclinical"	of or relating to a stage preceding a clinical stage
"process validation"	the analysis of data gathered throughout the design and manufacturing of a product in order to confirm that the process can reliably output products of a determined standard
"protein purification"	a series of processes intended to isolate one or a few proteins from a complex mixture, usually cells, tissues or whole organisms
"recombinant"	of or relating to the combination of genetic materials from more than one origin
"recombinant therapeutic proteins"	specifically engineered proteins, such as EPO and G-CSF, that are produced from recombinant DNA within living cells, typically bacteria or CHO cells
"reproducibility"	the ability of an entire experiment or study to be duplicated, either by the same researcher or by someone else working independently
"resin"	a substance that is used for affinity, ion exchange, size exclusion, and hydrophobic interaction chromatography
"ribosomal"	of or relating to ribosome
"ribosome"	a complex of over 50 proteins plus its own complement of RNA
"RNA"	refers to ribonucleic acid, an important molecule vital for living beings
"somatic cells"	any biological cell forming the body of an organism except germ cells, which are egg and sperm

GLOSSARY OF TECHNICAL TERMS

"stability studies"	studies on the capability of a drug in a specific container/closure system to remain within its physical, chemical, microbiological therapeutic and toxicological specification
"synthesis"	the production of chemical compounds by reaction from simpler materials
"therapeutic proteins"	proteins that are engineered in the laboratory for pharmaceutical use
"viral clearance studies"	the processes of removing or inactivating potential known and unknown contaminants

FORWARD-LOOKING STATEMENTS

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

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

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

- our business prospects;
- our business strategies and plans to achieve these strategies;
- future developments, trends and conditions in and competitive environment for the industries and markets in which we operate;
- general economic, political and business conditions in the PRC;
- our financial condition and performance;
- our capital expenditure plans;
- our dividend policy;
- changes to the regulatory environment, policies, operating conditions of and general outlook in the industries and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;

- the amount and nature of, and potential for, future development of our business;
- the actions of and developments affecting our competitors;
- the actions of and developments affecting our major customers and suppliers; and
- certain statement in the sections headed "Risk Factors", "Industry Overview", "Regulatory Overview", "Business", "Financial Information", "Relationship with Our Controlling Shareholders" and "Future Plans and Use of [REDACTED]" with respect to trends in interest rates, foreign exchange rates, prices, volumes, operations, margins, risk management and overall market trends.

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

Investing in the [REDACTED] involves a high degree of risk. You should carefully consider all of the information set out in this Document, including the risks and uncertainties described below in respect of, inter alia, our business and industry, when considering making an investment in the [REDACTED]. Our business, prospects, financial condition or results of operations could be materially and adversely affected by any of these risks. As a result, the trading price of the [REDACTED] could decline and you could lose all or part of your investment.

We believe that there are certain risks 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 [REDACTED].

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are dependent on our customers' spending on and demand for outsourced biologics discovery, development and manufacturing. A reduction in spending or demand could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

The success of our business depends primarily on the number and size of service contracts with our customers, primarily pharmaceutical and biotechnology companies. Over the past several years, we have benefitted from an increased demand for our services as a result of the continued growth of the global biologics market, increasing research and development budgets of our customers, and greater degree of outsourcing by our customers. A slowing or reversal of any of these trends could have a significant adverse effect on the demand for our services.

In addition to the forgoing industry trends, our customers' willingness and ability to utilize our services are also subject to, among other things, their own financial performance, changes in their available resources, their decisions to acquire in-house discovery, development or commercial manufacturing capacity, their spending priorities, their budgetary policies and practices, and their need to develop new biological products, which, in turn, is dependent upon a number of factors, including their competitors' discovery, development and commercial manufacturing initiatives, and the anticipated market update, clinical and reimbursement scenarios for specific products and therapeutic areas. In addition, consolidation in the industries in which our customers operate may have an impact on such spending as our customers integrate acquired operations, including research and development departments and their budgets. If our customers reduce their spending on our services as a result of any of these or other factors, our business, financial condition, results of operations, cash flows and prospects would be materially and adversely affected.

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

Our success depends on our team of scientists and other technical personnel and their ability to deliver high-quality and timely services to our customers and keep pace with cutting-edge technologies and developments in biologics. In particular, our customers value Western-trained scientists with experience at renowned pharmaceutical or biotechnology companies. As a result, such

scientists are well-sought after by our competitors and we may face challenges in attracting and retaining skilled scientists and other technical personnel. We compete vigorously with pharmaceutical and biotechnology companies, other biologics outsourcing services providers and research and academic institutions for qualified and experienced scientists and other technical personnel. We may not be able to hire and retain enough skilled and experienced scientists or other technical personnel at the current level of wages. To compete effectively, we may need to offer higher compensation and other benefits, which could materially and adversely affect our financial condition and results of operations. In addition, we may not be successful in training our professionals to keep pace with changes in customer needs and technological and regulatory standards. Any inability to attract, motivate, train or retain qualified scientists or other technical personnel may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

The loss of services of our senior management and key scientific personnel could severely disrupt our business and growth.

Our success significantly depends upon the continued service of our senior management and key scientific personnel. In particular, we are highly dependent on Dr. Li, our founder and Chairman, and Dr. Zhisheng Chen, our chief executive office, who manages our business, operations and sales and marketing activities and maintains personal and direct relationships with many of our key customers. The loss of any of our senior management and key scientific personnel, and in particular Dr. Li and Dr. Zhisheng Chen, could have a material adverse effect on our business and operations. If we lose the services of any senior management members or key scientific personnel, we may be unable to identify, hire and train suitable qualified replacements and may incur additional expenses and time to recruit and train new personnel, which could severely disrupt our business and growth. In addition, although each member of our senior management and key scientific personnel has signed a non-compete agreement with us, we may not be able to successfully enforce these provisions should any of them leave us, which could adversely affect our business operations.

Any failure to comply with existing regulations and industry standards or any adverse actions by the drug approval authorities against us could negatively impact our reputation and our business, financial condition, results of operations and prospects.

In many countries or regions where a biologics drug is intended to be ultimately sold, such as China, the United States, Europe and Japan, the relevant government agencies and industry regulatory bodies impose high standards on the efficacy of such drug, as well as strict rules, regulations and industry standards on how we and our customers develop and manufacture such drug. For example, we may need to obtain clearance from the U.S. Food and Drug Administration, or the FDA, or other regulatory authorities in the event that our customers' preclinical trials are filed as part of an Investigational New Drug application to seek authorization to begin clinical trials, or their clinical trials are filed as part of a New Drug Application, Biologic License Application or other filings to seek marketing approval. These regulatory authorities may conduct scheduled or unscheduled periodic inspections of our facilities to monitor our regulatory compliance. Although we passed all the inspections and obtained clearance in relation to biologics discovery, development and manufacturing from the regulatory authorities in all material respects during the Track Record Period, we cannot assure you that we will be able to do so going forward. Any failure to comply with existing regulations and industry standards, could result in fines or other punitive actions against us or our customers, the

termination of ongoing biologics projects by our customers and the disqualification of data for submission to regulatory authorities, each of which could have a material adverse impact on our reputation, business, financial condition, results of operations and prospects. In addition, any action against us for violation of the relevant regulations or industry standards, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business and adversely affect our reputation and financial results.

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

Pursuant to the relevant laws and regulations, we are required to obtain and maintain various approvals, licenses, permits and certificates from relevant authorities to operate our business. Any failure to obtain any approvals, licenses, permits and certificates necessary for our operations may result in enforcement actions thereunder, including orders issued by the relevant regulatory authorities causing operations to cease, and may include corrective measures requiring capital expenditure or remedial actions, which in the future could materially and adversely affect our business, financial condition and results of operations. There is also no assurance that the relevant authorities would not take any enforcement action against us. In the event that such enforcement action is taken, our business operations could be materially and adversely disrupted.

In addition, some of these approvals, permits, licenses and certificates are subject to periodic renewal and/or reassessment by the relevant authorities, and the standards of such renewal and/or reassessment may change from time to time. Although we are committed to apply for the renewal and/or reassessment of these approvals, permits, licenses and certificates when required by applicable laws and regulations, there can be no assurance that we will successfully procure such renewals and/or reassessment. Any failure by us to obtain the necessary renewals and/or reassessment and otherwise maintain all approvals, licenses, permits and certificates necessary to carry out our business at any time could severely disrupt our business and prevent us from continuing to carry out our business, which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, if the interpretation or implementation of existing laws and regulations changes or new regulations come into effect requiring us to obtain any additional approvals, permits, licenses or certificates that were previously not required to operate our existing businesses, we cannot assure you that we will successfully obtain such approvals, permits, licenses or certificates. Our failure to obtain the additional approvals, permits, licenses or certificates may restrict the conduct of our business, decrease our revenues and/or increase our costs, which could materially reduce our profitability and prospects.

We face increasing competition and our inability to compete effectively may result in downward pricing pressure or reduced demand for our services.

The global biologics outsourcing services market is highly competitive, and we expect this high level of competition to continue to increase. We face competition based on several factors, including quality of services, breadth of our integrated services, our capacity, our ability to protect intellectual property or other confidential information, timeliness of delivery of our services, maintenance of GLP and cGMP, depth of customer relationships, price and geography.

We expect to increasingly compete against other companies, both domestically and internationally, as we continue to invest in more complex and sophisticated discovery, development and commercial manufacturing capabilities and capacity. We also expect increased competition as additional companies enter our market and as more advanced technologies become available. We compete with other biologics outsourcing services providers and research and academic institutions, typically in specific service areas. We also compete with the in-house discovery, development and commercial manufacturing functions of pharmaceutical and biotechnology companies. Some of our competitors may have greater financial, research and other resources, greater pricing flexibility, more extensive technical capabilities, greater sales and marketing efforts, longer track record and greater name recognition. In addition, our competitors may improve the performance of their services, introduce new services at lower prices and with improved performance characteristics, or adapt more quickly to new or emerging technologies and changes in customer demand and requirements. Furthermore, increased competition could create pricing pressure on our services, which could reduce our revenue and profitability. There is no assurance that we will be able to compete effectively with existing competitors or new competitors or that the level of competition will not adversely affect our business, results of operations, financial condition and prospects.

Our business expansion in manufacturing may not be successful.

We are constructing new commercial manufacturing facilities at our Wuxi site with a planned capacity of 30,000L and new clinical manufacturing facilities at our Shanghai site with a planned capacity of 7,000L, in anticipation of growing customer demand for biologics commercial manufacturing and biologics clinical development. As of the Latest Practicable Date, we had completed the construction of part of the new facilities at our Wuxi site, which are currently under pilot operation. We expect the new facilities in Wuxi to commence operation by the end of 2017. We started the construction of the new facilities at our Shanghai site in February 2017, and such new facilities are expected to commence operation in the second quarter of 2018. For more information about our business expansion, see "Business — Future Expansion". In preparing the new facilities at our Wuxi site and Shanghai site for operation, we may experience unforeseen delays due to construction or regulatory issues, which could result in loss of business opportunities and could materially and adversely affect our business, financial condition, results of operations and prospects. Costs of construction could also exceed budget, divert resources from other productive uses and consume significant amounts of management time.

In addition, biologics commercial manufacturing is typically more capital intensive than biologics discovery and development, and we have limited experience in manufacturing biologic drugs at a commercial scale. We may be unable to obtain sufficient work orders to utilize effectively the new manufacturing facilities in the near term or at all. We may encounter various issues regarding biologics commercial manufacturing, such as low success rate of manufacturing products that meet regulatory requirements or our customers' quality standards at these new facilities. There is no assurance that we will be able to resolve such issues cost-effectively and in a timely manner. The success of our business expansion also depends on our customers' success in advancing drug candidates through development, regulatory approval and commercial manufacturing. Any delay in regulatory approvals, lower than anticipated treatment effectiveness, unexpected side effect, low success rate or lack of patient demand may have a material impact on our business. If our business expansion is not successful or sufficient or does not earn a satisfactory return on investment, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Furthermore, our plan to expand our manufacturing capacity may adversely affect our performance, in particular our gross profit margin and utilization rate. We expect biologics commercial manufacturing to form a significant portion of our overall business going forward. Biologics commercial manufacturing may have a lower profit margin than biologics discovery and development. In addition, given the size of our new facilities, we may not be able to fully utilize them immediately or within a reasonable period of time after we commence operation. We expect to experience a significant increase in our overhead cost after our new facilities are put into use, and such increase may outpace the increase in revenue resulting from the biologic projects conducted on the new facilities, driving down our gross profit margin. After the new facilities in Wuxi and Shanghai are put into use, we estimate that the annual depreciation charge relating to these facilities would be approximately RMB59 million and RMB52 million, respectively. As a result, even if our business expansion is successful, our profit margin may still face downward pressure going forward.

Our limited operating history may make it difficult to evaluate our business and future growth prospects.

We began our business in 2010 and have a limited operating history. In particular, we did not operate as a stand-alone group until after the WASH BU Acquisition. See "History and Corporate Development" for more details. Since our inception, we have been continuously expanding the breadth of our integrated services. Some of our key services, such as biologics testing, were introduced into our business operation during the Track Record Period. As such, our annual and semi-annual revenue and other operating results had fluctuated in the past and may continue to fluctuate depending upon a number of factors, many of which are beyond our control. Accordingly, our operating history, in particular period-to-period comparisons of our historical results of operations, may not be a reliable indicator of our future performance or serve as an adequate basis for evaluating our business prospects and financial performance. We may not be able to expand our business at a profit or at all, maintain our competitive position, satisfy our contractual obligations, or sustain growth and profitability. In addition, it is possible that our results of operations in some reporting periods will fall below market expectations.

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

We conduct our biologics discovery, development and manufacturing activities in our facilities located in Wuxi, Jiangsu Province, Shanghai and Suzhou, Jiangsu Province. We depend on these facilities for continued business operations. Natural disasters or other unanticipated catastrophic events that affect our facilities, including power interruptions, water shortages, storms, fires, earthquakes, terrorist attacks and wars, could significantly impair our ability to operate our business. Our facilities and certain equipment located in these facilities would be difficult to replace 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, results of operations and prospects.

We may not be successful in protecting our customers' or our own intellectual property.

Our success depends on the protection of our customers' and our own intellectual property. We rely on our own know-hows, trade secrets and other intellectual property to carry out our biologics

services. In addition, 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, including the intellectual property provided to us and the intellectual property arising from the services we provide, except for intellectual property created or developed in connection with the provision of our services that is derivative of our own intellectual property or that relates to manufacturing processes developed at our expense.

Despite the measures we take to protect our customers' or our own intellectual property, unauthorized parties may attempt to obtain and use them. Failure to protect our customers' intellectual property may subject us to liability for breach of contract, as well as significantly damage our reputation, which is fundamental to our business. Failure to protect our own intellectual property may severely disrupt our business operation and reduce or eliminate any competitive advantage we have developed. Either could materially harm our business, financial condition, results of operations and prospects, and any remediation may significantly divert management's attention and resources from other activities.

In conducting biologics discovery, development and manufacturing, we face potential liabilities, in particular, product liability risks.

In providing our services, we face a range of potential liabilities. We typically undertake to defend, indemnify and hold our customers harmless from and against any liabilities and damages (including reasonable attorneys' fees) resulting from any third party claims, demands, suits or proceedings to the extent arising out of or relating to our negligence, willful misconduct, unlawful activities or material breach of the long-term service agreement or project-based service contract or a work order under the long-term service agreement. In particular, we may face product liability risks if the biologics we help to discover, develop or manufacture are subject to product liability claims. Our liability is not always capped under our long-term service agreements or project-based service contracts. We provide services in the discovery, development and commercial manufacturing of biologics that are intended ultimately to be used in humans, either in clinical trials or as marketed products, although we do not commercially market or sell these products to end users. If any of these biologics 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 product liability and professional liability insurance, our insurance coverage may be inadequate or may become unavailable on terms acceptable to us.

As our service contracts are typically contingent on successful completion of pre-set steps in the biologics development process, we may bear financial risks related to the success of our customer's project.

We generate fee income primarily for the services provided. Under most of our project-based contracts or work orders, we recognize revenue upon completion of pre-set steps and delivery and acceptance of the study results and/or other deliverables. For more information, see "Business — Our Business Model — Our Fee Model". As a result, if we fail to deliver services in a timely manner in accordance with our contractual requirements, regulatory standards or ethical considerations, we could

be subject to significant costs or liability and our reputation could be harmed, which could have an adverse effect on our business, financial condition, results of operations, cash flows and prospects. Furthermore, if our customers' biologics 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.

In pricing our contracts, we take into consideration the market positioning of our services, prices of comparable services offered by our competitors, degree of saturation of the current market, market trends, complexities of the services required, costs and expenses of our services and the timeline of the contract. However, our evaluation of these factors may be inaccurate or incorrect. If we underprice our contracts or overrun cost estimates, we would incur losses from our contracts, and our business, financial condition, results of operations, cash flows and prospects would be adversely affected.

Our reputation is key to our business success. Negative publicity may adversely affect our reputation, business and growth prospect.

Any negative publicity concerning us, our affiliates or any entity that shares the "WuXi" name, even if untrue, could adversely affect our reputation and business prospects. We cannot assure you that negative publicities about us or any of our affiliates or any entity that shares the "WuXi" name would not damage our brand image or have a material adverse effect on our business, results of operations and financial condition. In addition, in light of our specialized customer base, customer referrals and word-of-mouth marketing have significantly contributed to our ability to acquire customers. As a result, any negative publicity about us or any of our affiliates or any entity that shares the "WuXi" name could adversely affect our ability to retain our existing customers or attract new customers.

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

We derived a substantial portion of our revenue from a relatively small number of customers during the Track Record Period and expect to continue to do so in the near future. For the years ended December 31, 2014, 2015 and 2016, our top five customers accounted for 44.1%, 57.5% and 54.1% of our revenue, respectively, and our largest customer accounted for 11.8%, 21.6% and 18.8% of our revenue, respectively. For more information about our key customers, see "Business — Customers". We cannot assure you that we will be able to maintain or strengthen our relationships with our key major customers, or that our key customers will continue to place large work orders with us. If there is any significant cutback in spending for our outsourcing services by our key customers due to industry consolidation, deterioration of their financial conditions, research and development budget cuts, pending regulatory approvals or other reasons and we are unable to obtain suitable work orders of a comparable size and terms in substitution, our business, financial condition and results of operations may be materially and adversely affected. In addition, any deterioration on our key customers' ability to settle their trade receivables in a timely manner will have a material adverse effect on our results of operations.

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

The global biologics outsourcing services market is constantly evolving, and we must keep pace with new technologies and methodologies to maintain our competitive position. For the years ended

December 31, 2014, 2015 and 2016, our research and development expenditure was RMB35.0 million, RMB39.7 million and RMB53.3 million, respectively. We must continue to invest significant amounts of human and capital resources to develop or acquire technologies that will allow us to enhance the scope and quality of our services. We intend to continue to enhance our technical capabilities, in particular mAb discovery, ADC manufacturing and continuous manufacturing technologies, which can be capital intensive and require significant time to be built. We cannot assure you that we will be able to develop, enhance or adapt to new technologies and methodologies. Any failure to do so may make our techniques and services obsolete, which could significantly reduce demand for our services and harm our business and prospects.

In addition, to develop and market our new technologies and methodologies successfully, we must accurately assess and meet customers' needs, make significant capital expenditures, optimize our biologics discovery, development and manufacturing process to predict and control costs, hire, train and retain the necessary 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 and effectively integrate customer feedback into our business planning. If we fail to create demand for our new technologies or methodologies, our future business, results of operations, financial condition and prospects could be materially and adversely affected.

If we fail to effectively manage our anticipated growth or execute on our growth strategies, our business, financial condition, results of operations and prospects could suffer.

Our growth strategies include expanding our facilities and our biologics discovery, development and manufacturing capacity to meet our customers' needs, broadening the breadth of our integrated services, increasing our penetration into European and Asian (ex-China) markets and pursuing strategic acquisitions. For more information, see "Business — Our Strategies". Pursuing our growth strategies has resulted in, and will continue to result in, substantial demands on capital and other resources. In addition, managing our growth and executing on our growth strategies will require, among other things, our ability to continue to innovate and develop advanced technology in the highly competitive global biologics outsourcing services market, effective coordination and integration of our facilities and teams across different sites, successful hiring and training of personnel, effective cost control, sufficient liquidity, effective and efficient financial and management control, increased marketing and customer support activities, effective quality control, and management of our suppliers to leverage our purchasing power. Any failure to execute on our growth strategies or realize our anticipated growth could adversely affect our business, financial condition, results of operations and prospects.

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

During the Track Record Period, we generated a majority of our revenue from customers headquartered in the United States or China. We intend to further diversify our customer geographic mix to increase revenue generated by European and Asia Pacific (ex-China) customers. Our senior management plans to visit potential customers in these regions to improve our brand recognition in these markets. In addition, we established our sales and marketing presence in the United Kingdom in 2016, and we plan to hire additional experienced sales and marketing staff dedicated to Europe and

Asia (ex-China) to support our marketing initiatives. The legal and regulatory frameworks, competitive landscapes and customer preferences of these foreign markets may be different from the U.S. and China markets. We have limited experience working with European and Asia Pacific (ex-China) customers, and we may encounter unforeseeable barriers and challenges in these foreign markets, which may result in a delay to or failure of our expansion plans. In addition, we may invest significant time and resources on promoting brand awareness and acquiring market shares in these foreign markets. We may not be able to manage our costs or generate sufficient revenue to justify the time and resources spent. If our geographic expansion is unsuccessful, our business operation and financial condition could be materially and adversely affected.

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

The biologics market is heavily regulated globally, including in the United States and China. Changes in government regulations or in practices relating to the pharmaceutical and biotechnology industries, such as a relaxation in regulatory requirements, or the introduction of simplified biologics approval procedures which will lower the entry barrier for potential competitors, or an increase in regulatory requirements which may increase the difficulty for us to satisfy such requirements or may make our services less competitive, could eliminate or substantially reduce the demand for our services. In particular, under current Chinese regulatory requirements, to introduce a biologics approved overseas to the China market, the biologics must either be registered as an imported drug or repeat in China the development process and be manufactured in China, both of which can take six to eight years. By engaging us, foreign pharmaceutical or biotechnology companies will be able to conduct parallel research and development of biologics in China for both China and overseas markets simultaneously, thereby substantially reducing the time and cost required to introduce biologics to the China market. If China ever streamlines, expedites or simplifies such regulatory procedures, foreign pharmaceutical or biotechnology companies' demand for our services may decrease, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

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

Our past and present business operations are subject to national and local laws and regulations of the PRC pertaining to protection of the environment and health and safety, including but not limited to the treatment and discharge of pollutants into the environment and the use of highly toxic and hazardous chemicals in our biologics discovery, development and manufacturing process. In addition, our construction projects can only be put into operation after the relevant administrative authorities in charge of environmental protection and health and safety have examined and approved the relevant facilities. For the years ended December 31, 2014, 2015 and 2016, our total cost of compliance with environmental protection and health and safety laws and regulations was approximately RMB1.0 million, RMB2.1 million and RMB3.5 million, respectively. 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 rectification orders, substantial fines, potentially significant monetary damages, suspend production or suspensions in our business operations. As a result, any failure by us to control the use or discharge of hazardous substances could have a material and adverse impact on our business, financial condition, results of operations and prospects.

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

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

During our business operations, a substantial amount of raw materials, such as reagents and culture media, are required. For the years ended December 31, 2014, 2015 and 2016, our cost of raw materials accounted for approximately 21.0%, 20.9% and 21.4%, respectively, of our revenue. In the event of significant price increases for raw materials, we cannot assure you that we will be able to raise the prices of our services sufficiently to cover the increased costs. As a result, any significant price increase for our raw materials may have an adverse effect on our profitability.

Although we believe that we have stable relationships with our existing suppliers, we cannot assure you that we will be able to secure a stable supply of raw materials going forward. Our suppliers may not be able to keep up with our fast growth or may reduce or cease their supply of raw materials to us at any time. In addition, we cannot assure you that our suppliers have obtained and will be able to renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations, and failure to do so by them may lead to interruption in their business operation, which in turn may result in shortage of raw materials supplied to us. Some of our suppliers are based overseas and therefore may need to maintain export or import licenses. If the supply of raw materials is interrupted, our business operation and financial position may be adversely affected.

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

Our inventories include raw materials and consumables used for our services, such as reagents and chromatograph columns. 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 increased from RMB33.6

million as of December 31, 2014 to RMB49.9 million as of December 31, 2015 and to RMB79.0 million as of December 31, 2016 primarily as a result of the growth of our business. As of April 30, 2017, approximately RMB32.4 million, or 41.1%, of our inventory as of December 31, 2016 had been subsequently consumed.

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.

A payment delay or failure by any of our large customers could significantly harm our cash flows and profitability.

We generally grant our customers credit terms of 30 to 60 days. As of December 31, 2014, 2015 and 2016, our trade receivables were RMB130.6 million, RMB190.3 million and RMB293.9 million, respectively. We took a provision for doubtful debts of RMB1.8 million, RMB0.6 million and RMB5.7 million in the years ended December 31, 2014, 2015 and 2016, respectively. If any of our large customers' cash flow, working capital, financial condition or results of operations deteriorate, it may be unable, or it may otherwise be unwilling, to pay trade receivables owed to us promptly or at all. 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.

We had net current liabilities as of December 31, 2014 and 2015, respectively.

As of December 31, 2014 and 2015, we had net current liabilities of RMB31.7 million and RMB600.8 million, respectively, primarily attributable to loans from a related party to fund our capital expenditures and payable to related parties in relation to the Reorganization. As of December 31, 2016 and April 30, 2017, we had net current assets of RMB29.0 million and RMB80.1 million, respectively. Historically, we financed our working capital primarily through cash generated from our operations, loans from related parties and advances from related parties. For additional information on our liquidity position, see "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position" and "Financial Information — Liquidity and Capital Resources".

We cannot assure you that we will be able to obtain adequate financing to meet our future working capital requirements, and we may have net current liabilities in the future. The inability to obtain additional financing on a timely basis, on acceptable terms or at all would materially and adversely affect our ability to satisfy our working capital requirements. In addition, we cannot assure you that we will be able to obtain additional working capital to execute our growth strategies or that our future expansion will not materially and adversely impact the current or future level of our working capital.

If we fail to comply with anti-bribery 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 laws of the jurisdictions in which we operate, particularly China. Many of our customers are subject to the Foreign Corrupt Practices Act, or FCPA, enacted in the United States. The FCPA generally prohibits a company from making improper payments, directly or indirectly, to foreign officials for the purpose of obtaining or retaining business. As a result, our service contracts often include anti-bribery provisions which require us to comply with the FCPA and other anti-bribery laws. As our business has expanded, the applicability of the FCPA and other anti-bribery laws to our operations has increased. Our procedures and controls to monitor anti-bribery 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 due to our own deliberate or inadvertent acts or those of others, our reputation could be harmed 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, results of operations and prospects.

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

Our long-term 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, see "Business — Customers". Therefore, cancellation or modification of a large work order or project-based service contract, or proximate cancellation or modification of multiple smaller work orders or project-based service contracts, could materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, some of our long-term service agreements and project-based service contracts contain exclusivity clause which prohibits us from working for other parties on biologics for which the customer's certain products are the reference brand products. Such restriction typically remains effective for a number of years after the relevant long-term service agreement or project-based service contract is completed, and in some cases is effective for an indefinite period. For some customers, the exclusivity clause covers a broad range of products. Complying with such exclusivity clause restricts our ability to obtain new projects and adversely affects the extent to which other customers or potential customers use our services, and failure to do so could significantly harm our business and reputation, as well as expose us to liability for breach of contract.

We have granted AstraZeneca an option to acquire the existing biologics manufacturing facilities at our Wuxi site.

In December 2015, we entered into a strategic alliance agreement with AstraZeneca, under which we granted AstraZeneca an option to acquire the AstraZeneca Option Facility. AstraZeneca has the right to exercise the option on or before June 30, 2020, or a later date that the parties may agree on. According to the strategic alliance agreement, should AstraZeneca choose to exercise the option, the transfer of the AstraZeneca Option Facility will take place after the fulfillment of certain specified conditions. We are required to remove all projects, save for those of AstraZeneca's, from the AstraZeneca Option Facility before the completion of the transfer, unless AstraZeneca agrees to share a portion of the AstraZeneca Option Facility with us after the transfer. The strategic alliance agreement also provides that if AstraZeneca exercises the option on or before June 30, 2018, we are required to complete the transfer of the AstraZeneca Option Facility no later than March 31, 2019. We will be subject to penalties if we are unable to complete the transfer timely. As of the Latest Practicable Date, AstraZeneca had not exercised this option. See "Business — Business Collaboration — Business Collaboration with AstraZeneca" for more details.

In the event that AstraZeneca exercises the option, we plan to move all ongoing projects carried out on the AstraZeneca Option Facility to our new facilities currently under construction in Wuxi or planned for future construction in Shanghai. See "Business — Future Expansion" for more details of our new facilities. However, we may not be able to complete such move before we are required to complete the transfer of the AstraZeneca Option Facility to AstraZeneca. In addition, we cannot assure you that our transfer of the ongoing projects from the AstraZeneca Option Facility to our new facilities would not interfere with such projects or the operation of our new facilities, or incur substantial costs on our part.

We may not be able to continue to serve our customers if we fail to meet our customers' standards in audits and inspections.

Our customers regularly audit and inspect our facilities, processes and practices to ensure that our services are meeting their standards in the biologics discovery, development and manufacturing process. However, we cannot assure you that we will be able to pass all the customer audits and inspections. Failure to pass any of these audits or inspections to our customers' satisfaction could significantly harm our reputation and result in the termination of ongoing biologics projects by our customers, which could materially and adversely affect our business, financial condition, results of operations and prospects.

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

Under most of our long-term service agreements and project-based service contracts, we have agreed to indemnify the customer for intellectual property infringement claims arising out of our infringement of a third party's intellectual property. Our liability is usually capped at the total payments we have received under the service contract or work order except for losses arising from

breach of confidentiality obligations or from our gross negligence or willful misconduct. As a result, if any aspect of a deliverable to a customer that we create infringes a third party's intellectual property rights due to our gross negligence, and particularly if such deliverable ultimately becomes a commercially successful product, we could be exposed to substantial liability. Any material intellectual property infringement claim, if raised against us, could have a material adverse impact on our reputation, business, financial condition and results of operations.

We may undertake acquisitions or joint ventures that may have a material adverse effect on our ability to manage our business and may not be successful.

To pursue our growth strategy, we may acquire new technologies, businesses or services or enter into strategic alliances with third parties. We may not be able to identify attractive targets, and we have limited experience in acquisitions. In addition, we may not be able to successfully acquire the targets identified despite spending significant amount of time and resources on pursuing such acquisition. Furthermore, integration of an acquired company, its intellectual property or technology into our own operations is a complex, time-consuming and expensive process. The successful integration of an acquisition may require, among other things, that we integrate and retain key management, sales and other personnel, integrate the acquired technologies or services into our integrated services from both an engineering and a sales and marketing perspective, integrate and support preexisting supplier, distribution and customer relationships, coordinate research and development efforts, and consolidate duplicate facilities and functions.

The geographic distance between companies, the complexity of the technologies and operations being integrated and the disparate corporate cultures being combined may increase the difficulties of integrating an acquired company or technology. In addition, it is common in our industry for competitors to attract customers and recruit key employees away from companies during the integration phase of an acquisition.

Our available cash and stock may be used for our future acquisitions, which will possibly result in significant acquisition-related charges to earnings and dilution to our shareholders. Future acquisitions will likely present challenges and could require that our management develop expertise in new areas, manage new business relationships and attract new types of customers. The diversion of our management's attention and any difficulties encountered in these acquisitions could have an adverse effect on our ability to effectively manage our own business. These acquisitions and equity investments may also expose us to other potential risks, including loss of the invested amounts, inability to earn an adequate return, unforeseen liabilities, diversion of resources from our existing businesses and potential harm to relationships with employees or customers.

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

Our operations require a sufficient number of qualified employees. In recent years, the average labor cost in the global biologics market has been steadily increasing as the competition for qualified employees has become more intense, according to the Frost & Sullivan Report. Our direct labor costs

accounted for approximately 18.3%, 24.9% and 21.7% of our revenue for the years ended December 31, 2014, 2015 and 2016, respectively. We cannot assure you that there will be no further increase in labor cost. If there is a significant increase in our labor cost, our operations and profitability may be adversely affected.

In addition, we adopted the [REDACTED] Share Option Scheme on January 5, 2016 for the primary purpose of providing incentives and reward to employees of the Group. Under the scheme, our Board of Directors has granted [REDACTED] Share Options to eligible employees to subscribe for Shares in the Company. See "Statutory and General Information — E. [REDACTED] Share Option Scheme" in Appendix IV to this document for more details. We will not grant any further option under the [REDACTED] Share Option Scheme after the Listing, but we may adopt other share-based compensation scheme in the future. For the year ended December 31, 2016, we incurred RMB38.3 million share-based compensation for stock options granted under our employee share option plan. Share options granted under our existing or future share-based compensation scheme could adversely affect our net income.

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

We maintain property insurance policies covering physical damage to, or loss of, our facilities and their improvements, equipment, office furniture and inventory. We hold employer's liability insurance generally covering death or work-related injury of our employees. We maintain product liability and professional errors and omissions insurance covering product liability claims arising from the use, consumption or operation of our biologics and claims arising from negligence in connection with our services to customers. We hold public liability insurance covering certain incidents involving third parties that occur on or in our premises. We also hold directors and officers liability insurance. We do not maintain key-man life insurance on any of our senior management or key personnel, or business interruption insurance. Our insurance coverage may be insufficient to cover any claim for product liability, damage to our facilities, plant and equipment or employee injuries. To our knowledge, insurance companies in China do not offer business liability insurance. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources.

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

We may become subject, from time to time, to legal proceedings and claims that arise in the ordinary course of business or pursuant to governmental or regulatory enforcement activity. For example, although the Delisting of WuXi PharmaTech was properly approved by the board of directors and the shareholders of WuXi PharmaTech, we cannot assure you that there will be no actual or threatened legal, arbitral or administrative proceedings against any of the Company and/or WuXi PharmaTech arising from or in connection with the Delisting. While we do not believe that the resolution of any lawsuits against us will, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations, litigation to which we subsequently become a party might result in substantial costs and divert management's attention and

resources. Furthermore, any litigations, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate and become important to us due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved.

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

Our backlog might not be indicative of our future revenue, and we might not realize all of the anticipated future revenue associated with our backlog.

Our backlog represents the total contract value of work that has been contracted for but remains to be completed as of a certain date (excluding milestone and royalty fees). The contract value of a project represents the total amount that we expect to receive under the terms of the contract assuming the contract is fully performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting policies and may not be indicative of our future operating results. Our methodology for determining backlog may not be comparable to the methodology used by other companies in determining their backlogs. As of the Latest Practicable Date, our backlog reached US$383.4 million, and out of such backlog, service fees of approximately US$172.4 million, US$136.5 million and US$74.6 million are expected to be generated in 2017, 2018 and afterwards, respectively. However, these figures are based on the assumption that the relevant contracts will be performed in full in accordance with their respective terms and expected timetables. The actual amount of service fees we expect to receive from such backlog in the relevant periods will be different from the estimated amount of revenue if there is any modification, termination or suspension of the relevant contracts by our customers or any delay in the timetable. We cannot guarantee that the revenue projected in our backlog will be realized or, if realized, will result in profits. Projects may remain in our backlog for an extended period of time beyond what was initially anticipated due to various factors beyond our control. In addition, project cancellations, suspensions or scope adjustments may occur from time to time, which could reduce the dollar amount of our backlog and the revenue and profits we ultimately earn from the contracts. As a result, you should not unduly rely on our backlog information presented in this document as an indicator of our future earnings performance or business prospects.

Restrictions on our operations contained in agreements relating to bank loans may limit how we conduct our business.

We have entered into two syndicated loan facilities to repay our loans from a related party and advances from related parties. The two loans are guaranteed by our Company. As of April 30, 2017, we had drawn down a total of RMB987.0 million under these two facilities. The related facility agreements include terms that may limit the manner in which our subsidiary that acts as the borrower

conducts its business, including terms prohibiting such subsidiary from incurring additional indebtedness, disposing its material assets and declaring dividends, among others. In addition, under these facility agreements, our Company, acting as the guarantor, is required to, among others, notify the lenders and make arrangement for substitute guarantee acceptable to the lenders upon the occurrence of certain events, including change of control, disposal of material assets and mergers and acquisitions. These covenants could limit our operational flexibility and could prevent us from taking advantage of business opportunities to build our business or compete effectively. A failure to comply with these covenants or other provisions in the facility agreements could result in a default, which, if not cured or waived, could result in such debt becoming immediately due and payable. Any default under either facility agreement could have a material adverse impact on our reputation, business, financial condition and results of operations.

Certain equity interests and assets of our Controlling Shareholders and shares in our Company are charged as security interests pursuant to two facility agreements. A default under such facility agreements could result in enforcement of the security interests, which could materially and adversely affect our Controlling Shareholders' ownership in our Group.

During the privatization, (i) a buyer group led by the Founding Individuals entered into the LBO Facility Agreement in the amount of US$800,000,000 with Ping An Bank Co., Ltd. and Shanghai Pudong Development Bank Co., Ltd. as lenders, to finance part of the total consideration of the merger during the privatization, and (ii) Group & Cloud Limited as borrower entered into the Management Facility Agreement in the amount of US$300,000,000 also with Ping An Bank Co., Ltd. and Shanghai Pudong Development Bank Co., Ltd. as lenders to finance its investment in Life Science Holdings. Certain equity interests and assets of our Controlling Shareholders are charged as security interest in favor of the lenders. See "History and Corporate Development — Prior Listing On NYSE and Delisting of WuXi PharmaTech — LBO Facility Agreement and Management Facility Agreement" for more details.

In addition, pursuant to the Management Facility Agreement and LBO Facility Agreement, Biologics Holdings should pledge up to all of its shares in our Company after the Listing. Such share charge will be carried out in accordance with the Listing Rules, including, without limitation to, Rule 10.07 in respect of restrictions on disposal of shares by controlling shareholders following a new listing.

If events of default under the relevant facility agreements occur, the lenders can enforce its rights against our Controlling Shareholders, including enforcing its rights against the pledged shares in our Company under the LBO Facility Agreement and the Management Facility Agreement. Events of default under the Management Facility Agreement and the LBO Facility Agreement both include, among others, non-repayment, misrepresentation and breach of certain covenants. In such event, we may no longer be affiliated with our Controlling Shareholders or other companies that share the "WuXi" name, which could adversely affect our reputation. In addition, if a change of control event occurs under the relevant facility agreements, the lenders will have the right to accelerate the prepayment of the debt under the relevant facility agreement. If agreement on alternative arrangement

cannot be made with the lenders, the debt under the relevant facility agreement will become immediately due and payable and may give the lenders right to exercise their rights under various security documents that could have a material adverse effect on our business, financial condition and results of operations.

We may need additional capital that we may be unable to obtain in a timely manner on acceptable terms.

In order to expand our capacity, develop new services and remain competitive, we may require additional capital. As of December 31, 2016, we had RMB501.2 million of capital commitments under non-cancellable contracts, which are primarily related to the expansion of our Wuxi site. We expect to satisfy such capital commitments using net [REDACTED] from the [REDACTED], 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 biologics related companies, and economic, political and other conditions in China, the United States and other countries. 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 pay dividends.

We depend on information technology and other infrastructure that face security, including cyber security, risks.

We rely on a variety of information technology and automated operating systems to manage or support our operations, including protecting our customers' intellectual property. 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 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 and 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 and adversely affect our business and operating results.

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 conduct substantially all of our business operations in China. Accordingly, our business, financial condition, results of operations, cash flows and prospects are affected to a significant degree by the economic, political and social conditions in China. The PRC 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. 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 PRC economy but may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by changes in tax regulations. These measures may cause decreased economic activity in China, which in turn could adversely affect our business, financial condition, results of operations, cash flows and prospects.

The discontinuation of any of the financial incentives currently available to us in China could adversely affect our financial position, results of operation, cash flows and prospects.

Since our inception, we have benefited from government grants and subsidies. For the years ended December 31, 2014, 2015 and 2016, we recorded under other income RMB12.7 million, RMB5.2 million and RMB7.0 million of government grants and subsidies, respectively. We also enjoyed preferential tax treatment during the Track Record Period. See "Financial Information — Description of Key Statement of Profit or Loss Items — Other Income" and "Financial Information — Description of Key Statement of Profit or Loss Items — Income Tax Expense — PRC Enterprise Income Tax" for more details. Our eligibility to receive these financial incentives requires that we continue to qualify for them. The incentives are subject to the discretion of the central government or relevant local government authorities, which could determine at any time to eliminate or reduce these financial incentives, generally with prospective effect. Since our receipt of the financial incentives is subject to periodic time lags and 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 financial incentives currently available to us could have a material adverse effect on our financial condition, results of operations, cash flows and prospects.

Fluctuations in exchange rates may result in foreign exchange losses and adversely impact our profitability.

We conduct a multinational business. Fluctuations in exchange rates between the Renminbi and the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. On August 11, 2015, the PRC government announced a change in how the PBOC fixes the Renminbi's daily reference rate around which the Renminbi trades against the U.S. dollar, which led to the devaluation of the Renminbi for three consecutive days. In December 2015, the People's Bank of China began publishing a trade-weighted exchange-rate index to encourage the market to assess the Renminbi's value against a basket of currencies, which was viewed by the market as an implicit agreement to gradually depreciate the Renminbi against the U.S. dollar. However, it remains unclear how this flexibility might be implemented. Further, there remains significant international pressure on the PRC government to adopt a substantial liberalization of its currency policy, which could result in a further and more significant appreciation in the value of Renminbi against the U.S. dollar.

Our foreign currency exposure is mainly with respect to U.S. dollars. During the Track Record Period, a majority of our revenue was generated from sales denominated in U.S. dollars. However, a majority of our cost of services and operating costs and expenses are denominated in Renminbi, and our financial information is presented in Renminbi. For example, during the year ended December 31, 2016, over 75% of our revenue was generated from sales denominated in U.S. dollars, while a majority of our cost of services and a vast majority of our operating costs and expenses were denominated in RMB. As a result, when the Renminbi appreciates against the U.S. dollar, our margins are pressured, 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. We recorded RMB58,000 of foreign exchange losses in 2014. See "Financial Information — Qualitative and Quantitative Disclosure about Market Risk — Currency Risk" for more information. At the moment, we do not use any derivative contracts to hedge against our exposure to currency risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited, and we may not be able to successfully hedge our exposure at all.

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

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have limited precedential value. In 1979, 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 three 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 activity in China.

Our business and operations are primarily conducted in China and are governed by PRC laws, rules and regulations. Our Chinese subsidiaries are 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 that is adverse to us, could materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

We are subject to PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past we had acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and had established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. Such adjustments or changes, together with any uncertainty resulting therefrom, could have an adverse effect on our business, financial condition and results of operations.

It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgments obtained from foreign courts.

Most of our operating subsidiaries are incorporated in China. Some of our management reside in China from time to time. Almost all of our assets and some of the assets of our management are located in China. Therefore, it may not be possible for investors to effect service of process upon us or our management inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a Chinese court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or management in China in order to seek recognition and enforcement of foreign judgments in China.

Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other western countries or Japan. Hence, the recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

Any failure by the Shareholders or beneficial owners of our Shares who are PRC residents to comply with certain PRC foreign exchange regulations relating to offshore investment activities by such PRC residents could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws.

The State Administration of Foreign Exchange, or the SAFE, has promulgated several regulations requiring PRC residents to register with PRC government authorities before engaging in direct or indirect offshore investment activities, including Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by domestic Residents in China via Special-Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, issued and effective on July 4, 2014. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. If a shareholder who is a PRC citizen or resident does not complete the registration with the local SAFE branches, the PRC subsidiaries of the special purpose vehicle may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the special purpose vehicle, and the special purpose vehicle may be restricted to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above may result in liabilities for the PRC subsidiaries of the special purpose vehicle under PRC laws for evasion of applicable foreign exchange restrictions, including (1) the requirement by the SAFE to return the foreign exchange remitted overseas within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive and (2) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Circular 13, which came into effect on June 1, 2015, pursuant to which, local banks shall review and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37, while the application for remedial registrations shall still be submitted to, reviewed and handled by the relevant local branches of SAFE.

There remains uncertainty as to the interpretation and implementation of the latest SAFE rules at practice level. Due to a lack of detailed implementation rules of the registration requirements and the foregoing uncertainty, as of the Latest Practicable Date, some individual shareholders of our Company, other than the Founding Individuals, who are PRC citizens and who collectively held less than 1% of shares of our Company, had not conducted their registration with the competent local branches of the SAFE. We are committed to complying with and to ensuring that our Shareholders who are subject to the regulations will comply with the relevant SAFE rules and regulations, however, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities,

such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be able to compel them to comply with Circular 37 or other related regulations. We cannot assure you that the SAFE or its local branches will not release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such shareholders to comply with Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

We face uncertainty relating to PRC laws and regulations relating to transfers by a non-resident enterprise of assets of a PRC resident enterprise.

On February 3, 2015, the PRC State Administration of Taxation issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or Circular 7, which supersedes certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on non-Resident Enterprises (《關於加強非居民企業股權轉讓企業所得稅管理的通知》), or Circular 698, which was previously issued by the State Administration of Taxation on December 10, 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provides comprehensive guidelines relating to, and heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise, or PRC Taxable Assets.

For example, Circular 7 specifies that when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company which directly or indirectly holds such PRC Taxable Assets, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose.

Except as provided in Circular 7, transfers of PRC Taxable Assets under the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to PRC enterprise income tax: (i) more than 75% of the value of the equity interest of the overseas enterprise is directly or indirectly attributable to the PRC Taxable Assets; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in China at any time during the year prior to the indirect transfer of PRC Taxable Assets, or more than 90% of the income of the overseas enterprise is directly or indirectly from China during the year prior to the indirect transfer of PRC Taxable Assets; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold PRC Taxable Assets and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organization forms, yet prove to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organization forms suggest; or (iv) the income tax from the indirect transfer of PRC Taxable Assets payable abroad is lower than the income tax in China that may be imposed on the direct transfer of such PRC Taxable Assets.

Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

Provisions of Circular 7, which impose PRC tax liabilities and reporting obligations, do not apply to "non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market", or the Public Market Safe Harbor, which is determined by whether the parties, number and price of the shares acquired and disposed are not previously agreed upon, but determined in accordance with general trading rules in the public securities markets, according to one implementing rule for Circular 698. In general, transfers of the Shares by Shareholders on the Stock Exchange or other public market would not be subject to the PRC tax liabilities and reporting obligations imposed under the Circular 7 if the transfers fall under the Public Market Safe Harbor. As stated in the section headed "Information about this Document and the [REDACTED]", potential investors should consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in the [REDACTED].

Failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Stock Option Rules, which replaced the earlier rules promulgated by the SAFE in March 2007. Under the Stock Option Rules, PRC residents who participate in stock incentive plans in an overseas publicly listed company are required, through a PRC agent or PRC subsidiary of such overseas publicly listed company, to register with the SAFE and complete certain other procedures. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

We and our PRC resident employees who have been granted stock options will be subject to the Stock Option Rules upon completion of this [REDACTED]. Failure of the PRC resident holders of our share options to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limited our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially adversely affect our business.

We rely principally on dividends and other distributions on equity paid by our operating subsidiaries to fund cash and financing requirements. Limitations on the ability of our operating subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company, and we rely principally on dividends and other distributions on equity paid by our subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. If any of our subsidiaries in China incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Furthermore, relevant PRC laws and regulations permit payments of dividends by the subsidiary only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC laws and regulations, each of our operating subsidiaries in China is required to set aside a portion of its net profit each year as statutory reserve. These reserves are not distributable as cash dividends. A wholly foreign-owned enterprise is required to set aside at least 10% of its after-tax profits of the preceding year as its reserve funds. It may stop contributing if the aggregate amount of the reserve funds has already accounted for more than 50% of its registered capital. Moreover, upon a board resolution, it may set aside certain amounts from its after-tax profits of the preceding year as bonus and welfare funds for staff and workers. A Sino-foreign equity joint-venture enterprise is required to set aside reserve funds, bonus and welfare funds for staff and workers and development funds, the percentage of which must be determined by the board of directors. As a result of these PRC laws and regulations, each of our PRC subsidiaries is restricted in its ability to transfer its net profit to us in the form of dividends. Limitations on the ability of our operating subsidiaries in China to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions, pay dividends or otherwise fund and conduct our business.

Under China's Enterprise Income Tax Law, we may be classified as a "resident enterprise" of China. This classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under China's Enterprise Income Tax Law, or the EIT Law, an enterprise established outside of China with "de facto management bodies" within China is considered a "resident enterprise", meaning that it can be treated in a manner similar to a Chinese enterprise for PRC enterprise income tax purposes. A tax circular issued by the PRC State Administration of Taxation on April 22, 2009, or Circular 82, regarding the standards used to classify resident enterprises clarified that dividends and other distributions paid by such resident enterprises will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when received or recognized by non-PRC resident enterprise shareholders. This circular also subjects such resident enterprises to various reporting requirements with the PRC tax authorities. 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, Circular 82 specifies that certain China-invested enterprises controlled by Chinese enterprises or Chinese group enterprises will be classified as resident enterprises if 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. On July 27, 2011, the PRC State Administration of Taxation issued Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or Bulletin 45, which became effective on September 1, 2011, to provide further guidance on the implementation of Circular 82. Bulletin 45 clarifies certain issues related to determining PRC resident enterprise status, including which competent tax authorities are responsible for determining offshore incorporated PRC resident enterprise status, as well as post-determination administration. Bulletin 45 specifies that when provided with a copy of a Chinese tax resident determination certificate issued by the competent tax authorities from an offshore incorporated PRC resident enterprise, the payer should not withhold 10% income tax when paying Chinese-sourced dividends, interest and royalties to the PRC resident enterprise. In 2014, the State Administration of Taxation, or SAT, released the Announcement of the SAT on Issues Concerning the Recognition of Chinese-Controlled Enterprises Incorporated Overseas as Resident Enterprises on the Basis of Their Actual Management Bodies, or Bulletin 9 and supplemented some provisions on the administrative procedures for the recognition of resident enterprise, while the standards used to classify resident enterprises in Circular 82 remain unchanged.

Currently, most of the members of our management team as well as the management team of some of our offshore holding companies are located in China. However, Circular 82 and Bulletin 45 only apply to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreign corporations like us. In the absence of detailed implementing regulations or other guidance determining that offshore companies controlled by PRC individuals or foreign corporations like us are PRC resident enterprises, we do not currently consider our Company or any of our overseas subsidiaries to be a PRC resident enterprise.

Despite the foregoing, the SAT may take the view that the determining criteria set forth in Circular 82 and Bulletin 45 reflect the general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. Additional implementing regulations or guidance may be issued determining that our Cayman Islands holding company is a "resident enterprise" for PRC enterprise income tax purposes. If the PRC tax authorities determine that our Cayman Islands holding company is a resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income, as well as to PRC enterprise income tax reporting obligations. Second, although under the EIT Law and its implementing rules and Bulletin 45 dividends paid by a PRC tax resident enterprise to an offshore incorporated PRC tax resident enterprise controlled by a PRC enterprise or enterprise group would qualify as tax-exempted income, we cannot assure that dividends paid by our PRC subsidiaries to us will not be subject to a 10% withholding tax, as the PRC foreign-exchange control authorities and tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that

are treated as resident enterprises for PRC enterprise income tax purposes but not controlled by a PRC enterprise or enterprise group like us. Finally, the EIT Law and its implementing rules issued by PRC tax authorities suggest that dividends paid by us to our non-PRC shareholders and, while less clear, capital gains recognized by them with respect to the sale of our stock may be subject to a withholding tax of 10% for non-PRC enterprise shareholders and potentially 20% for non-PRC individual shareholders. Similarly, these unfavorable consequences could apply to other offshore companies if they are classified as a PRC resident enterprise.

Government control of currency conversion of and regulations on loans to, and direct investment in, PRC entities by offshore holding companies may delay or prevent us from making loans or additional contributions to our PRC subsidiaries, which could restrict our ability to utilize the [REDACTED] from the [REDACTED] effectively and affect our ability to fund and expand our business.

The PRC government imposes controls on the convertibility of foreign currencies into Renminbi. Under China's existing foreign-exchange regulations, foreign-exchange transactions under capital accounts continue to be subject to significant foreign-exchange controls and require the registration with, and approval of, PRC governmental authorities. In particular, if one subsidiary receives foreign-currency loans from us or other foreign lenders, these loans must be registered with SAFE or its local counterparts. If we finance such subsidiary by means of additional capital contributions, these capital contributions must be approved by certain government authorities, including the Ministry of Commerce or its local counterparts.

In August 2008, SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》), or SAFE Circular No. 142, providing that the Renminbi capital converted from foreign-currency-registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC.

On March 30, 2015, SAFE released the Notice on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, which came into force and superseded SAFE Circular 142 from June 1, 2015. On June 9, 2016, SAFE further promulgated the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16. SAFE Circular 19 has made certain adjustments to some regulatory requirements on the settlement of foreign exchange capital of foreign-invested enterprises, and some foreign exchange restrictions under SAFE Circular 142 are expected to be lifted. Under SAFE Circular 19 and SAFE Circular 16, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, SAFE Circular 19 and SAFE Circular 16 also reiterate that the settlement of foreign exchange shall only be used for its own operation purposes within the business scope of the foreign invested enterprises and following the principles of authenticity. Considering that SAFE Circular 19 and SAFE Circular 16 are relatively new, it is unclear how they will be implemented, and there exists high uncertainties with respect to its interpretation and

implementation by authorities. For example, under SAFE Circular 19 and SAFE Circular 16, we may still not be allowed to convert foreign currency-registered capital of our PRC subsidiaries which are foreign-invested enterprises into RMB capital for securities investments or other finance and investment except for principal-guaranteed bank products. Further, SAFE Circular 19 and SAFE Circular 16 restrict a foreign-invested enterprise from using Renminbi converted from its registered capital to provide loans to a its non-affiliated company.

Violations of SAFE Circular 19 and SAFE Circular 16 could result in severe monetary or other penalties. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries and conversion of such loans or capital contributions into Renminbi. If we fail to complete such registrations or obtain such approvals, our ability to capitalize or otherwise fund our PRC operations may be negatively affected, which could adversely affect our ability to fund and expand our business.

Any requirement to obtain prior approval under the M&A Rules and/or any other regulations promulgated by relevant PRC regulatory agencies in the future could delay this [REDACTED] and failure to obtain any such approvals, if required, could have a material adverse effect on our business, operating results and reputation as well as the trading price of our Shares, and could also create uncertainties for this [REDACTED].

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-Owned Assets Supervision and Administration Commission, or the SASAC, the State Administration of Taxation, the State Administration for Industry and Commerce, or the SAIC, the CSRC and the SAFE, jointly adopted the M&A Rules, which came into effect on September 8, 2006, and was amended on June 22, 2009. The M&A Rules include, among other things, provisions that purport to require that an offshore special purpose vehicle formed for the purpose of an overseas listing of securities in a PRC company obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles.

While the application of the M&A Rules remains unclear, we believe, based on the advice of our PRC legal advisor, that prior approval from the CSRC is not required under the M&A Rules for our listing on the Stock Exchange because the four cross-border acquisitions conducted by us do not involve acquisitions by a special purpose vehicle as established or controlled by PRC residents as such term is defined under the M&A Rules. For details of these four cross-border acquisitions, please see the section headed "History and Corporate Development — PRC Legal Compliance" of this document. However, as advised by our PRC legal advisor, as there has been no official interpretation or clarification of the M&A Rules, there is uncertainty as to how this regulation will be interpreted or implemented.

If the CSRC or another PRC regulatory agency subsequently determines that prior CSRC approval was required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. In any such event, these regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the [REDACTED] from this [REDACTED] into the PRC or take other actions that could have a

material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our Shares. The CSRC or other PRC regulatory authorities may also take actions requiring us, or making it advisable for us, to halt this [REDACTED] before settlement and delivery of the [REDACTED] offered by this document. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that such settlement and delivery may not occur.

Any future outbreak of severe acute respiratory syndrome or avian flu in China, or similar adverse public health development, may severely disrupt our business and operations.

Our business is subject to the general economic and social conditions in China. The outbreak of any severe contagious disease, such as severe acute respiratory syndrome, or SARS, Ebola virus, the H1N1 influenza or other subtypes of avian flu, including H5N1 and most recently H7N9, could adversely affect the economy, infrastructure and livelihood of people in China. For instance, China experienced an outbreak of SARS in 2003 and several occurrences of avian flu in various regions since 2004. Recently, there was an outbreak of Ebola virus, the Middle East Respiratory Syndrome and Zika virus, which has not yet been fully contained.

The perception that an outbreak of contagious disease may occur again may also have an adverse effect on our future recruiting efforts. In addition, if any of our employees are affected by any severe communicable disease outbreak, we may be required to quarantine the employees who are suspected of becoming infected, as well as others who have come into contact with those employees to prevent the spread of the disease. We may also be required to disinfect our affected premises, which could cause a temporary suspension of our service capacity and thus adversely affect our operations. In such event, the disruption in our production process could affect our financial condition, operational results and future prospects.

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

During the Track Record Period, we generated a substantial portion of our revenue from companies headquartered in foreign countries and regions, in particular the United States, or joint ventures incorporated in China by such foreign companies. See "Financial Information — Description of Key Statement of Profit or Loss Items — Revenue" for more details. In addition, many of the biologics we work on target at foreign markets. Our business is therefore subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in those foreign countries and regions. As a result, China's political relationships with those foreign countries and regions may affect the demand for our services and our ability to serve foreign customers or joint venture customers set up by foreign companies. There can be no assurance that such customers will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the relevant foreign countries or regions. Any tensions and political concerns between China and the relevant foreign countries or regions may cause a decline in the demand for our services and adversely affect our business, financial condition, results of operations, cash flows and prospects.

RISKS RELATING TO THE [REDACTED]

No public market currently exists for our Shares and an active trading market for our Shares may not develop or be sustained.

No public market currently exists for our Shares. The initial [REDACTED] for our Shares to the public will be the result of negotiations between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]), and the [REDACTED] may differ significantly from the market price of the Shares following the [REDACTED]. We have applied to the Stock Exchange for the listing of, and permission to deal in, the [REDACTED]. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the market price of the Shares will not decline following the [REDACTED].

The price and trading volume of our [REDACTED] may be volatile, which could lead to substantial losses to investors.

The price and trading volume of our [REDACTED] may be subject to significant volatility in response to various factors beyond our control, including 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 [REDACTED] of other companies engaging in similar business may affect the price and trading volume of our [REDACTED]. In addition to market and industry factors, the price and trading volume of our [REDACTED] 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 Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

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

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] consolidated net tangible asset value to HK$[REDACTED] per [REDACTED], based on the mid-point of the [REDACTED] of HK$[REDACTED]. There can be no assurance that if we were to immediately liquidate after the [REDACTED], any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider offering and issuing additional [REDACTED] in the future. Purchasers of the [REDACTED] 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 our Shares in the public market by major Shareholders following the [REDACTED] could materially and adversely affect the price of our Shares.

Prior to the [REDACTED], there has not been a public market for our Shares. Future sales or perceived sales by our existing Shareholders of our Shares after the [REDACTED] could result in a significant decrease in the prevailing market price of our Shares. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the [REDACTED] due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price of our Shares and our ability to raise equity capital in the future.

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

Immediately upon the completion of the [REDACTED] without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options granted under the [REDACTED] Share Option Scheme, our Controlling Shareholders will collectively control approximately [REDACTED]% voting power at general meetings of our Company. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, 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. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, 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 Shares.

There will be a gap of several days between [REDACTED] and trading of our [REDACTED], and the price of our [REDACTED] when trading begins could be lower than the [REDACTED].

The initial price to the public of our Shares sold in the [REDACTED] is expected to be determined on the [REDACTED]. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be six Business Days after the [REDACTED]. As a result, investors may not be able to sell or otherwise deal in the [REDACTED] during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the [REDACTED] 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.

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Under PRC law and the constitutional documents of 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. As a result, our PRC operating subsidiaries may not be able to pay a dividend in a given year if they do not have distributable profits as determined under PRC GAAP even if they have profits as determined under IFRS. Accordingly, since our Company derives substantially all of our earnings and cash flows from dividends paid to us by our PRC operating subsidiaries in China, we may not have sufficient distributable profits to pay dividends to our Shareholders. A subsidiary of the Company distributed interim dividends of RMB18.1 million for the year ended December 31, 2015, to its then shareholders prior to the Reorganization. Other than the foregoing, no dividend has been paid or declared by other companies comprising our Group during the Track Record Period or the Company since its incorporation. See "Financial Information — Dividends" for further details of our dividend policy.

Our historical dividends may not be indicative of our future 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 depending on, among other considerations, our business and financial performance, cash requirements and availability, capital and regulatory requirements and general business conditions. 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 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 [REDACTED] from the [REDACTED], as Renminbi is the functional currency of 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 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.

We are a Cayman Islands company, and you may have different protection of your shareholder rights than you would have under Hong Kong law.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Cayman Companies Law and common law of the Cayman Islands. The rights of shareholders to take

legal action against our directors and us, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in Hong Kong and other jurisdictions. See "Summary of the Constitution of the Company and Cayman Companies Law" in Appendix III to this document for more information. As a result, our shareholders may encountered different issues in protecting their interests through actions against our management, directors or major shareholders compared to shareholders of a corporation incorporated in Hong Kong or other jurisdictions.

Facts, forecasts and statistics in this document relating to the PRC economy and healthcare industry may not be fully reliable.

Facts, forecasts and statistics in this document relating to the PRC, the PRC economy and healthcare industry in China 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 [REDACTED] nor our or their respective affiliates or advisers 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 document relating to the PRC economy and the healthcare industry in China 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 only rely on the information included in this document 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 Shares or the [REDACTED].

There had been, prior to the publication of this document, and there may be, subsequent to the date of this document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED]. We have not authorized the disclosure of any information concerning the [REDACTED] 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 document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their decisions on the basis of the information contained in this document only and should not rely on any other information.

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

In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. The business operations of the Group are located in China. Due to the business requirements of the Group, none of the executive Directors has been, is or will be based in Hong Kong. Our Company considers that it would be impracticable and commercially infeasible to appoint two Hong Kong residents as executive Directors or to relocate the existing executive Directors to Hong Kong considering that the operations of our Group are based outside of Hong Kong. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirement of Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will adopt the following measures:

(a) Our Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal communication channel with the Stock Exchange and will ensure that we comply with the Listing Rules at all times. These two authorized representatives appointed are Mr. Zhisheng Chen, the chief executive officer and executive Director of our Company and Ms. Cheng Pik Yuk, one of the joint company secretaries of our Company, respectively. Ms. Cheng Pik Yuk is ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, e-mail and fax. Each of the two authorized representatives has been duly authorized to communicate on our Company's behalf with the Stock Exchange. The Company will inform the Stock Exchange promptly in respect of any change in its authorized representatives.

(b) Both authorized representatives have means to contact all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Company will implement a policy whereby (i) the executive Directors will provide valid phone numbers or other means of communication to the authorized representatives when they are traveling or out of office; and (ii) each Director will provide his mobile phone number, office phone number, e-mail address and, where available, fax number to the Stock Exchange and will inform the Stock Exchange promptly if there are any changes to the contact details of the Directors.

(c) All our executive Directors, non-executive Directors and independent non-executive Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with relevant members of the Stock Exchange in Hong Kong upon reasonable notice.

(d) Our Company has appointed Somerley Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules, who will act as our additional communication channel with the Stock Exchange and will be available to respond to enquiries from the Stock Exchange.

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

i. a member of the Hong Kong Institute of Chartered Secretaries;

ii. a solicitor or a barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

iii. 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 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 law 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. Yong Tong as one of the joint company secretaries, who has extensive experience in corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing rules. Therefore, we have appointed Ms. Cheng Pik Yuk, a fellow member of both of HKICS and ICSA, who fully complies with 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. Yong Tong for an initial period of three years from the [REDACTED] to enable Mr. Yong Tong 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.

Ms. Cheng Pik Yuk will work closely with Mr. Yong Tong to jointly discharge the duties and responsibilities as company secretary and assist Mr. Yong Tong to acquire the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. In addition, Mr. Yong Tong will endeavor to attend relevant training and familiarize himself with the Listing Rules and duties required for a company secretary of a company listed on the Stock Exchange.

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

We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the [REDACTED].

Prior to the expiration of the initial three-year period, the qualifications of Mr. Yong Tong 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 on-going assistance will continue. In the event Mr. Yong Tong fulfills all the requirements stipulated before the end of the initial three-year period, the above joint company secretary arrangement would no longer be necessary for our Company.

CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into certain transactions which would constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules after the Listing. Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in "Connected Transactions" in this document.

WAIVER AND EXEMPTION IN RELATION TO THE [REDACTED] SHARE OPTION SCHEME

Pursuant to paragraph 10(d) of Part I of the Third Schedule to Companies (Winding Up and Miscellaneous Provisions) Ordinance, this document is required to include details of the number, description and amount of any Shares which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for the Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the name and address of the person to whom it was given.

Further, pursuant to Rule 17.02(1)(b) of the Listing Rules, a new listing applicant must disclose in the document 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 under the [REDACTED] Share Option Scheme. Paragraph 27 of Appendix 1A to the Listing Rules also requires the disclosure of particulars of any capital of any member of our 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 grantees.

Pursuant to the [REDACTED] Share Option Scheme, an [REDACTED] of the grant of an option shall be deemed to have been accepted and such option to which such [REDACTED] relates shall be deemed to have been granted and to have taken effect when the duplicate letter comprising acceptance of such [REDACTED] duly signed by the grantee, together with a remittance in favor of the Company of HK$1.00 by way of consideration for such grant thereof is received by the Company.

As of the Latest Practicable Date, the Company has outstanding options held by a total of 495 grantees ("**Grantees**") under the [REDACTED] Share Option Scheme, including six Directors and members of senior management of the Company, and other 489 employees of the Group to subscribe for a total of [REDACTED] Shares, representing (i) approximately [REDACTED]% of the issued

share capital of the Company immediately upon completion of the [REDACTED] (assuming there will be no further allotment or issuance of Shares whether pursuant to the exercise of the [REDACTED] or the [REDACTED] Share Option), and (ii) approximately [REDACTED]% of the issued share capital of the Company immediately upon completion of the [REDACTED], assuming that all outstanding [REDACTED] Share Options are exercised, but without taking into account any Shares which may be allotted and issued upon the exercise of the [REDACTED]. Six batches of outstanding options to subscribe for 83,073,818 Shares, 2,412,750 Shares, 5,684,313 Shares, 5,928,000 Shares, 20,942,000 Shares and 3,804,000 Shares under the [REDACTED] Share Option Scheme were granted to the respective grantees on January 7, 2016, March 28, 2016, August 10, 2016, November 11, 2016, March 15, 2017 and May 12, 2017, respectively. The exercise price of the options granted on January 7, 2016 and March 28, 2016 is US$0.50 per Share. The exercise price of the options granted on August 10, 2016 is US$0.66 per Share. The exercise price of the options granted on November 11, 2016 is US$0.79 per Share. The exercise price of the options granted on March 15, 2017 is US$1.02 per Share. The exercise price of the options granted on May 12, 2017 is US$1.80 per Share. The details of options granted to our 489 employees other than Directors and members of senior management will not be individually disclosed in this document.

We have applied for (i) a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules and (ii) an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance regarding certain options granted under the [REDACTED] Share Option Scheme on the following grounds:

(i) in light of the large number of Grantees involved, strict compliance with such disclosure requirements in setting out full details of all Grantees under the [REDACTED] Share Option Scheme would be unduly burdensome for us;

(ii) the grant and exercise in full of the options granted under the [REDACTED] Share Option Scheme would not cause any material adverse impact on our financial position;

(iii) non-compliance with the disclosure requirements would not prevent us from providing our potential investors with an informed assessment of our activities, assets, liabilities, financial position, management and prospects;

(iv) the information contained herein regarding the [REDACTED] Share Option Scheme, including the dilution effect and impact on earnings per Share upon full exercise of the options granted under the [REDACTED] Share Option Scheme, provides potential investors with sufficient information to make a relevant assessment of us in their investment decision making process; and

(v) the exemption will not prejudice the interest of the investing public.

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

We [have received] a waiver from the Stock Exchange from strict compliance with the requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules regarding certain options granted under the [REDACTED] Share Option Scheme, subject to the following conditions:

(i) a certificate of exemption from strict compliance with the relevant Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements be granted by the SFC and the particulars of the exemption be disclosed in this document; and

(ii) the following information will be clearly disclosed in this document:

  (a) full details of all options granted by the Company under the [REDACTED] Share Option Scheme to Grantees being Directors, members of the senior management and connected persons of our Company, such details to include all the particulars required under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

  (b) in respect of the options granted by the Company under the [REDACTED] Share Option Scheme other than those referred to in sub-paragraph (ii)(a) above, (1) the aggregate number of the grantees and the number of Shares subject to the [REDACTED] Share Options; (2) the consideration paid for the grant of such [REDACTED] Share Options; and (3) the exercise period and the exercise price for such [REDACTED] Share Options;

  (c) the aggregate number of Shares subject to the outstanding [REDACTED] Share Options and the percentage to the Company's total issued share capital represented by such number of Shares;

  (d) the potential dilutive effect on the shareholdings of the Company upon the Listing and impact on earnings per Share upon full exercise of the [REDACTED] Share Options; and

  (e) a summary of the rules of the [REDACTED] Share Option Scheme; and

(iii) a list of all the Grantees (including those persons whose details have already been disclosed in this document) who have been granted options under the [REDACTED] Share Option Scheme containing all the particulars as required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of 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 "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this document.

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

We [have received] from the SFC a certificate of exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance regarding certain options granted under the [REDACTED] Share Option Scheme subject to the following conditions:

(i) full details of all options granted by us under the [REDACTED] Share Option Scheme to Grantees being Directors, members of the senior management and connected persons of our Company, are disclosed in this document, such details to include all the particulars required under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(ii) in respect of the options granted by us under the [REDACTED] Share Option Scheme other than those referred to in paragraph (i) above, (a) the aggregate number of Grantees and the number of Shares subject to the options, (b) the consideration paid for the grant of the [REDACTED] Share Options and (c) the exercise period and the exercise price for the [REDACTED] Share Options will be clearly disclosed in this document;

(iii) a list of all the Grantees (including those persons whose details have already been disclosed in this document) who have been granted options under the [REDACTED] Share Option Scheme containing all the particulars as required under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this document; and

(iv) the particulars of such exemption be disclosed in this document.

Further details of the [REDACTED] Share Option Scheme are set forth in the section headed "Statutory and General Information — E. [REDACTED] Share Option Scheme" in Appendix IV to this document.

[REDACTED] REQUIREMENTS

Rule 8.08(1)(a) of the Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient [REDACTED] of an issuer's listed securities shall be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the [REDACTED]. We expect to achieve a minimum [REDACTED] of at least HK$[REDACTED] upon Listing.

We have applied to the Stock Exchange for it to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules so that the minimum percentage of our total issued share capital held by the [REDACTED] from time to time shall be set at 15%. The Directors are of the view that there will be an open market in the Shares, and that the number of Shares and the extent of their distribution will enable the market for our Shares to operate properly.

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

We [have received] confirmation from the Stock Exchange that it will exercise its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower [REDACTED] percentage of 15% for us subject to following conditions:

(i) the minimum [REDACTED] of the Company should be at the highest of (a) 15%; (b) such percentage to be held by the [REDACTED] immediately after completion of the [REDACTED] (assuming the [REDACTED] and the [REDACTED] Share Options are not exercised); and (c) such percentage immediately after the full or partial exercise of the [REDACTED];

(ii) we will make appropriate disclosure of the lower percentage of [REDACTED] required by the Stock Exchange in this document;

(iii) we will as soon as practicable announce the percentage of Shares held by the public immediately after completion of the [REDACTED] (assuming no exercise of the [REDACTED] and the [REDACTED] Share Options) and immediately after the full or partial exercise or lapse of the [REDACTED], such that the public will be informed of the minimum [REDACTED] requirement applicable to the Company;

(iv) we will confirm sufficiency of [REDACTED] in the successive annual reports of the Company after the Listing;

(v) we will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of [REDACTED] prescribed by the Stock Exchange;

(vi) we will continue to comply with Rules 8.08(2) and 8.08(3) of the Listing Rules; and

(vii) in the event that the [REDACTED] percentage falls below the minimum percentage prescribed by the Stock Exchange, the Directors and Controlling Shareholders of the Company will take appropriate steps which may include a further issue of [REDACTED] to independent third parties, to ensure the minimum percentage of [REDACTED] prescribed by the Stock Exchange is complied with.

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Please refer to the section headed "Statutory and General Information — F. Other Information — 12. Particulars of the [REDACTED]".

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. Zhisheng Chen (陳智勝)	10-803, 128 Longrui Road Xuhui District Shanghai China	Chinese
Dr. Weichang Zhou (周偉昌)	22-1504, 1888 Langu Road Pudong District Shanghai China	American
Non-executive Directors		
Dr. Li (李革)	House 185, Lane 1883 Hua Mu Road Pudong District Shanghai China	American
Mr. Edward Hu (胡正國)	50-202, 1888 Langu Road Pudong District Shanghai China	American
Mr. Yibing Wu (吳亦兵)	Grand Hills #887 Jingshun Road Chaoyang District Beijing China	American
Mr. Yanling Cao (曹彥凌)	Flat 16B, Block 1, Le Sommet 28 Fortness Hill Road North Point Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
Independent Non-Executive Directors		
Mr. William Robert Keller	Lerchenhalde 7 8703 Erlenbach ZH Switzerland	Swiss
Mr. Teh-Ming Walter Kwauk (郭德明)	18B, Greenland Court 56 Macdonnell Road Hong Kong	Canadian
Mr. Wo Felix Fong (方和)	Flat D, 9/F Repulse Bay Towers 119A Repulse Bay Road Hong Kong	Chinese

Please refer to the section headed "Our Directors and Senior Management" in this document for more details.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

Merrill Lynch Far East Limited
55/F Cheung Kong Center
2 Queen's Road Central
Central Hong Kong

Morgan Stanley Asia Limited
Level 46 International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

[REDACTED]

[REDACTED]

Legal Advisers to our Company

as to Hong Kong and U.S. law:

Wilson Sonsini Goodrich & Rosati
Suite 1509, 15/F, Jardine House
1 Connaught Place
Central
Hong Kong

as to PRC law:

Fangda Partners
32/F, Plaza 66 Tower 1
1266 Nan Jing West Road
Shanghai
China

as to Cayman Islands law:

Maples and Calder (Hong Kong) LLP
53/F, The Center
99 Queen's Road Central
Hong Kong

Legal Advisers to the [REDACTED]

as to Hong Kong and U.S. law:

Shearman & Sterling
12/F, Gloucester Tower, The Landmark
15 Queen's Road Central
Hong Kong

	as to PRC law: Jingtian & Gongcheng Suite 1202-1204, K. Wah Centre 1010 Huai Hai Road (M) Xu Hui district Shanghai China
Auditors and Reporting Accountants	Deloitte Touche Tohmatsu *Certified Public Accountants* 35/F One Pacific Place 88 Queensway Hong Kong
Independent Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai China
	[REDACTED]

CORPORATE INFORMATION

Registered office	PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Principal place of business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Headquarters and principal place of business in China	No. 88 Meiliang West Road Mashan Wuxi China
Joint company secretaries	Mr. Yong Tong (童湧) Room 202, Building 57, Lane 288 Shuangyang North Road Yangpu District Shanghai China Ms. Cheng Pik Yuk (鄭碧玉) (HKICS, ICSA) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorized representatives	Dr. Zhisheng Chen (陳智勝) 10-803, 128 Longrui Road Xuhui District Shanghai China Ms. Cheng Pik Yuk (鄭碧玉) (HKICS, ICSA) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Audit committee	Mr. Teh-Ming Walter Kwauk (郭德明) (chairman) Mr. William Robert Keller Mr. Edward Hu (胡正國)
Remuneration committee	Mr. William Robert Keller (chairman) Mr. Wo Felix Fong (方和) Mr. Edward Hu (胡正國)

CORPORATE INFORMATION

Nomination committee	Dr. Li (李革) (chairman) Mr. William Robert Keller Mr. Teh-Ming Walter Kwauk (郭德明)
Strategy Committee	Dr. Zhisheng Chen (陳智勝) (chairman) Dr. Li (李革) Mr. Yibing Wu (吳亦兵)
Compliance adviser	Somerley Capital Limited 20/F, China Building 29 Queen's Road Central Hong Kong
Principal share registrar and transfer office	[REDACTED]
Hong Kong Share Registrar	[REDACTED]
Principal banks	China Construction Bank Waigaoqiao Free Trade Zone Sub-branch No. 17 Jiafeng Road Shanghai China Bank of Communications WuXi He Lie Kou Sub-branch No. 8 Lixi Road Wuxi, Jiangsu China China Construction Bank Suzhou Yuexi Sub-branch Yuecheng East Road, Wuzhong District Suzhou, Jiangsu China Citibank N.A. Hong Kong Branch 21/F, Tower 1, the Gateway Harbour City, Tsimshatsui Kowloon Hong Kong
Company website address	www.wuxibiologics.com.cn *(Information contained in this website does not form a part of this document)*

The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. In addition, we engaged Frost & Sullivan for preparing the Frost & Sullivan Report, an independent industry report in respect of the [REDACTED]. We believe that the sources of the information in this section and other sections of this document 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 [REDACTED], Joint Sponsors, [REDACTED], any of the [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED] 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 [REDACTED], we have engaged Frost & Sullivan to conduct a detailed analysis and prepare an industry report on worldwide biologics outsourcing. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We incurred a total of RMB800,000 in fees and expenses for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful Listing or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the [REDACTED].

We have included certain information from the Frost & Sullivan Report in this document because we believe such information facilitates an understanding of the biologics outsourcing services market for potential investors. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

OVERVIEW OF THE BIOLOGICS MARKET

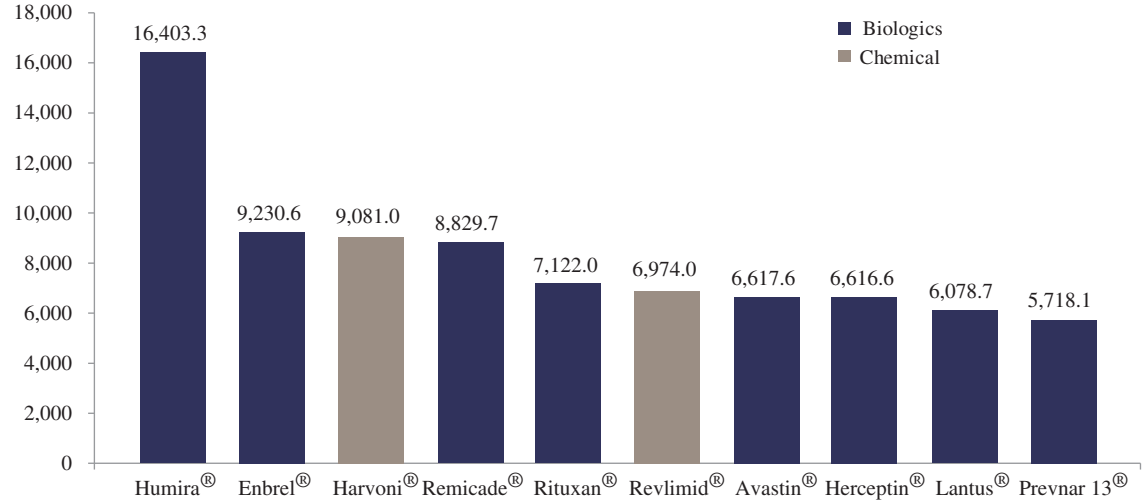
Biologics

We provide a comprehensive, integrated and highly customized range of services for the discovery, development and manufacturing of biologics. Biologics are a subset of pharmaceuticals and include a wide range of products such as monoclonal antibodies, recombinant therapeutic proteins, fusion protein, vaccines, blood and blood components, allergenics, somatic cells, gene therapy, and tissues. Monoclonal antibodies and recombinant therapeutic proteins are the two largest segments, comprising over 80% of the global biologics market in terms of sales revenue in 2016. During the Track Record Period, all of the biologic projects we worked on fall under these two segments.

Biologics are revolutionizing the treatment of diseases in many major therapeutic areas globally, primarily benefiting from groundbreaking progress in genetics, molecular biology and biochemistry over the past three decades. Advances in recombinant DNA technologies have facilitated the large-scale manufacturing of biologics products, such as human growth factors, monoclonal antibodies and fusion proteins. In addition, improvements in analytical technologies have enabled improved characterization of macromolecules, including proteins and nucleic acids, which allow for the screening and identification of novel biologics with complex structures and various therapeutic functions.

In 2016, eight out of the top ten best-selling drugs globally were biologics. These eight biologics generated US$66.6 billion in sales in aggregate and consisted of five mAbs, two recombinant proteins and one vaccine. Graph 1 sets forth a summary of the top ten best-selling drugs globally by sales revenue in 2016:

Graph 1: Top 10 Best-Selling Drugs Globally by Revenue in 2016



Source: Frost & Sullivan

Overview of the Global Biologics Market

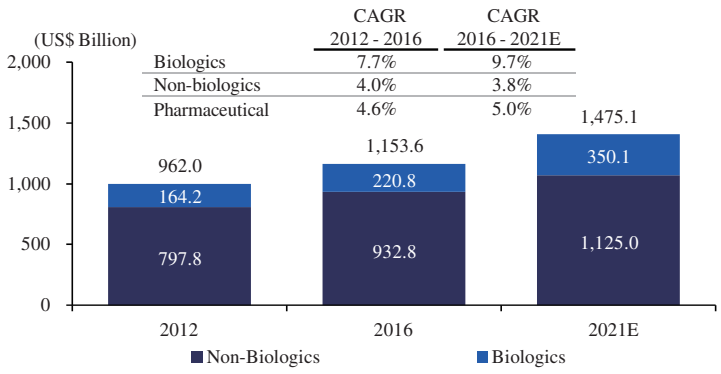
The global biologics market is a subset of the global pharmaceutical market. In terms of market size, the global biologics market represented approximately 19.1% of the global pharmaceutical market in 2016. The global pharmaceutical market grew at a CAGR of 4.6% from US$962.0 billion in terms of market size in 2012 to US$1,153.6 billion in 2016, and is expected to grow at a CAGR of 5.0% from 2016 to 2021, reaching US$1,475.1 billion in 2021. Comparatively, the global biologics

market grew at a CAGR of 7.7% from US$164.2 billion in terms of market size in 2012 to US$220.8 billion in 2016, outpacing that of the overall pharmaceutical market. This trend is expected to continue in the coming years with the global biologics market expected to grow at a CAGR of 9.7% from 2016 to 2021, reaching US$350.1 billion in terms of market size in 2021.

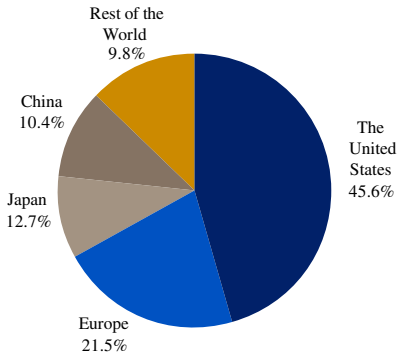
In terms of geographic regions, historically the biologics markets in North America and Europe have accounted for a majority of the global biologics market. In recent years, the biologics markets in emerging regions, such as China, have become increasingly active and have shown strong growth potential.

Graphs 2 and 3 illustrate the market size of the global pharmaceutical market and the global biologics market from 2012 to 2021 and a breakdown of the global biologics market in terms of sales revenue by region in 2016, respectively:

Graph 2: Global Pharmaceutical Market and Global Biologics Market Size (2016 to 2021E)



Graph 3: Global Biologics Market — Sales Revenue by Region (2016)



Source: Frost & Sullivan

Monoclonal Antibodies

The global mAb market, which accounted for 42.7% of the total biologics market in terms of sales revenue in 2016, is expected to have significant potential for further growth. According to the Frost & Sullivan Report, the global mAb market grew at a CAGR of 8.8% from US$67.3 billion in 2012 to US$94.2 billion in 2016, and is expected to grow at a CAGR of 10.0% from 2016 to 2021, reaching US$151.9 billion in terms of market size in 2021. Graph 4 illustrates the market size of the global mAb market from 2012 to 2021.

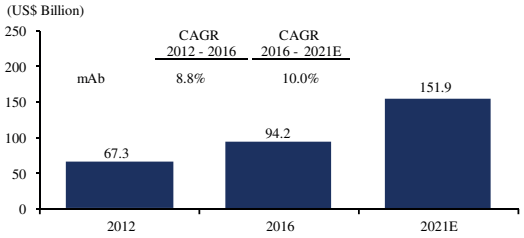
Emergence of Biosimilars

Historically, biologics have been more expensive than chemical drugs. In addition, because biologics are relatively new with unclear regulatory pathways, generics versions of biologics, or biosimilars, have not been a big part of the overall biologics market. With the emergence of better defined regulatory pathways, escalating healthcare costs, technological innovations, and a large number of blockbuster biologics with near and medium term patent expiries, biosimilars will become

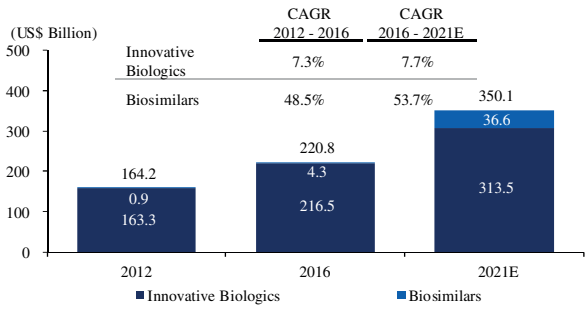
a key driver of future biologics market growth, according to the Frost & Sullivan Report. The global biosimilars market is expected to grow at a CAGR of 53.7% from 2016 to 2021, reaching US$36.6 billion in terms of market size in 2021. Graph 5 illustrates the market size and growth of the global innovative biologics market and the global biosimilars market from 2012 to 2021.

In terms of product category, biosimilar mAb is the fastest growing sector. It is expected to grow at a CAGR of 74.1% from 2016 to 2021, reaching US$14.0 billion in terms of market size in 2021, representing 38.3% of the total biosimilars market.

Graph 4: Global mAb Market Size (2012 to 2021E)



Graph 5: Market Sizes of Global Innovative Biologics and Biosimilars (2012 to 2021E)



Source: Frost & Sullivan

Market Trends and Growth Drivers

According to the Frost & Sullivan Report, the global biologics market will continue to advance and grow as scientists and physicians increase their use of biologics to address unmet medical needs, driven by the following key factors:

- *Growing incidence of chronic diseases that require targeted treatment, resulting in emergence of mid-sized biologics (i.e. US$1 billion to US$3 billion in annual revenue)* — The growing incidence of chronic diseases across the globe along with increased availability of advanced diagnostics will enable more targeted use of biologics, such as mAbs and recombinant proteins. As a result, a substantially higher number of products are expected to address a more targeted patient pool and have narrower indication. This type of biologics product tends to achieve peak annual sales of US$1 billion to US$3 billion;

- *Pharmaceutical companies' growing focus on biologics* — Global pharmaceutical and biotech companies are dedicating increasing resources and capital to research and development. The continued technological advancements in biologics research and development together with improving understanding of the sciences and diseases are allowing companies to develop innovative biologics that possess superior potency, efficacy and safety profile. Focus areas of biologics research include: (i) antibody drug conjugates; (ii) bi-specific monoclonal antibodies, and (iii) immuno-oncology. With over 700 biologics products already marketed to date, there is estimated to be over 900 more in the pipeline among 18 leading pharmaceutical companies alone; and

- *Key blockbuster biologics losing patent protection* — It is estimated that biologics with combined US$70 billion to US$80 billion annual sales are set to lose patent protection in the next five years, which is likely to drive biologics innovation as well as growth of biosimilars market in a significant way.

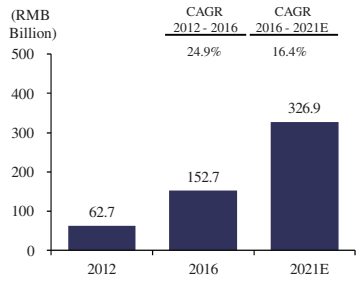
Overview of China's Biologics Market

Driven by increasing healthcare expenditures, enhanced research and development capabilities, favorable government policies and increased capital investment, China's biologics market has experienced rapid growth in the past few years, exceeding that of the global biologics market, and is expected to continue its robust growth in the future. China's biologics market grew from RMB62.7 billion in 2012 in terms of market size to RMB152.7 billion in 2016, representing a CAGR of 24.9% during the period. It is expected to further grow at a CAGR of 16.4% from 2016 to 2021, reaching RMB326.9 billion in terms of market size in 2021, presenting significant opportunities for industry players like us.

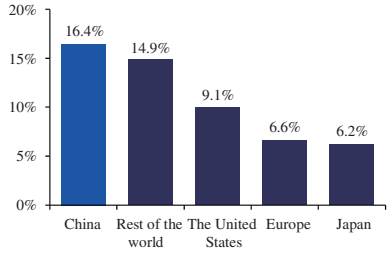
Graph 6 illustrates the market size of China's biologics market from 2012 to 2021 and Graph 7 sets forth the growth forecast of the biologics sales revenue in the respective regions for the period indicated. According to the Frost & Sullivan Report, China is expected to be the region with the fastest growth in overall biologics market globally.

In addition, driven by economic growth, expanded scope of medical insurance reimbursement, as well as emergence of more affordable monoclonal antibody products, Chinese monoclonal antibody market is also expected to continue to grow significantly. The market size of China's mAbs market grew from RMB3.5 billion in 2012 to RMB9.1 billion in 2016, representing a CAGR of 26.8% during the period. It is estimated to grow at a CAGR of 25.0% from 2016 to 2021, reaching RMB27.6 billion in terms of market size in 2021. Graph 8 illustrates the market size of China's mAb market from 2012 to 2021.

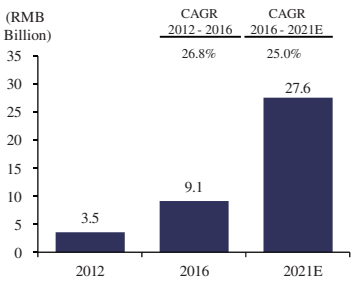
Graph 6: China Biologics Market Size (2012 to 2021E)



Graph 7: Global Biologics Market Growth Outlook by Region (CAGR, 2016 to 2021E)



Graph 8: China mAb Market (2012 to 2021E)



Source: Frost & Sullivan

OVERVIEW OF THE BIOLOGICS OUTSOURCING SERVICES MARKET

Biologics outsourcing services specifically target the biologics market and span all the stages across the biologics development process from drug discovery to commercial manufacturing, excluding clinical trial services. The capital intensive, complex and highly technical nature of the biologics development process, in particular at the commercialization stage, has prompted an increasing number of pharmaceutical and biotechnology companies to turn to outsourcing.

- *Discovery* — The process whereby a biologics drug candidate is identified and partially validated for the treatment of a specific disease. The overall process usually includes target validation, screening preparation, hit generation and lead selection, lead optimization and characterization and candidate selection. We provide comprehensive biologics discovery services from several discovery platforms.

- *Preclinical Development — In vitro* and *in vivo* studies done before clinically testing a drug in human. Potential drug candidates identified during drug discovery undergo years of additional testing. During this phase, both laboratory and animal studies may be used to evaluate a drug's safety and demonstrate that it has biological activity against the disease target. The objective of preclinical testing is to obtain results that will enable the preclinical drug candidate to be approved for human testing by the appropriate regulatory authorities. Testing materials need to be generated to enable these studies. To enable preclinical development and eventually IND filing to global regulatory agencies, we provide pre-clinical development services, including cell line engineering and development, assay, formulation and process development, product analytical characterization, cGMP cell banking and cell line characterization, assay and process validation and viral clearance validation.

- *Clinical Development* — In relation to clinical trails conducted by our customers, we provide clinical development services, including mAb/recombinant protein/ADC cGMP drug substance manufacturing, lot release and stability testing, fill & finish, and regulatory support. Clinical trials, or human tests of a potential drug candidate to determine safety and efficacy, include phases I & II clinical trials (early-phase trials) and phase III trials (late-phase trials). A successful clinical trial will typically result in the filing of a biological license application with the regulatory authorities to seek permission to market the drug.

- *Commercialization* — Once a drug has received all necessary approvals, the manufacture, marketing and sale of commercial quantities of the approved drug may commence. The manufacturing process typically includes cell culture, harvests, purification, storage and shipping. Once the commercial manufacturing is established with a biologics outsourcing services provider, there are substantial costs associated with changing outsourcing vendor. We provide commercial manufacturing services to enable product launch and commercialization.

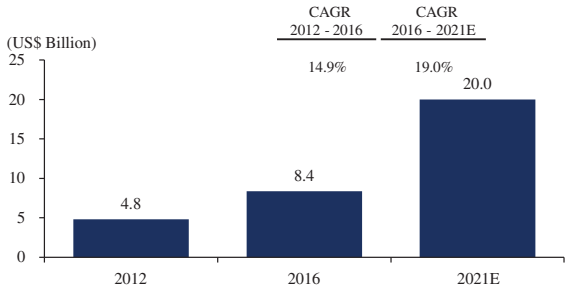
Market Size and Growth, Historical and Outlook of the Global Biologics Outsourcing Services Market

The global biologics outsourcing services market grew from US$4.8 billion in terms of market size in 2012 to US$8.4 billion in 2016, representing a CAGR of 14.9%. It is expected to continue to experience double digit growth at a CAGR of 19.0% from 2016 to 2021 as pharmaceutical and

biotechnology companies increase outsourcing, reaching US$20.0 billion in terms of market size in 2021. Moreover, the penetration of the global biologics outsourcing services market stood at 15.8% in 2016 against the potential biologics outsourcing services market of US$52.9 billion, demonstrating significant room for growth for biologics outsourcing services providers.

Graph 9 illustrates the market size of the global biologics outsourcing services market from 2012 to 2021:

Graph 9: Global Biologics Outsourcing Services Market Size (2012 to 2021E)



Source: Frost & Sullivan

Market Trends and Growth Drivers of the Global Biologics Outsourcing Services Market

The global biologics outsourcing services market is expected to grow together with the overall biologics market. According to the Frost & Sullivan Report, there is an increasing industry trend for large pharmaceutical companies to turn to outsourcing services providers to compensate for the constraint on internal capabilities and capacity, to establish a more robust supply chain, as well as to gain entry to emerging markets like China. For small- to medium-sized biotechnology companies, partnering with biologics outsourcing services providers is critical to their business model to allow them to focus scarce resources on their core strengths and enable them to expedite their development process.

The following is a summary of the primary growth drivers of the global biologics outsourcing services market:

- *Increased R&D spending on biologics drugs* — The increasing level of investment in the research and development of biologics has been a key driver of increasing outsourcing among big pharmaceutical companies as well as small and mid-sized biotech companies. The global research and development spending on biologics amounted to US$40.6 billion in 2016 and is estimated to grow at CAGR of 10.0% from 2016 to 2021, reaching US$65.5 billion in 2021;

- *Enormous cost and time saving benefits* — Establishing biologics development capabilities and facilities, in particular the clinical and commercial manufacturing facilities, are highly capital intensive and time consuming. For example, a biologics developer will have to build a facility approximately three to five years ahead in anticipation of a product approval and launch. By engaging biologics outsourcing services providers, pharmaceutical and biotechnology companies can save a significant amount of investments and expedite the discovery, development and commercialization of their biologic products;

- *Robust supply chain and capacity management* — Pharmaceutical and biotechnology companies with their own manufacturing facilities engage outsourcing services providers as a secondary manufacturer to ensure a robust supply chain and secure manufacturing capacity. Those who do not have their own facilities engage an outsourcing provider to have greater flexibility managing their capacity to meet demand fluctuation; and

- *Leverage outside technology* — Most biologics outsourcing services providers are continuously updating their discovery, development and manufacturing technologies and have proprietary technologies and institutionalized expertise. Pharmaceutical and biotechnology companies may not possess the expertise in a relevant process, which can be overcome with the help of an outsourcing services provider. Outsourcing allows the pharmaceutical and biotechnology companies to gain competitive edge and to focus resources on their core capabilities.

Entry Barriers

The global biologics outsourcing services market generally have the following entry barriers:

- *High capital requirements to set up cGMP compliant facilities* — The investment for building a new biologics manufacturing plant could be up to hundreds of millions of dollars. Such a significant upfront cost, together with the lengthy process involved in biologics discovery, development and commercial manufacturing create structural funding issues for small companies and new market entrants;

- *High technical requirements* — The fragility of macromolecules and the sensitivity of living cells that produce biologics create complex technical requirements for the discovery, development and manufacturing of biologics. In addition, the large size and complexity of the biologic molecule increase the challenge for quality control to develop appropriate test methods for analysis of these products. To compete effectively, biologics outsourcing services providers are required to build and maintain their own proprietary development platforms such as disposable bioreactors, in-house manufacturing capabilities with regard to novel technologies for finished dose formulations, and other technical capabilities, which creates significant entry barriers for start-ups and small biologics outsourcing providers;

- *Ability to comply with the increasingly stringent regulations* — The increasingly stringent regulations with regards to biologics discovery, development and commercial manufacturing, particularly cGMP manufacturing, create a high entry barrier for small biologics outsourcing services providers; and

- *Ability to capture customers from established competitors* — Biologics outsourcing services providers compete for customers based on track record, reputation in the industry, product quality, regulatory compliance record and intellectual property protection capabilities. Given the highly technical nature of biologics discovery, development and commercial manufacturing, established biologics outsourcing services providers tend to enjoy a high customer retention rate, making it difficult for new market entrants to establish a sizable customer base.

Competitive Landscape

The global biologics outsourcing services market is highly fragmented with the top six players accounting for an aggregate of 27.7% market share in terms of revenue in 2016. Except for the top two players, Lonza and Boehringer Ingelheim, which accounted for 11.4% and 8.0% market share in 2016, respectively, none of the other players had reached a 3% market share. WuXi Biologics, being the number five player, had 1.8% market share in 2016. Among the top six players, we have the fastest growing revenue with a year-on-year growth rate at 77.6% from 2015 to 2016. Biologics outsourcing services providers compete on several factors, including quality and breadth of services, ability to protect intellectual property or other confidential information, timeliness of delivery, maintenance of standards of GLP and cGMP, depth of customer relationships, price and geography.

The following table sets forth the respective positioning of the global biologics outsourcing services market's key players regarding the biologics outsourcing service provided:

	Novel mAb Discovery	Discovery Biology/Drug Screening	Cell Line Engineering/ Construction	Bio-analytical Testing	Research Manufacturing	Assay/Formulation/ Process Development	Cell Banking/ Cell Line Characterization	Viral Clearance Validation	cGMP Manufacturing	Lot Release/Stability Testing
WuXi Biologics	√√√	√√√	√√√	√√√	√√√	√√√	√√√	√√√	√√	√√
Lonza			√	√	√√	√√	√√	√√	√√√	√√√
Boehringer Ingelheim			√	√	√√	√√	√√	√	√√√	√√√
Patheon			√	√√	√	√	√	√	√	√
Catalent			√	√	√	√	√	√√	√	√
CMC				√	√	√	√		√√	√√
Samsung Biologics				√	√	√	√		√√	√√

Discovery Preclinical/Development Clinical/Commercial

Source: Frost & Sullivan

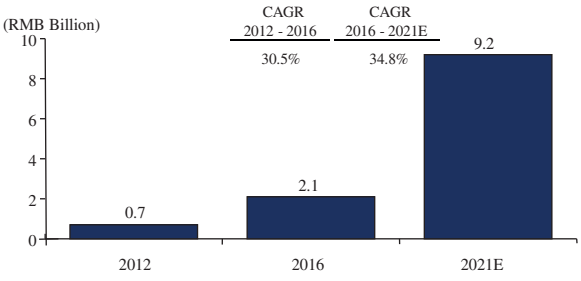
We are currently the only player of scale in the global biologics outsourcing services market with comprehensive end-to-end capabilities, which have enabled us to serve customers from virtual biotech start-ups to large multinational pharmaceutical companies. Among all the major players in biologics manufacturing, we have one of the largest capacities in using disposable bioreactors as measured in liters of bioreactor volume and are currently building the world's largest disposable bioreactor-based biologics commercial manufacturing facilities with a planned manufacturing capacity of 30,000L. Disposable bioreactors are more efficient and cost effective for manufacturing personalized biologic drugs than traditional stainless steel bioreactors. Current industry players, such as Lonza, Boehringer Ingelheim, Patheon and Catalent, have limited exposure to disposable technologies.

Overview of China's Biologics Outsourcing Services Market

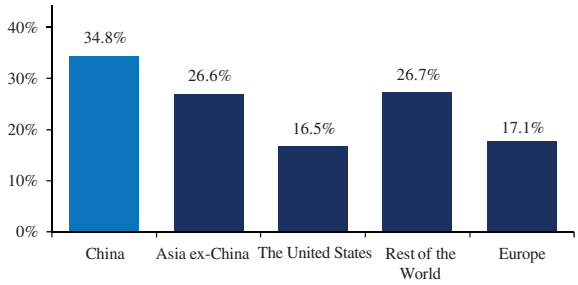
Market Size and Growth, Historical and Outlook

China is the fastest growing biologics outsourcing services market in the world, with market growth far exceeding the growth of the overall global biologics market, and is expected to continue its robust growth in the future. China's biologics outsourcing services market grew from RMB0.7 billion in terms of market size in 2012 to RMB2.1 billion in 2016, representing a CAGR of 30.5%. It is expected to grow at a CAGR of 34.8% from 2016 to 2021, reaching RMB9.2 billion in terms of market size in 2021. Graphs 10 and 11 illustrate the market size of the Chinese biologics outsourcing services market from 2012 to 2021, and the growth forecast of the outsourcing services revenue in the respective geographic regions for the period indicated, respectively.

Graph 10: China's Biologics Outsourcing Services Market Size (2012 to 2021E)



Graph 11: Biologics Outsourcing Services Market Growth by Region CAGR (2016 to 2021E)



Source: Frost & Sullivan

There has been a strong demand for scientists in the global biologics outsourcing services market as well as China's global biologics outsourcing services market in recent years. In China's global biologics outsourcing services market, the average salary level of junior to mid-level scientists, senior scientists and senior principal scientists increased at a CAGR of 9.1%, 10.6% and 9.3%, respectively, from 2012 to 2016, and is expected to increase at a CAGR of 13.2%, 15.0% and 10.6%, respectively, from 2016 to 2021.

The following table sets forth the historical and forecasted annual salary range of junior to mid-level scientists, senior scientists and senior principal scientists, respectively, in China's global biologics outsourcing services market.

	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E	2021E
	(RMB thousand)									
Junior to mid-level scientists	50 - 80	55 - 100	60 - 120	68 - 150	70 - 180	80 - 190	100 - 200	120 - 225	140 - 230	150 - 250
Senior scientists	100 - 160	120 - 250	125 - 300	130 - 350	140 - 380	200 - 400	260 - 420	320 - 450	360 - 480	400 - 500
Senior principal scientists	300 - 500	320 - 600	330 - 800	340 - 1,000	350 - 1,100	400 - 1,200	450 - 1,300	520 - 1,400	560 - 1,450	600 - 1,500

Market Trends and Growth Drivers of China's Biologics Outsourcing Services Market

The following is a summary of the primary growth drivers of the China biologics outsourcing services market:

- *Rapid development of China's biologics market* — Biologics is currently the smallest segment of China's pharmaceutical market, yet with the highest growth rate. China's

biologics market grew at a CAGR of 24.9% from 2012 to 2016 in terms of market size, reaching RMB152.7 billion in 2016, and is estimated to grow to RMB326.9 billion in 2021, representing a CAGR of 16.4% from 2016 to 2021. In addition, the number of clinical trials approved by the CFDA increased from 62 in 2012 to 271 in 2016. Such rapid growth requires support from strong discovery, development and manufacturing capabilities that are often not available in-house and hence need to be outsourced;

- *Increased capacity and enhanced capabilities of Chinese outsourcing services providers* — The emergence and improved capacity and capabilities of Chinese biologics outsourcing services providers have provided additional outsourcing or partnership opportunities for overseas pharmaceutical and biotechnology companies; and

- *Favorable government polices* — The Chinese government has published many regulations and policies to support the development of China's biologics outsourcing services market. For example, the Marketing Authorization Holder, or MAH, Pilot Program for drug approval process allows biologics applicants with products that are manufactured in China to outsource the manufacturing process to third-party biologics outsourcing services providers. The current regulatory regime allows applicants to conduct simultaneous in-country clinical trials for new biologics drugs and adopt qualified clinical data obtained directly from multicenter clinical trials. In addition, CFDA is planning to establish green channel for foreign innovative biologics that are manufactured locally in China to reduce regulatory approval waiting time.

Competitive Landscape

We have the largest disposable bioreactor-based biologics commercial manufacturing capacity and ranked first in terms of revenue in China's biologics outsourcing services market in 2016, with a market share of 48.0%. We also provided the most comprehensive breadth of biologics outsourcing services, according to the Frost & Sullivan Report. The following table sets forth certain information about the key players in China's biologics outsourcing services market:

Company	Biologics Manufacturing capacity	Expansion Plans	Discovery	Development	Manufacturing	Market Share
WuXi Biologics	5,000L	Additional 30,000L by the end of 2017 and 7,000L by Q2 2018	√	√	√	48.0%
Company A	300L	No significant expansion plan	√	√		13.1%
Company B	N/A	No significant expansion plan	√	√		6.6%
Company C	250L	No significant expansion plan	√	√		6.0%
Company D	9,000L	No significant expansion plan		√	√	3.4%
Company E	3,000L	No significant expansion plan		√	√	2.4%
Company F	500L	No significant expansion plan		√		1.2%

Source: Frost & Sullivan

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

LAWS AND REGULATIONS OF THE PRC

Foreign Investment

Companies with limited liability and joint stock limited companies established in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》, the "**Company Law**"), promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on December 29, 1993, which became effective on July 1, 1994 and was subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively. Foreign invested companies are also subject to the Company Law, except as otherwise provided in the foreign investment laws including Law of the PRC on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》, the "**WFOE Law**"), Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》, the "**EJV Law**") and Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》, the "**CJV Law**").

Investments in the PRC by foreign investors are regulated by the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》, the "**Catalog**"), the latest version of which was promulgated by the National Development and Reform Commission (the "**NDRC**") and the Ministry of Commerce (the "**MOFCOM**") on March 10, 2015 and became effective on April 10, 2015. The Catalog has been a longstanding tool used by policymakers of the PRC to manage direct foreign investment. The Catalog is divided into the encouraged industries, the restricted industries and the prohibited industries for foreign investment, and industries which are not listed in the Catalog shall be categorized as the permitted industries for foreign investment. The industry in which our PRC subsidiaries are primarily engaged does not fall into the category of restricted or prohibited industries.

The WFOE Law, the EJV Law and the CJV Law were revised by the Standing Committee of the National People's Congress on September 3, 2016 and the revisions of which became effective from October 1, 2016. According to the amendments, for wholly foreign-owned enterprises, Sino-foreign equity joint venture enterprises and Sino-foreign cooperative joint venture enterprises which the special market entry management measures prescribed by the State do not apply to, their establishment and changes only need to be filed with competent authorities. Pursuant to Announcement No. 22, 2016 issued by NDRC and MOFCOM (《國家發展和改革委員會/商務部2016年第22號公告》, the "**Announcement No. 22**") on 8 October 2016, the special market entry management measures shall be implemented with reference to the relevant regulations in relation to the restricted foreign-invested industries, prohibited foreign-invested industries and encouraged foreign-invested industries with requirements as to shareholding and senior management stipulated in the Catalog.

To facilitate the implementation of the above amendments made to the WFOE Law and EJV Law, the Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》, the "**Interim Measures**") was promulgated by MOFCOM on October 8, 2016, pursuant to which, the establishment of foreign-invested enterprises which the special market entry management measures prescribed do not apply to and their changes shall be subject to record-filing instead of examination and approval.

Within the record-filing scope stipulated in the Interim Measures, a foreign-invested enterprise shall fill in online and submit an application of record-filing for its establishment or change and the relevant documents for completing the record-filing procedures. However, pursuant to the Announcement No.22, the establishment of an enterprise by way of mergers and acquisitions of domestic enterprises by foreign investors and their changes are still implemented according to the existing laws and regulations including the M&A Rules, instead of the Interim Measures.

On August 8, 2006, six PRC regulatory agencies, namely, MOFCOM, the State-owned Assets Supervision and Administration Commission of the PRC, the State Administration of Taxation (the "**SAT**"), the State Administration for Industry and Commerce, the China Securities Regulatory Commission, and the State Administration of Foreign Exchange (the "**SAFE**"), jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》) (the "**M&A Rules**"), which became effective on September 8, 2006 and were amended by MOFCOM on June 22, 2009. The M&A Rules require, among others, that a foreign investor acquiring the equity interest in a non-foreign invested PRC enterprise or purchasing and operating the asset of such enterprise by establishing a foreign invested enterprise shall comply with relevant foreign investment industry policies and shall be subject to approval by MOFCOM or its local competent authorities.

Bio-industry

To promote the development of bio-industry, the PRC government has promulgated a series of industry policies in recent years. The General Office of the State Council promulgated the Circular on Printing and Issuing Certain Policies for Promotion of Accelerated Development of Bio-industry (《關於印發促進生物產業加快發展若干政策的通知》) on June 2, 2009, clearly indicating that accelerating the development of bio-industry is a major initiative for China to grasp the strategic opportunity of the revolution of new scientific technology and to build an innovation-oriented country in an all-round way in the new century. On October 9, 2010, the Guidance on the Acceleration of the Structural Adjustment of the Pharmaceutical Industry 《關於加快醫藥行業結構調整的指導意見》 was promulgated and it requests boosting the development and innovation of biological technologies and pharmaceutical agents and breakthroughs of technologies, including large-scale and high throughput gene cloning and protein expression, humanization of antibody, preparation of humanized antibody, new vaccine adjuvants and large-scale cell culturing and protein purification. On October 10, 2010, the State Council issued the Decision on Accelerating the Fostering and Development of Strategic Emerging Industries《關於加快培育和發展戰略性新興產業的決定》, categorizing the bio-industry as a strategic emerging industry and calling for strong supports to not only develop biotechnology-derived pharmaceuticals, new types of vaccines, diagnostic reagents, chemical drugs and other large varieties of innovative pharmaceuticals used for the prevention and control of critical diseases, but also raise standards of biomedical industry.

On December 29, 2012, the State Council promulgated the Circular of the State Council on Printing and Issuing the Development Plan for Bio-industry (《國務院關於印發生物產業發展規劃的通知》), clearly indicating that bio-industry is identified as a strategic emerging industry in China. The circular requires active improvement of specialized service capability of public technologies, acceleration of development and industrialization of protein including therapeutic antibody and polypeptide drugs, implementation of action plans for biological information services and support for

enterprises providing specialized services such as analytical test and biological information. The Circular further requires supporting the large-scale production of antibody and the popularization and application of new-type bioreactor, adjuvant and other key technologies and establishing the public technology platforms for discovery, testing and safety monitoring of biotechnology drugs. The circular also requires fostering extended services of bio-industry and developing new services including health management, translational medicine, socialization of clinical examination, individualized healthcare, etc.

Taxation

Income Tax

Because we carry out our PRC business operations through operating subsidiaries organized under the PRC law, our PRC operations and our operating subsidiaries in China are subject to PRC tax laws and regulations, which indirectly affect your investment in our shares.

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》, the "EIT Law") promulgated by the National People's Congress on March 16, 2007, which became effective from January 1, 2008, the income tax rate for both domestic and foreign-invested enterprises is 25% commencing from January 1, 2008 with certain exceptions. Enterprises that are recognized as high and new technology enterprises in accordance with the Notice of the Ministry of Science, the Ministry of Finance (the "**MOF**") and the SAT on Amending and Issuing the Administrative Measures for the Determination of High and New Tech Enterprises (《科技部、財政部、國家税務總局關於修訂印發<高新技術企業認定管理辦法>的通知》) are entitled to enjoy the preferential enterprise income tax rate of 15%. The validity period of the high and new technology enterprise qualification shall be three years from the date of issuance of the certificate of high and new technology enterprise. The enterprise can re-apply for such recognition as a high and new technology enterprise before or after the previous certificate expires. Our subsidiary, WuXi Biopharma is qualified to enjoy the 15% preferential tax rate of enterprise income tax as a "high and new technology enterprise" from August 5, 2013 to August 4, 2016.

In order to clarify certain provisions in the EIT Law, the State Council promulgated the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》, the "**EIT Implementation Rules**") on December 6, 2007, which became effective on January 1, 2008. Under the EIT Law and the EIT Implementation Rules, enterprises are classified as either "resident enterprises" or "non-resident enterprises". Pursuant to the EIT Law and the EIT Implementation Rules, besides enterprises established within the PRC, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and subject to the uniform 25% enterprise income tax rate for their global income. In addition, the EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC.

Withholding Income Tax and Tax Treaties

The EIT Implementation Rules provide that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC shareholders reside.

Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation 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 "**Double Tax Avoidance Arrangement**"), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority having satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行税收協定股息條款有關問題的通知》) issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and, based on the Circular on How to Interpret and Recognize the "Beneficial Owner" in Tax Treaties (《關於如何理解和認定税收協定中"受益所有人"的通知》), issued on October 27, 2009 by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognized as beneficial owners and thus are not entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Value-added Tax

Pursuant to the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值税暫行條例》) promulgated by the State Council on December 13, 1993, amended on November 10, 2008 and February 6, 2016, and the Implementation Rules of the PRC Interim Regulations on Value-Added Tax (《中華人民共和國增值税暫行條例實施細則》) promulgated by the MOF on December 25, 1993, amended on December 15, 2008 and October 28, 2011 respectively, the latest amendment of which became effective on November 1, 2011, sale of goods, provision of processing, repair and replacement services and import of goods within the PRC are subject to value-added tax and unless stated otherwise, the tax rate for value-added tax payers who are selling or importing goods, and providing processing, repairs and replacement services in China shall be 17%.

In November 2011, the MOF and the SAT promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業税改徵增值税試點方案》, the "**Pilot Plan**"). Since January 1, 2012, the PRC government has been gradually implementing a pilot program in certain provinces and municipalities, to levy an 11% or 6% VAT on revenue generated from certain kinds of services in lieu of the 5% business tax. According to the Notice Regarding the Nationwide Implementation of B2V Transformation Pilot Program in respect of Transportation and Certain

Modern Service Industries jointly issued by the MOF and SAT (《關於在全國開展交通運輸業和部分現代服務業營業税改徵增值税試點税收政策的通知》, the "**B2V Circular 37**") issued by the MOF and SAT effective from August 1, 2013, such policy was implemented nationwide. On December 12, 2013, the MOF and the SAT released the Circular on the Inclusion of the Railway Transport and Postal Service Industries into the Pilot Collection of Value-Added Tax in Lieu of Business Tax (《關於將鐵路運輸和郵政業納入營業税改徵增值税試點的通知》, the "**B2V Circular 106**") and its appendices, which further expanded the scope of taxable services for value-added tax and has replaced the B2V Circular 37 since January 1, 2014. On March 23, 2016, the MOF and the SAT released the Circular on the Nationwide Implementation of Transformation Pilot Program of Value-Added Tax in Lieu of Business Tax (《財政部、國家税務總局關於全面推開營業税改征增值税試點的通知》) and its appendices, according to which the pilot program of value-added tax in lieu of business tax is implemented nationwide and the B2V Circular 106 was abolished since May 1, 2016.

Labor and Social Insurance

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994 and became effective on January 1, 1995 and subsequently amended on August 27, 2009, the PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007 and subsequently amended on December 28, 2012 and became effective on July 1, 2013, and the Implementing Regulations of the Employment Contracts Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council and became effective on September 18, 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees. Wages cannot be lower than local minimum wage. The employer must establish a system for labor safety and sanitation, strictly abide by State rules and standards, provide education regarding labor safety and sanitation to its employees, provide employees with labor safety and sanitation conditions and necessary protection materials in compliance with State rules, and carry out regular health examination for employees engaged in work involving occupational hazards.

Under applicable PRC laws, including the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and became effective on July 1, 2011, the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》), which was promulgated by the State Council and became effective on January 22, 1999, the Interim Measures concerning the Maternity Insurance (《企業職工生育保險試行辦法》), which was promulgated by the Ministry of Labor on December 14, 1994 and became effective on January 1, 1995, the Regulations on Occupational Injury Insurance (《工傷保險條例》), which was promulgated by the State Council on April 27, 2003 and became effective on January 1, 2004 and subsequently amended on December 20, 2010, becoming effective on January 1, 2011, and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), which was promulgated by the State Council and became effective on April 3, 1999 and amended on March 24, 2002, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

Laws on Prevention and Control of Occupational Diseases

According to the Prevention and Control of Occupational Diseases Law of the PRC (《中華人民共和國職業病防治法》), effective as of May 1, 2002 and amended on December 31, 2011 and July 2, 2016, for a construction project which may incur occupational disease hazards, the entity responsible for the construction project shall: (i) during the period of feasibility study, conduct a pre-assessment on such hazards; (ii) assess the effect of the control on occupational disease hazards before the construction project is delivered after completion for inspection and acceptance; and (iii) provide facilities for the effective prevention and protection of occupational diseases. The prevention facilities may be put into formal operation and use only after they have passed the inspection conducted by the entity responsible for the construction.

According to the Notice of the State Administration of Work Safety on Publication of the Classified Management Catalog for the Risks of Occupational Disease Hazards at Construction Projects (2012 Version) (《國家安全監管總局關於公布建設項目職業病危害風險分類管理目錄(2012年版)的通知》) promulgated on May 31, 2012, manufacturing of biological drug falls within the "comparatively serious" category. Pursuant to the Interim Measures for Supervision and Administration of the "**Three Simultaneities**" for Occupational Health at Construction Projects (《建設項目職業衛生"三同時"監督管理暫行辦法》) promulgated by the State Administration of Work Safety on April 27, 2012, for construction projects which may cause "comparatively serious" occupational disease hazards, the preliminary assessment report on such occupational disease hazards shall be submitted to the supervisory and administrative department of work safety for approval, and inspection and acceptance of the facilities for the prevention and protection of occupational disease shall be organized by the supervisory and administrative department of work safety.

According to the Prevention and Control of Occupational Diseases Law of the PRC, an employer shall: (i) establish and improve the responsibility management system of occupational disease prevention and treatment, strengthen the administration of, and improve the capability of, occupational disease prevention and treatment, and bear responsibility for the harm of occupational diseases caused by it; (ii) contribute to occupational injury insurance; (iii) provide facilities for the effective prevention and protection of occupational diseases, and provide materials to employees for personal use against occupational diseases; (iv) provide alarm equipment, allocate on-spot emergency treatment materials, washing equipment, emergency safety exits and necessary safety zones for work places where acute occupational injuries are likely to take place due to poisonous and harmful elements therein; and (v) inform the employees of, and specify in the labor contracts with the employees the potential harm of, occupational disease as well as the consequences thereof, and the prevention and protection measures and treatment against occupational diseases when signing the labor contracts with employees.

Foreign Exchange

The Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》, the "**Foreign Exchange Administrative Regulations**"), promulgated by the State Council on

January 29, 1996 and amended on August 5, 2008, constitute an important legal basis for the PRC governmental authorities to supervise and regulate foreign exchange. On June 20, 1996, People's Bank of China (the "**PBOC**") further promulgated the Administrative Provisions on the Settlement, Sales and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》, the "**Settlement Provisions**").

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

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

In August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》, the "**SAFE Circular 142**"), which provides that the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC.

On November 19, 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》, the "**Circular 59**"), which became effective on December 17, 2012 and was amended on May 4, 2015. Circular 59 substantially amends and simplifies the current foreign exchange procedure. The major developments under Circular 59 are that the opening of various special purpose foreign exchange accounts (e.g. pre-establishment expenses account, foreign exchange capital account and guarantee account) no longer requires the approval of SAFE. Furthermore, multiple capital accounts for the same entity may be opened in different provinces, which was not possible before the issuance of Circular 59. Reinvestment of RMB proceeds by foreign investors in the PRC no longer requires SAFE's approval.

On May 11, 2013, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知》) which became effective on May 13, 2013 and specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration. Institutions and individuals shall register with SAFE and/or its branches for their direct investment in the PRC. Banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

On March 30, 2015, SAFE released the Notice on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》, the "**SAFE Circular 19**"), which came into force and superseded SAFE Circular 142 from June 1, 2015. On June 9, 2016, SAFE further promulgated the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《關於改革和規範資本項目結匯管理政策的通知》, the "**SAFE Circular 16**"). SAFE Circular 19 has made certain adjustments to some regulatory requirements on the settlement of foreign exchange capital of foreign-invested enterprises, and some foreign exchange restrictions under SAFE Circular 142 are expected to be lifted. Under SAFE Circular 19 and SAFE Circular 16, the settlement of foreign exchange capital by foreign invested enterprises shall be governed by the policy of foreign exchange settlement at will. However, SAFE Circular 19 and SAFE Circular 16 also reiterate that the settlement of foreign exchange shall only be used for purposes within the business scope of the foreign invested enterprises and following the principles of authenticity. Considering that SAFE Circular 19 and SAFE Circular 16 are relatively new, it is unclear how they will be implemented and there exist high uncertainties with respect to their interpretation and implementation by authorities.

SAFE Circular 37

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》, the "**SAFE Circular 37**") on July 4, 2014, which replaced the former circular commonly known as "**SAFE Circular 75**" promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

On February 13, 2015, SAFE released the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》, the "**SAFE Circular 13**"), which became effective from June 1, 2015. According to SAFE Circular 13, local banks shall examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37. However, since the notice is relatively new, there exist high uncertainties with respect to its interpretation and implementation by governmental authorities and banks.

Intellectual Property

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

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

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

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

Product Liability

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

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

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

Environmental Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), promulgated by the SCNPC on December 26, 1989 and amended on April 24, 2014, the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), promulgated by the SCNPC on October 28, 2002 and became effective on September 1, 2003 and was amended on July 2, 2016, the Administrative Regulations on the Environmental Protection of Construction Project (《建設項目環境保護管理條例》), promulgated by the State Council and became effective on November 29, 1998 and other relevant environmental laws and regulations, entities generating environmental pollution and other public hazards must incorporate environmental protection measures into their plans and set up a responsibility system of environmental protection. Construction projects shall go through environmental impact assessment procedure. The construction projects which may have significant impact on the environment shall prepare an environmental impact report with full assessment of their

impact on the environment while those projects which have less severe environmental impact are not required to conduct environment impact assessment but need to complete the environmental impact registration form. Pollution prevention facilities for construction projects must be designed, constructed and launched into production and use at the same time with the main part of the projects. Construction projects can only be put into operation after the relevant environmental protection administrative authority has examined and approved the pollution prevention facilities. Enterprises and public institutions discharging pollutants must report to and register with relevant authorities in accordance with the provisions of the environmental protection administrative authority under the State Council. Relevant authorities have the authority to impose penalties on individuals or entities breaching environmental regulations. The penalties that can be imposed include issuing a warning, the suspension of operation of pollution prevention facilities for construction projects where such facilities are uncompleted or fail to meet the prescribed requirements but are put into operation, the reinstallation of pollution prevention facilities which have been dismantled or left idle, administrative sanctions against the office-in-charge, the suspension of business operations or the shut-down of an enterprise or public institution. Fines could also be imposed together with these penalties.

The Law on Prevention and Control of Air Pollution

According to the Law of the PRC on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), effective on June 1, 1988 and amended on August 29, 1995, April 29, 2000 and August 29, 2015 respectively, construction, renovation and expansion projects which discharge air pollutants shall comply with regulations regarding environmental protection of construction projects. The environmental impact assessment report regarding a construction project, which is subject to the approval of the environmental protection administrative authorities, shall include an assessment on the air pollution the project is likely to produce and its potential impact on the ecological environment. No construction projects may be put into operation before adequate facilities for prevention and control of air pollution have been inspected and accepted by the environmental protection administrative authorities. Construction projects which have an impact on the atmosphere environment shall conduct the environmental impact assessment, and that discharge of pollutants to the atmosphere shall conform to the atmospheric pollutant discharge standards and abide by the total quantity control requirements for the discharge of key atmospheric pollutants.

The Law on Prevention and Control of Environmental Pollution by Solid Waste

The Law of PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), effective on April 1, 1996 and latest amended on November 7, 2016, stipulates that construction projects where solid waste are generated or projects for storage, utilization or disposal of solid waste shall be subject to environmental impact assessment. Facilities for the prevention and control of solid waste are required to be designed, constructed and put into use or operation simultaneously with the main part of the construction project. No construction projects may be put into operation before its facilities for the prevention and control of solid waste have been inspected and accepted by the environmental protection administrative authorities.

The Law on the Prevention and Control of Water Pollution

According to the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) effective on November 1, 1984 and amended on May 15, 1996 and February 28, 2008 respectively, construction, renovation and expansion projects and other upper-water facilities that directly or indirectly discharge pollutants to water are subject to environmental impact assessment. In addition, water pollution prevention facilities are required to be designed, constructed and put into operation simultaneously with the main part of the project. No construction projects may be put into operation until the relevant environmental protection administrative authorities inspect and accept their water pollution prevention facilities.

Pollutant Discharge

The Environmental Protection Law of the PRC stipulates that the government shall implement the pollutant emission license administration system. Pollutant discharge by enterprises, public institutions and other producers and business operators is subject to relevant pollutant emission license. The Environmental Protection Law of the PRC requires any entity operating a facility that produces pollutants or other hazardous materials to adopt environmental protection measures in its operations, and to establish an environmental protection responsibility management system. Effective measures to control and properly dispose of waste gas, waste water, waste residue, dust or other waste materials shall be adopted. Any entity operating a facility that discharges pollutants shall report to and register with the competent authority pursuant to applicable regulations. According to the Environmental Protection Law of the PRC, in the event that an entity discharges pollutants in violation of the pollutant discharge standards or volume control requirement, the entity would be subject to administrative penalties, including order to suspend business for rectification, and even order to terminate or close down business under severe circumstances.

Regulation on Hazardous Chemicals

Regulation on Safety Administration of Hazardous Chemicals (《危險化學品安全管理條例》, the "**Hazardous Chemicals Regulation**") was promulgated by the State Council on January 26, 2002 and amended on March 2, 2011 and December 7, 2013. The Hazardous Chemicals Regulation provides regulatory requirements on the safe production, storage, use, operation and transportation of hazardous chemicals. The PRC government exerts strict control over, and adopts an examination and approval system of, the manufacture and storage of hazardous chemicals.

An enterprise that stores and uses hazardous chemicals is required to appoint a qualified institution to conduct safety evaluation of its safety production conditions once every three years and to prepare the safety evaluation report accordingly. Such report shall set out the rectification measures and plans for problem solution as to the safety production. The safety evaluation report and the implementation of the rectification measure shall be filed with the safety supervision regulatory authority.

Regulation on Pathogenic Microorganism Laboratories

According to the Regulations on Administration of Bio-safety in Pathogenic Microorganism Laboratories (《病原微生物實驗室生物安全管理條例》), which was promulgated by the State Council on November 12, 2004 and amended on February 6, 2016, the pathogenic microorganism laboratory is classified into four levels, namely Bio-safety Level 1, 2, 3 and 4 in terms of the national standard on biosafety of the laboratory. A laboratory of Bio-safety Level 1 or 2 shall not conduct laboratory activities related to highly pathogenic microorganisms. The construction, alteration or extension of a laboratory of Bio-safety Level 1 or 2 shall be reported for the record to competent health authorities. The establisher of a laboratory shall develop a scientific and strict management system, regularly inspect the implementation of the regulations on bio-safety, and regularly inspect, maintain and update the facilities, equipment and materials in the laboratory, to ensure its compliance with the national standards. Currently, our Group only has one pathogenic microorganism laboratory of Bio-safety Level 2.

Overseas Investment

Pursuant to the Administrative Measures for Approval and Filing on Overseas Investment Projects (《境外投資項目核准和備案管理辦法》), which was promulgated by the NDRC on April 8, 2014 and amended on December 27, 2014, the State adopts approval administration and filing administration for overseas investment projects respectively according to different circumstances. An overseas investment project that involves any sensitive country or region or any sensitive industry is to be approved by the NDRC. Under the circumstances, with regard to an overseas investment project that has the Chinese party's investment amount of not less than USD 2 billion, the NDRC is to put forward the examination and verification opinion thereon and report the same to the State Council for approval. Overseas investment projects other than those specified above are subject to filing administration.

Pursuant to the Measures on the Administration of Overseas Investment (《境外投資管理辦法》), promulgated by the Ministry of Commerce on September 6, 2014 and became effective on October 6, 2014, overseas investments refer to possessing of non-financial enterprises abroad or acquisition of the ownership of, control over, business management right of, or other rights and interests of existing overseas non-financial enterprises by enterprises established in the PRC through newly establishment or mergers and acquisitions or other methods. Other than the overseas investments involving sensitive countries, regions or sensitive industries which are subject to approval, all other overseas investments are subject to filing administration.

Import and Export of Goods

According to the Administrative Provisions on the Registration of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位註冊登記管理規定》), promulgated by the General Administration of Customs of the PRC on March 13, 2014, import and export of goods shall be declared by the consignor or consignee itself, or by a customs declaration enterprise entrusted by the consignor or consignee and duly registered with the customs authority. Consignors and consignees of imported and exported goods shall go through customs declaration entity registration formalities with

the competent customs departments in accordance with the applicable provisions. After completing the registration formalities with the customs, consignors and consignees of the imported and exported goods may handle their own customs declarations at customs ports or localities where customs supervisory affairs are concentrated within the customs territory of the PRC.

Import and Export of Special Articles

According to the Administrative Provisions on the Sanitation and Quarantine of Entry/Exit Special Articles (《出入境特殊物品衛生檢疫管理規定》), which became effective as of March 1, 2015 and was amended on October 18, 2016, import or export of special medical articles, including biological products, microbes and blood must be inspected by the relevant inspection and quarantine authorities.

OUR HISTORY

We are a global leading biologics services provider that offers comprehensive, integrated and highly customizable services through our teams of scientists, proprietary technology platform and know-how, state-of-the-art laboratories, and cGMP-compliant manufacturing facilities to pharmaceutical and biotechnology companies. We operate through six operating subsidiaries, namely, WuXi Biopharma, Suzhou Biologics, Shanghai Biologics, HK Biologics, US Biologics and UK Biologics.

Before the Reorganization, our biologics business was one of the five distinct business units of WuXi PharmaTech alongside with small molecules, cell & gene therapies, medical device and genomics ("**Other WuXi Businesses**"). WuXi PharmaTech was a leading global pharmaceutical, biopharmaceutical and medical device open-access capability and technology platform with operation in China and the U.S..

The Founding Individuals, namely Dr. Li, Dr. Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang and certain other Independent Third Parties co-founded WuXi PharmaTech Co., Ltd. (currently known as WuXi AppTec) in the PRC in December 2000. WuXi PharmaTech was incorporated in March 2007 as an offshore holding company of WuXi AppTec. In January 2008, WuXi PharmaTech acquired AppTec Laboratory Services, Inc., a company engaged in biopharmaceutical and medical device testing and biologics-based manufacturing and related services which commenced operations in 2001. Since then, WuXi PharmaTech Co., Ltd. was renamed as WuXi AppTec. WuXi PharmaTech expanded into biologics-related discovery, development and manufacturing services by establishing WuXi Biopharma in May 2010. As of the Latest Practicable Date, the Founding Individuals were Controlling Shareholders of our Company.

WuXi PharmaTech's shares were listed on the NYSE on August 9, 2007 and subsequently delisted from the NYSE on December 10, 2015. See "— Prior Listing on NYSE and Delisting of WuXi PharmaTech" for details.

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

Entity	Date and Place of incorporation	Authorized share capital/ Registered capital	Issued/ Paid up capital	Equity interest attributable to our Group	Principal activities
Our Company	February 27, 2014, Cayman Islands	US$50,000	US$24,100	Not applicable	Investment holding
Biologics Investments .	November 18, 2010, Hong Kong	Not applicable	HK$1	100%	Investment holding
WuXi Enterprise	August 14, 2014, PRC	RMB168,070,000	RMB94,290,000	100%	Investment holding
WuXi Biopharma. . . .	May 25, 2010, PRC	RMB353,970,000	RMB353,970,000	100%	Development of, and the provision of consultation services in relation to, the biopharmaceutical technology

Entity	Date and Place of incorporation	Authorized share capital/ Registered capital	Issued/ Paid up capital	Equity interest attributable to our Group	Principal activities
HK Biologics.	May 12, 2014, Hong Kong	Not applicable	HK$1	100%	International sales contracting service
Shanghai Biologics . .	January 6, 2015, PRC	RMB130,000,000	RMB130,000,000	100%	Research and development in relation to biologics
Suzhou Biologics . . .	May 30, 2012, PRC	RMB42,860,000	RMB42,860,000	100%	Testing and development of testing technologies
US Biologics	April 21, 2016, US	Not applicable	US$100	100%	Sales and marketing of our services in US
WuXi Medi Biologics .	September 26, 2016, PRC	US$20,000,000	—	100%	Development of, and the provision of consultation services in relation to, the biopharmaceutical technology
UK Biologics	December 2, 2016 The United Kingdom	Not applicable	£1,000	100%	Sales and marketing of our services in Europe
Shanghai Biopharma. .	April 7, 2017 PRC	US$50,000,000	—	100%	Production and sales of medicals, and provision of services in relation to the biopharmaceutical technology

BUSINESS DEVELOPMENT MILESTONES

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

Time	Milestone
May 2010	WuXi Biopharma, our major operating subsidiary, was established in Wuxi, Jiangsu, the PRC.
September 2012	We signed contracts to provide development and manufacturing services to WX MedImmune, the first innovative biologics co-development joint ventures in China established by WuXi AppTec and MedImmune, a leading global biologics research and development company and a subsidiary of AstraZeneca, to develop novel biologics for Chinese market.
June 2013	We formed a partnership with Ambrx Inc. and Zhejiang Medicine Co., Ltd., each an Independent Third Party, the first innovative antibody drug conjugate (ADC) manufacturing and development partnership in China.
February 2014	Our Company was incorporated in the Cayman Islands.

Time	Milestone
May 2014	Ibalizumab was used in clinical trials in the United States, making us the first company to produce monoclonal antibody products in China for use in individual clinical trials in the United States.
November 2014	We became the first China-based facility awarded an ISPE "Facility of the Year" Honorable Mentioned Award by the International Society for Pharmaceutical Engineering.
March 2015	We launched our Suzhou biosafety testing laboratory, the first non-state affiliated biosafety testing laboratory in Asia.
December 2015	We formed a strategic partnership with AstraZeneca and became the exclusive partner for AstraZeneca's innovative biologics portfolio.
March 2016	The first lot of Chinese-made biologics (IMP321) developed by us was used in clinical trials in the European Union.
May 2016	We developed an IND-enabling package for TESARO to complete the filing of IND application of Tim-3 mAb, a novel immuno-oncology mAb candidate.
September 2016	We completed construction of facilities housing two 1,000L-capacity disposable bioreactors at our Wuxi site.
November 2016	We entered into a non-binding memorandum of understanding with Prima BioMed to form a strategic biologics development and manufacturing partnership.

OUR GROUP

Our Company

On February 27, 2014, our Company was incorporated in the Cayman Islands and a single share of a par value of US$1.00 was issued to WuXi PharmaTech. At the time of its incorporation, our Company had an authorized share capital of US$50,000, divided into 50,000 shares of a par value of US$1.00 each.

We operate through six operating subsidiaries, namely, WuXi Biopharma, Suzhou Biologics, Shanghai Biologics, HK Biologics, US Biologics and UK Biologics.

WuXi Biopharma

WuXi PharmaTech established WuXi Biopharma through its wholly-owned subsidiaries, WuXi AppTec and WXAT BVI, as a Sino-foreign equity joint venture in Wuxi, Jiangsu, China on May 25, 2010, with an initial registered capital of US$15 million. WuXi AppTec and WXAT BVI held 70.0% and 30.0% of WuXi Biopharma's equity interest, respectively.

In June 2013, the registered capital of WuXi Biopharma was increased from US$15 million to US$25 million by way of cash contribution by WuXi AppTec and WXAT BVI in proportion to their respective equity percentage in WuXi Biopharma.

In December 2013, through an internal restructuring, WuXi AppTec transferred its 15% equity interest in WuXi Biopharma to WXAT BVI at the transfer price of US$3.75 million, as a result of which WuXi AppTec and WXAT BVI held 55.0% and 45.0% equity interest in WuXi Biopharma, respectively. Further, in March 2015, WuXi AppTec transferred all of its equity interest in WuXi Biopharma to WuXi Enterprise at a price of RMB94.29 million, and WXAT BVI transferred all of its equity interest in WuXi Biopharma to Biologics Investments at a price of RMB77.15 million. As a result, WuXi Biopharma was held by WuXi Enterprise as to 55% and Biologics Investments as to 45%, respectively. Both WuXi Enterprise and Biologics Investments were wholly-owned subsidiaries of our Company, which was in turn a wholly-owned subsidiary of WuXi PharmaTech.

In May 2015, WuXi Biopharma was structured into a Sino-foreign equity joint venture company limited by shares with an approved registered capital of RMB157,796,566. The shareholding percentages of WuXi Enterprise and Biologics Investments in WuXi Biopharma remain unchanged.

In March 2016, WuXi Biopharma's registered capital was increased from RMB157,796,566 to RMB353,970,000 by way of cash contribution by Biologics Investments. As a result, WuXi Biopharma was held by WuXi Enterprise as to 24.52% and Biologics Investments as to 75.48%, respectively.

Suzhou Biologics

On May 30, 2012, WuXi PharmaTech established Suzhou Biologics through its wholly-owned subsidiaries, namely WuXi Investment and WXAT Shanghai. Suzhou Biologics was incorporated in Suzhou, Jiangsu, China with a registered capital of RMB30 million contributed by WuXi Investment as to 90% and WXAT Shanghai as to 10%. WuXi Investment is an investment holding company incorporated in the PRC. WXAT Shanghai is a PRC incorporated company primarily engaged in development of chemical synthesis.

In January 2014, the registered capital of Suzhou Biologics was increased to RMB42,860,000 by way of cash contribution by WXAT BVI of RMB12,860,000. As a result, Suzhou Biologics became a Sino-foreign joint venture held by WuXi Investment as to 63.0%, WXAT Shanghai as to 7.0% and WXAT BVI as to 30.0%.

In July 2015, each of WuXi Investment, WXAT Shanghai and WXAT BVI transferred all of its equity interest in Suzhou Biologics to WuXi Biopharma at a price of RMB22,456,476, RMB2,495,164 and RMB10,693,560, respectively, as a result of which WuXi Biopharma became the sole shareholder of Suzhou Biologics.

HK Biologics

On May 12, 2014, our Company incorporated HK Biologics in Hong Kong. In December 2015, our Company transferred all of its shareholding interest in HK Biologics at nominal value to WuXi Biopharma, as a result of which HK Biologics became a wholly-owned subsidiary of WuXi Biopharma, which in turn is an indirectly wholly-owned subsidiary of our Company.

Shanghai Biologics

On January 6, 2015, WuXi Biopharma incorporated Shanghai Biologics in Shanghai with a registered capital of RMB10 million.

Historically, WuXi AppTec, a wholly-owned subsidiary of WuXi PharmaTech, conducted biologics-related services through a business unit within its wholly-owned subsidiary WXAT Shanghai. To streamline and optimize the business lines of WuXi PharmaTech, through an internal restructuring of business units, on April 20, 2015, Shanghai Biologics and WXAT Shanghai entered into an asset transfer agreement to transfer the biologics business unit, including but not limited to its assets and liabilities, employees and contractual rights and obligations to Shanghai Biologics at a price of RMB127 million. Subsequently, WXAT Shanghai ceased to engage in biologics discovery, development and manufacturing services. The transfer price was determined based on arm's length negotiations and was fully settled on June 3, 2016.

In August 2015, the registered capital of Shanghai Biologics was increased to RMB130 million by way of cash contribution by WuXi Biopharma.

US Biologics

On April 21, 2016, HK Biologics incorporated US Biologics in Delaware, US as a wholly-owned subsidiary.

WuXi Medi Biologics

On September 26, 2016, our Company incorporated WuXi Medi Biologics in Wuxi with a registered capital of US$20 million.

UK Biologics

On December 2, 2016, HK Biologics incorporated UK Biologics in the United Kingdom as a wholly-owned subsidiary.

Shanghai Biopharma

On Apirl 7, 2017, HK Biologics and Shanghai Biologics incorporated Shanghai Biopharma with a registered capital of US$50 million.

Intermediary Holding Companies

Our Company holds interest in our operating subsidiaries through two intermediary holding companies, i.e., Biologics Investments and WuXi Enterprise. See "— Our History" for further information of Biologics Investments and WuXi Enterprise.

PRIOR LISTING ON NYSE AND DELISTING OF WUXI PHARMATECH

Prior to the Reorganization, our Company was wholly owned by WuXi PharmaTech, an exempted company with limited liability incorporated in the Cayman Islands.

On August 9, 2007, WuXi PharmaTech completed an initial public offering of ADSs on the NYSE, at the offer price of US$14.00 per ADS (i.e. one ADS represented eight shares), resulting in a market capitalization of approximately US$833.7 million. Subsequently, on December 10, 2015, WuXi PharmaTech, which then wholly owned our Company, was taken private by a consortium led by the Founding Individuals and included the Financial Investors. For the Delisting, the purchase price paid to the NYSE investors was US$5.75 per share or US$46.00 per ADS resulting in a market capitalization of approximately US$3,622.2 million. Such purchase price was determined with reference to (i) the market price of the ADSs of WuXi PharmaTech; (ii) trading multiples of similar companies; and (iii) financial terms of certain relevant business combinations and other transactions on the NYSE. The Delisting was financed by debt financing under the LBO Facility Agreement and the Management Facility Agreement as well as equity commitment of the consortium. Our Directors confirm that, to the best of their knowledge and belief, WuXi PharmaTech had been in compliance with all applicable U.S. securities laws and regulations as well as rules and regulations of the NYSE in all material respects, and had not been subject to any disciplinary action by the relevant regulators, during the period when it was listed on the NYSE and up to the Delisting. Our biologics business was one of the five distinct business units of WuXi PharmaTech prior to the Delisting. For the purposes of the Listing and optimizing our corporate structure, our Group underwent the Reorganization. For details, please see the section "— Reorganization." The total consideration of the merger was US$3.3 billion and was fully paid on December 10, 2015. As part of the merger, all outstanding WuXi PharmaTech Options as at December 10, 2015 were settled at the consideration of US$5.75 less the exercise price by cash. All outstanding WuXi PharmaTech Stock Units as at December 10, 2015 were settled at the consideration of US$5.75 per share by cash, except that part of the unvested outstanding WuXi PharmaTech Stock Units as at December 31, 2015 were assumed by Life Science Holdings to be paid at the consideration of US$5.75 per share in accordance with the original vesting schedule. Such consideration was put aside in an escrow account and would be paid out to the holders of WuXi PharmaTech Stock Units when the original vesting period is met. As a result of the merger, all outstanding shares (including shares represented by ADSs) of WuXi PharmaTech were cancelled and all outstanding WuXi PharmaTech Stock Units and WuXi PharmaTech Options were cash settled. The Delisting was completed on December 10, 2015. A main reason for the Delisting was to allow WuXi Pharma Tech's management greater flexibility to develop the long-term strategy and restructure different business units to improve long-term performance without the short-term performance driven pressure from the public market.

The Founding Individuals' controlling interest in our Company after the Delisting and prior to the Reorganization

Immediately after the Delisting and prior to the Reorganization, the Founding Individuals controlled the exercise of 39.31% voting power in our Company by way of the following:

- 25.58% shareholding interest owned by the Founding Individuals through G&C I Limited, G&C II Limited, G&C Partnership L.P. and Group & Cloud Limited which are all investment holding entities;

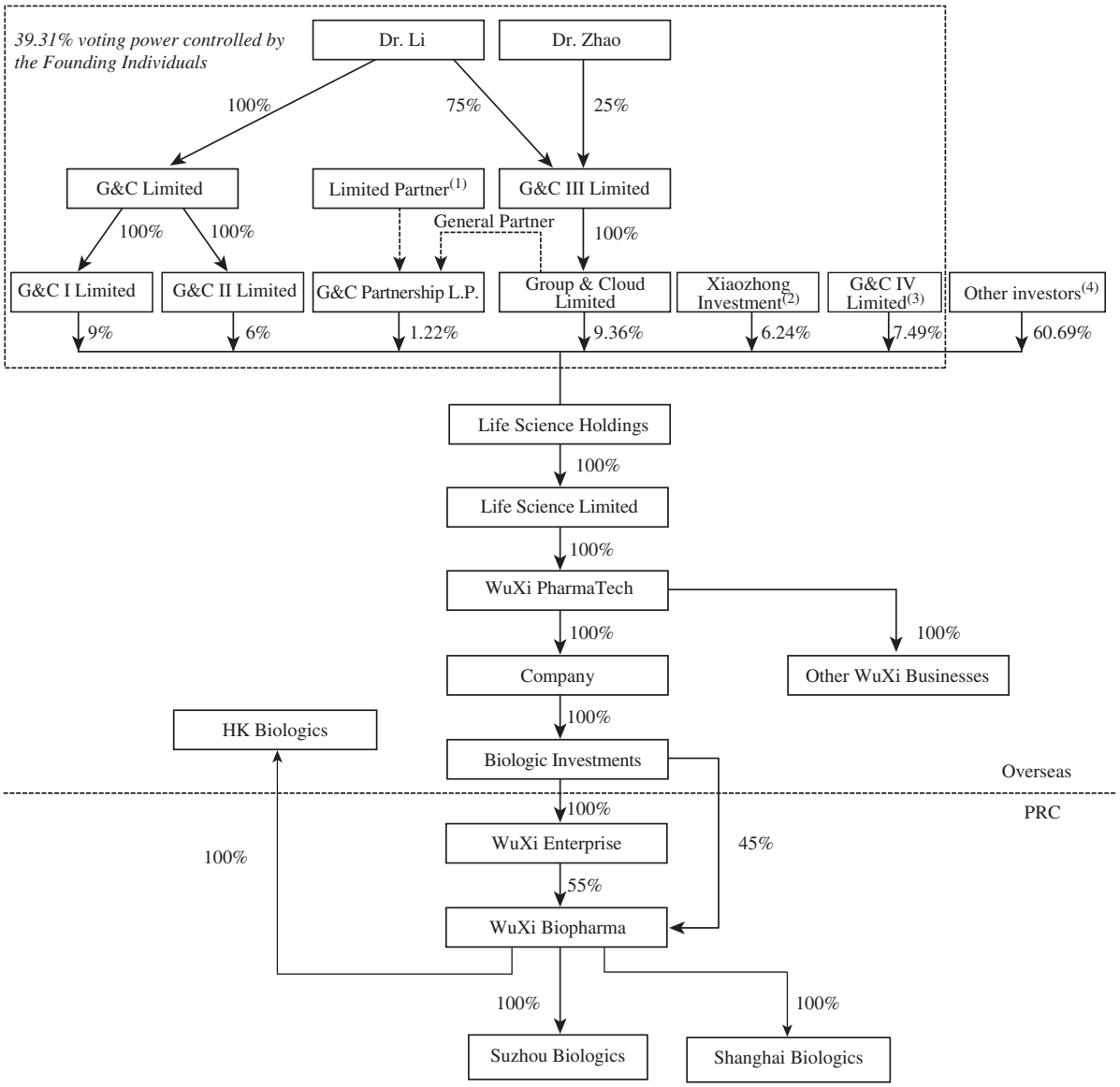
- 6.24% voting power controlled through Xiaozhong Investment, a limited partnership where Mr. Xiaozhong Liu and Mr. Zhaohui Zhang controlled the investment decision committee, the decision-making body of such limited partnership; and

- 7.49% voting power controlled through G&C IV Limited, a company funded by investors who are Independent Third Parties and in which Dr. Li held one voting share representing 100% voting power.

G&C I Limited, G&C II Limited, G&C Partnership L.P., Group & Cloud Limited, Xiaozhong Investment and G&C IV Limited acquired interests in Life Science Holdings as a result of the privatization in the Delisting.

Further, pursuant to the shareholders' agreement in relation to Life Science Holdings dated December 10, 2015, the board of directors of Life Science Holdings comprised nine directors, of which five directors were appointed by the Founding Individuals and four directors were appointed by the other investors.

Set forth below is the corporate structure of our Group immediately after the Delisting and prior to the Reorganization.



Notes:

(1) Limited partner of G&C Partnership L.P. is Shanghai Zhong'ao Investment Management Center (Limited Partnership) (上海鐘奧投資管理中心(有限合夥)), which is an investment fund managed by Yinfu Capital as the general partner. Limited partner of Shanghai Zhong'ao Investment Center (Limited Partnership) is Minsheng Jiayin Asset Management Co., Ltd. (民生加銀資產管理有限公司).

(2) Xiaozhong Investment is an investment fund managed by Yinfu Capital as the general partner. Mr. Xiaozhong Liu and Mr. Zhaohui Zhang, being two of the Founding Individuals, control the investment decision committee, which is the decision-making body of Xiaozhong Investment.

(3) G&C IV Limited is funded by eight investors, who are Independent Third Parties and independent to each other, holding non-voting shares, and is controlled by Dr. Li by holding one voting share representing 100% of the voting power in G&C IV Limited. These eight investors are Vivo Super VIII Limited, Shanghai Yingyi Investment Co., Ltd., Bright Luck Inc. Limited, Eastern Frontier Limited, Booming Future Ltd., Asean China Investment Fund III L.P., Asean China Investment Fund (US) III L.P. and Celestial Knight Limited who hold 20.83%, 20.83%, 16.67%, 16.67%, 10.42%, 11.00%, 1.50% and 2.08% of the non-voting shares of G&C IV Limited, respectively.

(4) Other investors include nine financial investors that owned 60.69% shareholding interest of Life Science Holdings, including Ally Bridge as to 9.36%, Boyu Capital as to 20.32%, Temasek Pavilion JVCo as to 10.29%, Ping An as to 6.24%, Hillhouse Capital as to 7.93%, Yunfeng Capital as to 1.56%, Sequoia Capital as to 1.56%, Legend Capital as to 1.56% and SPDB International as to 1.87%. The nine financial investors are independent to each other.

LBO Facility Agreement and Management Facility Agreement

To finance part of the total consideration of the merger in the Delisting, the buyer group entered into the LBO Facility Agreement with Ping An Bank Co., Ltd. and Shanghai Pudong Development Bank Co., Ltd. as lenders (the "**Lenders**"), pursuant to which the Lenders extended a US$800,000,000 loan to the buyer group. Pursuant to the LBO Facility Agreement, Life Science Limited's equity interest in WuXi PharmaTech was charged as security interest in favor of the Lenders in November 2015.

Group & Cloud Limited, whose equity interest is indirectly owned by Dr. Li and Dr. Zhao as to 75% and 25%, respectively, entered into the Management Facility Agreement with the Lenders to finance its investment in Life Science Holdings during the privatization, pursuant to which the Lenders extended a US$300,000,000 loan to Group & Cloud Limited. In November 2015, pursuant to the Management Facility Agreement, an aggregate of 24.4% equity interest in Life Science Holdings owned by G&C I Limited, G&C II Limited and Group & Cloud Limited, and the 100% equity interest in Group & Cloud Limited owned by G&C III Limited, as set out in the corporate structure chart above, were charged as security interest in favor of the Lenders. In addition, debentures over the assets of G&C I Limited, G&C II Limited and Group & Cloud Limited were given in favor of the Lenders in November 2015. Dr. Li also provided a personal guarantee for Group & Cloud Limited's obligations under the Management Facility Agreement.

From January 27, 2016 to February 1, 2016, upon release by the Lenders under the Management Facility Agreement of an aggregate of 18,173,833 shares in Life Science Holdings held by Group & Cloud Limited, Group & Cloud Limited transferred such shares to Eastern Star Asia Investment Limited, L&C Investment Limited, Fertile Harvest Investment Limited and Relian Investment Limited, each an investment holding company (collectively, the "**Acting-in-concert Investors**"), representing 0.47%, 0.47%, 1.16% and 1.16%, respectively, of Life Science Holdings' outstanding shares, at an aggregate price of US$140 million. The transfer price, determined based on arm's length negotiation between the transferor and transferees, was used by Group & Cloud Limited to repay part of the loan under the Management Facility Agreement. As a result, Group & Cloud Limited's remaining shareholding interest in Life Science Holdings was 6.10%.

The shares held by G&C I Limited, G&C II Limited and Group & Cloud Limited in Life Science Holdings were later repurchased by Life Science Holdings. See, "— Reorganization — Push-Down — Step 2". The debenture over the assets of G&C II Limited was released by the Lenders under the Management Facility Agreement in December 2016. Based on the repayment schedule under the Management Facility Agreement, Group & Cloud Limited does not have repayment obligation in relation to the principal amount under the Management Facility Agreement until December 2023 and sufficient deposit has been made with the Lenders in respect of interest to be paid for a period up to December 2018.

Upon Listing, the relevant share charges and debentures in relation to the Management Facility Agreement as described above will be [released] by Ping An Bank Co., Ltd. and [re-charged] in favor of Shanghai Pudong Development Bank Co., Ltd., an authorized institution as defined in the Banking Ordinance. Further, pursuant to the LBO Facility Agreement and the Management Facility Agreement, Biologics Holdings will charge up to its [REDACTED] Shares in our Company in favor of Shanghai Pudong Development Bank Co., Ltd. as security for the *bona fide* commercial loans under these two facility agreements after Listing. Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that it will observe its respective obligations, including to inform us in writing from time to time the number of Shares subject to the share charges during the term of the LBO Facility Agreement and the Management Facility Agreement. See "Underwriting — [REDACTED]."

We will also inform the Stock Exchange as soon as we have been informed that the Shares under such share charge will be disposed of, and disclose such information by way of an announcement as soon as possible. Please refer to "— Reorganization — Push-Down" for the simplified shareholding structure illustrating the relationship among G&C V Limited, G&C VI Limited, G&C IX Limited, Biologics Holdings and our Company after the Push-Down. Please also see "Risk Factors — Risks Relating to our Business and Industry — Certain equity interests and assets of our Controlling Shareholders and shares in our Company are charged as security interests pursuant to two facility agreements. A default under such facility agreements could result in enforcement of the security interests, which could materially and adversely affect our Controlling Shareholders' ownership in our Group."

To ensure the Founding Individuals' control over the voting power attaching to the shares of Life Science Holdings then held by the Acting-in-concert Investors, (i) each of Eastern Star Asia Investment Limited, L&C Investment Limited and Fertile Harvest Investment Limited signed an acting-in-concert agreement with Dr. Li in January 2016 (collectively, the "**Acting-in-concert Agreements**"), pursuant to which Dr. Li was entitled to control the exercise of their 2.10% voting power in Life Science Holdings and any company in which the Founding Individuals all have interests including Biologics Holdings; and (ii) Relian Investment Limited issued a voting proxy on February 1, 2016 to appoint Dr. Li as its attorney and proxy to exercise all of its voting power in Life Science Holdings and to exercise all consensual rights in respect of the shares held by it.

Reasons for seeking the Listing on the Stock Exchange

Following the Delisting, the Reorganization was carried out alongside with and as part of the strategic restructuring to realign Wuxi PharmaTech's businesses through three primary business units: our Group and the Other WuXi Businesses consisting of the other two business segments in the areas of small molecules and genomics with WuXi AppTec and Nextcode as the respective major operating entity. See "Relationship with Our Controlling Shareholders — Background of Our Controlling Shareholders" for details of the clear business delineation of our Group from the Other WuXi Businesses.

Having considered the clear business delineation of our Group from the Other WuXi Businesses and the fast growing global biologics outsourcing services market which presents enormous growth potential to us, our Directors believe that the Listing will be in the interests of our Group's business development strategies, and would be beneficial to us and our Shareholders as a whole for the following reasons:

(i) the fast growing global biologics services market, coupled with our existing leading position, will afford us with tremendous growth opportunities. It is important for us to have a viable source of capital to support such growth prospects. The Listing will provide a fund raising platform for our Company and allow us to raise the capital required to finance future expansion should the need arise. The Stock Exchange, as a leading player of the international financial market, serves as the ideal listing venue for us by virtue of its strong business ties with Chinese investors and business partners and its strategic position as a gateway for Chinese enterprises to access overseas markets, taking into account that (i) we are headquartered in Wuxi, Jiangsu Province, China with three operation sites located in Wuxi, Shanghai and Suzhou; (ii) during the year ended December 31, 2016, we serviced 86 customers headquartered in China; (iii) we serve as a gateway for overseas pharmaceutical and biotechnology companies to introduce novel biologics to China; and (iv) we are a global leading biologics services provider with a strategy to diversify the geographic mix of our customer base. The Shanghai and Shenzhen Stock Connect programme between mainland China and Hong Kong also allows mainland investors, who are more familiar with our business and operation, to invest in us through such programme after the Listing;

(ii) since it was founded in 2010, our Group's business has been clearly delineated from the Other WuXi Businesses. Before the Delisting of WuXi PharmaTech, our Group's business only constituted a very small portion of the overall business of WuXi PharmaTech as a potential growth point whose value had not been brought into full play. The Company is a unique platform being the only open-access biologics technology platform in the world offering end-to-end solutions, according to the Frost & Sullivan Report, empowering anyone to discover, develop and manufacture biologics from concept to commercial manufacturing. Hence, the historical valuation of WuXi PharmaTech whose businesses comprised primarily the Other WuXi Businesses does not reflect and is not a meaningful reference to the current valuation of the Group for the purpose of the Listing. The Listing

will allow our Group's business and the Other WuXi Businesses to pursue different business strategies that better suit their respective business nature and needs and enable them to focus on and capture opportunities specific to their respective businesses. Our Directors believe that the share performance of our Company would serve as a separate benchmark for our Shareholders and the investing public to evaluate the performance of our Group independently which could, in turn, be a performance incentive for the management of our Group;

(iii) the listing of our Company as an independent business unit will also make our stock based compensation to our employees, which correlates directly to the performance in our Group's business, more appealing and will in turn help us to attract and motivate the talents needed to support our rapid growth and enhance our operating efficiency on an ongoing basis; and

(iv) a listing status on the Stock Exchange will further raise our business profile and thus, enhance our ability to attract new customers, business partners and strategic investors as well as to recruit, motivate and retain key management personnel for our Group's business.

REORGANIZATION

For the purposes of the Listing and optimizing our corporate structure, our Group carried out the Reorganization which included the following principal steps:

Introduction of Biologics Holdings

On December 21, 2015, each share of a par value of US$1 of our Company was subdivided into 40,000 shares of a par value of US$0.000025 each.

As part of the Reorganization, Biologics Holdings was incorporated as an investment holding company on December 17, 2015 in the British Virgin Islands with one share of no par value issued to WuXi PharmaTech. On January 12, 2016, WuXi PharmaTech transferred all of its equity interest in our Company to Biologics Holdings. As a result, Biologics Holdings became our direct sole shareholder. On the same day, an aggregate of 963,960,000 shares of our Company were allotted and issued to Biologics Holdings at par value, following which Biologics Holdings held 964,000,000 shares in our Company.

Share transfer to management members and employees of our Group and WuXi AppTec Group by Biologics Holdings

On February 26, 2016, Biologics Holdings completed a number of transfers of an aggregate of 53,960,651 shares of our Company, representing 5.60% of the then issued share capital of our Company, at a price of US$0.50 per share to 102 individuals who were management members and employees of our Group and WuXi AppTec Group, including the Founding Individuals and Mr. Edward Hu, Dr. Zhisheng Chen and Dr. Weichang Zhou who are Directors of our Company. None of such transfers involved more than 1.07% of the then issued share capital of our Company. The transfer price was determined with reference to a valuation report prepared by an independent external appraiser. The transferees shall not transfer or otherwise dispose such shares of our Company within six months after the Listing without our Company's prior written consent. Among these equity transfers, the following equity transfers involved the Founding Individuals and Directors:

Transferee	Title	Number of shares transferred	Shareholding Percentage
Dr. Li	Controlling Shareholder, Chairman and Non-executive Director	10,276,031	1.07%
Dr. Zhao	Controlling Shareholder	1,857,590	0.19%
Mr. Xiaozhong Liu	Controlling Shareholder	4,347,551	0.45%
Mr. Zhaohui Zhang	Controlling Shareholder	3,557,088	0.37%
Dr. Zhisheng Chen	Executive Director	711,418	0.07%
Dr. Weichang Zhou	Executive Director	487,453	0.05%
Mr. Edward Hu	Non-executive Director	2,882,997	0.30%

The Founding Individuals entered into a supplemental acting-in-concert agreement on June 30, 2016 to acknowledge and confirm their acting-in-concert relationship in Biologics Holdings and our Company as described in "Relationship with Our Controlling Shareholders — Overview".

Push-Down

On March 8, 2016, Biologics Holdings changed the maximum number of its authorized shares to 1,000,000,000 Class A ordinary shares of US$0.000025 each and 1,000,000,000 Class B ordinary shares of US$0.000025 each. The only one issued share in Biologics Holdings was re-designated as a Class B ordinary share. Each Class A ordinary share of Biologics Holdings carries five votes at general meetings and each Class B ordinary share carries one vote at general meetings. On the same day, an additional 999,999 Class B ordinary shares were issued to WuXi PharmaTech at par value. As a result, WuXi PharmaTech held 1,000,000 Class B ordinary shares and was the sole shareholder of Biologics Holdings.

The push down of the Founding Individuals' interest from Life Science Holdings to Biologics Holdings (the "**Push-Down**"), which was carried out alongside with the push-down of the Founding Individual's interest in Other WuXi Businesses to the level of separate holding company of each Other WuXi Business, involved the following two steps.

Step 1

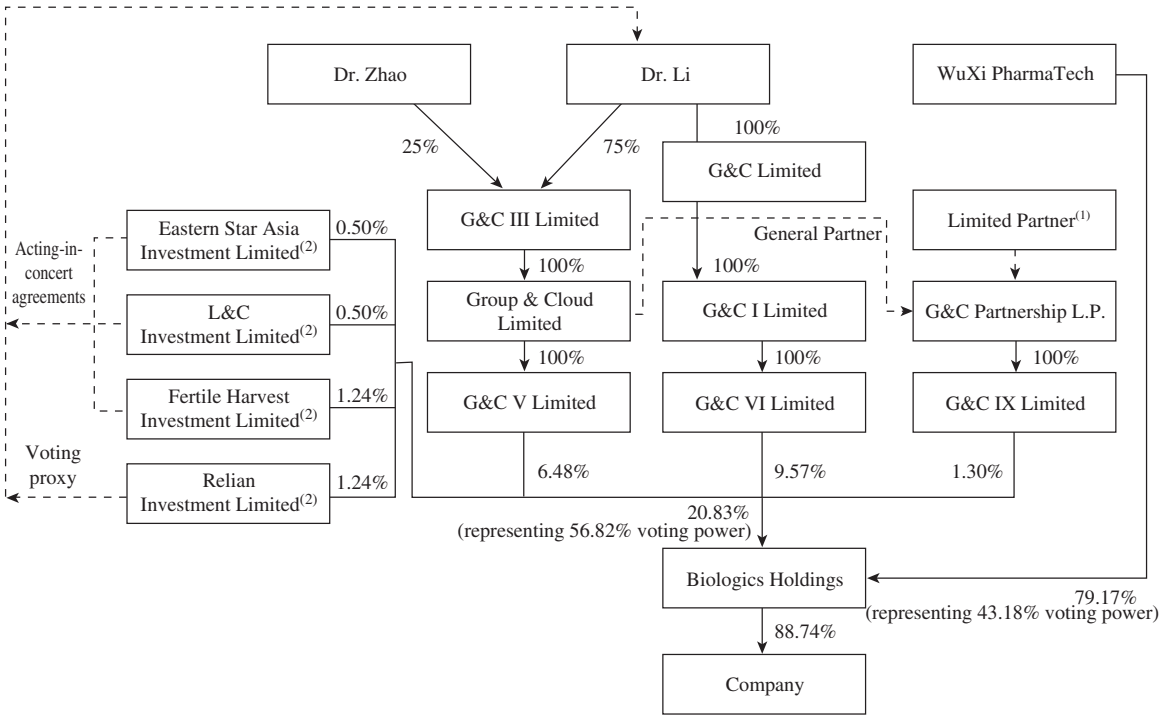
In January 2016, G&C V Limited, G&C VI Limited and G&C IX Limited became wholly-owned subsidiaries of Group & Cloud Limited, G&C I Limited and G&C Partnership L.P., respectively, as required by the Lenders to be special purpose entities to hold shares in Biologics Holdings after the Push-Down pursuant to the Management Facility Agreement.

On March 28, 2016, WuXi PharmaTech transferred to G&C V Limited, G&C VI Limited, G&C IX Limited and the Acting-in-concert Investors (the "**Founder Entities**") an aggregate of 208,333 Class B ordinary shares of Biologics Holdings, representing 20.83% of the issued share capital of Biologics Holdings, at a price of US$89,107,868, which were later reclassified as Class A ordinary shares, representing 56.82% voting power of the issued shares of Biologics Holdings. Group & Cloud Limited, G&C I Limited, G&C Partnership L.P. and the Acting-in-concert Investors issued promissory notes in an aggregate amount of US$89,107,868 to WuXi PharmaTech as consideration for such share transfers.

Pursuant to the Acting-in-concert Agreements, Dr. Li is entitled to control the exercise of the voting power of Eastern Star Asia Investment Limited, L&C Investment Limited and Fertile Harvest Investment Limited as shareholders of Biologics Holdings.

Relian Investment Limited issued a voting proxy on March 28, 2016 to appoint Dr. Li as its attorney and proxy to exercise voting power attaching to all of its shares in Biologics Holdings and to exercise all consensual rights in respect of such shares.

Set out below is a simplified shareholding structure illustrating the shareholding of the Founding Individuals in Biologics Holdings as the result of the Push-Down as at the Latest Practicable Date (the "**Founding Individuals' Shareholding in Biologics Holdings**").



Notes:

(1) Limited partner of G&C Partnership L.P. is Shanghai Zhong'ao Investment Management Center (Limited Partnership) (上海鐘奧投資管理中心(有限合夥)), which is an investment fund managed by Yinfu Capital as the general partner. Limited partner of Shanghai Zhong'ao Investment Center (Limited Partnership) is Minsheng Jiayin Asset Management Co., Ltd. (民生加銀資產管理有限公司).

(2) Each of Eastern Star Asia Investment Limited, L&C Investment Limited, Fertile Harvest Investment Limited and Relian Investment Limited is an investment holding company owned by investors which are Independent Third Parties.

Biologics Holdings further transferred 54,602,361 shares of our Company, representing 5.66% of the then outstanding shares of our Company in March 2016, at a price of US$27,301,180 to G&C VII Limited, a wholly-owned subsidiary of G&C II Limited which is owned by Dr. Li. G&C II Limited issued a promissory note in an amount of US$27,301,180 to Biologics Holdings as consideration for such share transfer.

Step 2

As the second step of the Push-Down, on March 31, 2016, all equity interests of the Founder Entities and G&C II Limited in Life Science Holdings were repurchased by Life Science Holdings at a total consideration of US$305,078,362.70 which was settled in full by set-off against the amounts due to Life Science Holdings under the promissory notes issued by Group & Cloud Limited, G&C I

Limited, G&C Partnership L.P., the Acting-in-concert Investors and G&C II Limited in "—Step 1" above, as well as other promissory notes issued by them in the push-down of the Founding Individuals' interest in Other WuXi Businesses to the level of separate holding company of each Other WuXi Business.

As a result of the Push-Down, Dr. Li controlled 208,333 Class A ordinary shares of Biologics Holdings, representing 20.83% of its issued share capital and 56.82% of the voting power at its general meetings, which in turn controlled 88.74% voting power of our Company at general meetings of the Company. Other investors, through their shareholding interest in the Life Science Holdings, held 791,667 Class B ordinary shares of Biologics Holdings, representing 79.17% of its issued share capital and 43.18% of the voting power at general meetings.

Following the Push-Down, on April 24, 2016, Dr. Li, the Founder Entities and certain other parties entered into a shareholders agreement to provide for the management of Biologics Holdings. The salient terms of the shareholders agreement are summarized below:

Board representation

The board of Biologics Holdings shall consist of nine directors. Group & Cloud Limited, one of the Founder Entities, shall appoint five directors. Ally Bridge shall appoint one director. Boyu Capital shall appoint two directors. Temasek Pavilion JVCo shall appoint one director. So long as Dr. Li serves as a director of Biologics Holdings, he shall be the chairman of the board of Biologics Holdings.

Reserved matters

Certain actions taken by Biologics Holdings in relation to itself or its subsidiaries require the affirmative written consent or approval of two-thirds of all directors of the board, including, among others, merger or consolidation, amendment to constitutional documents, appointment of a receiver, liquidation, repurchase or redemption of equity interest not on a pro rata basis, transactions with any shareholder or affiliate person not on an arm's length basis, adoption of employee equity incentive plans, the terms and conditions of a [REDACTED] of the Company (a "**[REDACTED]**"), change of control events, change in share capital, and significant acquisition or disposition.

Certain actions taken by Biologics Holdings in relation to itself or its subsidiaries require approval of two-thirds of the voting power of Biologics Holdings' shareholders at general meetings, including, among others, material change in the strategic direction of Biologics Holdings or the principal line of business, merger or consolidation, amendment to constitutional documents, appointment of receiver or administrator, liquidation, dissolution, [REDACTED] other than the [REDACTED], change of control event, and repurchase or redemption of equity interest not on a pro rata basis.

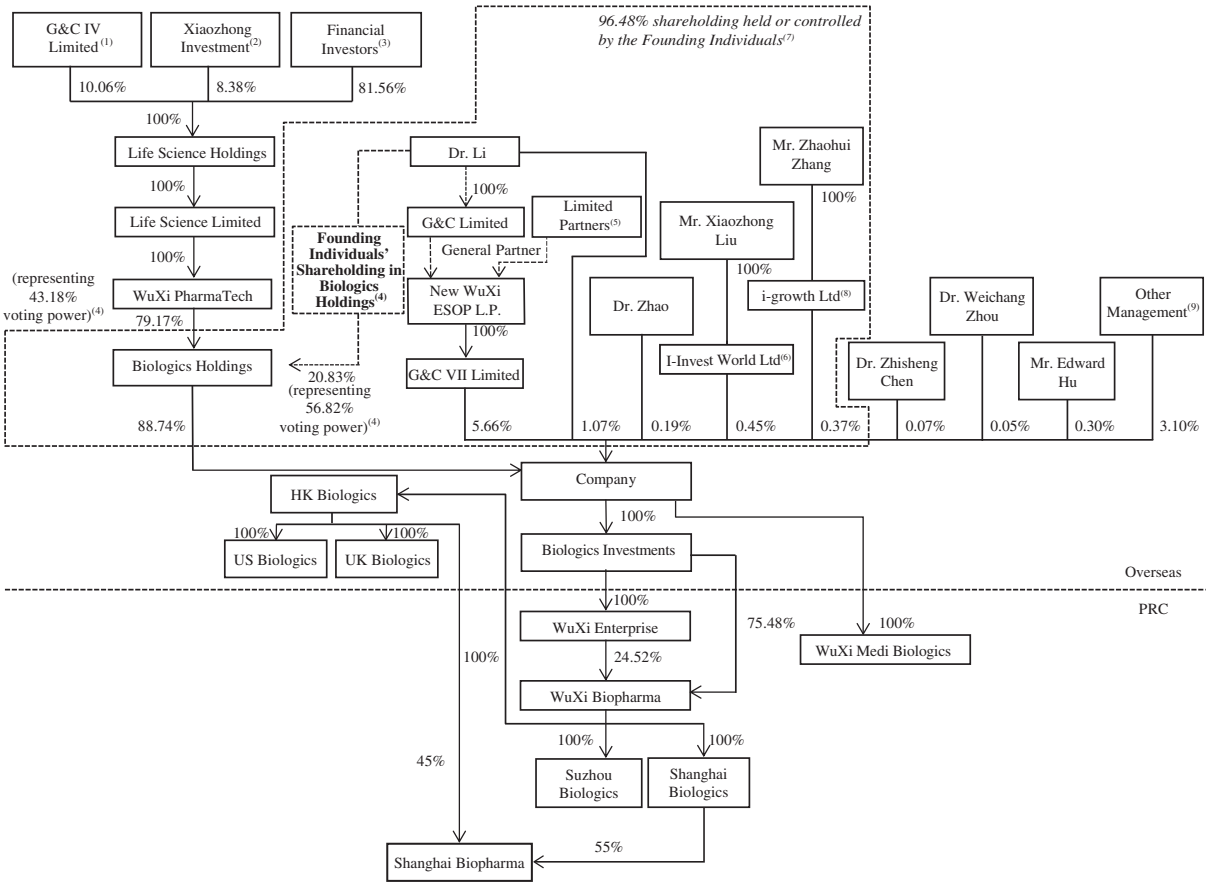
Transfer restriction	None of the Founder Entities or other investors may directly or indirectly transfer any shares held by it until the earlier of (i) December 11, 2016 and (ii) completion of a [REDACTED]. Group & Cloud Limited and G&C I Limited may not directly or indirectly transfer any shares held by it until the earlier of (i) December 11, 2019 and (ii) completion of a [REDACTED]. However, the foregoing restrictions shall not apply to any transfer made by Group & Cloud Limited or G&C I Limited of no more than an aggregate of 1.74% of the then total issued and outstanding shares of Biologics Holdings.
Right of first offer and tag along right	If any of the Founder Entities or other investors directly or indirectly transfers any shares of Biologics Holdings to any third party, it shall give Biologics Holdings, other investors and Founder Entities (other than itself) a written notice of its intention to make such transfer, which shall constitute an offer from the transferring party to the accepting parties up to their respective pro rata share of the shares underlying such transfer. If any of the Founder Entities and other investors does not exercise its right of first offer, it shall have the tag along right to participate in such transfer.

Contribution of one share of G&C VII Limited to New WuXi ESOP L.P. by G&C II Limited

On November 30, 2016, G&C II Limited made a capital contribution to New WuXi ESOP L.P. by way of transferring one share of a par value of US$1.00 held by it in G&C VII Limited, being the entire issued share capital of G&C VII Limited, to New WuXi ESOP L.P., in consideration for the subscription by it of limited partnership interest in New WuXi ESOP L.P. On the same date, G&C Limited as the general partner, G&C II Limited as the initial limited partner and 65 employees of WuXi AppTec Group, including Dr. Zhao who is one of the Founding Individuals, and Mr. Edward Hu who is a Director of our Company, as new limited partners, entered into a limited partnership agreement in relation to the admission of new limited partners to New WuXi ESOP L.P. The transfer, the subscription and the admission of new limited partners were completed on the same date.

CORPORATE STRUCTURE

Set forth below is the corporate structure of our Group after the Reorganization but before completion of the [REDACTED]. Immediately after the Reorganization, the Founding Individuals directly or indirectly held or controlled over an aggregate of 96.48% shareholding in our Company.



Notes:

(1) G&C IV Limited is funded by eight investors, who are Independent Third Parties and independent to each other, holding non-voting shares, and is controlled by Dr. Li by holding one voting share representing 100% of the voting power in G&C IV Limited. These eight investors are Vivo Super VIII Limited, Shanghai Yingyi Investment Co., Ltd., Bright Luck Inc. Limited, Eastern Frontier Limited, Booming Future Ltd., Asean China Investment Fund III L.P., Asean China Investment Fund (US) III L.P. and Celestial Knight Limited who hold 20.83%, 20.83%, 16.67%, 16.67%, 10.42%, 11.00%, 1.50% and 2.08% of the non-voting shares of G&C IV Limited, respectively. On June 27, 2016, G&C IV Limited issued a voting proxy to appoint the Financial Investors as its attorney and proxy to exercise voting power attaching to all of its shares in Life Science Holdings and to exercise all consensual rights in respect of such shares in proportion to the Financial Investors' shareholdings in Life Science Holdings.

(2) Xiaozhong Investment is an investment fund managed by Yinfu Capital as the general partner of Xiaozhong Investment. Mr. Xiaozhong Liu and Mr. Zhaohui Zhang, being two of the Founding Individuals, control the investment decision committee, which is the decision-making body of Xiaozhong Investment. On June 27, 2016, Xiaozhong Investment issued a voting proxy to appoint the Financial Investors as its attorney and proxy to exercise voting power attaching to all of its shares in Life Science Holdings and to exercise all consensual rights in respect of such shares in proportion to the Financial Investors' shareholdings in Life Science Holdings.

(3) The Financial Investors comprise nine financial investors that together own 81.56% shareholding interest of Life Science Holdings, including Ally Bridge as to 12.58%, Boyu Capital as to 27.30%, Temasek Pavilion JVCo as to 13.83%, Ping An as to 8.38%, Hillhouse Capital as to 10.65%, Yunfeng Capital as to 2.10%, Sequoia Capital as to 2.10%, Legend Capital as to 2.10% and SPDB International as to 2.52%. The Financial Investors are independent to each other.

(4) Dr. Li controlled 208,333 Class A ordinary shares of Biologics Holdings, representing 20.83% of issued share capital and 56.82% of the voting power at its general meetings. See "— Reorganization — Push-Down — Step 1".

(5) Limited partners of New WuXi ESOP L.P. are G&C II Limited, Dr. Zhao, Mr. Edward Hu and 61 employees of WuXi AppTec Group as of the Latest Practicable Date.

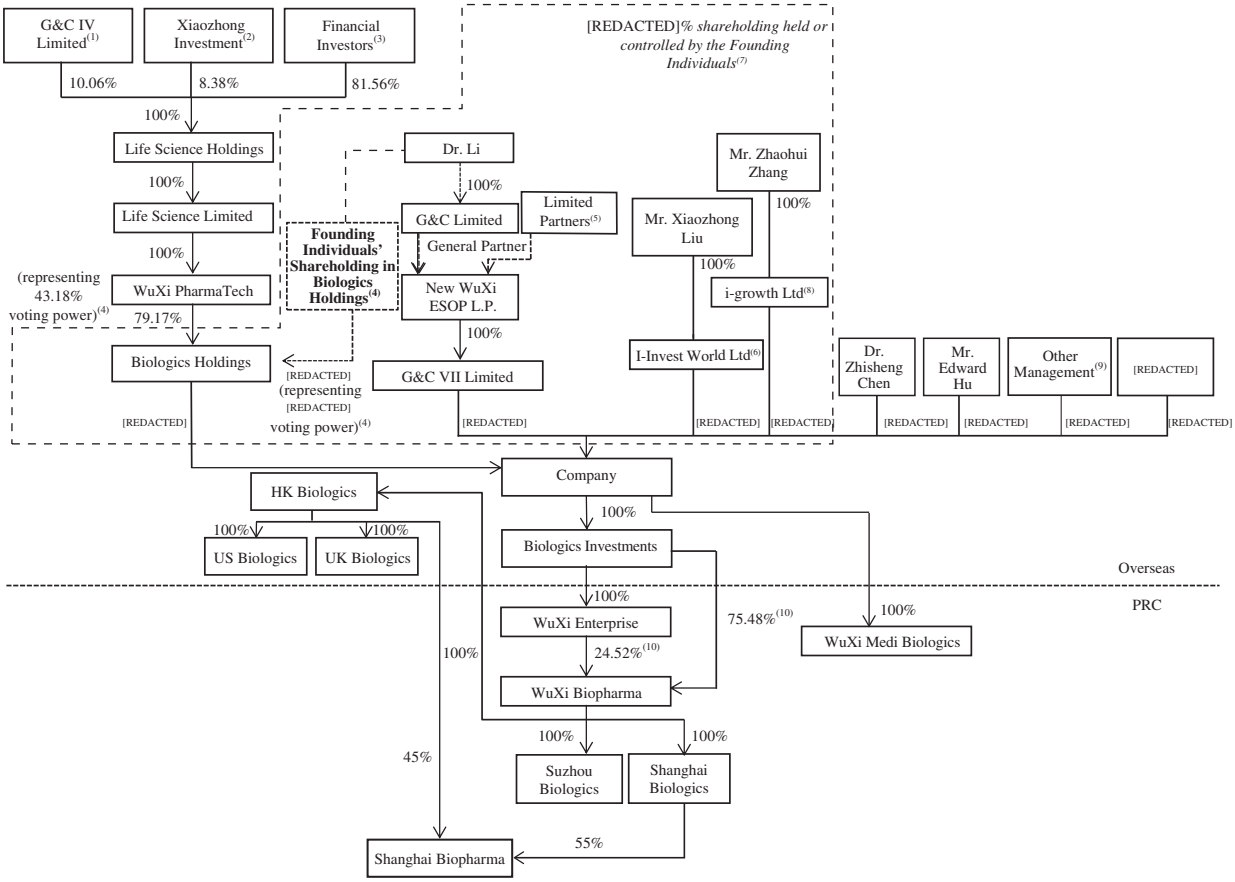
(6) For personal investment management purpose, Mr. Xiaozhong Liu transferred 4,347,551 Shares on February 27, 2017 to I-Invest World Ltd, an investment holding company incorporated in the British Virgin Islands on November 27, 2006, which is wholly owned by Mr. Xiaozhong Liu.

(7) The 96.48% shareholding held or controlled by the Founding Individuals included the Shares controlled through Biologics Holdings and G&C VII Limited, and Shares directly or indirectly held by Dr. Li, Dr. Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang.

(8) For personal investment management purposes, Mr. Zhaohui Zhang transferred 3,557,088 Shares on February 27, 2017 to i-growth Ltd, an investment holding company incorporated in the British Virgin Islands on November 27, 2006, which is wholly owned by Mr. Zhaohui Zhang.

(9) The 95 other management exclude Dr. Li, Dr. Zhao, Mr. Xiaozhong Liu, Mr. Zhaohui Zhang, Dr. Zhisheng Chen, Dr. Weichang Zhou and Mr. Edward Hu. See "— Reorganization — Share Transfer to Management Members and Employees of our Group and WuXi AppTec Group by Biologics Holdings".

The corporate structure of our Group immediately upon the completion of the [REDACTED] (assuming the [REDACTED] and the [REDACTED] Share Options are not exercised) is as follows:



Notes:

(1) G&C IV Limited is funded by eight investors, who are Independent Third Parties and independent to each other, holding non-voting shares, and is controlled by Dr. Li by holding one voting share representing 100% of the voting power in G&C IV Limited. These eight investors are Vivo Super VIII Limited, Shanghai Yingyi Investment Co., Ltd., Bright Luck Inc. Limited, Eastern Frontier Limited, Booming Future Ltd., Asean China Investment Fund III L.P., Asean China Investment Fund (US) III L.P. and Celestial Knight Limited who hold 20.83%, 20.83%, 16.67%, 16.67%, 10.42%, 11.00%, 1.50% and 2.08% of the non-voting shares of G&C IV Limited, respectively. On June 27, 2016, G&C IV Limited issued a voting proxy to appoint the Financial Investors as its attorney and proxy to exercise voting power attaching to all of its shares in Life Science Holdings and to exercise all consensual rights in respect of such shares in proportion to the Financial Investors' shareholdings in Life Science Holdings.

(2) Xiaozhong Investment is an investment fund managed by Yinfu Capital as the general partner of Xiaozhong Investment. Mr. Xiaozhong Liu and Mr. Zhaohui Zhang, being two of the Founding Individuals, control the investment decision committee, which is the decision-making body of Xiaozhong Investment. On June 27, 2016, Xiaozhong Investment issued a voting proxy to appoint the Financial Investors as its attorney and proxy to exercise voting power attaching to all of its shares in Life Science Holdings and to exercise all consensual rights in respect of such shares in proportion to the Financial Investors' shareholdings in Life Science Holdings.

(3) The Financial Investors comprise nine financial investors that together own 81.56% shareholding interest of Life Science Holdings, including Ally Bridge as to 12.58%, Boyu Capital as to 27.30%, Temasek Pavilion JVCo as to 13.83%, Ping An as to 8.38%, Hillhouse Capital as to 10.65%, Yunfeng Capital as to 2.10%, Sequoia Capital as to 2.10%, Legend Capital as to 2.10% and SPDB International owned 2.52%. The Financial Investors are independent to each other.

(4) Dr. Li controlled 208,333 Class A ordinary shares of Biologics Holdings, representing 20.83% of issued share capital and 56.82% of the voting power at its general meetings. See "— Reorganization — Push-Down — Step 1".

(5) Limited partners of New WuXi ESOP L.P. are G&C II Limited, Dr. Zhao, Mr. Edward Hu and 61 employees of WuXi AppTec Group as of the Latest Practicable Date.

(6) For personal investment management purpose, Mr. Xiaozhong Liu transferred [REDACTED] Shares on February 27, 2017 to I-Invest World Ltd, an investment holding company incorporated in the British Virgin Islands on November 27, 2006, which is wholly owned by Mr. Xiaozhong Liu. [REDACTED] is offering [REDACTED] held by it for [REDACTED] under the [REDACTED].

(7) The [REDACTED]% shareholding held or controlled by the Founding Individuals included the Shares controlled through Biologics Holdings and G&C VII Limited, and the Shares indirectly held by Mr. Xiaozhong Liu and Mr. Zhaohui Zhang.

(8) For personal investment management purposes, Mr. Zhaohui Zhang transferred [REDACTED] Shares on February 27, 2017 to i-growth Ltd, an investment holding company incorporated in the British Virgin Islands on November 27, 2006, which is wholly owned by Mr. Zhaohui Zhang. [REDACTED] is offering [REDACTED] held by it for [REDACTED] under the [REDACTED].

(9) The 89 other management exclude Mr. Xiaozhong Liu, Mr. Zhaohui Zhang, Dr. Zhisheng Chen and Mr. Edward Hu. See "— Reorganization — Share Transfer to Management Members and Employees of our Group and WuXi AppTec Group by Biologics Holdings". Dr. Li, Dr. Zhao, Dr. Weichang Zhou and other six management are offering all Shares directly held by them for sale under the [REDACTED].

(10) For change of shareholding in WuXi Biopharma, please see "— Our Group — WuXi Biopharma".

PRC LEGAL COMPLIANCE

M&A Rules

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定) (the "**M&A Rules**"), which were jointly promulgated by MOFCOM, SASAC, SAT, SAIC, CSRC and SAFE on August 8, 2006, came into effect on September 8, 2006 and subsequently amended on June 22, 2009, require that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by the relevant commerce authorities.

Article 11 of the M&A Rules stipulates that an offshore special purpose vehicle, or a SPV, established or controlled by a PRC company or individual shall obtain approval from the MOFCOM prior to the acquisition of any domestic enterprise related to such company or individual. The M&A Rules, among others, also require that an offshore SPV formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange, especially in the event that the SPV acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

As advised by our PRC legal advisor, two of our four cross-border acquisitions did not involve acquisitions by an offshore SPV as established or controlled by PRC residents as such term is defined under the M&A Rules because the acquirers were controlled by WuXi PharmaTech, a then listed company on the NYSE, instead of by a PRC company or individual. As advised by our PRC legal advisor, the other two cross-border acquisitions were subject to the Provisions for the Alteration of Investors' Equities in Foreign-funded Enterprises (《外商投資企業投資者股權變更的若干規定》) rather than the M&A Rules, because the target, WuXi Biopharma, was a Sino-foreign joint venture. Accordingly, the acquisitions set forth above are not subject to approval from MOFCOM under the M&A Rules and our listing on the Stock Exchange is not subject to a prior approval from CSRC under the M&A Rules.

However, as advised by our PRC legal advisor, Fangda Partners, as there has been no official interpretation or clarification of CSRC approval requirement under the M&A Rules, there is uncertainty as to how this clause will be interpreted or implemented.

Considering the uncertainties that exist with respect to the issuance of new laws, regulations or interpretation and implementing rules, the opinion of Fangda Partners, summarized above, is subject to change. If the CSRC or another PRC regulatory agency subsequently determines that prior CSRC approval was required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. For details, please see the section headed "Risk Factors — Risks Relating to Conducting Business In China — Any requirement to obtain prior approval under the M&A Rules (as defined below) and/or any other regulations promulgated by relevant PRC regulatory agencies in the future could delay this [REDACTED] and failure to obtain any such approvals, if required, could have a material adverse effect on our business, operating results and reputation as well as the trading price of our Shares, and could also create uncertainties for this [REDACTED]" of this document.

Circular 37

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》, the "**SAFE Circular 37**") on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further

requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

On February 13, 2015, SAFE released the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》, the "**SAFE Circular 13**"), which became effective from June 1, 2015. According to SAFE Circular 13, local banks shall examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37.

Mr. Xiaozhong Liu and Mr. Zhaohui Zhang, who were PRC resident shareholders of WuXi PharmaTech and become Controlling Shareholders of us after the Delisting as described in the section headed "— Reorganization", made original registrations with the local branch of SAFE in 2005 pursuant to the then equivalent rule of SAFE Circular 75 and had completed amendment registrations with the local branch of SAFE in 2016 pursuant to SAFE Circular 37 and SAFE Circular 13 with respect to their respective offshore special purpose vehicles. Dr. Li and Dr. Zhao, being the other two Controlling Shareholders of our Group, are not PRC citizens or overseas individuals who do not hold any PRC identity documents but have habitual residences in the PRC due to the relationship of economic interests, thus they are not required to make registration under SAFE Circular 37 or SAFE Circular 13.

There remains uncertainty as to interpretation and implementation of the latest SAFE rules at practice level. Due to a lack of detailed implementation rules of registration requirements and the foregoing uncertainty, as of the Latest Practicable Date, some individual shareholders of the Company, other than the Founding Individuals, who are PRC citizens and collectively hold less than 1% of shares of the Company, did not conduct their registration with the competent local branches of the SAFE.

Based on an interview performed by us and our PRC legal adviser with the official from Wuxi Central Branch of the SAFE, and on the assumption that the Company and its PRC subsidiaries are in compliance with other applicable PRC laws and regulations governing foreign exchange, our PRC legal advisor is of the view that, unless the SAFE or its local branches releases explicit requirements or adopts different interpretation on the relevant PRC laws and regulations in the future, the likelihood that the Company and its PRC subsidiaries will be sanctioned by the SAFE or its local branches for the 24 PRC citizen shareholders' failure to comply with applicable SAFE registration requirements is not high.

OVERVIEW

Our mission is to transform and accelerate pharmaceutical discovery, development and manufacturing in the fast growing field of biologics to benefit patients worldwide.

We are a global leading biologics services provider that offers comprehensive, integrated and highly customizable services through our teams of scientists, proprietary technology platform and know-how, state-of-the-art laboratories, and cGMP-compliant manufacturing facilities to pharmaceutical and biotechnology companies. We are the only open-access biologics technology platform in the world offering end-to-end solutions, according to the Frost & Sullivan Report, empowering anyone to discover, develop and manufacture biologics from concept to commercial manufacturing. Our business model is built on a "follow-the-molecule" strategy: our customers' demand for our services typically increases as their biologics advance through the biologics development process and ultimately to commercial manufacturing. As a result, our revenue from each integrated project typically increases as the project advances. Our proprietary intellectual property and unique end-to-end services also allow us to share the upside of our customers' projects through milestone and royalty fees in certain projects.

We have strong technical capabilities and an open-access technology platform that allows our customers to initiate a project at any stage in the development process. As of the Latest Practicable Date, we had worked on 15 biologics which successfully proceeded to the IND filing stage for initiation of global clinical trials and 32 for China only clinical trials. As of the Latest Practicable Date, we had developed 191 cell lines for therapeutic protein purpose and 72 cell-based bioassays, and had produced more than 330 batches of biologics with a 97.6% success rate.

Our diverse and growing customer base includes leading global pharmaceutical companies as well as virtual, start-up companies and small- to mid-sized biotechnology companies. As of the Latest Practicable Date, we had worked with 12 out of the 20 largest pharmaceutical companies in the world as measured by their respective pharmaceutical sales in 2016. We provided services to 78, 124 and 163 customers in the year ended December 31, 2014, 2015 and 2016, respectively, and our backlog had reached US$383.4 million as of the Latest Practicable Date.

We have assembled one of the largest biologics development teams in the global biologics industry, according to the Frost & Sullivan Report, with 732 scientists as of December 31, 2016. We also operate one of the world's largest cell culture development laboratories, according to the Frost & Sullivan Report, with over 260 bioreactors with individual capacity ranging from 1L to 200L. We are currently building the world's largest disposable bioreactor-based biologics commercial manufacturing facilities with a planned manufacturing capacity of 30,000L.

Headquartered in Wuxi, Jiangsu Province, China, we currently have three operation sites located in Wuxi, Shanghai and Suzhou, respectively. Our world-class facilities in Wuxi and Shanghai are designed pursuant to global regulatory standards and in compliance with the cGMP, which enables us to simultaneously advance in parallel the development and registration of innovative biologics and biosimilars for both China and overseas markets.

We attribute our success to our seasoned management team supported by a pool of talented scientists. We are led by our visionary founder, Dr. Li, and our CEO, Dr. Zhisheng Chen. Members of our senior management team have an average of 20 years' industry experience in their areas of expertise. We believe the strength of our management team together with our unique value proposition will continue to help us attract and retain talent from all over the world. We are proud of our WuXi PharmaTech heritage. Prior to the Reorganization, we were controlled by WuXi PharmaTech. We believe being affiliated with WuXi PharmaTech and its subsidiaries, a leading technology and capability platform group serving the global pharmaceutical, biopharmaceutical and medical device industry, has helped us gain the trust and confidence of new customers. Our relationship with WuXi PharmaTech and its subsidiaries also provides our customers access to WuXi PharmaTech's service capabilities that complement our own technology platform.

We experienced robust growth in our revenue during the Track Record Period. For the years ended December 31, 2014, 2015 and 2016, our revenue amounted to RMB331.9 million, RMB557.0 million and RMB989.0 million, respectively. We recorded net profit of RMB42.0 million, RMB44.5 million and RMB141.1 million for the same periods, respectively. We ranked first in China's biologics outsourcing services market and fifth in the global biologics outsourcing services market in terms of revenue in 2016, with a market share of 48.0% and 1.8%, respectively, according to the Frost & Sullivan Report. We believe we are well positioned to capitalize on the opportunities offered by the fast-growing global biologics outsourcing services market and increase our market share. The global biologics outsourcing services market was US$8.4 billion in 2016 and is estimated to grow to US$20.0 billion by 2021, according to the Frost & Sullivan Report.

OUR STRENGTHS

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

Fully integrated biologics discovery, development and manufacturing platform

We provide a comprehensive, integrated and highly customizable range of biologics discovery, development and manufacturing services. According to the Frost & Sullivan Report, we are the only global life sciences company offering comprehensive services covering the entire biologics discovery, development and manufacturing value chain. The breadth of our services allows us to capitalize on the opportunities offered by different segments of the global biologics outsourcing services market which had a market size of US$8.4 billion in 2016 and is expected to reach US$20.0 billion by 2021, according to the Frost & Sullivan Report. Our end-to-end integrated platform also allows us to serve our customers from an early-phase of their drug discovery projects with a shorter development time and lower costs, which as a result significantly increases our customers' stickiness and enables us to build up a robust project pipeline. Accordingly, our platform enables anyone, from individuals and virtual, start-up biotechnology companies to multi-national pharmaceutical companies, to discover, develop and manufacture biologics from concept to commercial manufacturing.

World-class technical capabilities and capacity to serve customers globally

Our strong technical capabilities and ability to quickly adapt to the latest technologies in the industry allow us to provide comprehensive and customized biologics research solutions to customers. We have assembled one of the largest biologics development teams in the global biologics industry, according to the Frost & Sullivan Report, with 732 scientists as of December 31, 2016. We believe our success with customers stems from our culture of providing flexible and tailored solutions through innovative and dedicated services. Our open-access technology platform offers maximum flexibility as to when and where in the development stage a project can be initiated. We can typically commence operation on discovery and development projects within four weeks from contract signing, compared to the industry average waiting time ranging from 16 to 24 weeks, according to the Frost & Sullivan Report. As of the Latest Practicable Date, we had worked on 15 molecules which successfully proceeded to the IND filing stage for initiation of global clinical trials and 32 for China only clinical trials. In December 2015, as a result of our strong technical capabilities and expanding capacity, we formed an exclusive strategic partnership with AstraZeneca to develop a portfolio of innovative biologics for the Chinese market.

We operate one of the world's largest cell culture development laboratories, according to the Frost & Sullivan Report, with over 260 bioreactors with individual capacity ranging from 1L to 200L. We have built a state-of-the-art cell culture process technology platform to maximize productivity and enhance process reproducibility. We are one of the few biologics outsourcing services providers in the world who have developed proprietary cell line platforms, according to the Frost & Sullivan Report. As of the Latest Practicable Date, we had developed 191 cell lines for therapeutic protein purpose and 72 cell-based bioassays, and had produced more than 330 batches of biologics with a 97.6% success rate, above the industry standard of 90% to 95%, according to the Frost & Sullivan Report. We currently have the capacity to simultaneously conduct more than 30 development projects at various development stages, which is unparalleled among our competitors, according to the Frost & Sullivan Report. We are also building the world's largest disposable bioreactor-based biologics commercial manufacturing facilities with a planned capacity of 30,000L to further increase our capabilities and capacity to service customers.

Industry leading, experienced and professional management team supported by a strong talent base

We are led by our visionary founder, Dr. Li, and our CEO, Dr. Zhisheng Chen. Dr. Li is one of the pioneers for pharmaceutical outsourcing in China and globally. Dr. Zhisheng Chen, who has 12 years of biologics industry experience in the United States and eight years in China, has pioneered biologics outsourcing in China and led us to becoming a global leading biologics platform company in five years. All members of our senior management team have worked at the forefront of the biologics industry with an average of over 20 years of industry experience in their areas of expertise.

Our senior management team is supported by one of the largest teams of scientists in the global biologics industry, according to the Frost & Sullivan Report. We enjoyed a high retention rate of our scientists, which facilitates the growth of our institutional knowledge base. As of December 31, 2016, we had 166 employees possessing a Ph.D. or equivalent degree in biotechnology, biology, chemistry, chemical engineering and other relevant fields. This strong talent pool allows us to undertake projects at any development stage with minimum waiting time. We attract talent globally by offering a collaborative work environment, competitive compensation, effective incentive plans, and most importantly, the opportunity to work on cutting-edge biologics projects with world-class scientists. Compared to our non-Chinese competitors, we believe we have inherent advantages in attracting Chinese scientists with overseas experience, or returnees, as a result of the tremendous career opportunities offered by the booming Chinese biologics market. We had 164 returnees as of December 31, 2016, 79 of whom had years of experience working at renowned international pharmaceutical or biotechnology companies.

Proven track record with growing customer base

Our end-to-end integrated platform allows us to serve our customers from biologics discovery all the way to commercial manufacturing. Due to regulatory requirements, lengthy and costly technology transfer processes and customers' need to ensure uninterrupted supply, once engaged, our customers generally engage our integrated services for the entire biologics development process and do not change to other services providers. As a result, we are able to build our customer base rapidly by retaining old customers while signing on new customers. We provided services to 78, 124 and 163 customers in the year ended December 31, 2014, 2015 and 2016, respectively, including 12 out of the 20 largest pharmaceutical companies in the world as measured by their respective pharmaceutical sales in 2016. Our customer base is highly diversified, consisting of leading global pharmaceutical companies as well as virtual, start-up companies and small- to mid-sized biotechnology companies. We enjoy a high level of customer loyalty and have developed solid working relationships with many new customers. As a testament to our proven track record and capabilities, we have entered into an exclusive strategic partnership with AstraZeneca, and we are in the process of negotiating strategic partnerships with other world renowned pharmaceutical and biotechnology companies.

In addition to our rapidly growing customer base, the revenue contributed by our key customers has also grown significantly over the Track Record Period, as we receive new projects from the same customers and our existing projects make further progress. The average revenue per customer generated from our ten largest customers increased significantly from RMB21.6 million for the year ended December 31, 2014 to RMB42.5 million for the year ended December 31, 2015, and to RMB65.6 million for the year ended December 31, 2016. Our backlog has reached US$383.4 million as of the Latest Practicable Date. We believe our strong backlog will continue to support and provide visibility on our rapid growth.

A gateway for the booming China biologics market

We serve as a gateway for overseas pharmaceutical and biotechnology companies to introduce novel biologics to China. According to the Frost & Sullivan Report, China's biologics market has reached RMB152.7 billion in terms of market size in 2016 and is expected to reach RMB326.9 billion in 2021, driven by many favorable factors such as increasing healthcare expenditures, enhanced

research and development capabilities, favorable government policies and increased investment in the biologics industry. Under Chinese regulatory requirements, a biologic drug developed and manufactured outside of China cannot be introduced to the Chinese market unless it is registered as an imported drug or its development and manufacturing process is repeated in China, either of which can take six to eight years. Our world-class, cGMP compliant facilities in Wuxi and Shanghai enable us to conduct parallel research and development of biologics for our customers for both China and overseas markets simultaneously, thus substantially reducing the time and cost required to introduce biologics to the Chinese market. Our Wuxi facilities were the first in China to be awarded an ISPE "Facility of the Year" Honorable Mention Award by International Society for Pharmaceutical Engineering in November 2014. We also have one of the best cGMP compliant biologics manufacturing facilities in China, according to the Frost & Sullivan Report. We were the first company to manufacture biologics drug substance and drug products in China for clinical trials in the United States and Europe, respectively. Given our strong capabilities, we believe we are the partner-of-choice for many overseas pharmaceutical and biotechnology companies to facilitate their entry into the Chinese market. For example, we established the first innovative ADC manufacturing and development partnership in China with Ambrx, a San Diego based biopharmaceutical company in 2012.

We also enable Chinese customers to expand into overseas market by leveraging our experience on working with overseas pharmaceutical and biotechnology companies as well as dealing with overseas regulatory authorities, such as the FDA and the EMA. For example, we provided integrated services to Zhejiang Medicine Co., Ltd., a major Chinese pharmaceutical company, for the development of ARX788, an advanced ADC therapeutic candidate jointly developed through the collaboration with Ambrx. We were the first company to manufacture cGMP compliant ADC in China for clinical trials in Australia and New Zealand. Leveraging our unique positioning and strong capabilities, we believe we are well positioned to serve more China-based or China related customers to capture the opportunities in overseas markets.

OUR STRATEGIES

We aim to leverage our end-to-end technology platform and to capitalize on the significant growth potential of the global biologics outsourcing services market to become the leading global biologics services provider. We plan to execute the following key strategies to achieve our goal:

Expand commercial and research manufacturing capacities

We plan to expand our commercial and research manufacturing capacities in anticipation of growing customer demand for our services. According to the Frost & Sullivan Report, targeted biologic drugs, which cater to the individual needs of the patients, will become the fastest growing sector of the global biologics market in the future. As such, we expect that commercial manufacturing for personalized biologic drugs will form a larger portion of our overall business going forward and will be a key driver of our future growth. We have entered into two commercial manufacturing contracts as of the Latest Practicable Date and are anticipating more demand for this service as the projects in our pipeline progress.

We are currently expanding our commercial manufacturing capacity at our Wuxi site by building new commercial drug substance cGMP manufacturing facilities with disposable bioreactors, which are more efficient and cost effective for manufacturing personalized biologic drugs than stainless steel bioreactors, according to the Frost & Sullivan Report. Upon completion, our clinical and commercial manufacturing capacity in Wuxi will increase from the current 5,000L to 35,000L. As of the Latest Practicable Date, we had completed the construction of part of the new facilities at our Wuxi site, which are currently under pilot operation. We expect the new facilities in Wuxi to commence operation by the end of 2017. Based on our robust project pipeline and the breadth of our customer base, we believe that we will have sufficient demand to support the initial ramp-up of our new manufacturing capacity. We are also building new drug substance research manufacturing facilities with a planned capacity of 7,000L at our Shanghai site. We started construction in February 2017, and such new facilities are expected to commence operation in the second quarter of 2018. For more details of our expansion plan, see "— Future Expansion".

We may also consider suitable acquisition opportunities to add attractive and differentiated manufacturing capacity and capability for both drug substance and drug product in the United States and Europe.

Invest in cutting-edge technologies through both in-house research and development and potential acquisitions

We believe that our advanced technologies have been crucial to establishing us as a leading biologics technology platform and allowed us to offer the most efficient and effective solutions to our customers. We will continue to invest in innovative technologies to stay at the forefront of the industry. This will enable us to improve manufacturing efficiency and quality, driving cost savings and creating value throughout the biologics development process. In particular, in response to customer demand, we will focus our in-house research and development efforts on improving our mAb discovery capability, expanding our ADC manufacturing capability and developing our continuous manufacturing technology. For more details of our in-house research and development efforts, see "— Research and Development". In addition to organic growth, we will also actively seek opportunities to acquire or invest in technologies or companies with biologics capabilities that complement and strengthen our existing platforms.

Building upon strong customer relationships to secure new projects from existing customers

We plan to continue to implement our "follow-the-molecule" strategy to provide further services to our existing customers as the development of the biologics candidates advances. We will also promote our full spectrum of capabilities to win new projects on new biologics candidates. We will strive to maintain our high level of customer loyalty while generating more revenue per customer. We believe the breadth and depth of our integrated services, technical expertise, analytics experience and technology, combined with our existing strong customer relationships, position us well to capture a significant share of the untapped research and development spending as our customers' business grow. We will continue to upgrade and expand our integrated services and capabilities to meet the changing demand of our customers.

Leveraging our existing market position to expand our customer base

We intend to build on our existing track record and growing positive reputation to gain additional market share and expand our customer base. Our flexible and integrated service platform allows us to capture new customers at different stages of the biologics development process. We intend to increase collaboration with major pharmaceutical companies on new global projects to further increase our market penetration. In addition, we will continue to attract small- and mid-size customers by attending or sponsoring industry conferences regularly to enhance our corporate profile and brand recognition.

During the Track Record Period, our customers headquartered in Europe and Asia (ex-China) accounted for a small portion of our total revenue. We intend to further diversify our customer geographic mix by gaining more European and Asia Pacific customers. According to the Frost & Sullivan Report, the European and Asian (ex-China) biologics outsourcing services markets reached US$2.5 billion and US$0.9 billion in terms of market size in 2016, respectively, and are expected to reach US$5.4 billion and US$2.9 billion in 2021, respectively. We plan to improve our brand recognition in these markets by conducting more targeted sales and marketing activities and hiring sales and marketing staff with local experience to support our marketing initiatives. As the first step of implementing our sales and marketing plan, we established our sales and marketing presence in the United Kingdom in 2016. We believe our successful track record in the United States and China will allow us to further penetrate the European and Asian (ex-China) markets, which presents another significant growth opportunity to us.

Continue to attract, train and retain quality talent to support our rapid growth

We believe our employees are critical to our ability to provide high quality services to our customers. We aim to build a collaborative and entrepreneurial culture that rewards performance, integrity and teamwork. As such, we will continue to pursue a strategy to recruit, train, promote and retain the most talented and success-driven people in the industry by (1) offering more opportunities to work with world-class scientists and cutting-edge technologies in the fields of biologics, (2) providing systematic training and development programs to enhance their knowledge, capabilities and promote their career development, (3) providing competitive compensation package reflecting their performance, and (4) implementing employee stock option plan to align their long-term interests with ours and those of our Shareholders. See "Statutory and General Information — E. [REDACTED] Share Option Scheme" in Appendix IV to this document for more details of our employee share option plan.

We will target highly experienced industry experts as well as new graduates to suit different needs of our business operations. Our recruitment focus will be on hiring more returnees who are mid-level to senior executives at multi-national biotechnology and pharmaceutical companies. Compared to our non-Chinese competitors, we believe we have inherent advantages attracting returnees as a result of the tremendous career opportunities offered by the booming Chinese biologics market. We expect to maintain our high employee retention rate and plan to increase the total number of our total employees from 1,624 as of December 31, 2016 to approximately 2,500 by the end of 2017. In particular, we plan to hire more biologics development and commercial manufacturing personnel in light of our strong project pipeline.

Capitalize on our strategic China location to provide customers with a unique value proposition

We believe China's biologics market is currently still at an early-phase of development and has huge growth potential. According to the Frost & Sullivan Report, China's biologics market reached RMB152.7 billion in terms of market size in 2016 and is expected to reach RMB326.9 billion in 2021. As the dominant player in China's biologics outsourcing services market, we will continue to pursue strategic partnerships with global pharmaceutical and biotechnology companies that aim to develop novel biologics for the Chinese market. We will also target Chinese companies to help them in developing novel biologics and biosimilars for the global market, including the Chinese market. To this regard, we will continue to optimize our cost structure and manufacturing methods to manufacture biologics in China to facilitate the development of our customers' biologics cost-effectively.

OUR BUSINESS MODEL

Who We Are and What We Do

We are a global open-access and integrated biologics technology platform. We provide a comprehensive array of services for the drug discovery, development and manufacturing of biologics to our customers, which are primarily pharmaceutical and biotechnology companies.

Biologics are a subset of pharmaceuticals and are revolutionizing the treatment of diseases in many major therapeutic areas globally, primarily benefiting from groundbreaking progress in genetics, molecular biology and biochemistry over the past three decades, according to the Frost & Sullivan report. The biologics development process typically spans five stages: (i) drug discovery, (ii) pre-clinical development, (iii) early-phase (phases I & II) clinical development, (iv) late-phase (phase III) clinical development, and (v) commercial manufacturing. Services required for the biologics development process can be grouped into two categories: (1) pre-IND services, which include services provided during the first two stages of the biologics development process, and (2) post-IND services, which include services provided during the remaining three stages of the biologics development process.

Typically, after conceptualization (e.g., a protein is identified to be linked to a disease), a biologics development project begins at the drug discovery stage, during which a mAb, a bispecific antibody, or an ADC is generated in accordance with the conceptualization. The project then proceeds to the preclinical development stage, during which a small amount of the biologics is produced and laboratory tests are carried out and various studies are conducted to assess its efficacy and safety. If satisfactory results are obtained at the end of the preclinical development stage (namely the mAb, bispecific antibody or ADC can be used as a biologic drug candidate), an IND application will be filed with the relevant regulatory authorities for the initiation of clinical trials. Depending on the jurisdiction, review of the IND application by the regulatory authorities may take from 30 days (e.g., in the United States) up to two years (e.g., in China). After the IND application is approved, the biologic drug candidate will proceed to the early-phase (phases I & II) clinical development stage, followed by the late-phase (phases III) clinical development stage. At these stages, the biologic drug candidate is tested in human participants in clinical trials to further examine its efficacy and safety. As such, a large quantity of the biologics drug candidate will be manufactured under cGMP standards

for clinical use at the early-phase (phases I & II) clinical development stage and the late-phase (phases III) clinical development stage. Once the clinical trials are completed and satisfactory results are obtained, applications are then made to the relevant regulatory authorities for commercializing the biologics drug. Once approved, the drug is then manufactured on a commercial scale for distribution to patients, which typically requires even larger quantities than that manufactured at the early-phase (phases I & II) clinical development stage and the late-phase (phases III) clinical development stage.

Our end-to-end service platform enables us to provide service offerings covering the entire biologics development process as described above. It also enables us to provide customized solutions to our customers according to their respective service requirements at any stage of the biologics development process, empowering anyone to discover, develop and manufacture biologics from concept to commercial manufacturing. See "— Our Services" for a more detailed description of our service offerings.

Follow-the-Molecule

Our end-to-end service platform is the foundation of our "follow-the-molecule" strategy, whereby our customers' demand for our services typically increases as their biologics advance through the biologics development process and ultimately to commercial manufacturing. As a result, our revenue and profit from each integrated project also typically increases as the project advances. In particular, due to regulatory requirements, lengthy and costly technology transfer processes and customers' need to ensure uninterrupted supply, once engaged, our customers often retain our integrated services for the remaining biologics development process and do not change to other services providers. For example, if we are working on a customer's biologic drug candidate at the early-phase (phases I & II) clinical development, late-phase (phase III) clinical development stage or commercial manufacturing stage and the customer would like to take the rest of the biologic development process in-house or to another services provider, the customer is required to demonstrate to the relevant regulatory authority that it or its new services provider has the requisite qualifications to carry out and is able to duplicate the biologics development process previously carried out by us, and has to go through a lengthy technology transfer process, according to the Frost & Sullivan Report. It would typically take at least around two years for a customer to change services provider in the middle of the development process, with costs ranging from US$5 million to US$50 million, according to the Frost & Sullivan Report. If we are working on a customer's biologic drug candidate at the drug discovery or pre-clinical development stage and the customer would like to take the rest of the biologic development process in-house or to another services provider, although the customer does not need to obtain clearance from the regulatory authorities, it still has to go through the technology transfer process, which would typically take at least around six months with costs ranging from US$1 million to US$3 million, according to the Frost & Sullivan Report.

The "follow-the-molecule" strategy gives us more visibility on our customers' future demand for our services, thereby improving our ability to manage our growth and to plan business expansion. By "following the molecule", we are able to work on a project from an early stage of the biologics development process and develop in-depth understanding and know-hows about the relevant biologic drug candidate, which would help us improve the quality and efficiency of our services for such project once it progresses to later stages. The "follow-the-molecule" strategy also gives us more flexibility on negotiating fees with our customers. By implementing the "follow-the-molecule"

strategy, we are able to manage the overall profitability of an integrated project instead of the profitability of any given individual biologics development stage, and may receive milestone and royalty fees if the customer relies on our integrated platform and proprietary technologies. For example, for a biologic drug candidate which is relatively more likely to advance to clinical trials and eventually commercialization (such as a biosimilar drug candidate), we may charge a lower fee at the drug discovery stage and/or the pre-clinical development stage in view of more potential revenue (in the form of service fee as well as potential milestone and royalty fees) from later stages. For a biologic drug candidate with a higher probability of failure (such as a novel biologic drug candidate that has never been tested in human), we may choose to charge a higher fee at the drug discovery stage and/or the pre-clinical development stage. On the other hand, our "follow-the-molecule" strategy places a high level of emphasis on the quality of our services across the entire biologics service spectrum. Given many of our major customers enter into long-term service agreements with us that span multiple stages of the biologics development process, we need to ensure that we have the necessary expertise, technological capabilities and resources across each stage of the biologics development process, as compared to some of our competitors who may only need to focus on one particular stage. If we are not able to provide a high service quality across each stage of the biologics development process, our customers may be deterred from engaging into long-term service agreements with us and we would not be able to enjoy the benefits of our "follow-the-molecule" strategy. See "Risk Factors — Risks Relating to Our Business and Industry — If we lose any of our key customers, our business and results of operations may be materially and adversely affected." for more information.

During the Track Record Period and up to the Latest Practicable Date, 30 of our integrated projects were supposed to progress from one stage to the next in accordance with development schedule. During the same period, two of those integrated projects did not progress from one stage to the next due to commercial, technical or other reasons, and the remaining 28 integrated projects successfully progressed from one stage to the next. As a result, two out of 30, or 6.7%, of our integrated projects did not progress from one stage to the next during the Track Record Period and up to the Latest Practicable Date.

The foregoing rate of our integrated projects that did not progress to the next stage is lower than the industry average, being approximately 10% to 15%, according to the Frost & Sullivan Report. This is largely because during the Track Record Period and up to the Latest Practicable Date, some of the integrated projects we worked on were biosimilars or biobetters (biologic drugs with validated targets), which typically have a much higher possibility for progressing through the biologic development process as compared with novel biologics, according to the Frost & Sullivan Report.

As of the Latest Practicable Date, we had a backlog of US$383.4 million, which represents the total amount of service fee (excluding milestone and royalty fees) for services that we have contracted to perform but have not performed yet. Out of such backlog, service fees of approximately US$172.4 million, US$136.5 million and US$74.6 million are expected to be generated in 2017, 2018 and afterwards, respectively, based on the assumption that the relevant contracts will be performed in full in accordance with their respective terms and expected timetables. The actual amount of service fees we expect to receive from such backlog in the relevant periods will be different from the estimated

amount of revenue if there is any modification, termination or suspension of the relevant contracts by our customers or any delay in the timetable. For more information, see "Risk Factors — Risks Relating to Our Business and Industry — Our backlog might not be indicative of our future revenue, and we might not realize all of the anticipated future revenue associated with our backlog."

As of the Latest Practicable Date, we had 334 on-going projects, 127 of which require us to provide services across different stages of the biologics development process, namely, integrated projects. The following table shows the status of our on-going projects as of the Latest Practicable Date:

Biologics development process stage	Number of on-going projects	Number of on-going integrated projects[(1)]	Typical duration	Typical revenue
Pre-IND				
- Drug discovery	71	—	2 years	US$1.5-2.5 million
- Pre-clinical development	219	90	2 years	US$4-6 million
Post-IND				
- Early-phase (phases I & II) clinical development	38	33	3 years	US$4-6 million
- Late-phase (phase III) clinical development	5	3	3-5 years	US$20-50 million
- Commercial manufacturing	1	1	Annually	US$50-100 million annually[(2)]
Total:	334	127		

Notes:

(1) Integrated projects are projects that require us to provide services across different stages of the biologics development process.

(2) Estimated value when a biologic drug reaches peak sales. A biologic drug typically reaches peak sales after a ramp-up period.

The following table sets forth a breakdown of our revenue by pre-IND services and post-IND services during the Track Record Period:

	Year ended December 31,		
	2014	2015	2016
	(RMB million)		
Pre-IND services	277.5	334.7	681.3
Post-IND services	54.4	222.3	307.7
Total	331.9	557.0	989.0

On integrated projects, our customers typically start to engage our services while their projects are still at the pre-IND phase. Given the typical duration needed for biologics development process, it typically takes several years for such projects to progress to the post-IND phase. During the Track Record Period, revenue from the provision of pre-IND services accounted for a majority of our total revenue, primarily because (i) we experienced a significant increase in the number of new integrated projects, which started at the pre-IND phase, and (ii) only some of our integrated projects successfully progressed to the post-IND phase during the Track Record Period. As of December 31, 2014, 2015 and 2016, the number of our integrated projects at the post-IND phase accounted for approximately 9.5%, 26.5% and 39.4% of the total number of our integrated projects, respectively.

Based on information generated from our project management and financial reporting systems, we set out below certain information about our ten largest projects in terms of revenue generated in 2014, 2015 and 2016, respectively:

Projects ranked by revenue	**Revenue**	**Project phase/services provided**
	in the Year ended December 31, 2014	
	(RMB million)	
1	38.1	Pre-IND
2	32.9	Pre-IND + Post-IND[(1)]
3	26.9	Pre-IND + Post-IND[(1)]
4	15.8	Pre-IND + Post-IND[(1)]
5	14.9	Pre-IND
6	10.7	Pre-IND
7	10.6	Post-IND
8	9.9	Pre-IND
9	9.2	Pre-IND
10	8.9	Pre-IND
Total revenue	**177.9**	
Total revenue contribution	**53.6%**	

Projects ranked by revenue	**Revenue**	**Project phase/services provided**
	in the Year ended December 31, 2015	
	(RMB million)	
1	82.3	Pre-IND + Post-IND[(1)]
2	53.6	Pre-IND + Post-IND[(1)]
3	46.1	Pre-IND + Post-IND[(1)]
4	43.4	Pre-IND + Post-IND[(1)]
5	28.2	Pre-IND + Post-IND[(1)]
6	25.6	Pre-IND + Post-IND[(1)]
7	22.0	Pre-IND + Post-IND[(1)]
8	15.6	Pre-IND
9	15.3	Pre-IND + Post-IND[(1)]
10	13.5	Pre-IND
Total revenue	**345.6**	
Total revenue contribution	**62.0%**	

Projects ranked by revenue	Revenue	Project phase/services provided
	in the Year ended December 31, 2016	
	(RMB million)	
1	120.0[2]	Pre-IND
2	86.3	Pre-IND + Post-IND[1]
3	79.5	Pre-IND + Post-IND[1]
4	45.1[3]	Pre-IND
5	30.3	Pre-IND + Post-IND[1]
6	26.2	Pre-IND + Post-IND[1]
7	23.4[3]	Pre-IND
8	23.1[4]	Pre-IND
9	21.8	Pre-IND + Post-IND[1]
10	21.3	Pre-IND + Post-IND[1]
Total revenue	**477.0**	
Total revenue contribution	**48.2%**	

Notes:

1. On some projects, customers continue to request for some of our pre-IND services (e.g. process optimization) even after IND approval is obtained, resulting in us providing pre-IND services to some projects that have obtained IND approval.
2. The revenue we generated from this project included both milestone fee and service fee.
3. We worked on these projects and generated revenue in 2014 and 2015 as well, and the services required for, and the revenue generated from, these projects increased over the time as the projects advanced, which is in line with our "follow-the-molecule" strategy.
4. We worked on this project and generated revenue in 2015 as well, and the services required for, and the revenue generated from, this project increased over the time as the project advanced, which is in line with our "follow-the-molecule" strategy.

Our Fee Model

We generate fee income primarily on a fee-for-service basis for the services provided. Under the fee-for-service, or FFS, model, we generally receive payments in accordance with a pre-agreed payment schedule specified in the contract or work order. The payment schedule sets out the service fee for services we are required to provide at each discovery, development or manufacturing step that fall under the scope of work in the contract or work order. We determine the fee level for each discovery, development or manufacturing step based on the scope of the services required for achieving such step, the estimated costs and expenses of the required services, the amount of time allocated for achieving such discovery, development or manufacturing step, the prices charged by our competitors for similar services, among others. Our service contracts and work orders under the FFS model typically include a detailed schedule that sets forth specifications of and anticipated time required for completing each step as well as the corresponding payment.

By implementing the "follow-the-molecule" strategy, we manage the overall profitability of an integrated project instead of the profitability of any given individual biologics development stage. For example, for a biologic drug candidate which is relatively more likely to advance to clinical trials and eventually commercialization (such as a biosimilar drug candidate), we may charge a lower fee at the drug discovery stage and/or pre-clinical development stage in view of more potential revenue (in the form of service fee as well as potential milestone and royalty fees) from later stages. On the other hand, for a biologic drug candidate with a higher probability of failure (such as a novel biologic drug candidate that has never been tested in human), we may choose to charge a higher fee at the drug discovery stage and/or pre-clinical development stage. We also take into account other factors when negotiating our customer contracts, such as the nature of the project and the customer's dependence on us. For example, for a customer who lacks in-house capabilities and relies heavily on our integrated platform and proprietary technologies, we may be able to negotiate higher service fees and even receives milestone fee and royalty fee.

Milestone and Royalty Fee Structures

The FFS fee model and the FTE fee model, which govern our service fee arrangement, form the basis for our fee arrangements under our service contracts. Under the FFS service contracts, in addition to service fees, we sometimes are able to leverage our integrated biologics technology platform and proprietary technologies to receive additional fees in the form of milestone fee and royalty fee. As a result, we include a milestone fee structure and a royalty fee structure into our FFS service contracts with customers who engage us to work on multiple stages of the biologics development process and require us to use our proprietary technologies. The milestone fee structure allows us to receive, on top of the service fees, a milestone fee (typically ranging from RMB0.5 million to RMB50 million) for each preset milestone reached, which is typically a critical point in the biologics development process, such as the signing of the service contract, the completion of an important discovery, development or manufacturing step or the success of a regulatory filing. We received our first milestone fee in 2015. We received milestone fees of RMB6.3 million from one project under the FFS model in 2015, and milestone fees of RMB115.5 million from 10 projects under the FFS model in 2016. The royalty fee structure allows us to receive, on top of the service fees, typically up to 8% of the sales revenue (net of taxes) of the relevant biologics product for a period ranging between five years and 15 years, if such product is successfully commercialized. We had not generated any revenue from the royalty fee structure as of the Latest Practicable Date because none of our projects with the royalty fee structure had advanced to commercialization.

The fee-for-service model is our default fee model. Fees received from our service contracts and work orders under the FFS model contributed 97.2%, 95.4% and 96.4% of our revenue in the years ended December 31, 2014, 2015 and 2016, respectively, and provide us with a strong and steady cash flow. A vast majority of our major projects during the Track Record Period had a FFS model, with some of them also incorporating a milestone fee structure and a royalty fee structure.

We also generate income under the full-time-equivalent, or FTE, model. Under the FTE model, we designate employees to the customer's projects at a fixed rate per FTE employee per period of time. We determine the amount of service fees based on the number of scientists and the amount of time required for completing the project, among others. FTE contracts may have a term as long as five to ten years and may be subject to annual review. Under some long-term FTE contracts, we are allowed to adjust our service fee rate per FTE employee per period of time. We only adopt this fee model where a customer requests us to assign a team of scientists to its project and strongly prefers the FTE model or where the work scope of a project makes it difficult for us to estimate the cost and adopt the FFS model. Fees received from our service contracts under the FTE model contributed 2.8%, 4.6% and 3.6% of our revenue in the years ended December 31, 2014, 2015 and 2016, respectively.

The following table sets forth a breakdown of our revenue by fee model during the Track Record Period:

	Year ended December 31,		
	2014	2015	2016
	(RMB million)		
Fee-for-service	322.6	531.5	953.3
Full-time-equivalent	9.3	25.5	35.7
Total	331.9	557.0	989.0

For details of the payment terms of our fee models, see "— Customers — Payment Terms".

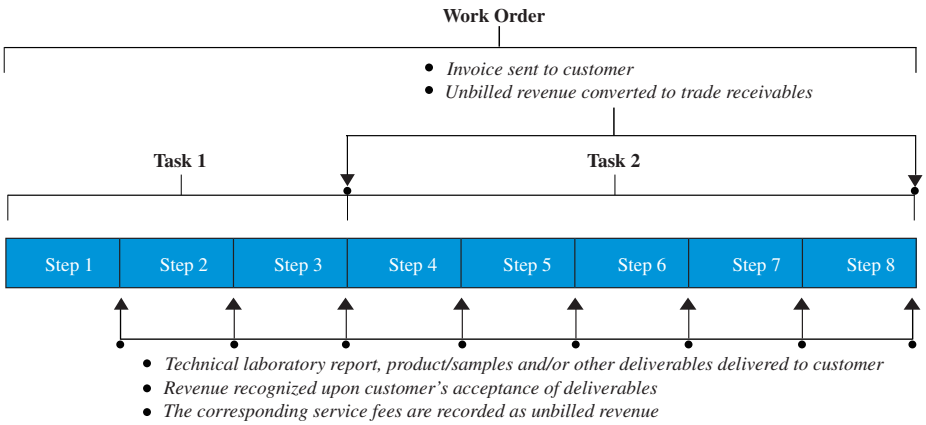
Our Revenue Recognition Mechanism

We generally enter into long-term service agreements with our customers for our integrated services. Services for each project under a long-term service agreement are provided pursuant to a separate and distinct work order. A work order typically comprises a number of tasks, each in turn including several steps. According to our contractual arrangements with our customers, we typically bill our customers after we complete a task. A task is deemed to be completed after all the steps within such task are completed. Our customer contracts and work orders include specifications about the services to be rendered at each step and the deliverables that we should send to the customer upon completion of such step. Our project team also interacts with each customer's project-management team through daily emails, bi-weekly reports and regular conference calls to give the customer timely updates of the progress of its projects. We are typically required to deliver a technical laboratory report, product/samples and/or other deliverables and transfer the relevant data and rights to the customer after all the services have been rendered for a step. A particular step is deemed to be completed upon the customer's acceptance of the deliverables in relation to such step, which indicates that the customer is satisfied with the services provided by us at such step and would like us to proceed

to the next step of the project. Revenue from the services rendered for a particular step is recognized only after we receive such acceptance from the customer. As a result, the corresponding service fee for each step is recorded as unbilled revenue upon the completion of such step until the entire task is completed, at which time we will bill the customer. Unbilled revenue is converted into a receivable at this time. Our revenue recognition mechanism is in line with the common industry practice, according to the Frost & Sullivan Report. Based on the foregoing, the Directors are of the view that the revenue attributable to a particular step is recognized fairly and reasonably and not prematurely.

A work order may also include pre-set milestones. Milestone fee is recognized immediately upon the project reaching a pre-set milestone, which may or may not coincide with the completion of a specific step or task under the work order. In addition, we may be able to receive royalty fee on certain contracts. Under the royalty fee structure, we typically require the customer to make royalty payment quarterly after the successful commercialization of the relevant biologics. The customer is responsible for submitting a quarterly sales report to us and making royalty payment within 30 days after the end of each quarter. Royalty fee for each quarter is recognized by the end of such quarter. We had not generated any revenue from the royalty fee structure as of the Latest Practicable Date because none of our projects with the royalty fee structure had advanced to commercialization.

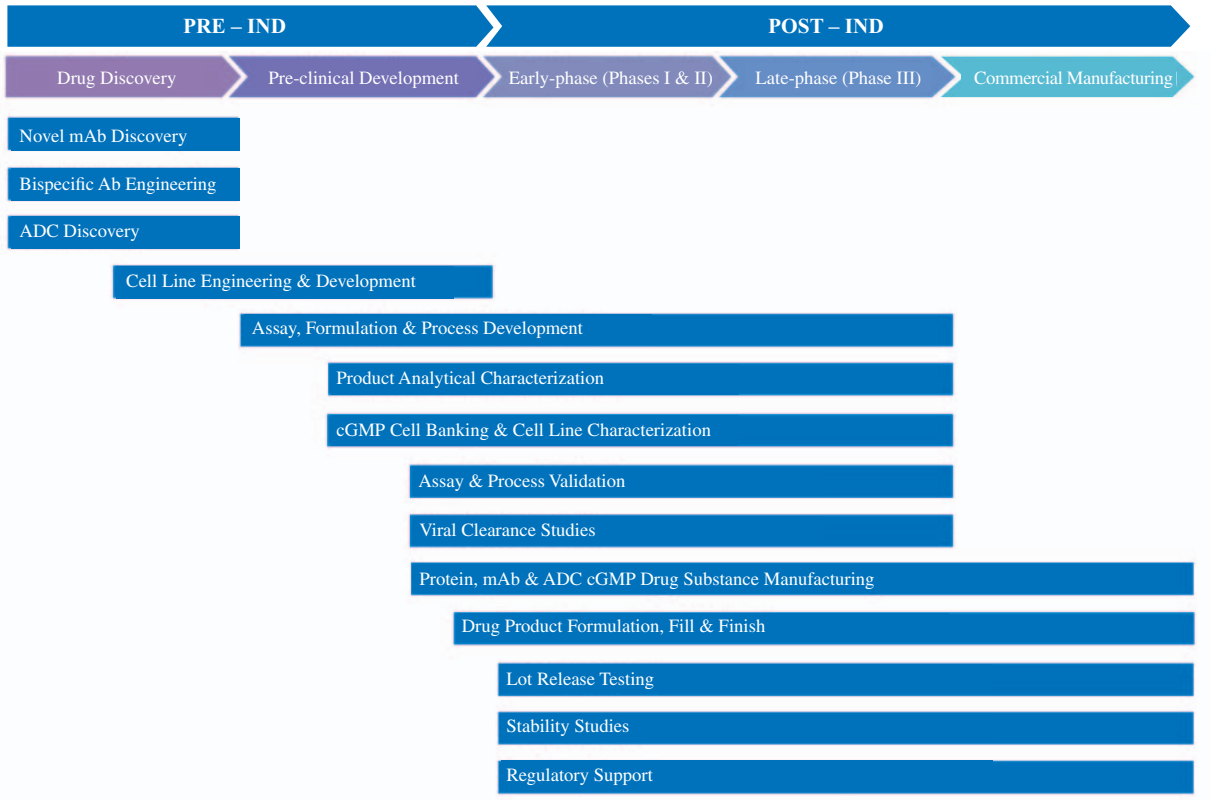
The following chart is an illustration of our typical revenue recognition mechanism under a work order.



OUR SERVICES

We address the discovery, development and manufacturing outsourcing needs of the biologics industry by providing integrated services. According to the Frost & Sullivan Report, we are the only open-access biologics technology platform globally offering end-to-end solutions, i.e. our services span all stages of the biologics development process from drug discovery to commercial manufacturing. The broad scope of our services allows us to serve our customers from an early phase of their drug discovery projects, which significantly increases our customers' stickiness and enables us to build up a robust project pipeline. Our strong technical capabilities and open-access technology platform also allow our customers to initiate a project at any stage of the development process.

The following chart illustrates the main services that form our integrated biologics technology platform:



Novel mAb Discovery

Our mAb discovery service is the process of finding a novel mAb that binds a specific protein target in the body and as a result, potentially treats a type of disease. For example, if a scientist identifies a protein that is linked to a cancer or autoimmune disease, such protein can be used to generate a mAb. We use various mAb discovery platforms to generate novel mAbs, evaluate their potential efficacy and eventually determine whether the mAbs can be used as therapeutics. As of the Latest Practicable Date, we were conducting novel mAb discovery for 72 ongoing projects.

There are three major approaches commonly used to generate novel mAbs. We have the capabilities to use all of these approaches. Below is a summary of these approaches:

1) We immunize mice with a protein and generate a mouse mAb. We then convert such mouse mAb into a mAb with characteristics that mimic a human mAb (such process is called humanization);

2) A mouse engineered with a human immune system provided by Open Monoclonal Technology, Inc., or OMT is immunized to generate a fully human mAb directly. See "— Business Collaboration — Business Collaboration with OMT" for more information; and

3) We use a protein target to screen mAbs from our own proprietary human antibody library (also called a phage library) developed from healthy volunteers or patients (such process is called phage display).

Bispecific Antibody Engineering

Normally a mAb only interacts with a single protein target, and is therefore monovalent. However, diseases are often very complicated and there can be multiple causes (namely multiple protein targets) that lead to a disease. In such case, scientists would create two mAbs that can bind two different protein targets and then link them together to create a new protein, which is commonly known as a bispecific mAb. Bispecific mAbs do not exist naturally, hence we provide bispecific mAb engineering service by engineering two different mAbs and assembling them into a single molecule. For a customer that wants to develop a bispecific mAb, we are able to start from scratch by discovering two novel mAbs and then engineer these two novel mAbs into a bispecific mAb. Our integrated technology platform also offers maximum flexibility that enables us to start a project directly from bispecific mAb engineering by using mAbs provided by the customer. As of the Latest Practicable Date, we were conducting bispecific antibody engineering for nine ongoing projects.

Antibody Drug Conjugate Discovery

Besides being used as traditional mAbs and bispecific mAbs, antibodies can also be used to deliver highly toxic chemicals to cancer cells. Antibody Drug Conjugates, or ADCs, are mAbs attached to biologically active drugs by chemical linkers. This technically challenging therapy combines innovations from biotechnology and chemistry to form a new class of highly potent biopharmaceutical drugs. Without mAbs, many drugs are often too toxic to be used in patients as they kill healthy cells and cancer cells indiscriminately. By using mAbs as targeting agents, these drugs only reach cancer cells and kill them to treat cancer.

For a customer that wants to develop an ADC, we are able to start from scratch by discovering novel mAbs or bispecific mAbs and then create an ADC. Our integrated technology platform also offers maximum flexibility that enables us to use mAbs or bispecific mAbs provided by the customer to generate an ADC. We leverage and integrate our in-house antibody discovery, toxin and linker

development, synthesis and conjugation expertise to deliver the ideal lead ADC molecules for our customers. We can greatly simplify ADC drug development by providing a supply chain and all the necessary preclinical activities in one centralized region (all of our facilities are within one to two hours' drive of each other), as compared to many of our competitors, whose ADC supply chains usually involve multiple sites in different countries. Our value proposition of end-to-end services for ADCs greatly simplifies our ADC supply chain. As of the Latest Practicable Date, we were providing antibody drug conjugates discovery services for 17 ongoing projects.

During the mAb discovery, bispecific mAb engineering and antibody drug conjugate discovery processes, we typically generate intellectual property on molecules and DNA sequences, among others. We typically transfer such intellectual property to our customers in exchange for milestone fee and future royalty fee.

Cell Line Engineering and Development

Once a mAb, bispecific mAb or ADC is identified, we move on to the next step of biologics research and development — growing such protein in a host cell for the purpose of producing therapeutic proteins. This process is called cell line engineering and development. A cell line is a population of cells descended from a single cell and containing the same genetic makeup.

Cell line engineering and development for therapeutic protein purpose is a core technology requisite of any biologics company, as the productivity of a cell line determines the cost of manufacturing and the quality of a cell line is directly related to the quality of the relevant biologics. We have built a state-of-the-art cell line development platform with proprietary technologies. We are one of the few biologics outsourcing services providers in the world who have developed their own proprietary cell line platforms, according to the Frost & Sullivan Report. We are able to conduct cell line engineering and development using third-party cell lines following our customers instructions, although we believe using our own proprietary cell line paired with our own proprietary algorithm is more cost-effective, more efficient and yields better results. During the cell line engineering and development process, we typically generate know-how and license such know-how to the customer in exchange for a license fee and future royalty payments. As of the Latest Practicable Date, we had developed 191 cell lines for therapeutic protein purpose.

Assay, Formulation and Process Development

Once a cell bank is created, we move on to develop a manufacturing process that can produce a biologic drug candidate on a large scale and generate consistent results each time. This is called process development.

As proteins are typically not stable, to be effectively used as drugs, they need to be combined with a buffer solution with stabilization agents, known as a formulation. We provide services to develop such formulations for biologic drug candidates.

In addition, once a biologic drug candidate is produced, many tests need to be conducted on the product to ensure that it is safe, efficacious and consistent from one manufacturing lot to another. As a result, we conduct assay development, namely a process during which we develop assays that can be used to test whether a product meets the relevant criteria. As of the Latest Practicable Date, we had completed 72 cell-based bioassays.

Product Analytical Characterization

The assays developed by us during the assay development process are typically divided into two groups: one group of routine assays that are used to test every batch of products, namely lot release testing; another group of complex assays that are used to thoroughly check the attributes of a biologic product. Our product analytical characterization service involves using the latter group of assays to precisely test a biologic drug candidate.

Most biologics services providers typically focus on lot release testing but not product analytical characterization given the latter's technical complexity. We have a strong analytical characterization team, which we believe is one of our service highlights.

cGMP Cell Banking and Cell Line Characterization

After a cell line is ready, we generate a large number of cells, divide them into many small vials and store the vials in liquid nitrogen to preserve them for future manufacturing. This process is called cell banking. Each such vial of cells can be used to initiate a batch of production.

We also provide cell line characterization services, through which we characterize the cells to make sure that they produce the expected biologic drug candidates, are pure with no microbial or mycoplasma contamination, and are not contaminated by foreign viruses.

Assay and Process Validation

Once the manufacturing process and the related assays are developed, we validate them to ensure that the manufacturing and testing of a product will generate consistent results every time. This process is called assay and process validation.

Viral Clearance Studies

A cell line used to manufacture a biologic drug candidate is often of animal origin and may contain indigenous viruses of the animal species. To ensure there is no animal virus in the final biologic, we conduct vial clearance studies to demonstrate that the manufacturing process is capable of clearing potential viruses.

According to the Frost & Sullivan Report, there are only a few companies in the world that can conduct viral clearance studies, and these companies are in high demand. We are one of these companies. It typically takes three to four months to conduct viral clearance studies, which often take place at a critical point of biologics development. Therefore, our in-house expertise on viral clearance studies enables us to offer our customers a more expedited timeline compared to many of our competitors.

Protein, mAb and ADC cGMP Drug Substance Manufacturing

Once the cell bank, the process and the analytical methods are all in place, we proceed to manufacture drug substance of the biologic drug candidate in large quantities for clinical trials and later for commercializing the product using disposable bioreactors. We use the same technologies namely disposable and perfusion bioreactors, for both clinical and commercial manufacturing.

We believe that we are one of the early pioneers of using disposable manufacturing technology for biologics manufacturing. Traditionally proteins are manufactured in huge stainless vessels. To ensure that cells are not contaminated and the product is pure, these vessels need to be cleaned thoroughly, steam sterilized and maintained at sterile conditions, which significantly increases the complexity of the manufacturing facilities and the operating costs. The cost of building a manufacturing facility using stainless vessels is between approximately US$300 million and US$750 million, according to the Frost & Sullivan Report. Our disposable bioreactors use pre-radiated plastic bags as the production vessel in a stainless holder, which simplifies the manufacturing process with no requirement for cleaning and sterilization. Compared to a facility with traditional stainless steel bioreactors, a facility using disposable bioreactors can be built 12 to 18 months faster with 30% to 50% less investment, and can produce 5% to 15% more batches of products with a higher success rate, according to the Frost & Sullivan Report.

According to the Frost & Sullivan Report, personalized biologic drugs, which cater to the individual needs of the patients, will become the fastest growing sector of the global biologics market in the future. Compared with the traditional "one size fits all" biologic drugs, personalized biologic drugs typically are not required to be manufactured in large quantities. The production volume of a personalized biologic drug is typically below 500 kg, and manufacturing facilities with disposable bioreactors are most efficient for manufacturing biologics up to 500 kg. We aim to capitalize on the booming personalized biologic drug sector. All of our bioreactors with a capacity of 50L or above are disposable bioreactors. We are also building new disposable bioreactor-based biologics commercial manufacturing facilities with 14 2,000L-capacity and two 1,000L-capacity disposable bioreactors at our Wuxi site.

We apply perfusion cell culture technology for biologic drug candidates that are difficult to manufacture. Perfusion technology enables us to manufacture biologic drug candidates continuously or daily, thereby achieving continuous manufacturing. Compared with traditional fed-batch manufacturing, continuous manufacturing reduces the costs of building a manufacturing facility, reduces manufacturing costs and improves product quality, and hence is considered the next generation manufacturing technology, according to the Frost & Sullivan Report. We are one of the few biologics outsourcing services providers in the world who are capable of designing perfusion-based processes, and we have built one of the strongest perfusion platforms in the global biologics outsourcing services market, according to the Frost & Sullivan Report.

We were the first company to manufacture biologics drug substance and drug products in China for clinical trials in the United States and Europe, respectively. We were also the first company to manufacture cGMP complaint ADC in China for clinical trials in Australia and New Zealand, respectively. As of the Latest Practicable Date, we had produced more than 330 batches of biologics with a 97.6% success rate, above the industry standard of 90% to 95%.

Drug Product Formulation, Fill and Finish

After a drug substance is manufactured in large quantities, we put the drug substance in the formulation and package in vials. The process is called drug product formulation, fill and finish.

Lot Release Testing

Following drug substance manufacturing, we perform lot release testing to confirm that the manufacturing of every batch is performed correctly and the product from every batch meets the relevant anticipated quality requirements.

Stability Studies

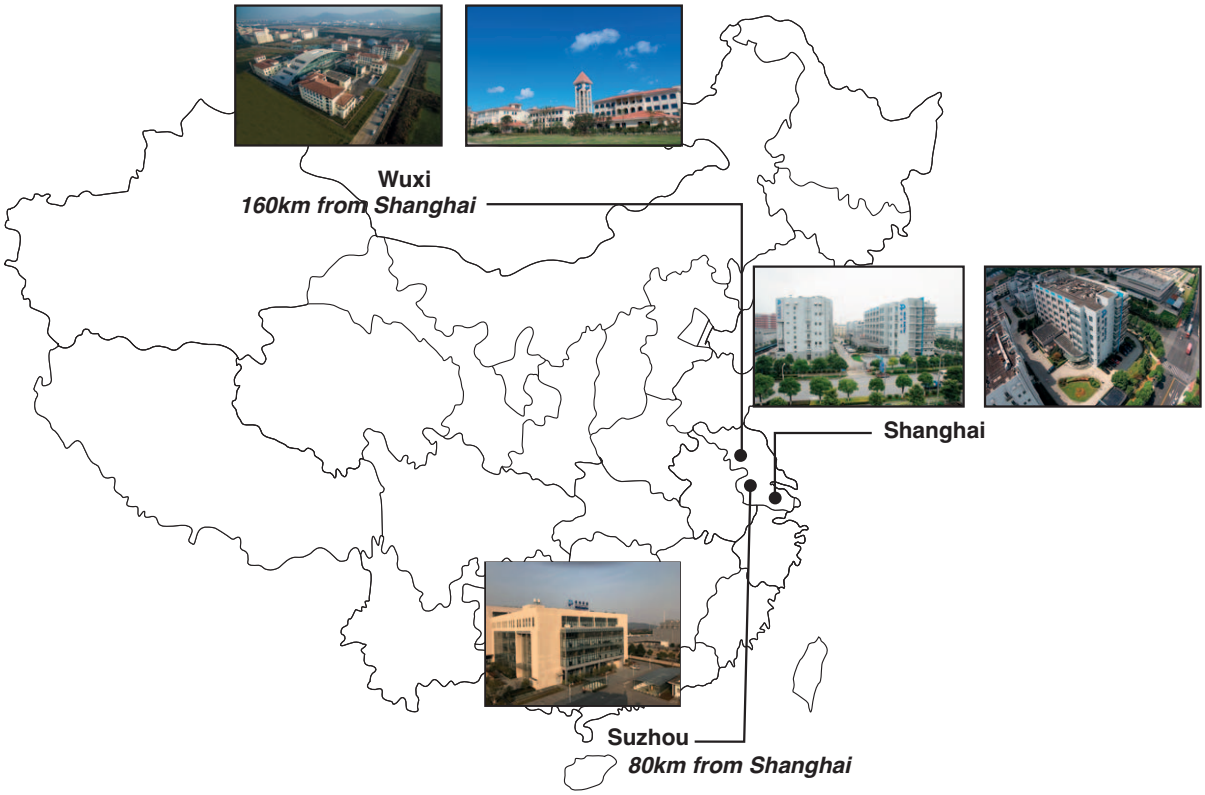
We conduct stability studies to generate data to elucidate how the physical structure of a biologic drug changes over time. Through stability studies we are able to determine the appropriate expiration date of a biologic drug candidate.

Regulatory Support

Our customers typically need to make filings to the relevant authorities before they can initiate clinical trials for their biologics or commercialize their biologics. We support our customers' regulatory filings by drafting filing dossiers, addressing regulatory questions and conducting cGMP readiness assessments for them. We possess extensive knowledge and experience with regard to regulatory filings in the United States, China, Europe, Japan and South Korea.

OUR FACILITIES

As of the Latest Practicable Date, we had three operation sites in Wuxi, Shanghai and Suzhou, respectively, all conveniently located within driving distance from each other. The following map illustrates the locations of our operation sites:



The following table sets forth a summary of our operation sites as of the Latest Practicable Date. For more property information about these sites, see "— Properties".

	Wuxi	Shanghai	Suzhou
Commencement of operation date	October 2012	October 2011	December 2014
GFA (sq.m.)	15,296	17,748	10,116
Key features	√ Capable of fully single-use disposable operation √ ISPE "Facility of the Year" Honorable Mention Award √ One of the world's first facilities using fully disposable bioreactors √ Have been cGMP compliant since 2012	√ One of the world's first facilities with an integrated platform spanning biologics drug discovery to late-phase (phase III) clinical development √ One of the world's largest biologics development laboratories	√ The first non-government affiliated biosafety testing facility in Asia

Wuxi Site

Our Wuxi site houses part of our clinical manufacturing facilities, providing services such as assay, formulation and process development, assay and process validation, protein, mAb and ADC cGMP drug substance manufacturing, lot release testing, stability studies, drug product formulation, fill and finish, and regulatory support services. We have built state-of-the-art drug substance and drug product manufacturing facilities at our Wuxi site with 50L to 2,000L disposable bioreactors, chromatography systems and filtration systems with disposable flow path to enable maximum use of our disposable manufacturing technology.

We believe compared to traditional stainless steel bioreactors, single-use bioreactors possess many advantages, including shorter downtimes, reduced cleaning and sterilization efforts, a significantly lower risk of cross contaminations, flexibility and easy shifts in portfolios based on market needs. We chose to build disposable production capability as it is generally used for lower volume manufacturing for clinical and commercial requirements and it requires much lower capital investment than stainless steel bioreactor technologies, which are mainly used for mass-production. In particular, we have adopted perfusion technology, which compared to fed-batch bioreactors, cultures cells over much longer periods by continuously feeding the cells with fresh media and removing spent media while keeping cells in the culture. According to the Frost & Sullivan Report, with continuous biomanufacturing, perfusion bioreactors can significantly increase manufacturing speed and decrease costs. We believe perfusion bioreactors are a key to the future of not just carbohydrate-based biopharmaceutical manufacturing, but also several other key manufacturing strategies.

Shanghai Site

Our Shanghai site houses our drug discovery and pre-clinical development facilities and part of our cGMP clinical manufacturing facilities, providing services such as novel mAb discovery, bispecific antibody engineering, antibody drug conjugate discovery, cell line engineering and

development, assay, formulation and process development, assay and process validation, product analytical characterization, and cGMP cell banking. We utilize various equipment at our Shanghai site, such as Clone Pix cell clone selection instrument system, which are used to develop cell lines, bioreactors, which are used to grow cells, AKTA chromatography systems, which are used to purify protein, and HPLC and other analytical instrumentation, which are used to test biologics.

Suzhou Site

Our Suzhou site houses our biosafety testing facilities, providing services such as viral clearance studies and cell line characterization. We have built state-of-the-art biosafety testing facilities at our Suzhou site that can support substantially all biosafety testing requirements for biologics manufacturing.

FUTURE EXPANSION

In 2016, most of the projects we worked on that used our clinical manufacturing facilities were at the early-phase (phases I & II) clinical development stage, where the quantity of biologics required to be manufactured in one batch varies widely depending on the status and progress of the customer's clinical trials. As such, for a project at the early-phase (phases I & II) clinical development stage, we may be asked to manufacture a batch of biologics whose volume is smaller than the capacity of a particular bioreactor. Nevertheless, our bioreactor would be occupied by such project and cannot be used to simultaneously manufacture another biologic drug candidate. As a result, although "liter" is commonly used to measure the manufacturing capacity of a facility, "batch" is commonly used as industry practice to calculate the utilization rate of facilities used for early-phase (phases I & II) clinical development, according to the Frost & Sullivan Report. The utilization rate of our biologics clinical manufacturing facilities in 2016 was approximately 84%, calculated using the actual number of batches of biologics produced by the bioreactors for clinical manufacturing in 2016 (being approximately 24.9 batches) divided by the theoretical maximum number of batches that can be produced by those bioreactors assuming non-stop operations. Our existing clinical manufacturing facilities consist of two fed-batch bioreactors and one perfusion bioreactor, among other equipment. The standard turnaround time required for a fed-batch bioreactor and a perfusion bioreactor to manufacture one batch of biologics is 30 days and 70 days, respectively. Assuming 365-day non-stop operation, theoretically these bioreactors are able to manufacture approximately 29.55 batches of biologics per annum.

As part of our "follow-the-molecule" strategy and due to our positioning as an "end-to-end" services provider, we plan to expand our commercial and research manufacturing capacities. Due to regulatory requirements, lengthy and costly technology transfer processes and customers' need to ensure uninterrupted supply, once engaged, our customers generally engage our integrated services for the entire biologics development process and do not change to other services providers. In addition, our customers' demand for our services typically increases as their biologics advance through the biologics development process and ultimately to commercial manufacturing. Accordingly, we anticipate that our customers will increasingly turn to us for biologics clinical development and biologics commercial manufacturing services going forward as their projects in our pipeline progress. In particular, we expect that commercial manufacturing will form a larger portion of our overall business going forward and will be a key driver of our future growth.

We are currently working on one integrated project for which we are preparing for the commercial manufacturing stage, and three integrated projects that are about to start late-phase (phase III) clinical development. Most of these projects have drug candidates that are similar to biologic drugs which are already approved for commercial manufacturing or pending such approval, and therefore have a higher chance of being successfully commercialized compared to novel biologics. We estimate that each of these projects will ramp up gradually in coming years and each alone will potentially take up 30,000L of commercial manufacturing capacity once it reaches peak sales. It typically takes around five years for a biologics drug to reach peak sales after it begins commercialization, according to the Frost & Sullivan Report. We also plan to negotiate new projects which are likely to lead to commercial manufacturing, and the availability of new commercial manufacturing facilities will help us obtain such projects. As a result, we are expanding our commercial manufacturing capacity by building new commercial drug substance cGMP manufacturing facilities at our Wuxi site. The new facilities, which will install the same type of bioreactors currently in use on our clinical manufacturing facilities, are expected to be the world's largest disposable bioreactor-based biologics commercial manufacturing facilities and are expected to support protein and mAb cGMP drug substance manufacturing. Upon completion, our clinical and commercial manufacturing capacity in Wuxi will increase from the current 5,000L to 35,000L. As of the Latest Practicable Date, we had completed the construction of part of the new facilities at our Wuxi site, which are currently under pilot operation. We expect the new facilities in Wuxi to commence operation by the end of 2017. We will continue to assess our commercial manufacturing capacity from time to time based on the projects in our pipeline and the utilization rate of our commercial manufacturing facilities in operation. Should the need arise, we will plan and build additional commercial manufacturing facilities ahead of time, and we plan to fund such future expansion with banking facilities available to us and cash from our operations.

In addition, based on the current status of our ongoing integrated projects, we estimate that by the end of 2018, those projects' demand for clinical manufacturing will exceed three times of our current clinical manufacturing capacity, assuming all of those projects will progress as planned. We also expect to continue to take on new integrated projects, some of which may also progress to the early-phase (phases I & II) clinical development stage in the next two years. As a result, we are increasing our clinical manufacturing capacity by adding mammalian DS clinical manufacturing facilities with a planned capacity of 7,000L at our Shanghai site. We started construction in February 2017, and such new facilities are expected to commence operation in the second quarter of 2018.

Based on our estimate of the future demand for clinical and commercial manufacturing from our ongoing integrated projects as well as the new projects currently under negotiation, our Directors are of the view that there will be sufficient demand for our expanded capacity. After the new facilities in Wuxi and Shanghai are put into use, we estimate that the additional annual depreciation charge relating to these facilities would be approximately RMB59 million and RMB52 million, respectively.

We expect biologics commercial manufacturing to form a significant portion of our overall business going forward. Despite the fact that we use similar disposable bioreactors for both clinical and commercial manufacturing, we have limited experience in manufacturing biologic drugs at a commercial scale. During the Track Record Period, one of our integrated projects progressed through the late-phase (phase III) clinical development stage and we are currently preparing for commercial manufacturing on this project. As a result, we did not generate any revenue from commercial

manufacturing during the Track Record Period. In addition, our expansion into biologics commercial manufacturing may adversely affect our gross profit margin, because biologics commercial manufacturing may have a lower profit margin than biologics discovery and development, and we may not be able to fully utilize the new commercial manufacturing facilities immediately or within a reasonable period of time after we commence operation. See "Risk Factors — Risks Relating to Our Business and Industry — Our business expansion in manufacturing may not be successful." for a detailed discussion of the risks associated with our expansion plan.

The following table sets forth a summary of the new facilities under construction in Wuxi and the new facilities to be constructed in Shanghai:

	Wuxi	**Shanghai**
Construction commencement date	October 2015	February 2017
Estimated date of operation	End of 2017*	Second quarter of 2018
Estimated GFA (sq.m.)	45,851	23,651
Key services	√ Protein, mAb and ADC GMP drug substance manufacturing (commercial) √ Lot release testing √ Stability studies √ Regulatory support	√ Protein, mAb and ADC cGMP drug substance manufacturing (for clinical trials) √ Lot release testing √ Stability studies √ Regulatory support
Key features and capacity	√ World's largest disposable bioreactor-based biologics commercial manufacturing facility √ Mammalian fed-batch drug substance manufacturing 14 x 2,000L √ Mammalian perfusion drug substance manufacturing 2 x 1,000L	√ Mammalian drug substance clinical manufacturing with a planned capacity of 7,000L √ One of the world's first facilities with a continuous manufacturing line
Estimated total capital expenditure	RMB820 million, of which RMB624.2 million had already been incurred as of April 30, 2017	RMB460 million, of which RMB4.2 million had already been incurred as of April 30, 2017
Details of capital expenditure	√ Construction: RMB285.0 million, of which RMB225.1 million had already been incurred as of April 30, 2017 √ Equipment: RMB535.0 million, of which RMB399.1 million had already been incurred as of April 30, 2017	√ Construction: RMB119.6 million, of which RMB2.5 million had already been incurred as of April 30, 2017 √ Equipment: RMB340.4 million, of which RMB1.7 million had already been incurred as of April 30, 2017
Source of funding	• RMB660.4 million funded by bank facilities available to us; and • RMB159.6 million (approximately HK$178.1 million) funded by net [REDACTED] of the [REDACTED]	• RMB99.8 million funded by cash from our operations; and • RMB360.2 million (approximately HK$402.0 million) funded by net [REDACTED] of the [REDACTED]
Estimated annual depreciation relating to the new facilities after they are put into use	Approximately RMB59 million	Approximately RMB52 million

Note:

* As of the Latest Practicable Date, we had completed the construction of part of the new facilities at our Wuxi site, which are currently under pilot operation. We expect the new facilities in Wuxi to commence operation by the end of 2017.

In addition to organic growth, we will also actively seek opportunities to acquire or invest in technologies, facilities or companies with biologics capabilities that complement and strengthen our existing operations in the United States and Europe. We are primarily interested in cutting-edge technologies regarding mAb discovery, ADC development and continuous manufacturing. We believe our strong business execution capabilities will help us integrate the acquired business to create synergy with our existing business.

RECENT DEVELOPMENT

We constantly evaluate our headcount and the capacity of our facilities and plan ahead based on the expected needs of our customers. As our customers' projects continue to advance, we believe that over the coming years, we are likely to fully utilize our new commercial manufacturing facilities currently under construction. In early 2017, we started preliminary discussions with a local government authority in Shanghai regarding potentially acquiring a land parcel in Shanghai for the purpose of constructing new biologics manufacturing facilities when the need arises. Based on the preliminary discussions, we expect to incur no more than RMB180 million for the land use rights and related costs and expenses. However, there is no guarantee we will be able to successfully acquire this land parcel and we do not expect to enter into any formal negotiation regarding the land acquisition before the Listing.

RESEARCH AND DEVELOPMENT

We believe research and development is critical to our future growth and our ability to remain competitive in the global biologics outsourcing services market. Our research and development activities are mainly focused on (i) developing next generation technologies to continue to enhance our integrated services, in particular next generation mAb discovery platform, next generation cell line platform, novel ADC linker and payload and continuous biologics manufacturing technologies and (ii) improving the quality and efficiency of our services and costs control. Our research and development activities regarding the next generation mAb discovery platform mainly involve expanding the scope and improving the quality of our proprietary human antibody libraries. This will enhance our ability to discover mAbs that can potentially be used as therapeutics in treating diseases. Our research and development activities regarding the next generation cell line platform mainly focus on improving the productivity of our proprietary cell lines, which will enable us to reduce clinical and commercial manufacturing costs and make biologic drugs potentially more affordable for patients. ADC linker and payload are used to attach mAbs to biologically active drugs, forming ADCs for therapeutic purposes. We are working on discovering new novel ADC linker and payload to help our customers manufacture ADCs that are more effective and less toxic. Our research and development activities regarding continuous biologics manufacturing technologies will enable us to reduce clinical and commercial manufacturing costs as well as the cost of and the time required for building a new manufacturing facility. We generate proprietary technologies through our research and development activities, which enable us to receive milestone and royalty fees from customers who require us to utilize such technologies.

We designate employees in our business units to our research and development projects based on their credentials, areas of expertise and capacity. Our executive Director, chief technology officer and senior vice president, Dr. Weichang Zhou, and our senior vice president, Dr. Jing Li, oversee our research and development activities. They are in charge of our research and development efforts and have extensive industry experience in biologics research and development.

For the years ended December 31, 2014, 2015 and 2016, our research and development expenditure was RMB35.0 million, RMB39.7 million and RMB53.3 million, respectively. We expect to experience an increase in our research and development expenses generally in line with the growth of our revenue going forward.

EMPLOYEES

As of December 31, 2016, we had a total of 1,624 employees, of whom 775 were located in Shanghai, 767 were located in Wuxi, Jiangsu Province, 71 were located in Suzhou, Jiangsu Province, and 11 were located in the United States and the United Kingdom. As of December 31, 2016, we had 857 employees who have obtained a master's or higher degree, with 166 holding a Ph.D. or equivalent degree.

The table below sets forth a breakdown of our employees by function as of December 31, 2016.

Function	Number of Employees
Business units	1,460
Sales and marketing	17
Administration	107
Management	40
Total	1,624*

* This number included certain WuXi AppTec Group employees who were on secondment to our Group. The secondment had been terminated as at April 30, 2017, as such secondees have been transferred to our Group.

We have assembled one of the largest biologics development teams in the global biologics industry, according to the Frost & Sullivan Report, with 732 scientists as of December 31, 2016. As of December 31, 2016, 117, 475 and 114 of our scientists held a bachelor or equivalent degree, a master's or equivalent degree, and a Ph.D. or equivalent degree on subjects which are relevant to biologics development, respectively. As of December 31, 2016, approximately 25.4% of our scientists

had stayed with us for at least three years. In the years ended December 31, 2014, 2015 and 2016, the salary, bonus, social security costs and share-based compensation expenses attributable to our scientists were RMB39.5 million, RMB68.3 million and RMB113.3 million, respectively. The following table sets forth a breakdown of our scientists by position as of December 31, 2016.

Position of Scientists	Number of Scientists	Annual Salary Level*
Junior to mid-level scientists	420	Below RMB240,000
Senior scientists	259	RMB130,000 to RMB630,000
Senior principal scientists	53	RMB320,000 to RMB1,200,000

* *Including salary, bonus, social security costs and share-based compensation.*

We believe that our success depends in part on our ability to attract, recruit and retain quality employees. We provide our employees with opportunities to work on cutting-edge biologics projects with world-class scientists. We also aim to establish a collaborative work environment that encourages them to develop their career with us. In addition, we have an effective training system, including orientation and continuous on-the-job training, to accelerate the learning progress and improve the knowledge and skill levels of our workforce. Our orientation process covers subjects such as corporate culture and policies, work ethics, introduction to the biologics development process, quality management, and occupational safety. Our periodic on-the-job training covers streamlined technical know-hows of our integrated services, environmental, health and safety management systems and mandatory training required by applicable laws and regulations. We plan to open a new training center at our Wuxi site in the second half of 2017.

We enter into individual employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees generally includes salary and bonus elements. In general, we determine the remuneration package based on the qualifications, position and performance of our employees. We also make contributions to social insurance fund, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund. In addition, we have adopted an employee share option plan to provide an additional means to attract, motivate, retain and reward our employees. See "Statutory and General Information — E. [REDACTED] Share Option Scheme" in Appendix IV to this document for more details of our employee share option plan.

In support of our growth, we regularly review our capabilities and make adjustments to 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 incentive plan are advantages that attract qualified candidates. During the Track Record Period, we had primarily adopted a direct recruitment policy. We aim to attract mid-level to senior executives of large pharmaceutical or biotechnology companies with Chinese background by offering competitive compensation packages, including share-based compensation. Compared with our non-Chinese competitors, we believe we have inherent advantages in attracting such candidates as a result of the tremendous career opportunities in the booming Chinese biologics market. As of December 31, 2016,

we had 164 returnees to China, 79 of whom had experience working at renowned international pharmaceutical or biotechnology companies. In addition, we actively seek talent from recent graduates of top universities in the United States and the PRC and recruit lateral employees from our competitors. We hold on-campus recruiting events at prestigious universities and have launched an internship program that offers university students the opportunity to work at our Wuxi and Shanghai sites.

We have established a labor union at our Wuxi site that represents employees with respect to the promulgation of bylaws and internal protocols. As of December 31, 2016, all of our employees in Wuxi were members of the labor union. The labor union may represent employees for the purpose of collective bargaining. WuXi Biopharma has entered into a collective labor agreement with the labor union, which is effective from January 1, 2015 to December 31, 2017. We believe that we maintain a good working relationship with our employees. We had not experienced any material labor disputes or any material difficulty in recruiting employees for our operations during the Track Record Period and up to the Latest Practicable Date.

BUSINESS COLLABORATION

Business Collaboration with OMT

We have entered into a platform license agreement with OMT, which gives us access to its state-of-the-art transgenic animal technology to develop fully human antibodies with high quality, specificity, expression, solubility and stability. Under the platform license agreement, OMT supplies certain genetically modified lab animals to us and grants us a non-exclusive, non-transferable and non-sublicensable license to use such animals, solely at our Wuxi and Shanghai sites and only for the purpose of researching, developing, and making antibodies. OMT and we jointly own the antibodies generated by us in connection with the lab animals supplied by OMT, or the Jointly Owned Antibodies, and any pharmaceutical products developed through the use of the Jointly Owned Antibodies and the associated intellectual property rights. If either party licenses a Jointly Owned Antibody to a third party, the other party is entitled to a certain percentage of the upfront fee, milestone fee, royalty fee or other license fees received from such licensing arrangement. The platform license agreement between OMT and us has an indefinite term and can be terminated (i) by either party upon a material breach of the agreement by the other party with fifteen days prior written notice, unless the breaching party cures the breach within the notice period; (ii) by either party immediately upon written notice if the other party materially breaches the agreement and such breach is incurable; or (iii) by us without cause by providing OMT thirty days prior written notice. Fangda Partners, our PRC legal advisor, is of the view that the use of genetically modified lab animals supplied by OMT was in compliance with the applicable PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date.

Business Collaboration with AstraZeneca

In December 2015, we entered into a strategic alliance agreement with AstraZeneca. Under the agreement, AstraZeneca committed to engage us exclusively for the clinical manufacturing of its innovative biologics drug candidates intended for the Chinese market. As part of the agreement, we granted AstraZeneca an option to acquire the AstraZeneca Option Facility. AstraZeneca has the right to exercise the option on or before June 30, 2020, or a later date that the parties may agree on. Upon the exercise of the option, the total amount we expect to receive for the transfer of the AstraZeneca Option Facility and the related services is expected to be around US$100 million, subject to adjustment based on a number of factors, such as the option exercise timing and the amount of modifications to be made to the AstraZeneca Option Facility. The consideration for the transfer of the AstraZeneca Option Facility is determined primarily based on the current book value of the AstraZeneca Option Facility, the scarcity of similar facilities in China that meet AstraZeneca's needs, and the costs of building a similar facility by AstraZeneca. We believe that the strategic alliance agreement is beneficial to both parties as it enables AstraZeneca to gain access to our clinical manufacturing capabilities and allows us to work with a renowned multi-national pharmaceutical company on an exclusive basis and to potentially realize gain over the sale of the AstraZeneca Option Facility.

According to the strategic alliance agreement, should AstraZeneca choose to exercise the option, the transfer of the AstraZeneca Option Facility will take place after certain specified conditions are satisfied, such as completing the transfer of the title to the AstraZeneca Option Facility to AstraZeneca and obtaining all government approvals and contractual consents in connection with the transfer. According to the strategic alliance agreement, we will acquire the land use rights to the land parcel on which the AstraZeneca Option Facility is located, which is one of the conditions for completion of the transfer of the AstraZeneca Option Facility to AstraZeneca. The AstraZeneca Option Facility is located at our Wuxi site, and we currently lease the land parcel on which the AstraZeneca Option Facility is located from Wuxi Taihu National Tourist Vacation Resort Management Committee (無錫太湖國家旅遊度假區管理委員會). In the event that we do not acquire the land use rights within twelve months from a date as specified in the strategic alliance agreement, the parties shall discuss in good faith with a view to agreeing on an alternative structure that achieves substantially similar effects to the transactions contemplated by the strategic alliance agreement, failing which AstraZeneca may terminate the strategic alliance agreement. We are required to remove all projects, save for those of AstraZeneca's, from the AstraZeneca Option Facility before the completion of the transfer, unless AstraZeneca agrees to share a portion of the AstraZeneca Option Facility with us after the transfer. The strategic alliance agreement also provides that if AstraZeneca exercises the option on or before June 30, 2018, we are required to complete the transfer of the AstraZeneca Option Facility no later than March 31, 2019. We will be subject to penalties if we are unable to complete the transfer timely. As of the Latest Practicable Date, AstraZeneca had not exercised this option.

We estimate that the AstraZeneca Option Facility will account for less than 12% of our total existing and currently planned manufacturing capacity, including that of the new facilities at our Wuxi and Shanghai sites. See "— Future Expansion" for more details of our planned new facilities. Upon the exercise of the option, we plan to transfer the long-term or recurring projects carried out on the

AstraZeneca Option Facility to our new facilities and at the same time complete the short-term projects, which are typically expected to be completed within six months, carried out on the AstraZeneca Option Facility. We estimate that it will take us approximately six months to complete the transfer of the long-term or recurring projects from the AstraZeneca Option Facility to our new facilities. According to the contracts or agreements between us and our customers, our customers are generally responsible for the expenses and costs incurred for technical transfers, including transferring a project from one of our facilities to another. Given that we have at least nine months to deliver the AstraZeneca Option Facility to AstraZeneca after the option is exercised, we do not believe we will experience difficulty meeting our obligations under the strategic alliance agreement. As a result of the foregoing, we do not expect this option, should AstraZeneca choose to exercise it, to have any material adverse impact on our business operations.

Business Collaboration with Prima BioMed

In November 2016, we entered into a non-binding memorandum of understanding with Prima BioMed to form a strategic biologics development and manufacturing partnership. Under the partnership, we will be the exclusive clinical and commercial manufacturer of IMP321 for Prima BioMed for distribution in countries and regions outside of mainland China, Macau, Taiwan and Hong Kong. IMP321, a first-in-class soluble LAG-3 Ig fusion protein, is an anaphase-promoting complex activator, boosting T cell responses for cancer chemo-immunotherapy and in other combinations and is in phase II trials in Europe. We will also be Prima BioMed's preferred partner to manufacture potential new biologics under the partnership. We expect to enter into a binding long-term service agreement with Prima BioMed in the second half of 2017.

Subcontracting

Certain steps in some of our projects require testing procedures which we currently do not have the capabilities for. Such testing procedures normally form a minor part of the overall project and as such, we typically outsource such work to WuXi AppTec Group, the cost of which is directly passed on to our customers, in some cases with a margin. We have entered into a master contract service agreement with WuXi AppTec Group and we execute a statement of work for each batch of testing work. We make payments to WuXi AppTec Group after receiving invoices from WuXi AppTec Group. For the years ended December 31, 2014, 2015 and 2016, we incurred RMB6.2 million, RMB20.3 million and RMB14.2 million, respectively, for outsourced biologics testing services provided by WuXi AppTec Group. See "Connected Transactions — Non-exempt Continuing Connected Transactions — 1. Testing Service Framework Agreement" for more information.

PROJECT MANAGEMENT

We believe that we have an established reputation among our customers for high quality and productivity, rapid turnaround and comprehensive customer support. We generally assume full project management responsibility for our projects. We strictly adhere to our internal quality and project management processes. We believe our processes, methodologies and knowledge management systems reduce the overall cost for our customers and enhance the quality and speed of delivery.

We have developed a project management methodology to ensure timely, consistent and accurate delivery of quality services. Upon receiving a new project from a customer, our project management team will set the schedule of the project and liaise with other departments, including the relevant business units, to determine the staffing of the project team. A leading scientist is usually appointed to oversee the entire project. Scientists assigned on a project team are typically divided into several groups based on the type of services to be provided. Each group is assigned a group leader who is responsible for supervising the services carried out by such group and reporting back to the leading scientist of the project team. Our project management team also works closely with the project team to monitor the progress of the project and liaises with the customer. To ensure our service quality, each technical report will be reviewed by the head of the relevant business units before being submitted to the customer.

SALES AND MARKETING

We market our services directly to pharmaceutical and biotechnology companies through regular meetings with their representatives and senior management. During those meetings, we highlight the advantages of our end-to-end integrated biologics platform and how we can expedite the customers' product development process. We have also established an active online presence through our corporate website at http://www.wuxibiologics.com/. We provide extensive information about our integrated services and our technology platform, our competitive and technical advantages and training and education resources on our corporate website. In addition, we actively participate in trade conferences, trade shows and scientific conferences. In light of our specialized customer base, customer referrals and word-of-mouth marketing have also significantly contributed to new customer acquisition. Since our inception, our senior management has been actively involved in managing our sales and marketing activities and maintaining direct relationships with our key customers.

A new customer typically assigns us a small project to test our capabilities. After we successfully complete the assignment, the customer often increases the size and duration of succeeding contracts and mandates us for more types of assignments. In particular, our integrated service platform has enabled us to transform customers who initially only seek our discovery or development services into customers who utilize the full spectrum of our services to bring their biopharmaceutical concepts and ideas all the way to commercial manufacturing.

We aim to broaden our customer base by targeting pharmaceutical and biotechnology companies that recognize the efficiency and cost-effectiveness of outsourcing their discovery, development and commercial manufacturing to us. We also target customers that lack in-house research and development capabilities and view outsourcing as an attractive option to achieve their objectives. We have a team of well-trained sales and marketing specialists who are dedicated to understanding the demands of existing and potential customers and work closely with our technical experts to prepare quotes and to secure customer orders. Over 59% of the members of our sales and marketing team have attained a master's or higher degree in biologics-related disciplines as of December 31, 2016. Our sales and marketing specialists are strategically located in key geographic locations, including the United States, Asia and the United Kingdom, to conduct on-the-ground marketing activities. During

the Track Record Period, our sales and marketing team expanded from two members as of January 1, 2014 to 17 members as of December 31, 2016. In anticipation of our business expansion and increasing customer base, we plan to further expand our sales and marketing force in the next few years.

AWARDS AND RECOGNITION

The table below sets forth a summary of the major awards and recognition we and our Directors and senior management received during the Track Record Period.

Award/Recognition	Recipient	Award Date	Awarding Organization/Authority
2016 Chinese Biopharmaceutical Association Brilliant Achievement Award (2016年度美國華人生物醫藥科技協會杰出成就獎)	Dr. Li	June 2016	Chinese Biopharmaceutical Association, USA (美國華人生物醫藥科技協會)
Advanced Tech Service Enterprise of Wuxi (無錫市技術先進型服務企業)	WuXi Biopharma	November 2016	Wuxi Science and Technology Bureau (無錫市科學技術局)
Executive of the Year	Dr. Li	December 2015	SCRIP Intelligence
The 25 Most Influential People in Biopharma	Dr. Li	May 2015	FierceBiotech
ISPE "Facility of the Year" Honorable Mention Award.	WuXi Biopharma	November 2014	International Society for Pharmaceutical Engineering
Wuxi Outstanding Workers (無錫市勞動模範)	Dr. Zhisheng Chen	June 2015	Wuxi Municipal People's Government (無錫市政府)
Enterprise Technology Research Center of Jiangsu (江蘇省企業技術研究中心)	WuXi Biopharma	December 2014	Jiangsu Economic and Information Technology Commission (江蘇省經濟和資訊化委員會)
Engineering Technology Research Center of Jiangsu (江蘇省工程技術研究中心)	WuXi Biopharma	November 2014	Science and Technology Department of Jiangsu Province (江蘇省科技廳)
Technology Research and Development Institution of Wuxi (無錫市科技研發機構)	WuXi Biopharma	June 2014	Science and Technology Department of Jiangsu Province

CUSTOMERS

We have a diversified customer base. During the year ended December 31, 2016, we serviced 57, 86, five and 15 customers headquartered in the United States, China, Europe and the rest of the world, respectively, whom accounted for approximately 51.1%, 39.0%, 2.1% and 7.8% of our revenue for the year ended December 31, 2016, respectively. Out of our five largest customers in the year ended December 31, 2016, four are headquartered in the United States, and one is headquartered in China.

Most of our customers are pharmaceutical and biotechnology companies, including many renowned industry players, such as AstraZeneca UK, Ltd., Genentech, Inc., TESARO, Inc., Momenta Pharmaceuticals, Inc., Amicus Therapeutics Inc., Janssen Research & Development, LLC (a Johnson & Johnson company), TaiMed Biologics Inc., OPKO Biologics Ltd., CStone Pharmaceuticals, Harbin Gloria Pharmaceuticals Co., Ltd., Hualan Genetic Engineering Co., Ltd., Zhejiang Medicine Co., Ltd. and Chia Tai Tianqing Pharmaceutical Group Co., Ltd. As of the Latest Practicable Date, we had worked with 12 out of the 20 largest pharmaceutical companies in the world as measured by their respective pharmaceutical sales in 2016.

We enjoy a high level of customer loyalty and have developed solid working relationships with many customers. During the last five years, only one of our projects was cancelled by the customer after the customer licensed the drug candidate to a large pharmaceutical company, which took the project in-house. We had passed 94 audits from customers in different jurisdictions including mock FDA and CFDA audits as of the Latest Practicable Date. Our customers regularly conduct audits on our facilities to ensure that the biologics manufactured at our facilities meet the cGMP requirements imposed by the relevant government authorities (for example, FDA and CFDA) in the country or region in which the biologics are intended to be used in clinical trials or distributed after commercialization is approved. We provided services to 78, 124 and 163 customers in the years ended December 31, 2014, 2015 and 2016, respectively. Many of our customers return to us for additional projects, and our customer base grew both in number and in average revenue per customer during the Track Record Period. Revenue generated from our existing customers amounted to RMB228.6 million, RMB423.2 million and RMB690.0 million for the years ended December 31, 2014, 2015 and 2016, respectively, accounting for 68.9%, 76.0% and 69.8% of our total revenue in each year. The average revenue per customer generated from our ten largest customers increased significantly from RMB21.6 million for the year ended December 31, 2014 to RMB42.5 million for the year ended December 31, 2015, and to RMB65.6 million for the year ended December 31, 2016. Our five largest customers in the year ended December 31, 2016 had relationships with us ranging from one to four years.

In 2014, 2015 and 2016, our five largest customers together accounted for 44.1%, 57.5% and 54.1%, respectively, of our revenue, and our largest customer accounted for 11.8%, 21.6% and 18.8%, respectively, of our revenue. See "Risk Factors — Risks Relating to Our Business and Industry — If we lose any of our key customers, our business and results of operations may be materially and adversely affected." for more information.

The following table sets forth certain information about our five largest customers in terms of revenue generated in 2014, 2015 and 2016, respectively:

Customer	Background & Years of Relationship	Services Provided	Revenue	Revenue Contribution	No. of Projects
		in the Year ended December 31, 2014			
			(RMB million)		
Momenta Pharmaceuticals, Inc..	• Pharmaceutical company headquartered in the U.S. • Since 2012	Pre-IND	39.2	11.8%	4

Customer	Background & Years of Relationship	Services Provided	Revenue	Revenue Contribution	No. of Projects
		in the Year ended December 31, 2014			
			(RMB million)		
Amicus Therapeutics Inc.	• Biotechnology company headquartered in the U.S. • Since 2013	Pre-IND + Post-IND	32.9	9.9%	1
Hualan Genetic Engineering Co., Ltd. (華蘭基因工程有限公司)	• Biotechnology company headquartered in China • Since 2013	Pre-IND	30.1	9.1%	7
Zhejiang Medicine Co., Ltd. (浙江醫藥股份有限公司)	• Pharmaceutical company headquartered in China • Since 2013	Pre-IND + Post-IND	26.8	8.1%	1
Chia Tai Tianqing Pharmaceutical Group Co., Ltd. (正大天晴藥業集團股份有限公司)	• Pharmaceutical company headquartered in China • Since 2010	Pre-IND	17.4	5.2%	2
		Total	**146.4**	**44.1%**	

Customer	Background & Years of Relationship	Services Provided	Revenue	Revenue Contribution	No. of Projects
		in the Year ended December 31, 2015			
			(RMB million)		
Momenta Pharmaceuticals, Inc..	• Pharmaceutical company headquartered in the U.S. • Since 2012	Pre-IND + Post-IND	120.2	21.6%	5
Amicus Therapeutics Inc.	• Biotechnology company headquartered in the U.S. • Since 2013	Pre-IND + Post-IND	84.1	15.1%	2
TaiMed Biologics Inc.	• Biotechnology company headquartered in Taiwan • Since 2012	Pre-IND + Post-IND	45.8	8.2%	1
TESARO, Inc.	• Biotechnology company headquartered in the U.S. • Since 2014	Pre-IND + Post-IND	42.3	7.6%	5
OPKO Biologics Ltd..	• Pharmaceutical company headquartered in Isreal • Since 2014	Pre-IND + Post-IND	27.7	5.0%	2
		Total	**320.1**	**57.5%**	

Customer	Background & Years of Relationship	Services Provided	Revenue	Revenue Contribution	No. of Projects
		in the Year ended December 31, 2016			
			(RMB million)		
Momenta Pharmaceuticals, Inc..	• Pharmaceutical company headquartered in the U.S. • Since 2012	Pre-IND + Post-IND	185.9	18.8%	6
CStone Pharmaceuticals	• Biotechnology company headquartered in China • Since 2015	Pre-IND	159.5	16.1%	13
Amicus Therapeutics Inc.	• Biotechnology company headquartered in the U.S. • Since 2013	Pre-IND + Post-IND	82.0	8.3%	2
TESARO, Inc.	• Biotechnology company headquartered in the U.S. • Since 2014	Pre-IND + Post-IND	55.5	5.6%	6
Genentech, Inc.	• Biotechnology company headquartered in the U.S. • Since 2013	Pre-IND + Post-IND	52.3	5.3%	5
		Total	**535.2**	**54.1%**	

For certain key customers, we provide not only dedicated teams of scientists, but also dedicated laboratory facilities, analytical support and independent information technology and security services. This physical and operational separation of customer projects ensures enhanced security and protection of our customers' intellectual property. The laboratory configuration and setup, research plan, operating procedures, information technology and security protocols all can be tailored to our customers' specifications.

WAHK, a former subsidiary of WuXi PharmaTech, entered into long-term service agreements and project-based service contracts with our overseas customers on behalf of us prior to the establishment of HK Biologics in May 2014, which is a subsidiary of our Company responsible for signing contracts with overseas customers. As a result of this arrangement, we historically paid an agency commission to WAHK. Starting from the beginning of 2016, we have started to work with our overseas customers directly and thus have ceased paying agency commission to WAHK. See "Financial Information — Factors Affecting Our Results of Operations and Financial Condition — Privatization of WuXi PharmaTech and Reorganization — Agency Commission to WAHK" for more details.

We generally enter into long-term service agreements with our customers for our integrated services. Our long-term service agreements typically do not have a maturity date and set forth general rights and obligations of the parties. Services for each project under a long-term service agreement will be provided pursuant to a separate and distinct work order, which sets forth project specifications,

project management regime, project schedule and discovery, development and/or manufacturing steps, rules governing reporting and transfer of data and results, service fee and payment instructions. We also enter into project-based service contracts with some of our customers. Our project-based service contracts typically have a term ranging from a number of months to several years. These contracts terminate upon the completion of the relevant projects and set forth project specifications, project management regime, project schedule and discovery, development and/or manufacturing steps, payment terms, confidentiality obligations of the parties, ownership of intellectual property rights, termination clause and other general terms and conditions.

Our customers typically retain ownership of all intellectual property associated with their projects, including both intellectual property it provides to us and that arising from the services we provide, except for intellectual property created or developed in connection with the provision of our services that is derivative of our own intellectual property or that relates to manufacturing processes developed at our expense. Generally, the customer, and in some cases we as well, has the right to terminate a long-term service agreement or project-based service contract or a work order under the long-term service agreement without cause by giving prior written notice (ranging from two months to six months). In addition, each party typically has the right to terminate a long-term service agreement or project-based service contract or a work order under the long-term service agreement immediately upon notice to the other party if a material breach by the other party is not curable or remains uncured for a period of time (ranging from 30 days to 90 days) after notice of the material breach is received by the other party. If a customer terminates a project-based service contract or a work order, the customer is typically obliged to pay for the services already rendered and costs and expenses already incurred or irrevocably committed up to the date we receive the termination notice, and in some cases the customer is also obliged to pay a cancellation fee.

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material dispute with our customers or any material breach of our service contracts or agreements. To the best of our knowledge, as of the Latest Practicable Date, we were not aware of any information or arrangement that would lead to termination of our relationships with any of our key customers. None of our Directors, their respective associates, or Shareholders who, to the knowledge of our Directors, own 5% or more of our issued share capital had any interest in any of our five largest customers during the Track Record Period, except for CStone Pharmaceuticals.

CStone Pharmaceuticals

CStone Pharmaceuticals is a virtual biotech company which was incorporated in December 2015. According to the Frost & Sullivan Report, CStone Pharmaceuticals received approximately US$150 million from its series A financing in 2016, which was one of the largest early-stage financing globally in the biotechnology sector in recent years. To the best knowledge of our Company, CStone Pharmaceuticals has a pipeline covering five therapeutic areas and is led by Dr. Frank Jiang, the former head of Asia-Pacific R&D for Sanofi S.A. (a renowned France-based multinational pharmaceutical company), as its chief executive officer.

As of the Latest Practicable Date, CStone Pharmaceuticals was held as to approximately 46.8% interest by WuXi Healthcare Ventures II, L.P. ("WuXi Ventures"), an investment fund, on a fully diluted basis. To the best knowledge of our Company, the shareholders of CStone Pharmaceuticals, including WuXi Ventures, are Independent Third Parties. WuXi AppTec indirectly held, through its wholly-owned subsidiary, WAHK, an approximately 17.3% limited partner interest in WuXi Ventures as of the Latest Practicable Date. To the best of our Company's knowledge, the rest of the limited partner interests were held by a number of institutional investors, which are Independent Third Parties. WuXi Ventures is managed by its sole general partner, WuXi Healthcare Management, LLC ("WuXi Ventures GP"), where Dr. Li and Mr. Edward Hu (our two non-executive Directors) each held 20% voting rights. The remaining 60% voting rights in WuXi Ventures GP were held by three individuals who are all Independent Third Parties each holding 20% voting rights. As a result, despite the aforesaid indirect interests held by Dr. Li and Mr. Edward Hu in CStone Pharmaceuticals, CStone Pharmaceuticals is not considered a connected person of our Company under the Listing Rules.

To the best knowledge of our Company, the board of directors of CStone Pharmaceuticals currently consists of five members who are all Independent Third Parties. Mr. Yanling Cao ("Mr. Cao"), a non-executive Director was appointed a CStone Director for the period from April 1, 2016 to March 27, 2017. Mr. Cao was nominated by one of the shareholders of CStone Pharmaceuticals, Boyu Capital, which invested in the series A round financing and held 21.04% interest in CStone Pharmaceuticals, as its representative. The appointment was made subsequent to the conclusion of the signing of a contract with CStone Pharmaceuticals ("CStone Contract") in February 2016, and he had decided not to continue directorship with CStone Pharmaceuticals after one year to meet demands of his other business commitments. As confirmed by Mr. Cao, he had no involvement whatsoever in the negotiation leading to the conclusion of the CStone Contract. Since his CStone appointment, Mr. Cao had exercised only an oversight role as a CStone Director and he was not involved in the day-to-day management and operation of CStone Pharmaceuticals. To the best knowledge of our Company, save as disclosed above, (i) none of the CStone Directors has had any role or been involved in the management and operation of our Group; and (ii) none of the Directors and senior management of our Group has had any role or been involved in the management and operation of CStone Pharmaceuticals.

Our Directors confirm that the transactions between our Group and CStone Pharmaceuticals have been, and will continue to be, conducted on an arm's length basis and on normal commercial terms. Both Dr. Li and Mr. Edward Hu have both abstained, and will continue to abstain, from voting on any board resolutions of the Company related to the transactions between the Group and CStone Pharmaceuticals.

Contractual Arrangements between Our Group and CStone Pharmaceuticals

We entered into a contract under the fee-for-service model with CStone Pharmaceuticals in February 2016 to provide drug discovery and pre-clinical development services for 13 biologic drug candidates, or 13 projects, which focus on therapeutic areas including immuno-oncology and autoimmune diseases. Six of those projects were integrated projects as of the Latest Practicable Date, four of which started from the drug discovery stage and the remaining two of which started from the

pre-clinical development stage.The remaining seven projects were not integrated and were drug discovery stage projects only as of the Latest Practicable Date. As of the Latest Practicable Date, all of CStone Pharmaceuticals' six integrated projects were at the pre-clinical development stage, and the remaining seven projects of CStone Pharmaceuticals were still on-going at the drug discovery stage. The four integrated projects of CStone Pharmaceuticals that started from the drug discovery stage progressed to the pre-clinical development stage within one year primarily because these two projects were already at mid to late phase of the drug discovery stage when we started working on them for CStone Pharmaceuticals.

Some of the CStone Pharmaceuticals' biologic drug candidates have high potential commercial value, in particular one biologic drug candidate that is a PDL1 antibody, which can potentially be used to treat a broad range of cancers such as lung cancer, bladder cancer, kidney cancer and head and neck cancer, according to the Frost & Sullivan Report. As of the Latest Practicable Date, only three PDL1 antibody biologic drugs from Roche, Merck KGA/Pfizer and AstraZeneca, respectively, had been approved by the U.S. FDA for treatment of various cancers, according to the Frost & Sullivan Report. The CFDA had not approved the commercialization of any PDL1 antibody biologic drug in China as of the Latest Practicable Date, according to the Frost & Sullivan Report. The annual global sales of PDL1 antibody biologics drugs is expected to reach US$7.5 billion in 2021, according to the Frost & Sullivan Report. As a result, PDL1 antibody biologic drug candidates have great commercialization potential both in China and overseas, according to the Frost & Sullivan Report.

We have designated a great amount of resources on CStone Pharmaceuticals' projects, in particular the PDL1 antibody biologic drug candidate. Given our technical capabilities and proprietary technologies, we expect to make significant progress in the development of CStone Pharmaceuticals' biologic drug candidates within a short period of time. In particular, we have been able to spearhead the research and development of CStone Pharmaceuticals' PDL1 antibody drug candidate, making such drug candidate one of the two most advanced in terms of development status among the PDL1 antibody drug candidates of pharmaceutical and biotechnology companies based in China, according to the Frost & Sullivan Report and information published on the website of CFDA's Center for Drug Evaluation. We believe that our research and development efforts will give CStone Pharmaceuticals a competitive advantage in China's biologics industry.

The CStone Contract sets forth (i) each biologic drug candidate's research and development schedule, details of the services to be provided and the corresponding service fee, (ii) a milestone fee structure that requires CStone Pharmaceuticals to pay a non-refundable milestone fee of US$10.65 million upon signing of the contract, (iii) a royalty fee structure that allows us to receive royalties for at least 10 years, if any of the 13 biologic products is successfully commercialized, and (iv) project management regime, confidentiality obligations of the parties, ownership of intellectual property rights and termination clause and other general terms and conditions.

Our Directors' View on Our Transactions with CStone Pharmaceuticals

Our Directors are of the view that (i) we entered into contract with CStone Pharmaceuticals based on arm's length negotiations, (ii) the transactions entered into between us and CStone Pharmaceuticals are fair and reasonable and on normal commercial terms, and (iii) the transactions between us and CStone Pharmaceuticals are comparable to those entered into between us and our other customers in other similar projects as well as the transactions of other companies in the biologics industry, based on the following:

(1) *Negotiation process between us and CStone Pharmaceuticals* — We and CStone Pharmaceuticals started preliminary discussions regarding potential business opportunities in about December 2015 and went through intense negotiation on the contract terms, in particular the pricing terms, before finalizing and signing the service contract in February 2016. The negotiation took place over a three-month period between (i) Mr. Zhongyuan Zhu, chairman and one of the founders of CStone Pharmaceuticals, who has not had any interest or position in our Group, and (ii) Dr. Zhisheng Chen and Mr. Jing Li, the CEO and Senior Vice President of our Group, respectively, who have not had any interest or position in CStone Pharmaceuticals.

(2) *Reasons behind CStone Pharmaceuticals' decision to engage us* — Given that CStone Pharmaceuticals is a newly established virtual biotechnology company with very limited in-house research and development capabilities, CStone Pharmaceuticals relies heavily on the technical capabilities and proprietary technologies of external services providers. As confirmed by the representatives of CStone Pharmaceuticals, as part of the selection process for its services provider, a comparison was conducted based on crucial parameters of several potential services providers, including quality of services, speed of delivery and price, before a business decision was reached to engage our Group. In particular, CStone Pharmaceuticals intends to commercialize some of their biologic drug candidates both in China and overseas. As the dominant player in China's biologics outsourcing services market offering end-to-end solutions and the only biologics outsourcing services provider that has the capabilities of enabling customers to make IND filings in China and overseas concurrently, according to the Frost & Sullivan Report, we were chosen to develop CStone Pharmaceuticals' biologic drug candidates. We are currently preparing for the overseas IND filing for one of CStone Pharmaceuticals' projects.

(3) *Our contractual arrangements with CStone Pharmaceuticals:*

(a) *Similarities between our transactions with CStone Pharmaceuticals and those with other customers* — the CStone Contract is not our first contract with an upfront milestone fee arrangement. During the Track Record Period and up to the Latest Practicable Date, in addition to CStone Pharmaceuticals, we entered into three service contracts with other customers that require those customers to pay a non-refundable milestone fee upon contract signing. The contractual arrangements between us and those customers, including the upfront milestone fee arrangement, are similar to those between us and CStone Pharmaceuticals.

Among our contracts with an upfront milestone fee arrangement, the one with CStone Pharmaceuticals is currently the largest in terms of upfront milestone fee, primarily due to a number of factors, including the potential commercial value of CStone Pharmaceuticals' biologic drug candidates, the nature and development status of CStone Pharmaceuticals' projects and the degree of reliance on our proprietary technologies, among others. Given our technical capabilities and proprietary technologies, we expect to make significant progress in the development of CStone Pharmaceuticals' biologic drug candidates within a short period of time. In particular, we are able to spearhead the research and development of CStone Pharmaceuticals' PDL1 antibody drug candidate, which can potentially be used to treat a broad range of cancers such as lung cancer, bladder cancer, kidney cancer and head and neck cancer and has great commercialization potential, according to the Frost & Sullivan Report. As of the Latest Practicable Date, our research and development efforts have enabled CStone Pharmaceuticals' PDL1 antibody drug candidate to become one of the two most advanced in terms of development status among the PDL1 antibody drug candidates of pharmaceutical and biotechnology companies based in China, according to the Frost & Sullivan Report and information published on the website of CFDA's Center for Drug Evaluation, which we believe will give CStone Pharmaceuticals a competitive advantage in China's biologics industry. We are continuing to negotiate similar milestone fee arrangements with other customers.

(b) *Similarities between our transactions with CStone Pharmaceuticals and the transactions of other companies in the biologics industry* — It is common in the biologics industry for services providers with in-depth technical capabilities and proprietary technologies to receive a milestone fee of more than US$5 million, and in some cases reaching US$100 million, upon contract signing, according to the Frost & Sullivan Report. In addition, such upfront milestone fee is typically not refundable regardless of whether the relevant biologic drug candidate can be successfully commercialized, according to the Frost & Sullivan Report.

After reviewing our contract with CStone Pharmaceuticals, our Industry Consultant, Frost & Sullivan, is of the view that the contractual arrangements between us and CStone Pharmaceuticals, including the amount of upfront milestone fee, are based on normal commercial terms and are fair and reasonable.

In addition, as confirmed by the representatives of CStone Pharmaceuticals, the terms of the contract between us and CStone Pharmaceuticals were negotiated on an arms lengths basis, and they are of the view that the pricing terms, including the US$10.65 million non-refundable milestone fee payable upon contract signing, are in line with market practice as well as the payment policies adopted by CStone Pharmaceuticals.

Payment Terms

Under the FFS model, a contract or work order typically comprises a number of tasks, each including several discovery, development and/or manufacturing steps. We bill our customers by task and typically give our customers a credit term between 30 to 60 days. We typically require our customers to make a portion of the corresponding payment upon the commencement of each task and the remaining payment after we complete such task to the satisfactory of our customers. Under a FFS contract or work order, we are typically required to deliver a technical laboratory report, product/samples and/or other deliverables and transfer the relevant data and rights to the customer upon completion of each discovery, development or manufacturing step. Upon the acceptance of such deliverables by our customers, the relevant discovery, development or manufacturing step is deemed to be completed and revenue is recognized. Under the FTE model, we typically require the customer to make monthly payments for services rendered with a credit term between 30 to 60 days.

Under the milestone fee structure, we typically require the customer to make milestone payment within 30 to 90 days after the completion of each milestone. Under the royalty fee structure, we typically require the customer to make royalty payment quarterly after the successful commercial manufacturing of the relevant biologics. The customer is responsible for submitting a quarterly sales report to us and making royalty payment within 30 days after the end of each quarter. We have the right to request additional documents from the customer to substantiate the sales report and to audit the customer's sales records.

Customer Support

To facilitate project management, we have developed an online system allowing a customer's project manager to monitor and report on the progress of its projects through an encrypted website. Additionally, our project team interacts with a customer's project-management team through daily emails, bi-weekly reports and regular conference calls. Our project management involves strict adherence to our strategic imperative to protect our customers' intellectual property and other confidential information. See "— Intellectual Property Protection" below for more information.

We conduct frequent customer satisfaction surveys with certain key customers, which enable us to measure key performance indicators to improve our planning, execution, evaluation and support. We focus internally on operational improvement and innovation to achieve lower direct costs, better use of assets, faster discovery and development time, increased accuracy, greater customization or precision of data, more added value and simplified processes. Dedicated to improving responsiveness to our customers' needs and inquiries, our customer support department focuses on sales support and relationship management with our customers. Less-than-satisfactory marks and comments are scrutinized for root causes and used to continuously improve operations and services.

SUPPLIERS

Owing to our vast array of services, we procure a wide variety of raw materials, such as reagents and culture media, and equipment, such as bio-reactors and chromatograph columns. These raw materials and equipment are generally available from various suppliers in quantities adequate to meet our needs. Many of our suppliers offer both equipment needed for our integrated services and the

corresponding raw materials. We primarily source our raw materials and equipment from a variety of suppliers that are located in China or have branches or subsidiaries in China. Each of our five largest suppliers in 2014, 2015 and 2016 is a multinational company with branches or subsidiaries in China. We have maintained stable relationships with many of our key suppliers. Each of our five largest suppliers in the year ended December 31, 2016 had over five years of relationships with us.

The following table sets forth certain information about our five largest suppliers in terms of purchases in 2014, 2015 and 2016, respectively:

Supplier	Background & Years of Relationship	Goods Provided	Purchase amount	Purchase Contribution
		in the Year ended December 31, 2014		
			(RMB million)	
Merck Millipore	• Multinational company that manufactures equipment and raw materials for the pharmaceutical industry and has branches or subsidiaries in China • Since 2011	Raw materials	15.9	15.5%
Thermo Fisher	• Multinational company that manufactures equipment and raw materials for the pharmaceutical industry and has branches or subsidiaries in China • Since 2011	Raw materials	15.9	15.5%
General Electric International Operation	• Multinational company that manufactures equipment and raw materials for the pharmaceutical industry and has branches or subsidiaries in China • Since 2011	Raw materials	15.6	15.3%
Sartorius Stedim Biotech GmbH	• Multinational company that manufactures equipment and raw materials for the biologics industry and has branches or subsidiaries in China • Since 2011	Raw materials	11.4	11.1%
SIGMA-ALDRICH	• Multinational company that manufactures equipment and raw materials for the pharmaceutical industry and has branches or subsidiaries in China • Since 2011	Raw materials	5.2	5.1%
		Total	**64.0**	**62.5%**

Supplier	Background & Years of Relationship	Goods Provided	Purchase amount	Purchase Contribution
		in the Year ended December 31, 2015		
			(RMB million)	
Thermo Fisher	• Multinational company that manufactures equipment and raw materials for the pharmaceutical industry and has branches or subsidiaries in China • Since 2011	Raw materials	37.7	19.9%
Merck Millipore	• Multinational company that manufactures equipment and raw materials for the pharmaceutical industry and has branches or subsidiaries in China • Since 2011	Raw materials	32.7	17.3%
General Electric International Operation	• Multinational company that manufactures equipment and raw materials for the pharmaceutical industry and has branches or subsidiaries in China • Since 2011	Raw materials	32.4	17.1%
Sartorius Stedim Biotech GmbH	• Multinational company that manufactures equipment and raw materials for the biologics industry and has branches or subsidiaries in China • Since 2011	Raw materials	17.3	9.1%
SIGMA-ALDRICH	• Multinational company that manufactures equipment and raw materials for the pharmaceutical industry and has branches or subsidiaries in China • Since 2011	Raw materials	3.6	1.9%
		Total	**123.7**	**65.3%**

Supplier	Background & Years of Relationship	Goods Provided	Purchase amount	Purchase Contribution
		in the Year ended December 31, 2016		
			(RMB million)	
General Electric International Operation	• Multinational company that manufactures equipment and raw materials for the pharmaceutical industry and has branches or subsidiaries in China • Since 2011	Raw materials	76.3	27.0%
Merck Millipore	• Multinational company that manufactures equipment and raw materials for the pharmaceutical industry and has branches or subsidiaries in China • Since 2011	Raw materials	46.6	16.5%
Thermo Fisher	• Multinational company that manufactures equipment and raw materials for the pharmaceutical industry and has branches or subsidiaries in China • Since 2011	Raw materials	41.8	14.8%
Sartorius Stedim Biotech GmbH	• Multinational company that manufactures equipment and raw materials for the biologics industry and has branches or subsidiaries in China • Since 2011	Raw materials	20.1	7.1%
SIGMA-ALDRICH	• Multinational company that manufactures equipment and raw materials for the pharmaceutical industry and has branches or subsidiaries in China • Since 2011	Raw materials	6.3	2.2%
		Total	**191.1**	**67.6%**

The raw materials and equipment required for the provision of our services are generally readily available in the market through a number of suppliers. We have established detailed internal rules governing the selection of raw material suppliers and raw material quality control. We carefully select our suppliers based on various factors, including their qualifications, product selection, quality, reputation, pricing, business scale, technological strengths, quality management capabilities and overall services. We also request for documents such as licenses and permits and ascertain whether our suppliers have any competitive relationships with us. For the procurement of key equipment, we generally go through a tender process and invite reputable suppliers to submit bids. We regularly monitor and review the performance of our suppliers and conduct annual on-site audit for our key suppliers. For more information about raw material quality control, see "— Quality Assurance — Raw Material Quality Control".

Our procurement team manages the raw materials' inventory level by monitoring the status of our ongoing projects and incoming new projects and places orders with suppliers for any inventory that is expected to decline below targeted levels. Our procurement team procures raw materials and equipment in accordance with our business expansion plan or to replace obsolete equipment on an as-needed basis.

We generally enter into long-term supply agreements with our suppliers, which typically have a term of three to five years. For purchase of raw materials under a long-term supply agreement, we typically agree on the purchase price of the raw material for each calendar year with the supplier and send a separate purchase order with quantity and delivery requirements for each purchase. Given that we have long-term supply agreements in place with a majority of our key raw material suppliers, we believe our supply arrangements enable us to largely manage fluctuations of raw material prices. In addition, starting from 2015, we have begun to procure raw materials on behalf of some of our customers instead of including raw material costs as part of our service fees. This allows us to pass on the price increases of some of our raw materials to our customers. For purchase of equipment under a long-term supply agreement, given the variations and constant updates of the same type of equipment, we send a separate purchase order with equipment specifications, quantity, purchase price and delivery requirements for each purchase. Typically there are no minimum purchase obligations under the long-term supply agreements. We also enter into one-off supply contracts with some suppliers. Our suppliers typically extend to us credit terms ranging between 30 days and 90 days. In addition, we procure certain raw materials and equipment through WXAT Shanghai. See "Connected Transactions — Non-exempt Continuing Connected Transactions — 4. Procurement Service Framework Agreement" for more details.

Generally, under a long-term supply agreement or a one-off supply contract, the supplier undertakes to provide products made of the best materials with first class workmanship according to our specifications and bears shipping and insurance costs. If equipment is procured, the supplier is typically also responsible for installing and debugging the equipment and providing trainings to our equipment operators. Generally, our suppliers are subject to monetary penalties for failing to deliver products on time, and we have the right to terminate a long-term supply agreement or one-off supply contract if the supplier fails to make delivery within a specific period after the agreed delivery date. In addition, each party generally has the right to terminate a long-term supply agreement or a purchase order under the long-term supply agreement immediately upon notice to the other party if a material breach by the other party is not curable or remains uncured for a period of time (ranging from 15 days to 30 days) after notice of the material breach is received by the other party. We also typically have the right to terminate a long-term supply agreement or a purchase order without cause with prior written notice (ranging from 60 days to 90 days) to the supplier.

In 2014, 2015 and 2016, our five largest suppliers together accounted for 62.5%, 65.3% and 67.6%, respectively, of our total purchases, and our largest supplier accounted for 15.5%, 19.9% and 27.0%, respectively, of our total purchases. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material dispute with our suppliers or any material breach of our supply contracts or agreements. To the best of our knowledge, as of the Latest Practicable Date, we were not aware of any information or arrangement that would lead to termination of our

relationships with any of our major suppliers. 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.

QUALITY ASSURANCE

We believe that an effective quality management system for our raw materials and equipment is critical to ensure the quality of our services and maintain our reputation and success. We have established an in-house quality management system and devote significant attention to quality control of raw materials and equipment. We seek to ensure that our services consistently meet high industry standards and requirements. We have established a quality assurance department, which is responsible for supervising the implementation of the quality strategies for raw materials and equipment.

As of December 31, 2016, our quality assurance department consisted of 69 dedicated employees with biology or related educational backgrounds, of whom 20 held master's or higher degrees. The department is led by Dr. Jerry Xu, who graduated from Northeastern University with a Ph.D. and has extensive experience in the pharmaceutical industry. Our quality assurance department also organizes regular training programs to provide updates to its members regarding new quality assurance measures and policies.

Raw Material Quality Control

For each of our projects, our procurement team or our customer compiles a list of required raw materials. We assess the material risks associated with such raw materials and determine their specifications. We carefully select raw material suppliers and conduct background checks on supplier candidates in the form of questionnaires and/or on-site audits. For each supply of raw materials, we request accompanying quality reports from the supplier, which usually contain various quantitative analysis. For our manufacturing projects, we also perform our own testing of each supply of raw materials in accordance with quality requirements set forth in the relevant specifications. We release raw materials into the manufacturing process only after receiving satisfactory results from our internal testing. Each step of our raw material procurement is documented for our internal records as well as customer audits. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material quality issue relating to our raw materials.

Equipment Quality Control

We purchase equipment and spares only from selected reputable suppliers. For more information about our suppliers, see "— Suppliers". We conduct inspections and relevant testing on the incoming equipment to ensure that the equipment is in satisfactory condition and fully functional before we accept delivery from our suppliers. We also communicate with the technical and customer support staff of our equipment suppliers regularly for the maintenance and upgrade of our equipment.

INTELLECTUAL PROPERTY

We develop and use a number of proprietary methodologies, analytics, systems, technologies, trade secrets, know-hows and other intellectual property during the conduct of our business. As of the Latest Practicable Date, we had five pending trademark applications in the PRC, one registered trademark in Hong Kong, five registered patents in the PRC, 11 pending patent applications in the PRC, and two registered domain name in the PRC, which we believe are material to our business. See "Statutory and General Information — C. Further Information about the Company's Business — 2. Intellectual Property Rights of our Group" in Appendix IV to this document for further details of our material intellectual property rights.

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

INTELLECTUAL PROPERTY PROTECTION

The protection of our customers' intellectual property is essential to our businesses. In addition to protecting our customers' intellectual property, our success also substantially depends on our ability to protect our own proprietary rights. Protecting the proprietary rights of our customers has been a top priority since our inception. This is particularly important for us because a substantial part of our operation is based in China, and China and Chinese companies have not traditionally enforced intellectual property protection to the same extent that the United States and U.S. companies have. Our employees are bound by confidentiality obligations under their employment contracts and are prohibited from disclosing the intellectual property of ours and our customers. During the Track Record Period and up to the Latest Practicable Date, none of our employees breached the confidentiality obligations under their employment contracts.

We have also adopted an intellectual property protection process whereby we periodically scan signed and dated notebooks of every scientist onto diskettes and then engage the notary public office to notarize the records. Notebooks are critical to the biologics discovery and development process, as scientists' notes are often used as original data in support of patent applications and disputes. We are now switching from physical notebooks to electronic notebooks for many of our customers. Our process preserves the documentation necessary to establish intellectual property ownership should any disputes arise in the future. This process not only significantly enhances the protection of key original information, but also increases customers' confidence and trust in our company. In addition, each customer project has dedicated laboratory space equipped with key-card access control systems. Furthermore, we have adopted fire wall policies that restrict communications between different project teams and prohibit intermingling information of different customers. Most laboratory computers are not connected to the internet and have restricted data-transfer capabilities.

We have established documentation procedures, powered by the Laboratory Information Management System, or LIMS, licensed by LabWare, to control information access on a need-to-know basis and to restrict system access in connection with our biologics discovery and development. A typical bioanalytical laboratory generates hundreds or even thousands of test results daily, which must be securely stored for long periods. LIMS is designed for tracking individual samples and the information obtained. We believe that our LIMS complies with all FDA requirements regarding security, including data integrity, compatibility and audit-trail generation.

Despite the measures and efforts we have taken to protect our own and our customers' intellectual property, unauthorized parties may attempt to obtain and use information that we regard as proprietary. Under our contractual arrangements with our customers, we typically undertake to indemnify our customers for damages resulting from any third party intellectual property infringement claims that are solely based on our intellectual property; our customers typically undertake to indemnify us for damages resulting from any third party intellectual property infringement claims other than those that are solely based on our intellectual property. See "Risk Factors — Risks Relating to Our Business and Industry — We may not be successful in protecting our customers' or our own intellectual property." for more information. During the Track Record Period and up to the Latest Practicable Date, we were not subject to, nor were we party to, any intellectual property rights infringement claims or litigations and were not aware of any material infringement of our intellectual property rights that had 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.

COMPETITION

We face competition from other biologics outsourcing services providers in the global biologics outsourcing services market. The global biologics outsourcing services market has grown rapidly in recent years and is expected to continue to witness double digit growth as biopharmaceutical companies increase outsourcing to cut costs. The size of the global biologics outsourcing services market was US$8.4 billion in 2016 and is expected to reach US$20.0 billion in 2021, according to the Frost & Sullivan Report.

The global biologics outsourcing services market is highly fragmented with the top six players accounting for an aggregate of 27.7% market share in terms of revenue in 2016, according to the Frost & Sullivan Report. Except for the top two players, Lonza and Boehringer Ingelheim, which accounted for 11.4% and 8.0% market share in 2016, respectively, none of the other players had reached a 3% market share in 2016, according to the Frost & Sullivan Report. We face competition based on several factors, including quality and breadth of services, ability to protect our customers' intellectual property or other confidential information, timeliness of delivery, maintenance of standards of GLP and cGMP, depth of customer relationships, price and geography. We face competition mainly from multinational corporations and, to a lesser extent, from PRC domestic companies. We are a leading player in the global biologics outsourcing services market and ranked first in China's biologics outsourcing services market in terms of revenue in 2016 with market share of 48.0%, according to the Frost & Sullivan Report.

In terms of entry barriers, according to the Frost & Sullivan Report, the global biologics outsourcing services market generally requires (i) high capital requirements to set up cGMP compliant facilities, (ii) high technical requirements to maintain proprietary development platforms, in-house manufacturing capabilities and other technical capabilities, (iii) ability to comply with the increasingly stringent regulations with regard to biologics discovery, development and manufacturing, and (iv) ability to capture customers from established competitors.

Our core competitive edge is our offering of integrated services that cover the full biologics development process and our ability to provide the customers with a single-source approach that saves customers critical time and money. In addition, our extensive capacity enables us to satisfy the increasing needs of biologics outsourcing and establish network and customer relationships. We believe that we are able to maintain our services' competitiveness by leveraging our established position in China's biologics outsourcing services market and capitalizing on the opportunities offered by the booming biologics market in China. We are also of the view that a comprehensive and integrated service portfolio and effective quality assurance are critical to the continuing success of our business.

Please see the section headed "Industry Overview" for details of the global biologics outsourcing services market.

INSURANCE

We maintain property insurance policies covering physical damage to, or loss of, our facilities and their improvements, equipment, office furniture and inventory; employer's liability insurance generally covering death or work injury of employees; product liability and professional errors and omissions insurance covering product liability claims arising from the use or operation of our small-molecule compounds and claims arising from negligence in connection with our services to customers; public liability insurance covering certain incidents involving third parties that occur on our premises; machinery breakdown insurance covering unforeseen and sudden physical loss or damage to our machinery; cargo insurance covering physical loss or damage to freight during transportation; and directors and officers liability insurance. We do not maintain key-man life insurance for any members of our senior management or other key personnel or business disruption insurance. While we believe that our insurance coverage is adequate and in line with the industry norm in China and the United States, it may be insufficient to cover all claims for product liability or damage to our fixed assets. 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 us incurring substantial costs and a diversion of resources." for more information.

PROPERTIES

We have leased a number of properties in Wuxi, Jiangsu Province, Shanghai and Suzhou, Jiangsu Province. The following table sets forth a summary of the properties leased by us as of the Latest Practicable Date:

Location	Type of Property	Gross Floor Area (sq.m.)	Lease Term	Expiry Dates
Wuxi, Jiangsu Province	Facilities and office	91,005	Five to ten years	Ranging from July 2018 to August 2026
Shanghai	Facilities and office	44,538	One to ten years	Ranging from December 2017* to May 2027
Suzhou, Jiangsu Province. . .	Facilities and office	10,116	Eight years	December 2021

* Among our leased properties located in Shanghai, there are two leased properties the term of which will expire on December 31, 2017. Such properties have a gross floor area of 186 sq.m. and 1,133 sq.m., respectively, and are currently used as lab and office. Such properties together account for less than 1% of the total properties leased by us in terms of gross floor area. Given that we had not experienced any material difficulty in renewing the leases for these properties during the Track Record Period and up to the Latest Practicable Date, we currently do not expect to have any material difficulty in renewing them when they expire.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

Our operations and facilities are subject to extensive environmental protection and health and safety laws and regulations, which govern, among other things, the generation, storage, handling, use and transportation of hazardous materials and the handling and disposal of hazardous and biohazardous waste generated at our facilities. These laws and regulations generally impose liability regardless of the negligence or fault of a responsible party, unless it has legally defined immunities. These laws and regulations also require us to obtain permits from governmental authorities for certain operations. See "Regulatory Overview" for more details.

We have established an environmental, health and safety department, or EHS department, which is responsible for overseeing the implementation of our measures and procedures to ensure our compliance with the applicable environmental protection and health and safety laws and regulations and the health and safety of our employees. These measures and procedures include (i) adopting protective measures at our facilities, (ii) promulgating safety operation procedures relating to various aspects of our integrated services, such as the use and storage of chemicals and operation of equipment, (iii) inspecting our equipment and facilities regularly to identify and eliminate safety hazards and engaging third-party consulting firms to conduct on-site safety assessment and hazard identification, (iv) promulgating specific rules about the purchase, storage, handling, use and transportation of hazardous materials and the handling and disposal of hazardous and biohazardous

waste generated at our facilities, (v) engaging professional waste-disposal companies to manage the disposal of hazardous and biohazardous waste, (vi) providing regular safety awareness training to our employees, and (vii) maintaining a system of recording and handling accidents and implementation of relevant policies, and a health and work safety compliance record.

For the years ended December 31, 2014, 2015 and 2016, our total cost of compliance with environmental protection and health and safety laws and regulations was approximately RMB1.0 million, RMB2.1 million and RMB3.5 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 consequences of accidental contaminations, biological hazards or personal injury." for more information. We expect that we would incur approximately RMB10.2 million in 2017 for complying with environmental protection and health and safety laws and regulations.

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.

CERTIFICATES, PERMITS AND LICENSES

We are required to obtain and renew certain certificates, permits and licenses for providing our services. See "Regulatory Overview" for more information about the material certificates, permits and licenses required for our business operations in the PRC. During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite certificates, permits and licenses that are material for our operation, and all of such certificates, permits and licenses are within their respective effective periods. We had not experienced any material difficulty in renewing such certificates, permits and licenses during the Track Record Period and up to the Latest Practicable Date, and we currently do not expect to have any material difficulty in renewing them when they expire, if applicable. During the Track Record Period and up to the Latest Practicable Date, we have not been penalized by the relevant government authorities for any non-compliance relating to maintenance and renewal of our material certificates, permits and licenses.

The following table sets forth a summary of the key licenses, permits and certificates that we hold.

Holder	Certificate/Permit/License	Issue Authority	Issue Date	Expiry Date
WuXi Biopharma	The PRC Customs Declaration Registration Certificate (中華人民共和國海關報關單位註冊登記證書)	Wuxi Customs of the PRC (中華人民共和國無錫海關)	July 13, 2015	N/A
WuXi Biopharma	Registration Form of Enterprises Applying for Entry-Exit Inspection and Quarantine (出入境檢驗檢疫報檢企業備案表)	Jiangsu Entry-Exit Inspection and Quarantine Bureau (中華人民共和國江蘇出入境檢驗檢疫局)	July 14, 2015	N/A
Shanghai Biologics	The PRC Customs Declaration Registration Certificate (中華人民共和國海關報關單位註冊登記證書)	Shanghai Waigaoqiao Bonded Area Customs of the PRC (中華人民共和國上海外高橋保税區海關)	January 27, 2015	N/A
Shanghai Biologics	Registration Certificate of Self-Declaration Enterprises (自理報檢企業備案登記證明書)	Shanghai Entry-Exit Inspection and Quarantine Bureau (中華人民共和國上海出入境檢驗檢疫局)	March 19, 2015	N/A
Shanghai Biologics	Registration Form of Foreign Trade Operator (對外貿易經營者備案登記表)	Shanghai Foreign Economic and Trade Committee (上海市外經貿委)	January 26, 2015	N/A
Suzhou Biologics	Registration Certificate of Biosafety Laboratories (生物安全實驗室備案證書)	Jiangsu Provincial Commission of Health and Family Planning (江蘇省衛生和計劃生育委員會)	December 1, 2016	November 30, 2018
Suzhou Biologics	Registration Certificate of Self-Declaration Enterprise (自理報檢單位備案登記證明書)	Suzhou Entry-Exit Inspection and Quarantine Bureau (中華人民共和國蘇州出入境檢驗檢疫局)	March 11, 2014	N/A
Suzhou Biologics	The PRC Customs Declaration Registration Certificate (中華人民共和國海關報關單位註冊登記證書)	Suzhou Customs of the PRC (中華人民共和國蘇州海關)	April 10, 2015	N/A

LEGAL PROCEEDINGS

We may from time to time be involved in contractual disputes or legal proceedings arising out of the ordinary course of business. During the Track Record Period and up to the Latest Practicable Date, none of us or any of our subsidiaries was subject to any material claims, damages or losses. As of the Latest Practicable Date, no material litigation, arbitration or administrative proceedings had been threatened against us or any of our subsidiaries.

LEGAL COMPLIANCE

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

INTERNAL CONTROL AND RISK MANAGEMENT

We have engaged an internal control consultant, or the Internal Control Consultant, to perform certain agreed-upon procedures in connection with the internal control of our Company and our major operating subsidiaries and to report factual findings on our Group's entity-level controls and internal controls of various processes, including financial reporting and disclosure controls, sales, accounts receivable and collection, procurement, accounts payable and payment, fixed assets and assets under construction, human resources and payroll management, cash and treasury management, inventory management, general controls of IT system, taxation management, production and costing, insurance management, research and development and intangible assets. The Internal Control Consultant performed procedures in April 2016 and follow-up procedures in December 2016 on our Company's system of internal control. As of the Latest Practicable Date, there was no material issue remaining in relation to the internal controls of our Group.

We have adopted a series of internal control policies, measures and procedures designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. During the Track Record Period, we regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have formed a compliance office led by Ms. Hui Yu, who has extensive experience in internal control and risk management in the biologics industry. The compliance office has another three members, including Dr. Zhisheng Chen, our chief executive officer, Mr. Zhiling Ji, head of our legal department, and Mr. Yong Tong, head of operations of our Company. Our compliance office is in charge of the overall internal control, corporate governance and legal compliance matters of our Group. Under the compliance office, we have established a compliance department and a compliance committee for each of our operation sites.

- Our compliance department is responsible for promulgating and revising internal control policies, measures and procedures to ensure that we maintain sound and effective internal controls and compliance with applicable laws and regulations. Our compliance department also monitors the implementation of our internal control policies, measures and procedures and conduct regular compliance audits for each stage of the biologics development process. In addition, our compliance department provides guidance to our site compliance committees and our compliance team for each stage of the biologics development process.

- The compliance committee for each of our operation sites is responsible for implementing the relevant internal control policies, measures and procedures on the site and making regular inspections about the on-site implementation of such policies, measures and procedures.

- We have set up a compliance team for each stage of the biologics development process, which reports to our compliance department. Each such compliance team is responsible for implementing the relevant internal control policies, measures and procedures relating to the relevant biologics discovery, development or manufacturing stage, educating the relevant employees about such policies, measures and procedures and addressing their questions, submitting suggested revisions to such policies, measures and procedures to the compliance department and making regular inspections about the implementation of such policies, measures and procedures.

- We have adopted various measures and procedures regarding each aspect of our business operation, such as project management, quality assurance, protection of intellectual property, environmental protection and occupational health and safety. For more information, see "— Project Management", "— Quality Assurance", "— Intellectual Property Protection" and "— Health, Safety and Environmental Matters". We provide periodic training about these measures and procedures to our employees as part of our employee training program. We also constantly monitor the implementation of those measures and procedures through our site compliance departments and our compliance team for each stage of the biologics development process.

- Our compliance department has established a system for handling complaints against our Directors, senior management, employees, customers and other business partners, as well as a mechanism for making independent and fair investigations on reported complaints and taking appropriate actions. The compliance department has also set up an online platform through which our employees can report their complaints and concerns. In addition, the compliance department evaluates the effectiveness of and potential loopholes in our internal control system based on complaints received to improve our internal control policies, measures and procedures accordingly. During the Track Record Period and up to the Latest Practicable Date, our compliance department had not received any material complaints or concerns.

- We have engaged Somerley Capital 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 [REDACTED]" in this document after the Listing, as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.

- We plan to engage a PRC law firm to advise us on and keep us abreast with PRC laws and regulations after the Listing. We will continue to arrange various trainings to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management, and relevant employees on the latest PRC laws and regulations.

Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the global biologics outsourcing services market, our ability to offer quality biologics discovery, development and manufacturing services, our ability to manage our anticipated growth and to execute on our growth strategies, and our ability to compete with other biologics outsourcing services providers. See "Risk Factors" for a discussion of various risks and uncertainties 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. See "Financial Information — Qualitative and Quantitative Disclosure about Market Risk" for a discussion of these market risks.

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

- Our audit committee, which is led by Mr. Teh-Ming Walter Kwauk, oversees and manages the overall risks associated with our business operations. Our audit committee (i) reviews and approves our risk management policy to ensure that it is consistent with our corporate objectives; (ii) reviews and approves our corporate risk tolerance; (iii) monitors the most significant risks associated with our business operation and our management's handling of such risks; (iv) reviews our corporate risk in the light of our corporate risk tolerance; and (v) monitors and ensures the appropriate application of our risk management framework across our Group.

- Our chief executive officer, Dr. Zhisheng Chen, is responsible for (i) formulating and updating our risk management policy and target; (ii) reviewing and approving major risk management issues of our Company; (iii) promulgating risk management measures; (iv) providing guidance on our risk management approach to the relevant departments in our Company; (v) reviewing the relevant departments' reporting on key risks and providing feedbacks; (vi) supervising the implementation of our risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competences are in place across our Group; and (viii) reporting to our audit committee on our material risks.

- The relevant departments in our Company, including the finance department, the human resources department, the administration department, the customer support department, the procurement department and the business units, are responsible for implementing our risk management policy and carry out our day-to-day risk management practice. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments (i) gather information about the risks relating to their operation or function, (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) prepare a risk management report annually for our chief executive officer's review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

The Founding Individuals, namely Dr. Li, Dr. Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang had a long-term business relationship of more than 15 years. The Founding Individuals and certain other Independent Third Parties co-founded WuXi AppTec in the PRC in December 2000.

Dr. Zhao is Dr. Li's wife. Mr. Xiaozhong Liu and Dr. Li were college schoolmates. The Founding Individuals held regular meetings, reached consensus on key decisions, and had unanimous voting patterns on all the matters considered at board meetings and general meetings of WuXi PharmaTech during the Track Record Period. On December 10, 2015, upon the delisting of WuXi PharmaTech, they entered into an acting-in-concert agreement to formalize and document the acting-in-concert relationship among them. See "History and Corporate Development — Prior Listing on NYSE and Delisting of WuXi PharmaTech" for more details.

On June 30, 2016, the Founding Individuals entered into a supplemental agreement to the acting-in-concert agreement dated December 10, 2015 to acknowledge and confirm their acting-in-concert relationship in relation to Biologics Holdings and our Company, pursuant to which, Dr. Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang should defer to Dr. Li's view and decision should there be different views among them on any matter considered at general meetings of our Company and board meetings of Biologics Holdings.

Immediately upon completion of the [REDACTED], the Founding Individuals, directly as well as through Biologics Holdings, G&C Limited, G&C I Limited, G&C III Limited, G&C V Limited, G&C VI Limited, G&C VII Limited, G&C IX Limited, G&C Partnership L.P., Group & Cloud Limited, i-growth Ltd, I-Invest World Ltd and New WuXi ESOP L.P., will continue to control more than 30% voting power at general meetings of our Company. Accordingly, the Founding Individuals, Biologics Holdings, G&C Limited, G&C I Limited, G&C III Limited, G&C V Limited, G&C VI Limited, G&C VII Limited, G&C IX Limited, G&C Partnership L.P., Group & Cloud Limited, i-growth Ltd, I-Invest World Ltd and New WuXi ESOP L.P. will continue to be our Controlling Shareholders after the Listing. See "History and Corporate Development" for more details.

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

Dr. Li, one of the Founding Individuals, controlled 56.82% of the voting rights of Biologics Holdings, which owned 88.74% of the issued share capital of our Company upon completion of Reorganization. He also directly held 1.07% of the issued share capital of our Company and controlled 100% issued share capital of G&C VII Limited, which in turn owned 5.66% of the issued share capital of our Company, upon completion of Reorganization.

The other Founding Individuals, namely Dr. Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang, held 0.19%, 0.45% and 0.37% issued share capital of our Company, respectively, upon completion of Reorganization.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The principal business of each of Biologics Holdings, G&C Limited, G&C I Limited, G&C III Limited, G&C V Limited, G&C VI Limited, G&C VII Limited, G&C IX Limited, G&C Partnership L.P., Group & Cloud Limited, i-growth Ltd, I-Invest World Ltd and New WuXi ESOP L.P. is investment holding.

As of the Latest Practicable Date, other than the interest in our Group, the Founding Individuals are also interested in certain businesses and companies, primarily including WuXi AppTec, Nextcode Holdings and WuXi New Life Science Investment Limited, which are all controlled by the Founding Individuals, and their respective affiliated entities. WuXi AppTec is primarily engaged in the research, development and manufacturing of non-biologics pharmaceutical products. Nextcode Holdings is primarily engaged in providing gene testing services. WuXi New Life Science Investment Limited is a company incorporated on June 24, 2016 intended for future business investment which currently has no business operation, and a connected person of our Company. In addition, WX MedImmune, a joint venture between WuXi AppTec and AstraZeneca, was established to develop and commercialize MEDI-5117, a novel biologic for autoimmune and inflammatory diseases. As a pharmaceutical company, WX MedImmune does not provide biologics services to others. Instead, WX MedImmune is a customer of our Group and receives research and development services from us. See "Connected Transactions — Non-exempt Continuing Connected Transactions — 5. Research and Development Service Framework Agreement" for more details.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Clear Delineation of Business

Our core business is providing services for the discovery, development and manufacturing of biologics ("**Core Business**"). As described above, WuXi AppTec, Nextcode Holdings and WuXi New Life Science Investment Limited have different businesses from the Group. While WX MedImmune business is biologics related, it is a pharmaceutical company aiming at bringing a novel biologics to Chinese market, instead of a services provider in the field of biologics. Accordingly, the other businesses and companies in which the Founding Individuals are interested are different in nature from our Core Business. Except through our Group, none of our Controlling Shareholders and their close associates is engaged in any business that competes or is likely to compete, either directly or indirectly, with the Core Business, which is subject to disclosure pursuant to Rule 8.10 of the Listing Rules. Given the clear delineation between our Core Business on the one hand and the business of our Controlling Shareholders and their close associates on the other hand and the Deed of Non-Competition, our Board is satisfied that our business is and will continue to be independent of our Controlling Shareholders. Please refer to the section headed "— Deed of Non-Competition" for details on the non-competition arrangement between our Group and our Controlling Shareholders after the Listing.

Our Directors also confirm that as of the Latest Practicable Date, none of the Directors had any interest in a business that competes or is likely to compete, either directly or indirectly, with the Core Business, which is subject to disclosure pursuant to Rule 8.10 of the Listing Rules.

Management Independence

Our Board and senior management function independently from our Controlling Shareholders. Our Board comprises two executive Directors, four non-executive Directors and three independent non-executive Directors. The table below sets forth the overlapping directors between our Group on the one hand and our Controlling Shareholders and their close associates on the other hand:

Name	Positions in our Company	Main positions in our Controlling Shareholders and its close associates
Dr. Li	chairman and non-executive Director	chairman and chief executive officer of WuXi AppTec, director of Biologics Holdings, Nextcode, WuXi New Life Science Investment Limited, various investment holding companies comprising the Controlling Shareholders, and most subsidiaries of WuXi AppTec and Nextcode Holdings
Mr. Edward Hu . .	non-executive Director	director and chief financial officer of WuXi AppTec, director of Biologics Holdings, WuXi New Life Science Investment Limited, and various subsidiaries of WuXi AppTec and Nextcode Holdings
Mr. Yibing Wu . . .	non-executive Director	director of WuXi AppTec, Biologics Holdings, Nextcode Holdings and WuXi New Life Science Investment Limited
Mr. Yanling Cao. .	non-executive Director	director of Biologics Holdings, Nextcode Holdings and WuXi New Life Science Investment Limited

Dr. Li, Mr. Edward Hu, Mr. Wu Yibing and Mr. Cao Yanling are all non-executive Directors of our Company. They do not hold any management position with our Group and are not involved in the daily management of our Company.

Save as disclosed above, none of the remaining members of our Board, including both of our executive Directors, and senior management holds any position in our Controlling Shareholders and their close associates. Despite of the aforesaid overlapping directors personnel, our Directors believe that our Board and senior management will be able to function independently from our Controlling Shareholders for the following reasons:

(i) each Director is aware of his fiduciary duties as a Director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest;

(ii) 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 Controlling Shareholders or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in the quorum;

(iii) our Board comprises nine Directors, and three of them are independent non-executive Directors, which represents one-third of the members of the Board. Our independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of the Board are made after due consideration of independent and impartial opinions; and

(iv) our executive Directors and senior management members are independent from our Controlling Shareholders. They have substantial experience in the industry which we are engaged in. Accordingly, they are able to discharge their duties independently from our Controlling Shareholders.

Financial Independence

As of March 31, 2017, the principal of our loans from WuXi PharmaTech, amounted to US$34.4 million, representing 19.4% of our total bank and other borrowings. In addition, our Group owed WXAT BVI, a wholly-owned subsidiary of WuXi PharmaTech, an amount of US$12.1 million, which was unpaid consideration for the acquisition of Suzhou Biologics in July 2015. See "History and Corporate Development — Our Group" for more details. All such amounts and other payables due from our Group to the Controlling Shareholders and their above associates and due to our Group from the Controlling Shareholders and their close associates will be fully settled, save for those are trade related, prior to the Listing.

During the Track Record Period, we had independently borrowed from banks a principal amount of RMB922.4 million in total without guarantees from our Controlling Shareholders and their close associates. Our Directors believe that we are capable of obtaining financing from third parties without reliance on the Controlling Shareholders after the Listing.

Our financial system is independent from that of our Controlling Shareholders and their close associates. Our Group makes financial decisions according to our own business needs. Our Group's major finance operations are handled by our financial management department, which operates independently from our Controlling Shareholders and their close associates. We do not share any other functions or resources with any of our Controlling Shareholders or their close associates.

Based on the above our Directors believe that our Group is able to operate with financial independence from our Controlling Shareholders and their close associates.

Operational Independence

We have our own staff to support our major operations and management. We have all the required assets, licenses, trademarks and other intellectual property for operation of our business.

We have conducted certain continuing connected transactions with our Controlling Shareholders and their associates, including receiving testing service, general service, procurement service, equipment lease and research and development service. For reasons and further details on such continuing connected transactions, please refer to the section headed "Connected Transactions" in this document.

Notwithstanding such continuing connected transactions, we have been operating and will continue to operate independently from our Controlling Shareholders and their associates on the following basis:

(i) although we will continue to purchase certain products and services including procurement of equipment and raw materials and receipt of limited testing services for our operating activities from our Controlling Shareholders and their associates, such products and services may be purchased from Independent Third Parties at reasonable prices. During each of the three years ended December 31, 2014, 2015 and 2016, the purchases of such products and services (excluding general services we procured from WXAT Shanghai) did not exceed 23% of the total annual purchase of our Group;

(ii) the equipment leased from our Controlling Shareholders and their associates are equipment used for biologics development which could not be transferred to our Group during the process of the WASH Business Unit Acquisition as WXAT Shanghai received government subsidies for purchase such equipment which impose restriction on its ownership transfer. If necessary, we may seek appropriate alternative equipments from Independent Third Parties without any material adverse effect on our business and operations;

(iii) the properties leased from our Controlling Shareholders and their associates are used as office premise and laboratory and form a very small percentage of our total facilities. If necessary, we may also seek appropriate alternative locations for offices and laboratories from Independent Third Parties without any material adverse effect on our business and operations;

(iv) the revenue from providing services to WX MedImmune only accounts for a small portion of our revenue, representing 1.1%, 0.3% and 1.7% for the three years ended December 31, 2014, 2015 and 2016, respectively. We have a highly diversified customers base with 163 customers during the year ended December 31, 2016 and do not rely on WX MedImmune for our business operation; and

(v) such continuing connected transactions are entered into during our ordinary and usual course of business based on arm's length negotiations and on normal commercial terms, which are fair and reasonable, and the continuing connected transactions are in the interest of the Company and its Shareholders as a whole.

DEED OF NON-COMPETITION

On May 17, 2017, the Controlling Shareholders have each entered into the deed of non-competition in favor of our Company, pursuant to which the Controlling Shareholders have each undertaken to our Company that they will not and will procure their close associates (except any member of our Group) not to, directly or indirectly (whether in the capacity of principal or agent, whether for its own benefit or jointly with or on behalf of any person, firm or company, whether within or outside China), commence, engage in, participate in or acquire any business which competes or may compete directly or indirectly with our Core Business ("**Restricted Business**") or own any rights or interests in such business.

The Controlling Shareholders have each further undertaken that during the Restricted Period (as defined below), they should and will procure their close associates (except any member of our Group) (the Controlling Shareholders and their close associates together, "**Offeror**") to offer new business opportunities to us first in the following manner when any business, investment or other business opportunities ("**New Business Opportunities**") related to the Restricted Business become available to the Offeror:

(i) the Offeror will make referral of the New Business Opportunities to us, and will within twenty (20) days inform us in writing ("**Offer Notice**") about all necessary and reasonably required information in respect of any New Business Opportunities (including but not limited to details of the nature and investment or acquisition cost of the New Business Opportunities) for us to consider (a) whether the relevant New Business Opportunities will compete with our business, and (b) whether taking up the New Business Opportunities is in the interest of our Group;

(ii) upon receipt of the Offer Notice, the independent non-executive Directors will consider whether to pursue the New Business Opportunities taking into account whether the relevant New Business Opportunities would be able to achieve a sustainable profitability level, whether they are in line with the prevailing development strategies of our Group, and whether they are in the best interest of the Shareholders. Our Company must inform the Offeror in writing within 20 Business Days after receipt of the Offer Notice about its decision on whether the New Business Opportunities will be pursued; and

(iii) only when (a) the Offeror has received our notice to reject the New Business Opportunities and our confirmation that the relevant New Business Opportunities are not considered to be able to compete with our Restricted Business; or (b) the Offeror has not received the relevant notice from our Company within the period as stated above in paragraph (ii) after the Offer Notice has been received by us, then the Offeror is entitled to take up the New Business Opportunities on terms and conditions not more favorable than those specified in the Offer Notice issued to us.

If material changes occur in the terms and conditions of the New Business Opportunities after the referral of which have been made or procured to be made to us by the Offeror, referral of the revised New Business Opportunities shall be made by the Offeror to us again in the manner as stated above.

The undertakings under the deed of non-competition are not applicable in the following circumstances:

(i) the Controlling Shareholders and/or their respective close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in any member of our Group; or

(ii) the Controlling Shareholders and/or their respective close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in listed companies other than our Group, with the following conditions being satisfied:

  (a) The Restricted Business (and relevant assets) conducted or carried out by such company represents less than 10% of the revenue or total assets of such company according to the latest audited accounts of such company; and

  (b) the Controlling Shareholders and/or their respective close associates (except any member of our Group) hold in aggregate not more than 10% of the issued share capital of relevant class of shares of such company, and the Controlling Shareholders and/or their respective close associates (except any member of our Group) have no right to appoint the majority of directors of such company or participate in the management of such company.

Pursuant to the deed of non-competition, the Restricted Period refers to the period commences from the [REDACTED] and ends on the following dates (whichever is earlier):

(i) the date when the shares of our Company cease to be listed on the Stock Exchange; and

(ii) the date when the Controlling Shareholders cease to be Controlling Shareholders of our Company.

CORPORATE GOVERNANCE MEASURES

We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of the Shareholders, including:

(i) if a Director has a material interest in a particular transaction, he shall abstain from voting in any matters relating to such transaction being considered at the Board meeting and he will not be counted as a quorum of the Board meeting;

(ii) if disinterested Directors (including the independent non-executive Directors) reasonably seek to obtain independent and professional advice (such as financial adviser advice), the costs incurred for obtaining such advice will be borne by our Company;

(iii) the independent non-executive Directors will review the compliance with the undertakings under the deed of non-competition by our Controlling Shareholders on an annual basis;

(iv) our Controlling Shareholders will provide or procure the provision of all necessary information required for the Board's annual review of compliance with the deed of non-competition;

(v) our Company will disclose in its annual report the decisions (if any) of the independent non-executive Directors on matters relating to the New Business Opportunities and the relevant basis; and

(vi) our Controlling Shareholders will make an annual declaration on its compliance with the deed of non-competition in our annual report.

Immediately following the completion of the [REDACTED], the Founding Individuals will continue to control more than 30% voting power at general meetings of our Company. Therefore, the Founding Individuals and their associates will be connected persons of our Company upon Listing.

CONNECTED PERSONS

We have entered into certain transactions with WuXi AppTec and its associates during the Track Record Period in our ordinary and usual course of business and such transactions are expected to continue after the Listing.

- **WuXi AppTec**

As of the Latest Practicable Date, the Founding Individuals controlled 34.48% voting power of WuXi AppTec. Accordingly, WuXi AppTec is an associate of the Founding Individuals and a connected person of our Company upon Listing. WuXi AppTec is a PRC incorporated company and is primarily engaged in the research, development and manufacturing of non-biologics pharmaceutical products.

- **WXAT Shanghai**

WXAT Shanghai is a wholly-owned subsidiary of WuXi AppTec and therefore a connected person of our Company upon Listing. Its principal business is the development of chemical synthesis.

Historically, WuXi AppTec established a business unit in WXAT Shanghai to provide biologics discovery, development and manufacturing services. To streamline and optimize the business line of the WuXi AppTec Group and our Group, on April 20, 2015, Shanghai Biologics and WXAT Shanghai entered into an asset transfer agreement to transfer the biologics business unit, including but not limited to its assets, inventories, employees and contractual obligations to Shanghai Biologics ("**WASH BU Acquisition**").

The WASH BU Acquisition has given rise to some continuing connected transactions between Shanghai Biologics (an indirect wholly-owned subsidiary of the Company) and WXAT Shanghai, including (i) equipment lease; (ii) procurement; (iii) general services and (iv) property lease as described below.

Before the WASH BU Acquisition, as the biologics business unit was part of WXAT Shanghai rather than a separate legal entity, there were no such transactions as set out in the paragraph above between the biologics business unit and WXAT Shanghai and therefore, the historical amounts of such connected transactions between the biologics business unit/Shanghai Biologics and WXAT Shanghai before the WASH BU Acquisition were nil.

WX MedImmune

WX MedImmune is a joint venture in which WuXi AppTec and AstraZeneca each owns 50% equity interest. Accordingly, WX MedImmune is a connected person of our Company. WX MedImmune was established to develop and commercialize MEDI-5117, a novel biologics for autoimmune and inflammatory diseases in China.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Property Lease Agreements

We entered into several property lease agreements with WXAT Shanghai and its associates in 2016 (the "**Property Lease Agreements**") with one of the agreements renewed on May 17, 2017, pursuant to which we lease from and to WXAT Shanghai and its associates certain properties. The term of the Property Lease Agreements is three years until December 31, 2018 or 2019. For each of the three years ended December 31, 2014, 2015 and 2016, the total rentals under the Property Lease Agreements were nil, RMB0.7 million and RMB2.5 million, respectively. Such amount is expected to remain steady for the years ending December 31, 2017, 2018 and 2019 at an amount not exceeding RMB2.5 million per annum, as no material adjustment is expected to be made to such rentals during the term of the Property Lease Agreements.

Trademark Licensing Framework Agreement

We entered into a trademark licensing framework agreement with WuXi AppTec on May 17, 2017 (the "**Trademark Licensing Framework Agreement**"), pursuant to which WuXi AppTec has granted us a license to use certain PRC-registered trademarks of WuXi AppTec at nil consideration. The Trademark Licensing Framework Agreement is effective from the execution date to December 31, 2019 and may be renewed by mutual consent.

Listing Rules Implications

Since the highest applicable percentage ratio (other than the profits ratio) of transactions under the Property Lease Agreements and the Trademark Licensing Framework Agreement calculated in accordance with Rule 14.07 of the Listing Rules is less than 5%, and the total consideration is less than HK$3 million per annum, the transactions under these agreements fall within the *de minimis* transactions threshold as stipulated under the Listing Rules, and the transactions thereunder are fully exempt from the annual reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The transactions described in the summary table below will constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules:

			Historical Amount (RMB million)			Proposed Annual Cap (RMB million)		
			For the year ended December 31,			For the year ending December 31,		
Nature of Transaction	Applicable Listing Rules	Waiver Sought	2014	2015	2016	2017	2018	2019
Testing Service Framework Agreement	14A.34, 14A.35, 14A.49, 14A.71	Announcement requirement	6.2	20.3	14.2	17.6	17.6	17.6
General Service Framework Agreement	14A.34, 14A.35, 14A.49, 14A.71	Announcement requirement	—	13.3	26.8	4.3	5.1	6.1
Equipment Lease Framework Agreement	14A.34, 14A.35, 14A.49, 14A.71	Announcement requirement	—	11.6	13.4	11.9	9.5	9.0
Procurement Service Framework Agreement	14A.34, 14A.35, 14A.36, 14A.46, 14A.49, 14A.71	Announcement and the independent Shareholders' approval requirements	—	29.0	56.4	70.1	84.1	100.9
Research and Development Service Framework Agreement	14A.34, 14A.35, 14A.36, 14A.46, 14A.49, 14A.71	Announcement and the independent Shareholders' approval requirements	3.7	1.8	16.6	20.0	60.0	60.0

1. **Testing Service Framework Agreement**

Parties: WuXi AppTec and our Company

Reasons for the transactions: Certain steps in some of our projects require testing procedures which we currently do not have the capabilities for. Such testing procedures normally form a minor part of the overall project and as such, we typically outsource such service to the WuXi AppTec Group, the cost of which is directly passed on to our customers. Due to the sophisticated technology required for such service, few laboratories over the world can perform such testing service. We believe the WuXi AppTec Group has the testing laboratories which suit the needs of our customers and has a better understanding of our requirements for the testing services than an Independent Third Party does. In addition, the close proximity and the constant communication we have with the WuXi AppTec Group ensure our service requests are processed in a timely manner, which is critical for our projects with end-customers.

Major terms: We entered into a testing service framework agreement ("**Testing Service Framework Agreement**") with WuXi AppTec on May 17, 2017, pursuant to which the WuXi AppTec Group will provide certain testing services to our Group. The major terms of the Testing Service Framework Agreement are as follows:

- the WuXi AppTec Group will provide certain testing services to our Group, including but not limited to biosafety testing;

- with respect to specific testing projects, our Group members and the relevant members of the WuXi AppTec Group will enter into individual agreements separately which provide for specific terms and conditions including service scope, service fee and other terms, in accordance with the Testing Service Framework Agreement;

- **pricing policy**: We directly pass on the cost of the testing service to our customers and in certain cases with a 10% premium. The testing service fee charged by the WuXi AppTec Group will be determined based on standard pricing table used by the WuXi AppTec Group for all its customers with reference to the nature and value of the relevant testing services; and

- the Testing Service Framework Agreement is effective from the execution date to December 31, 2019 and may be renewed by mutual consent.

Historical amount: For each of the three years ended December 31, 2014, 2015 and 2016, the total amount paid by our Group for the testing services provided by the WuXi AppTec Group was RMB6.2 million, RMB20.3 million and RMB14.2 million, respectively.

Annual cap: For each of the three years ending December 31, 2017, 2018 and 2019, the total amount payable by our Group to the WuXi AppTec Group for the testing services is not expected to exceed RMB17.6 million, RMB17.6 million and RMB17.6 million, respectively.

Basis of cap: The above proposed annual caps are set based on the following factors: (i) the historical transaction amounts paid by our Group to the WuXi AppTec Group for the testing services; (ii) our expectation that our Group will continue to grow our business and revenue, which in turn will increase the amount of testing services required; and (iii) our Suzhou testing facilities, which commenced operations in March 2015, will continue to expand its capabilities and service offerings and as a result, an increasing amount of testing services are expected to be conducted in-house.

2. **General Service Framework Agreement**

Parties: WXAT Shanghai and our Company

Reasons for the transactions: Shanghai Biologics is situated in the same industry zone with WXAT Shanghai. During the Track Record Period, we procured the following general services for Shanghai Biologics from WXAT Shanghai: (i) engineering, IT, sample product delivery, documentation and administrative service (such as shuttle bus, canteen and secretarial support); and (ii) utilities billing services. We have since established our own independent functions including engineering and IT departments. However, as our utilities accounts in the buildings we use cannot be separated from WXAT Shanghai's utilities accounts, we will continue to use utilities billing services provided by WXAT Shanghai.

Major terms: We entered into a general service framework agreement ("**General Service Framework Agreement**") with WXAT Shanghai on May 17, 2017, pursuant to which WXAT Shanghai and/or its associates will provide utilities billing services to us. The major terms of the General Service Framework Agreement are as follows:

- WXAT Shanghai and/or its associates will pay the entire utilities bill on a periodic basis and receive reimbursement from us for our portion of utilities cost;

- **pricing policy**: The service fee charged by WXAT Shanghai for the utilities billing service will be determined by our allocated cost of utilities without any additional margin; and

- the General Service Framework Agreement is effective from the execution date to December 31, 2019.

Historical amount: For each of the three years ended December 31, 2014, 2015 and 2016, the total amount incurred by our Group for the general services provided by WXAT Shanghai was nil, RMB13.3 million and RMB26.8 million, respectively.

Annual cap: For each of the three years ending December 31, 2017, 2018 and 2019, the total amount payable by our Group to WXAT Shanghai for the general services to be rendered is not expected to exceed RMB4.3 million, RMB5.1 million and RMB6.1 million, respectively.

Basis of cap: The above proposed annual caps are set based on our expected increase in the number of our employees and equipment and the resulting increased utilities demand.

3. **Equipment Lease Framework Agreement**

Parties: WXAT Shanghai and our Company

Reasons for the transactions: Certain equipment initially purchased by WXAT Shanghai could not be transferred to our Group during the process of the WASH BU Acquisition as WXAT Shanghai received government subsidies for the purchase of such equipment, which imposed restrictions on its ownership transfer. In order to avoid disruptions to our business, we will continue to use such equipment through a lease agreement.

Major terms: We entered into an equipment lease framework agreement ("**Equipment Lease Framework Agreement**") with WXAT Shanghai on May 17, 2017, pursuant to which our Group members will lease certain equipment from WXAT Shanghai. The major terms of the Equipment Lease Framework Agreement are as follows:

- WXAT Shanghai will lease certain biologics laboratory equipment to our Group;
- with respect to specific category of equipment, our Group members and WXAT Shanghai will enter into individual agreements separately which provide for specific terms and conditions including lease scope, rental fee and other terms, in accordance with the Equipment Lease Framework Agreement;
- **pricing policy**: The equipment rental fee charged by WXAT Shanghai will be determined by relevant parties by (i) the annual amortization amount of all leased equipment; and (ii) a 5% margin. In the event the equipment is fully depreciated, we will be able to lease such equipment at no cost; and
- the Equipment Lease Framework Agreement is effective from the execution date to December 31, 2019 and will be renewed for another three years conditional on fulfillment of requirements under relevant laws, regulations and the Listing Rules.

Historical amount: For each of the three years ended December 31, 2014, 2015 and 2016, the total amount incurred by our Group for the equipment lease provided by WXAT Shanghai was nil, RMB11.6 million and RMB13.4 million, respectively.

Annual cap: For each of the three years ending December 31, 2017, 2018 and 2019, the total amount payable by our Group to WXAT Shanghai for the equipment lease is not expected to exceed RMB11.9 million, RMB9.5 million and RMB9.0 million, respectively.

Basis of cap: The above proposed annual caps are set based on the following factors: (i) the known annual amortization amount of each leased equipment; and (ii) a 5% margin charged by WXAT Shanghai. Based on the forgoing, the estimated annual caps for the three years ending December 31, 2019 will remain stable.

4. **Procurement Service Framework Agreement**

Parties: WXAT Shanghai and our Company

Reasons for the transactions: WXAT Shanghai has historically procured certain raw materials and equipment for its biologics business unit. After the WASH BU Acquisition, Shanghai Biologics continued the procurement arrangement in order to enjoy cost efficiency while benefiting from the ancillary logistics and warehousing services provided by WXAT Shanghai. As such, we believe that continuing to procure raw materials and equipment from WXAT Shanghai is beneficial to us.

Major terms: We entered into a procurement service framework agreement ("**Procurement Service Framework Agreement**") with WXAT Shanghai on May 17, 2017, pursuant to which Shanghai Biologics will procure certain raw material and equipment and ancillary logistics and warehousing services from WXAT Shanghai. The major terms of the Procurement Service Framework Agreement are as follows:

- WXAT Shanghai will provide procurement service as well as ancillary logistics and warehousing services to Shanghai Biologics upon our request;

- Shanghai Biologics and WXAT Shanghai will enter into individual agreements separately which provide for specific terms and conditions for the procurement of specific raw materials and equipment, including purchase price, insurance and transportation arrangement and other terms, in accordance with the Procurement Service Framework Agreement;

- **pricing policy**: Purchase prices of raw materials and equipment provided by WXAT Shanghai will be determined with reference to (i) the costs of the relevant raw materials and equipment, and (ii) a fixed rate of 3% premium for logistics and warehousing services; and

- the Procurement Service Framework Agreement is effective from the execution date to December 31, 2019 and may be renewed by mutual consent.

Historical amount: For each of the three years ended December 31, 2014, 2015 and 2016, the total amount paid by our Group for raw materials and equipment procured from WXAT Shanghai was nil, RMB29.0 million and RMB56.4 million, respectively.

Annual cap: For each of the three years ending December 31, 2017, 2018 and 2019, the total amount payable by our Group for raw materials and equipment procurement from WXAT Shanghai is not expected to exceed RMB70.1 million, RMB84.1 million and RMB100.9 million, respectively.

Basis of cap: The above proposed annual caps are set based on the expected revenue growth and business expansion of Shanghai Biologics with an expected growth rate of 20% for its procurement.

5. **Research and Development Service Framework Agreement**

Parties: WX MedImmune and our Company

Reasons for the transactions: WX MedImmune is a joint venture between WuXi AppTec and AstraZeneca to develop and commercialize a novel biologics MEDI-5117 in China. Being able to provide services to WX MedImmune enhances our credential in helping global customers introduce biologics to the Chinese market. In addition, we are paid by WX MedImmune for our services on an arm's length basis which increases our revenue.

Major terms: We entered into a research and development service framework agreement ("**Research and Development Service Framework Agreement**") with WX MedImmune on May 17, 2017, pursuant to which we will provide certain research and development services to WX MedImmune.

The major terms of the Research and Development Service Framework Agreement are as follows:

- we will provide research and development services to WX MedImmune;
- with respect to specific research and development projects, WX MedImmune and our Group members will enter into individual agreements separately which provide for specific terms and conditions including service scope, service fee and other terms, in accordance with the Research and Development Service Framework Agreement;
- **pricing policy**: The research and development service fee charged by us will be determined by relevant parties through arm's length negotiation with reference to (i) the nature and value of the relevant services rendered by us, (ii) the actual cost and expenses incurred in providing such services; and (iii) the pricing policy we use for our Independent Third Party customers.
- the Research and Development Service Framework Agreement is effective from the execution date to December 31, 2019 and may be renewed by mutual consent.

Historical amount: For each of the three years ended December 31, 2014, 2015 and 2016, the total amount paid by WX MedImmune for the research and development services provided by us was RMB3.7 million, RMB1.8 million and RMB16.6 million, respectively.

The substantial increase in the research and development service fee during the Track Record Period was due to the different project phases with WX MedImmune, which generate different demand for our services. Our services provided were not substantial during 2014 and 2015 as the MEDI-5117 project was at research and development stage and entered into early-phase clinical development (phase I) in 2016.

Annual cap: For each of the three years ending December 31, 2017, 2018 and 2019, the total amount payable by WX MedImmune to us for the research and development services is expected not to exceed RMB20.0 million, RMB60.0 million and RMB60.0 million, respectively.

Basis of cap: The above proposed annual caps are set considering that our on-going research and development service project with WX MedImmune will continue after Listing and different project phases generate different demand for our services and such demand will generally be in a growing trend.

The MEDI-5117 project is a demonstration of our "follow-the-molecule" integrated business model. WX MedImmune obtained the clinical trial permission for MEDI-5117 from CFDA in January 2017, a vital prerequisite for clinical trial and further development. Therefore, we need to provide more services to support all phases of the clinical trials and eventually commercialization if the product proves to be viable. As the project progresses, we also need to produce more clinical trial materials to support continuing enrolling new patients in the clinical trials. The significant increase in the expected annual caps is commensurate with the estimated demands from WX MedImmune during the different project phases.

In 2017 and 2018, WX MedImmune is expected to conduct early-phase clinical development (phase I and II) and in 2018 and 2019, late-phase clinical development (phase III) may be conducted and afterwards large scale commercial manufacturing may potentially be needed. Accordingly, this project progression is expected to result in significant increase in its demand for services from our Group.

Internal Control Measures for Non-exempt Continuing Connected Transactions

Purchasing products or services

For non-exempt continuing connected transactions under the Testing Service Framework Agreement and the Procurement Service Framework Agreement, we have established the following internal review procedures to ensure that the pricing under the non-exempt continuing connected transactions is fair and reasonable:

- If a comparable market price is available, we shall compare the proposed product price or service fee with the market price to ensure that the proposed product price or service fee will not be higher than the selling price of product or service of a similar type or nature provided by independent third-party suppliers or providers;

- Before selecting a product supplier or services provider, our procurement department shall obtain price quotations from certain independent third-party suppliers or providers. The factors to be considered by us in conducting internal assessments include price, quality, exclusivity of product or service, and value added to us;

- If no comparable market price is available, our procurement department shall conduct arm's length negotiation with a member of WuXi AppTec Group to determine the terms in line with the relevant pricing policies based on trade cost of the product involved or value of the relevant service and the actual costs and expenses incurred;

- After arm's length negotiation with the member of WuXi AppTec Group, our procurement department will report to our senior management who will approve individual transactions as appropriate;

- Our internal audit department will regularly collect and monitor the transaction amount of continuing connected transactions to ensure timely assessment on whether the annual caps are exceeded; and

- Our independent non-executive Directors will also conduct annual review on the non-exempt continuing connected transactions to ensure that such transactions have been entered into on normal commercial terms, are fair and reasonable and conducted according to the terms of the relevant framework agreement. The auditor of our Company will also conduct annual review on the pricing and annual cap of the non-exempt continuing connected transactions.

Supplying services

For non-exempt continuing connected transactions under the Research and Development Service Framework Agreement, we have established the following internal review procedures to ensure that terms for the non-exempt continuing connected transactions are no more favorable to WX MedImmune than terms available to Independent Third Parties:

- We have promulgated the guidelines for establishing pricing for all our customers and our business development department will conduct market analysis on specific service, and make pricing proposal to our senior management after considering a number of factors, including service cost, profit margin, market pricing, capacity utilization and marketing perception;

- Our business development department will conduct arm's length negotiation with WX MedImmune to ensure that the pricing guidelines are complied with and the terms available to WX MedImmune will not be more favorable than terms available to Independent Third Parties. A final report will be made to our senior management who will approve individual transactions;

- Our business development department will also review the reasonableness of pricing for relevant products or services on regular basis according to the latest market intelligence, and report to our senior management, if necessary, for their approval of any adjustment;

- Our internal audit department will regularly collect and monitor the transaction amount of continuing connected transactions to ensure timely assessment on whether the annual caps are exceeded; and

- Our independent non-executive Directors will also conduct annual review on non-exempt continuing connected transactions to ensure that such transactions have been entered into on normal commercial terms, are fair and reasonable, and conducted according to the terms of the relevant framework agreement. The auditor of our Company will also conduct annual review on the pricing and annual cap of the non-exempt continuing connected transactions.

Confirmation of Directors

Our Directors (including independent non-executive Directors) consider that the above non-exempt continuing connected transactions have been and will be entered into in our Group's ordinary and usual course of business and on normal commercial terms, are fair and reasonable and in the interest of our Company and Shareholders as a whole. The proposed annual caps in respect of the non-exempt continuing connected transactions are also fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Confirmation of Joint Sponsors

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by us in relation to the non-exempt continuing connected transactions as set out above, and have also discussed these transactions with us and obtained various representations from us. Based on the aforementioned due diligence work, the Joint Sponsors are of the view that (i) the non-exempt continuing connected transactions as set out above have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better, and are fair and reasonable and in the interests of our Group and our Shareholders as a whole; and (ii) the proposed annual caps for such transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Waiver from the Stock Exchange

In respect of the transactions under the Testing Service Framework Agreement, General Service Framework Agreement and Equipment Lease Framework Agreement, the highest applicable percentage ratio is more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to the announcement and annual reporting requirements under Rule 14A.35, Rule 14A.49 and 14A.71 of the Listing Rules.

In respect of the transactions under the Procurement Service Framework Agreement and the Research and Development Service Framework Agreement, the highest applicable percentage ratio is more than 5%, the transactions contemplated thereunder are subject to the announcement, circular, independent shareholders' approval and annual reporting requirements under Rule 14A.35, Rule 14A.36, Rule 14A.46, Rule 14A.49 and 14A.71 of the Listing Rules.

CONNECTED TRANSACTIONS

We have applied for and the Stock Exchange [has granted] a waiver to us from strict compliance with (i) the announcement requirement under the Listing Rules in respect of the transactions under the Testing Service Framework Agreement, General Service Framework Agreement and Equipment Lease Framework Agreement provided that the total transaction amount of the transactions under the respective agreement for each of the three years ending December 31, 2019 will not exceed the relevant proposed annual cap set forth above; and (ii) the announcement, circular and independent shareholders' approval requirement under the Listing Rules in respect of the transactions under the Procurement Service Framework Agreement and the Research and Development Service Framework Agreement provided that the total transaction amount of the transactions thereunder for each of the three years ending December 31, 2019 will not exceed the relevant proposed annual cap set forth above.

In addition, our Directors confirm that we will comply with the applicable requirements under Chapter 14A of the Listing Rules and will immediately inform the Stock Exchange if any of the proposed annual caps set out above are exceeded, or when there is a material change in the terms of the transactions.

If the Listing Rules impose more stringent requirements in respect of the non-exempt continuing connected transactions in the future, we will promptly adopt measures within a reasonable time to ensure compliance with such new requirements.

The following table sets forth information regarding our current Directors and senior management. Our Directors and senior management all meet the qualification requirements under the Listing Rules for their respective positions.

Name	Age	Position	Effective date of appointment as Director	Date of joining our Group	Responsibilities	Relationship
Directors						
Dr. Zhisheng Chen (陳智勝)	44	Executive Director and chief executive officer	February 2014	June 2011	Overall management of the business, strategy and corporate development of our Group	—
Dr. Weichang Zhou (周偉昌)	53	Executive Director, chief technology officer and senior vice president	May 2016	December 2012	Overseeing the development and manufacturing of biologics	—
Dr. Li (李革)	50	Chairman and non-executive Director	February 2014	May 2010	Providing overall guidance on the business, strategy and corporate development of our Group	—
Mr. Edward Hu (胡正國)	54	Non-executive Director	February 2014	May 2010	Providing guidance on the business strategy, financial management and new business development of our Group	—
Mr. Yibing Wu (吳亦兵)	49	Non-executive Director	May 2016	May 2016	Providing guidance on corporate strategy and governance to our Group	—
Mr. Yanling Cao (曹彥凌)	33	Non-executive Director	May 2016	May 2016	Providing guidance on corporate strategy and governance to our Group	—
Mr. William Robert Keller	69	Independent non-executive Director	May 2017	May 2017	Supervising and providing independent judgment to our Board	—

Name	Age	Position	Effective date of appointment as Director	Date of joining our Group	Responsibilities	Relationship
Mr. Teh-Ming Walter Kwauk (郭德明)	64	Independent non-executive Director	May 2017	May 2017	Supervising and providing independent judgment to our Board	—
Mr. Wo Felix Fong (方和)	66	Independent non-executive Director	May 2017	May 2017	Supervising and providing independent judgment to our Board	—

Senior Management

Name	Age	Position	Effective date of appointment as Senior Management	Date of joining our Group	Responsibilities
Dr. Zhisheng Chen (陳智勝)	44	Executive Director and chief executive officer	January 2016	June 2011	Overall management of the business of our Group
Dr. Weichang Zhou (周偉昌)	53	Executive Director, chief technology officer and senior vice president	April 2015	December 2012	Overseeing the development and manufacturing of biologics
Ms. Christine Shaohua Lu-Wong (盧韶華)	48	Chief financial officer	January 2016	January 2016	Overall financial management of our Group
Dr. Jing Li (李競) .	45	Senior vice president	December 2013	December 2013	Overseeing the biologics discovery department
Mr. Jian Dong (董健)	53	Vice president	November 2015	April 2014	Managing clinical production and commercial production of bio-pharmaceutical
Mr. Angus Scott Marshall Turner	49	Vice president	September 2016	September 2016	Overall business development, strategic alliance and partnerships of our Group

BOARD OF DIRECTORS

The Board comprises nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include managing our business, convening general meetings and reporting our Board's work at our Shareholder's meetings, preparing financial budgets and final report, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by our Articles of Association. We have entered into a service contract with each of our executive Directors. We have also entered into a letter of appointment with each of non-executive Directors and our independent non-executive Directors.

Executive Directors

Dr. Zhisheng Chen (陳智勝), aged 44, is the chief executive officer and an executive Director of the Company. Dr. Chen is primarily responsible for the overall management of the business of our Group. Dr. Chen joined our Group in June 2011 and was appointed as executive Director and chief executive officer in February 2014 and January 2016, respectively. He also serves as a director of most subsidiaries of our Company.

Dr. Chen has worked in the following companies:

- From June 2011 to January 2016, he served as a senior vice president of WXAT Shanghai, a company primarily engaged in the contract development and manufacturing of bio-pharmaceuticals and small molecules, and was responsible for the management of biologics development and manufacturing.

- From August 2008 to June 2011, he served as the chief operating officer of Shanghai Celgen Bio-Pharmaceutical Co., Ltd. (上海賽金生物醫藥有限公司), a company primarily engaged in biologics development, commercial manufacturing and marketing, and was responsible for the development, manufacturing and quality control of biologics.

- From November 2005 to August 2008, he served as a director and senior engineering consultant of Eli Lilly and Company, a global pharmaceutical company listed on NYSE (stock code: LLY) ("**EL&Co**") and primarily engaged in discovering and manufacturing of medicines, and was responsible for running a clinical manufacturing facility and providing technical guidance to biologics development and manufacturing.

- From June 2000 to November 2005, he served as a process engineer and manager of Merck & Co. Inc., a pharmaceutical company listed on NYSE (stock code: MRK) ("**Merck**") primarily engaged in developing and sales of pharmaceuticals, and was responsible for providing technical support and trouble-shooting manufacturing issues of biologics and recombinant vaccines.

Dr. Chen obtained a bachelor's degree in chemical engineering from Tsinghua University in June 1994 and a Ph.D. degree in chemical engineering from University of Delaware in June 2000.

Dr. Chen has not held a directorship in any other listed company in the three years immediately preceding the date of this document.

Dr. Weichang Zhou (周偉昌), aged 53, is the chief technology officer, senior vice president and an executive Director of the Company. Dr. Zhou is primarily responsible for overseeing the development and manufacturing of biologics. Dr. Zhou joined our Group in December 2012 as our vice president and was appointed as our chief technology officer, senior vice president and executive Director in November 2016, April 2015 and May 2016, respectively.

Dr. Zhou has worked in the following companies:

- From March 2008 to December 2012, he served as a senior director of Genzyme Corporation, a company primarily engaged in developing and commercializing recombinant protein and monoclonal antibody therapeutics, and was responsible for commercial cell culture process development.

- From October 2002 to February 2008, he served as a senior director of PDL BioPharma Inc., a biopharmaceutical company listed on NASDAQ (stock code: PDLI) and primarily engaged in developing humanized monoclonal antibody therapeutics, and was responsible for process sciences and engineering functions.

- From May 1994 to October 2002, he served as up to an associate director of Merck, and was responsible for fermentation and cell culture process development.

Dr. Zhou obtained a bachelor's degree in chemical engineering from Jiangxi University of Technology (江西工學院) in the PRC in July 1982. He also obtained a Ph.D. degree in chemical engineering and biotechnology from University of Hannover in Germany in June 1989.

Dr. Zhou has not held a directorship in any other listed company in the three years immediately preceding the date of this document.

Non-executive Directors

Dr. Li (李革), aged 50, is the chairman and a non-executive Director of the Company. Dr. Li is primarily responsible for providing overall guidance on the business, strategy and corporate development of our Group. Dr. Li founded our Group in May 2010 and was appointed as non-executive Director in February 2014. He also serves as a director of most subsidiaries of our Company.

Dr. Li has worked in the following companies:

- Since December 2000, he has been serving as the chairman and the chief executive officer of WuXi AppTec, a company primarily engaged in the research, development and manufacturing of non-biologics pharmaceutical products, and has been responsible for its overall management.

- From December 2011 to August 2015, he served as an independent non-executive director of Shanghai Hile Bio-pharmaceutical Co., Ltd.(上海海利生物技術股份有限公司), a company listed on Shanghai Stock Exchange (上海證券交易所)(stock code: 603718) and primarily engaged in the development, production and sales of animal vaccine, and was responsible for providing independent advice to its board of directors.

- From August 2007 to December 2015, he served as the chairman and the chief executive officer of WuXi PharmaTech, a company primarily engaged in the provision of biological and pharmaceutical laboratory and manufacturing services, and was responsible for its overall management.

- From May 1993 to December 2000, Dr. Li was one of the founding scientists and latest served as a research manager of Pharmacopeia Inc., a biopharmaceutical company listed on NASDAQ (stock code: PCOP) and primarily engaged in discovering and delivering of novel therapeutics, and was responsible for managing external research collaboration.

Dr. Li obtained a Ph.D. degree in organic chemistry from Columbia University in the United States in February 1994. He was appointed as a director of the Scripps Research Institute (TSRI), a private non-profit research organization, in February 2017.

Save as disclosed above, Dr. Li has not held a directorship in any other listed company in the three years immediately preceding the date of this document.

Mr. Edward Hu (胡正國), aged 54, is a non-executive Director of the Company. Mr. Hu is primarily responsible for providing guidance on the business strategy, financial management and new business development of our Group. Mr. Hu joined our Group in May 2010 and was appointed as non-executive Director in February 2014. He also serves as a director of most subsidiaries of our Company.

Mr. Hu has worked in the following companies:.

- Since March 2016, he has been serving as a director of WuXi AppTec, and is responsible for its overall management. Since April 2014, he has been serving as the chief financial officer and chief investment officer of WuXi AppTec and is responsible for its financial management and investment. From March 2009 to April 2014, he served as the chief financial officer and chief operating officer of WuXi AppTec and was responsible for its finance and operations. From August 2007 to February 2009, he served as an executive vice president and chief operating officer of WuXi AppTec and was responsible for its business operations.

- From October 2000 to July 2007, he served on various roles to become a senior vice president and chief operating officer of Tanox Inc., a biopharmaceutical company previously listed on NASDAQ (stock code: TNOX, acquired by Genentech Inc. in August 2007) and primarily engaged in discovering and developing antibody therapeutic drugs, and was responsible for company operations, quality control, finance and information technology.

- From April 1998 to October 2000, he served as a business planning manager of Biogen Inc., a global biotechnology company listed on NASDAQ (stock code: BIIB) and primarily engaged in developing, marketing and sales of biopharmaceuticals for neurologic and immune diseases, and was responsible for business planning and budget management of its research and development division.

- From May 1996 to December 1998, he served as a senior financial analyst of Merck, and was responsible for financial planning and analysis.

Mr. Hu obtained a bachelor's degree in physics from Hangzhou University, currently known as Zhejiang University (浙江大學), in the PRC in July 1983. He also obtained a master's degree in chemistry and a master of science's degree in industrial administration (MBA) from Carnegie Mellon University in the United States in May 1993 and May 1996, respectively.

Mr. Hu has not held a directorship in any other listed company in the three years immediately preceding the date of this document.

Mr. Yibing Wu (吳亦兵), aged 49, is a non-executive Director of the Company. Mr. Wu is primarily responsible for providing guidance on corporate strategy and governance to our Group. Mr. Wu joined our Group in May 2016 and was appointed as non-executive Director in May 2016.

Mr. Wu has worked in the following companies:

- Since November 2015, he has been serving as a director of Summer Bloom Investments Pte. Ltd.

- Since October 2013, he has been working with Temasek International Pte. Ltd. and is currently the joint head of Portfolio Strategy and Risk Group and the joint head of China.

- From April 2011 to April 2014, he served as a director of Neptune Orient Lines Limited, a company listed on the Singapore Exchange Limited (stock code: RE2).

- From December 2009 to September 2013, he served as the president of CITIC Private Equity Funds Management Co., Ltd.

- From January 2012 to September 2013, he served as the chairman and chief executive officer of CITIC Goldstone Investment Co. Ltd.

- From May 2009 to July 2013, he served as a non-executive director of Lenovo Group Limited, a company listed on the main board of the Stock Exchange (stock code: 0992).

- From September 2008 to November 2009, he served as the executive vice president of Legend Holdings Co., Ltd.

- From August 2004 to August 2008, he was seconded from McKinsey & Company as the chief strategy officer, chief integration officer, chief transformation officer and chief information officer of Lenovo Group Ltd.

- From September 1996 to August 2008, he worked with McKinsey & Company, where he was a senior partner, the head of Asia Pacific M&A practice and general manager of Beijing office.

Mr. Wu obtained a bachelor's degree in molecular biology from University of Science and Technology of China (中國科學技術大學) in the PRC in July 1989 and a Ph.D. degree in biochemistry and molecular biology from Harvard University in the United States in June 1996.

Save as disclosed above, Mr. Wu has not held a directorship in any other listed company in the three years immediately preceding the date of this document.

Mr. Yanling Cao (曹彥凌), aged 33, is a non-executive Director of the Company. Mr. Cao is primarily responsible for providing guidance on corporate strategy and governance to our Group. Mr. Cao joined our Group in May 2016 and was appointed as non-executive Director in May 2016.

Mr. Cao has worked in the following companies:

- Since March 2011, he has been serving as the managing director of Boyu Capital Advisory Company Limited (博裕投資顧問有限公司), a company primarily engaged in private equity investment, and has been responsible for sourcing, evaluating and managing private equity transactions, with a particular focus in the healthcare industry.

- From December 2007 to January 2011, he served as an investment professional of General Atlantic LLC, a company primarily engaged in private equity and venture capital investment, and was responsible for private equity and venture capital investment.

- From July 2006 to November 2007, he served as an investment banker of Goldman Sachs Asia LLC, a company primarily engaged in investment banking, securities and investment management, and was responsible for providing investment banking advisory services to clients in Asia.

Mr. Cao obtained a bachelor's degree in economics and mathematics from Middlebury College in the United States in June 2006. In addition, Mr. Cao was a director of CStone Pharmaceuticals for the period from April 1, 2016 to March 27, 2017. See the section headed "Business — Customers" on page 164 of the document.

Mr. Cao has not held a directorship in any other listed company in the three years immediately preceding the date of this document.

Independent non-executive Directors

Mr. William Robert Keller, aged 69, is an independent non-executive Director of the Company. Mr. Keller is primarily responsible for supervising and providing independent judgment to our Board. Mr. Keller joined our Group in May 2017 and was appointed as independent non-executive Director on May 17, 2017.

Mr. Keller has worked in the following companies:

- Since December 2010, he has been serving as the chairman of Coland Pharmaceutical Co., Ltd. (康聯藥業有限公司), a company listed on Taiwan Stock Exchange (stock code: 4144) and primarily engaged in sales, marketing and distribution of pharmaceutical products and medical devices, and has been responsible for providing business advice to the company.

- From September 2014 to December 2015, he served as an independent director of WuXi PharmaTech and was responsible for providing independent advice to the board of the company.

- From December 2009 to May 2015, he served as a director of Alexion Pharmaceuticals, Inc., a company listed on NASDAQ (stock code: ALXN) and primarily engaged in research and development, production marketing, sales of biological products for ultra rare disease, and was responsible for providing independent advice to the board of the company.

- From February 2003 to June 2014, he served as a the founder and principal of Keller Pharma Consultancy (Shanghai) Co. Ltd. (凱樂醫藥諮詢 (上海) 有限公司), a company primarily engaged in pharmaceutical consulting, and was responsible for market entry and strategy consulting.

- From March 2003 to June 2014, he served as the deputy general manager of Shanghai Zhangjiang Biotech and Pharmaceutical Base Development Co., Ltd. (上海張江生物醫藥基地開發有限公司), a company primarily engaged in biopharmaceutical industry development in Zhangjiang Hitech park, and was responsible for consulting of pharmaceutical and biotechnological startups' industry development in the park.

- From May 2007 to April 2010, he served as the chairman of HBM Biomed China Partners Ltd., a company primarily engaged in venture capital investment in biotechnology companies, and was responsible for investment in biotechnology companies.

- From December 2007 to December 2014, he served as a director and later a supervisor of TaiGen Biopharmaceuticals Holding Limited (太景醫藥研發控股股份有限公司), a company listed on Taiwan Stock Exchange (stock code: 4157) and primarily engaged in biopharmaceutical research, and was responsible for overseeing financial matters.

- From June 1997 to December 2013, he served as the deputy chairman of the Shanghai Association of Enterprises with Foreign Investment (上海市外商投資企業協會), and was responsible for supporting foreign invested companies as a business advisor.

- From March 2003 to December 2013, he served as a senior consultant of the Shanghai Foreign Investment Development Board (上海市外國投資促進中心) and was responsible for providing advice regarding foreign investment development.

- From August 1972 to February 2003, he worked with various companies in Roche Group, a Switzerland-based company primarily engaged in biopharmaceutical business.

Mr. Keller obtained a bachelor of science's degrees from the School of Economics and Business Administration in Zurich, Switzerland in July 1972.

Mr. Walter Teh-Ming Kwauk (郭德明), aged 64, is an independent non-executive Director. Mr. Kwauk is primarily responsible for supervising and providing independent judgment to our Board. Mr. Kwauk joined our Group in May 2017 and was appointed as our independent non-executive Director on May 17, 2017.

Mr. Kwauk has worked in the following companies:

- Since September 2014, he has been serving as an independent director and chairman of the audit committee of Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), a company listed on NYSE (stock code: BABA) and primarily engaged in the provision of consumer-to-consumer, business-to-consumer and business-to-business sale services via web portals, and has been responsible for providing independent judgment to the board of the company.

- From June 2014 to August 2016, he served as an independent non-executive director and the chairman of the audit committee of China Fordoo Holding Limited (中國虎都控股有限公司), a company listed on the main board of the Stock Exchange (stock code: 2399) and primarily engaged in designing and manufacturing of menswear, and has been responsible for providing independent judgment to the board of the company.

- From August 2014 to December 2015, he served as an independent director of WuXi PharmaTech and was responsible for providing independent judgement to the board of the company.

- Since October 2012, he has been serving as an independent non-executive director and the chairman of the audit committee of Sinosoft Technology Group Limited (中國擎天軟件科技集團有限公司), a company listed on the main board of the Stock Exchange (stock code:1297) and primarily engaged in the provision of application software products and solutions, and has been responsible for providing independent judgment to the board of the company.

- Since January 2003, he has been serving as a senior consultant and a vice president of Motorola Solutions (China) Co., Ltd. (摩托羅拉系統(中國)有限公司), a company primarily engaged in the provision of data communications and telecommunications equipment, and has been responsible for providing advice on corporate strategic, finance and tax.

- From 1977 to 2002, He was a partner of KPMG, an accounting firm primarily engaged in providing audit, advisory and tax services, and was responsible for audit.

Mr. Kwauk obtained a bachelor's degree in science in April 1975 and a licentiate's degree in accounting in April 1977 from the University of British Columbia in Canada. He has been an associate member of Hong Kong Institute of Certified Public Accountants since March 1983.

Mr. Wo Felix Fong (方和), aged 66, is an independent non-executive Director of the Company. Mr. Fong is primarily responsible for supervising and providing independent judgment to our board. Mr. Fong joined our Group in May 2017 and was appointed as our independent non-executive Director on May 17, 2017.

Mr. Fong has worked in the following companies:

- Since June 2015, he has been serving as an independent non-executive director of Xinming China Holdings Limited (新明中國控股有限公司), a company listed on the main board of the Stock Exchange (stock code: 2699) and primarily engaged in property development, property leasing and property management, and has been responsible for supervising and providing independent judgment to the board of the company.

- Since June 2012, he has been serving as an independent non-executive director of Sheen Tai Holding Group Company Limited (順泰控股集團有限公司), a company listed on the main board of the Stock Exchange (stock code: 1335) and primarily engaged in the manufacturing and supply of cigarette packaging materials, and has been responsible for supervising and providing independent judgment to the board of the company.

- Since April 2011, he has been serving as an independent non-executive director of China Investment Development Limited (中國投資開發有限公司) (formerly known as Temujin International Investments Limited), a company listed on the main board of the Stock Exchange (stock code: 204) and primarily engaged in investment in listed and unlisted securities, and has been responsible for supervising and providing independent judgment to the board of the company.

- Since October 2010, he has been serving as an independent non-executive director of Evergreen International Holdings Limited (長興國際 (集團) 控股有限公司), a company listed on the main board of the Stock Exchange (stock code: 238) and primarily engaged in manufacturing and trading of high-end business formal and casual menswear, and has been responsible for supervising and providing independent judgment to the board of the company.

- Since January 2007, he has been serving as an independent non-executive director of Guangdong Land Holdings Limited (粵海置地控股有限公司) (formerly known as Kingway Brewery Holdings Limited), a company listed on the main board of the Stock Exchange (stock code: 124) and primarily engaged in property development and investment, and has been responsible for supervising and providing independent judgment to the board of the company.

- Since September 2006, he has been serving as an independent non-executive director of Greenland Hong Kong Holdings Limited (綠地香港控股有限公司) (formerly known as SPG Land (Holdings) Limited), a company listed on the main board of the Stock Exchange (stock code: 337) and primarily engaged in the development and sale of property projects in PRC, and has been responsible for supervising and providing independent judgment to the board of the company.

- Since August 1988, he has been working in King & Wood Mallesons (formerly known as Robert Lee & Fong, Felix Fong & Hon, Fong & Ng, Arculli Fong & Ng and King & Wood), a law firm primarily engaged in the provision of legal services, and has been responsible for legal matters in corporate and financial areas of practice.

- From May 2010 to May 2016, he served as an independent non-executive director of China Oilfield Services Limited (中海油田服務股份有限公司), a company listed on the main board of the Stock Exchange (stock code: 2883) and Shanghai Stock Exchange (上海証券交易所) (stock code: 601808) and primarily engaged in offshore oil and gas exploration, development and production, and was responsible for supervising and providing independent judgment to the board of the company.

Mr. Fong obtained a bachelor's degree in engineering from McMaster University in Canada in June 1974 and a Juris Doctor degree from Osgoode Hall Law School of York University in Canada in June 1978. Mr. Fong was admitted as a solicitor in England and Wales in September 1986 and in Hong Kong in February 1987. Mr. Fong is appointed by the Ministry of Justice of China (中華人民共和國司法部) as one of the China-appointed Attesting Officers in Hong Kong in June 1993.

Save as disclosed in this document, there are no other matters concerning each of the appointment of Directors that need to be brought to the attention of the Shareholders and the Stock Exchange and there are no other matters which shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Dr. Zhisheng Chen (陳智勝), see "— Board of Directors" for details.

Dr. Weichang Zhou (周偉昌), see "— Board of Directors" for details.

Ms. Christine Shaohua Lu-Wong (盧韶華), aged 48, is the chief financial officer of the Company. Ms. Lu-Wong is primarily responsible for overall financial management of our Group. Ms. Lu-Wong joined our Group in January 2016 and was appointed current position in January 2016.

Ms. Lu-Wong has worked in the following companies:

- Prior to joining our Group, from November 2012 to December 2015, she served as the chief financial officer of Xueda Education Group (學大教育集團), a company previously listed on the NYSE (stock code: XUE) and primarily engaged in the provision of personalized tutoring services for primary and secondary school students in China, and was responsible for overall financial management of the company.

- From January 2010 to November 2012, she served as the chief financial officer of HiSoft Technology International Limited (海輝軟件(國際)集團) (currently known as Pactera Technology International Ltd.), a company previously listed on the NASDAQ (stock code: HSFT) and primarily engaged in the provision of consulting and technology services, and was responsible for overall financial management of the company.

- From August 2007 to August 2009, she served as the vice president of finance of WuXi PharmaTech and was responsible for the financial operation of the company.

Ms. Lu-Wong obtained a bachelor's degree in foreign trade and economics from Guangdong University of Foreign Studies (廣東外語外貿大學) in the PRC in July 1990, and an MBA degree in accounting from Golden Gate University in the United States in April 1994. Ms. Lu-Wong obtained the qualification as a certified public accountant in the State of California, United States, in 1998.

Dr. Jing Li (李競), aged 45, is a senior vice president of our Company. Dr. Li is primarily responsible for overseeing the biologics discovery department of our Group. Dr. Li joined our Group in December 2013 as a vice president of WuXi Biopharma and was appointed current position in October 2016.

Dr. Li has worked in the following companies:

- Prior to joining our Group, from October 2005 to November 2013, he served as a senior manager of the alliance management and portfolio management, laboratory head and program team head of Novartis International AG, a global biopharmaceutical company listed on the NYSE (stock code: NVS) and primarily engaged in the research and development of medicine and vaccines, and was responsible for leading biologics drug discovery programs, managing company-wide biologics portfolio and managing company strategic alliance with external partners on biologics drug discovery technologies and programs.

- From November 2001 to October 2005, he served as the project team leader of Pfizer Inc., a global pharmaceutical corporation listed on NYSE (stock code: PFE) primarily engaged in the research and development of chemicals, biological agents and vaccines, and was responsible for leading biologics drug discovery programs.

Dr. Li obtained a bachelor's degree in basic medicine and a doctor's degree in oncology from Beijing Medical University (北京醫科大學) (currently known as Peking University Health Science Center (北京大學醫學部)) in the PRC in July 1993 and June 1998, respectively and obtained an MBA degree from Yale University in the United States in May 2010. He also conducted postdoctoral research in immunology in Tufts University in the United States from September 1998 to October 2001.

Mr. Jian Dong (董健), aged 53, is a vice president of the Company. Mr. Dong is primarily responsible for managing clinical medicine production and commercial production of bio-pharmaceuticals. Mr. Dong joined our Group in April 2014 as an executive director of WuXi Biopharma and was appointed current position in October 2015.

Mr. Dong has worked in the following companies:

- Prior to joining our Group, from May 2013 to May 2014, he served as the deputy general manager of Shanghai United Cell Biotechnology Co., Ltd. (上海聯合賽爾生物工程有限公司), a company primarily engaged in manufacturing, sales and development of recombinant biologic products, and was responsible for managing the production and quality management system, research and development system, and engineering system.

- From May 2013 to May 2014, he also served as the deputy general manager of Unilab Biosciences Private Limited, a company primarily engaged in development of bio-pharmaceuticals, and was responsible for new product introduction.

- From May 2009 to April 2013, he served as a vice president of Shanghai Celgen Bio-Pharmaceutical Co., Inc. (上海賽金生物醫藥有限公司), a biopharmaceutical company primarily engaged in development and manufacturing of high-quality recombination protein biopharmaceutics and monoclonal antibody, and was responsible for manufacturing and quality management.

- From April 2005 to May 2009, he served as a senior process engineer of EL&Co, and was responsible for cell culture process development for antibodies.

- From April 2005 to December 2006, he served as a biologist of Applied Molecular Evolution, Inc., a wholly-owned subsidiary of EL&Co and primarily engaged in development of human bio-therapeutics, and was responsible for GMP cell culture production.

- From March 2000 to April 2005, he served as a research scientist of BioAge Pharmaceuticals, Inc., a biopharmaceutical company primarily engaged in the development of biopharmaceutical products, and was responsible for pharmaceuticals research and development.

- From August 1988 to March 2000, he served as the manager of genetic engineering department, assistant general manager and vice chief engineer in Shenzhen Kangtai Biological Products Co., Ltd. (深圳康泰生物製品有限公司), a company primarily engaged in biological products development and manufacturing, and was responsible for technology transfer and manufacturing management.

Mr. Dong obtained a bachelor's degree in biology in July 1985 and a master's degree in biology in September 1988 from University of Wuhan (武漢大學) in the PRC. He obtained the qualification as a certified senior pharmaceutical engineer (製藥高級工程師) granted by Personnel Department of Guangdong Province (廣東省人事廳) in December 1996.

Mr. Angus Scott Marshall Turner, aged 49, is a vice president of the Company. Mr. Turner is primarily responsible for the overall business development, strategic alliances and partnerships of our Group. Mr. Turner joined our Group in September 2016.

Mr. Turner has worked in the following companies:

- From November 2010 to June 2016 he served as the director of Sales Europe and Asia, and latterly head of Sales Europe, for Lonza AG, a Swiss-based supplier of product and services to the global pharmaceutical, healthcare and life science industries, and was responsible for recruiting, training and development of the sales team and successful implementation of sales strategies across all technologies in the contract manufacturing business unit.

- From March 2004 to November 2008, he served as the director of business development, Europe and Asia, for AppTec Laboratory Services, Inc., a company primarily engaged in biopharmaceutical and medical device testing and biologics-based manufacturing and related services. Upon the acquisition of AppTec Laboratory Services, Inc. by WuXi PharmaTech in 2008 and until November 2010, he served as a director of international biopharmaceutical business development of WuXi PharmaTech, and was responsible for business development across Europe and Asia.

- From October 2002 to March 2004, he served as a business development manager, Europe, for Excell Biotech, a company engaged in contract development and manufacturing of biologic drugs, and was responsible for developing client pipeline and customer base across Europe.

Mr. Turner obtained at bachelor's degree in biology from Stirling University in the United Kingdom in June 1990 and a Master's degree in biotechnology from Strathclyde University in the United Kingdom in November 1991. He also obtained an MBA degree from Warwick Business School in the United Kingdom in July 2001.

JOINT COMPANY SECRETARIES

Ms. Cheng Pik Yuk (鄭碧玉), alias Patsy Cheng, was appointed as the joint company secretary of the Company in April 2017. Ms. Cheng is assisting Mr. Yong Tong to perform our Company's secretarial compliance.

- Ms. Cheng is a director of Corporate Services of Tricor Services Limited ("**Tricor**"), a global professional services provider specializing in integrated business, corporate and investor services. Ms. Cheng has over 30 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multi-national, private and offshore companies.

- Prior to joining Tricor, Ms. Cheng was a Senior Manager as well as the Departmental Manager of Company Secretarial Services at Deloitte Touche Tohmatsu in Hong Kong, provided corporate secretarial and share registration services to the client companies.

Ms. Cheng obtained a Higher Diploma in Company Secretaryship and Administration from the Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in Hong Kong in 1980. By profession, she was admitted a fellow of both the HKICS and the ICSA, both in June 1996.

Mr. Yong Tong (童湧), was appointed as the joint company secretary of the Company in May 2016. Mr. Tong joined our Group in June 2015 as the head of operation department of Shanghai Biologics. Mr. Tong is also the head of operations of the Company and is primarily responsible for assisting the chief executive officer of the Company in the daily operation of the Group.

Mr. Tong has worked in the following companies and organization:

- Prior to joining our Group, from October 2012 to June 2015, he served as a deputy general manager of Shanghai Sunway Biotech Co. Ltd. (上海三維生物技術有限公司) ("**Shanghai Sunway**"), a company primarily engaged in biopharmaceutical research, development, manufacturing and sales, and was responsible for operations, quality and manufacturing management.

- From October 2009 to October 2012, he served as a technical director of Shanghai Sunway and was responsible for technique management, quality assurance, qualify control and manufacturing.

- From October 1999 to October 2009, he served as the manager of a pilot plant at Shanghai Sunway and was responsible for the process development and technique management.

Mr. Tong obtained a college degree in laboratory medical science and a master's degree in medical science from the Second Military Medical University in the PRC in July 1993 and June 1998, respectively. He also obtained an MBA degree from Tongji University (同濟大學) in the PRC in May

2005. He obtained the qualification as a licensed pharmacist from China Food and Drug Administration (國家食品藥品監督管理總局) in October 2003 and the qualification as a senior engineer from Shanghai Municipal Human Resource and Social Security Bureau (上海市人力資源和社會保障局) in November 2011.

BOARD COMMITTEES

The Board delegates certain responsibilities to various Board committees. In accordance with the Articles and the Listing Rules, we have established our audit committee, remuneration committee and nomination committee.

Audit Committee

We have established an audit committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules on May 17, 2017. The audit committee consists of Mr. Teh-Ming Walter Kwauk, Mr. William Robert Keller, and Mr. Edward Hu, with Mr. Teh-Ming Walter Kwauk being the chairman of the committee.

The primary function of the audit committee is to assist our Board in providing an independent view of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a remuneration committee with terms of reference in compliance with paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules on May 17, 2017. The remuneration committee consists of Mr. William Robert Keller, Mr. Wo Felix Fong, and Mr. Edward Hu, with Mr. William Robert Keller being the chairman of the committee.

The primary function of the remuneration committee is to develop remuneration policies of our Directors, evaluate the performance, make recommendations on the remuneration packages of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements.

Nomination Committee

We have established a nomination committee with terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules on May 17, 2017. The nomination committee consists of Dr. Li, Mr. William Robert Keller, and Mr. Teh-Ming Walter Kwauk, with Dr. Li being the chairman of the committee.

The primary function of the nomination committee is to make recommendations to our Board in relation to the appointment and removal of Directors.

Strategy Committee

We have established a strategy committee on May 17, 2017. The strategy committee consists of Dr. Zhisheng Chen, Mr. Yibing Wu and Dr. Li, with Dr. Zhisheng Chen being the chairman of the committee.

The primary function of the strategy committee is to conduct study and submit proposals regarding our mid-to-long term development strategies and related issues.

EMOLUMENT OF DIRECTORS AND SENIOR MANAGEMENT

We offer our executive Directors and senior management members, who are also employees of our Company, emolument in the form of salaries, remuneration, pension, discretionary bonus and other welfares. Our non-executive Director does not receive any emolument from our Group. Our independent non-executive Directors receive emolument based on their responsibilities (including being members or chairman of Board committees). We adopt a market and incentive-based employee emolument structure and implement a multi-layered evaluation system which focuses on performance and management goals. We also adopted the [REDACTED] Share Option Scheme to attract, retain and motivate employees. See "Statutory and General Information — E. [REDACTED] Share Option Scheme" in Appendix IV to this document for more details.

The aggregate amount of emolument (including salaries, remuneration, pension, discretionary bonus and other welfares) paid to our Directors for the three years ended December 31, 2014, 2015 and 2016 were RMB10.1 million, RMB12.1 million, and RMB27.3 million, respectively. It is estimated that under the arrangements currently in force, the aggregate emolument payable to the Directors for the year ending December 31, 2017, will be approximately RMB20.6 million.

For the three years ended December 31, 2014, 2015 and 2016, the aggregate amount of emolument paid to the five highest paid individuals of our Group, including Directors, were RMB15.6 million, RMB18.5 million, and RMB37.2 million, respectively.

During the Track Record Period, no remuneration was paid to, or receivable by, our Directors or the five highest paid individuals of our Company as an inducement to join or upon joining our Company or as a compensation for loss of office in the Track Record Period. Further, none of our Directors had waived any emolument during the same period.

Except as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals of our Company during the Track Record Period.

Each of our executive Directors has entered into a service contract with us on May 17, 2017 and we have also entered into letters of appointment with each of our non-executive Director and independent non-executive Directors on May 17, 2017. For details, see "Statutory and General Information — D. Further Information about the Directors and Substantial Shareholders" as Appendix IV to this document.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us in the following circumstances:

(a) before publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might constitute a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;

(c) where we propose to use the net [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results of operation deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the [REDACTED] and end on the date on which we distribute the annual report of the first full financial year commencing after the Listing and such appointment may be subject to extension by mutual agreement.

SHARE CAPITAL

The authorized share capital of our Company as of the date of this document is as follows:

Authorized share capital:	**Nominal value**
	US$
2,000,000,000 Shares	50,000

Assuming the [REDACTED] and the options granted under the [REDACTED] Share Option Scheme are not exercised at all, our Company's issued share capital immediately before and after the [REDACTED] will be as follows:

Issued and to be issued, fully paid or credited as fully paid upon completion of the [REDACTED]:	**Nominal value**
	US$
964,000,000 Share in issue as of the date of this Document	24,100
[REDACTED] Shares to be issued under the [REDACTED]	4,252.95
[REDACTED] Total	28,352.95

ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional and the issuance of Shares pursuant to the [REDACTED] is made as described herein. It does not take into account any Shares which may be allotted and issued or repurchased pursuant to the general mandate given to the Directors for allotment and issuance of Shares referred to in Appendix IV to this document or the repurchase mandate referred in Appendix IV to this document, as the case may be.

RANKING

The [REDACTED] are ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank *pari passu* for all dividends or other distributions declared, made or paid after the date of this Document.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with [REDACTED] with an aggregate number of Shares of not more than the sum of:

(i) 20% of the issued share capital of our Company immediately following the completion of the [REDACTED] (excluding any Shares which may fall to be issued upon the exercise of the [REDACTED] and the [REDACTED] Share Options); and

(ii) the number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earlier of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate, see "Statutory and General Information — A. Further Information about the Company — 4. Resolutions of the Shareholders of our Company passed on May 17, 2017" of Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total number of not more than 10% of the issued share capital of our Company immediately following the completion of the [REDACTED] (excluding any Shares which may fall to be issued upon the exercise of the [REDACTED] and the [REDACTED] Share Options).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in "Appendix IV — Statutory and General Information — A. Further Information about the Company — 5. Repurchase by the Company of its Own Shares".

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

For further details of this repurchase mandate, see "Statutory and General Information — A. Further Information about the Company — 4. Resolutions of the Shareholders of our Company passed on May 17, 2017" of Appendix IV to this document.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, each of the following persons will, immediately following the completion of the [REDACTED] (without taking into account the Shares which may be issued upon the exercise of the [REDACTED] and the [REDACTED] Share Options), have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of our Company:

		Upon Listing	
Name of shareholder	**Capacity/nature of interest**	**Number of Shares[(1)]**	**Approximate percentage of shareholding interest**
Dr. Li[(2)(3)]	Interests held jointly with another person; interests of controlled corporations	[REDACTED]	[REDACTED]
Dr. Zhao[(3)]	Interests held jointly with another person; interests of spouse	[REDACTED]	[REDACTED]
Mr. Zhaohui Zhang[(3)(4)]	Interests held jointly with another person; interest of controlled corporations	[REDACTED]	[REDACTED]
Mr. Xiaozhong Liu[(3)(5)]	Interests held jointly with another person; interest of controlled corporations	[REDACTED]	[REDACTED]
Life Science Holdings[(6)]	Interests of a controlled corporation	[REDACTED]	[REDACTED]
Life Science Limited[(6)]	Interests of a controlled corporation	[REDACTED]	[REDACTED]
WuXi PharmaTech[(6)]	Interests of a controlled corporation	[REDACTED]	[REDACTED]
Biologics Holdings	Beneficial owner	[REDACTED]	[REDACTED]

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Dr. Li controls 56.82% of the voting power at general meetings of Biologics Holdings, and controls the voting power of 54,602,361 Shares through G&C VII Limited. For details, see "History and Corporate Development — Corporate Structure". Under the SFO, Dr. Li is deemed to be interested in our Shares held by Biologics Holdings and G&C VII Limited.

(3) On June 30, 2016, Dr. Li, Dr. Zhao, Mr. Zhaohui Zhang and Mr. Xiaozhong Liu entered into an supplemental acting-in-concert agreement to acknowledge and confirm their acting-in-concert relationship in relation to the Company. For details, see "Relationship with Our Controlling Shareholders — Overview". Under the SFO, Dr. Li, Dr. Zhao, Mr. Zhaohui Zhang and Mr. Xiaozhong Liu are deemed to be interested in our Shares which each other has interest in.

(4) Mr. Zhaohui Zhang wholly owns i-growth Ltd, which holds [REDACTED] Shares. Under the SFO, Mr. Zhaohui Zhang is deemed to be interested in our Shares held by i-growth Ltd.

(5) Mr. Xiaozhong Liu wholly owns I-Invest World Ltd, which holds [REDACTED] Shares. Under the SFO, Mr. Xiaozhong Liu is deemed to be interested in our Shares held by I-Invest World Ltd.

(6) Life Science Holdings wholly owns Life Science Limited, which wholly owns WuXi PharmaTech, which in turn controls 43.18% of the voting power at general meetings of Biologics Holdings. For details, see "History and Corporate Development — Reorganization". Biologics Holdings directly owns [REDACTED] Shares. Under the SFO, Life Science Holdings, Life Science Limited and WuXi PharmaTech are deemed to be interested in our Shares held by Biologics Holdings.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the [REDACTED], have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, indirectly or indirectly, be interested in 10% or more of the issued voting shares of our Company. For persons who are interested, indirectly or directly, in 10% or more of the issued voting shares of any other member of the Group, see "History and Corporate Development — Corporate Structure".

You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2014, 2015 and 2016 included in the accountants' report set out in Appendix I to this document, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this document.

OVERVIEW

We are a global leading biologics services provider that offers comprehensive, integrated and highly customizable services through our teams of scientists, proprietary technology platform and know-how, state-of-the-art laboratories, and cGMP-compliant manufacturing facilities to pharmaceutical and biotechnology companies. Our business model is built upon a "follow-the-molecule" strategy: our customers' demand for our services typically increases as their biologics advance through the biologics development process and ultimately to commercial manufacturing. As a result, our revenue from each integrated project typically increases as the project advances. Our proprietary intellectual property and our unique end-to-end services also allow us to share the upside of our customers' projects through milestone and royalty fees in certain projects.

Our diverse and growing customer base includes leading global pharmaceutical companies as well as virtual, start-up companies and small- to mid-sized biotechnology companies. As of the Latest Practicable Date, we had worked with 12 out of the 20 largest pharmaceutical companies in the world as measured by their respective pharmaceutical sales in 2016. We provided services to 78, 124 and 163 customers in the years ended December 31, 2014, 2015 and 2016, respectively, and our backlog had reached US$383.4 million as of the Latest Practicable Date.

We experienced robust growth in our revenue during the Track Record Period. For the years ended December 31, 2014, 2015 and 2016, our revenue amounted to RMB331.9 million, RMB557.0 million and RMB989.0 million, respectively. We recorded net profit of RMB42.0 million, RMB44.5 million and RMB141.1 million for the years ended December 31, 2014, 2015 and 2016, respectively.

BASIS OF PRESENTATION

Our Company was established in the Cayman Islands on February 27, 2014 as an exempted company with limited liability. Historically, part of our Group's principal business, which is providing biologics discovery, development and manufacturing services, namely the Biologics Business Unit,

was handled by WXAT Shanghai. Pursuant to the WASH BU Acquisition, WXAT Shanghai ceased to operate its biologics business and transferred to our Group all relevant assets and liabilities, except for the trade payables and certain plant and equipment, related specifically to its biologics business. See "History and Corporate Development" for more information.

Our Group comprising our Company and its subsidiaries, including certain business resulting from the WASH BU Acquisition, is regarded as a continuing entity. The Biologics Business Unit and the entities comprising our Group have been fellow subsidiaries under the common control of the Controlling Shareholders throughout the Track Record Period. For the purpose of presenting the financial positions, financial results and cash flows of our Group, the Biologics Business Unit and the subsidiaries of the Company are deemed to be part of our Group throughout the Track Record Period or since the date of establishment of the subsidiaries, whichever this is a shorter period. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for each of the years ended December 31, 2014, 2015 and 2016 include the results, changes in equity and cash flows of the entities comprising our Group and of Biologics Business Unit as if Biologics Business Unit had been operated by our Group throughout the Track Record Period. The consolidated statements of financial position of our Group as of December 31, 2014, 2015 and 2016 have been prepared to present the assets and liabilities of our Group, as if the current group structure had been in existence and Biologics Business Unit had been transferred to our Group on those dates.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations, financial condition and the period-to-period comparability of our financial results are principally affected by the following factors:

Growth of Global Biologics Research and Development Expenditure and Rate of Outsourcing

Our financial results are driven primarily by the significant growing demand for our integrated biologics discovery, development and manufacturing services, which in turn is a result of growth in global biologics research and development expenditure and increasing rate of outsourcing such work to external services providers like us. The size of the global biologics market reached US$220.8 billion in 2016, and is estimated to grow at a CAGR of 9.7% from 2016 to 2021, reaching US$350.1 billion in 2021. Global biologics research and development expenditure grew from US$28.2 billion in 2012 to US$40.6 billion in 2016, and is expected to continue to grow to US$65.5 billion by 2021, representing a CAGR of 10.0% from 2016 to 2021, according to the Frost & Sullivan Report. In particular, China has shown a significant increase in biologics research and development spending in recent years. This trend is expected to lead to further increases in demand for biologics outsourcing services like ours. We expect to benefit significantly from such market trend. Please see the section headed "Industry Overview" for a detailed discussion on the growth drivers of the biologics outsourcing services market.

Our Ability to Win New Projects from Existing and New Customers

Our business and results of operations depend on our ability to sign new contracts and replenish our backlog as our existing contracts are completed. Continuous replenishing our backlog is crucial to our long-term success as it underpins the continued growth of our operations. As of the Latest Practicable Date, our backlog reached US$383.4 million. Our ability to win new projects from existing and new customers is affected substantially by our service quality, price, range of services and capacity. Our integrated services and strong technical capability have enabled us to win contracts from existing customers and attract new customers during the Track Record Period. We provided services to 78, 124 and 163 customers in the years ended December 31, 2014, 2015 and 2016, respectively. See "Risk Factors — Risks Relating to Our Business and Industry — We are dependent on our customers' spending on and demand for outsourced biologics discovery, development and manufacturing. A reduction in spending or demand could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects." for more information.

Success and Timing of Projects

Our financial performance is affected by whether the research and development of our customers' biologics can successfully progress as planned. We generally enter into project-based service contracts or long-term service agreements under which we receive fee income primarily on a fee-for-service basis for the services provided. We generally receive installment payments in accordance with a pre-agreed payment schedule specified in the contract. If we reach a certain step ahead of schedule, we can recognize revenue and receive payment earlier and free up our capacity to take on more projects. On the other hand, due to the inherent complexity and uncertainty related to biologic drugs research and development, a project may be delayed. Therefore, our revenue in a particular period may be difficult to predict and our period to period comparisons may be less meaningful. If a biologics candidate is unsuccessful, our services will no longer be needed for the relevant project, and we will not be able to realize the remaining potential value under the contract for such project. If a project is delayed due to technical or other issues, we will be required to spend more time and effort on such project than originally expected. If a project reaches a stage pending regulatory approvals, such as the IND filing, our services will be pending until the regulatory approvals are obtained.

Our Service Mix

The services required for different projects may vary significantly depending on a number of factors, such as which and how many stages a project spans, whether our own proprietary technology is required, and whether patentable intellectual property will be generated during the course of the project. As a result, our revenue and gross profit margins vary between different projects. We are currently building additional commercial manufacturing facilities at our Wuxi site, which will further extend our scope of services. We believe that commercial manufacturing will be a key driver of our revenue growth going forward. However, biologics commercial manufacturing may have a lower gross profit margin profile than biologics discovery and development. Any significant change in the mix of projects of different sizes and types of services may impact our results of operations and our overall profit margin in particular.

Contract Pricing

Competitive pricing is an important factor affecting our results of operations. If we are able to negotiate favorable contract terms with our customers, our gross profit and gross profit margin may increase. As a leading global biologics outsourcing services provider, we compete on a global basis with other domestic and international biologics outsourcing services providers as well as the in-house discovery, development and commercial manufacturing functions of pharmaceutical and biotechnology companies. As competition intensifies, we need to maintain our superior service quality, extend our service offerings and increase our service capacities while continue to offer attractive pricing terms to compete effectively and increase our market share. Furthermore, changes in pricing strategies by our competitors may have an adverse impact on our results of operations. For further information regarding competition, see "Business — Competition".

Privatization of WuXi PharmaTech and Reorganization

Prior to February 2016, we were wholly owned by WuXi PharmaTech. See "History and Corporate Development" for more information. Our affiliation with WuXi PharmaTech and its subsidiaries had a significant impact on our business, financial conditions and results of operations during the Track Record Period and up to the Latest Practicable Date, and is expected to continue to affect our financial performance going forward. In particular, we paid a substantial amount of agency commission to WAHK, which used to be a subsidiary of WuXi PharmaTech, during the Track Record Period. We also experienced an increase in our direct labor costs and administrative staff costs in part due to share-based compensation in relation to the WuXi PharmaTech Stock Units and WuXi PharmaTech Options granted to our employees before the Delisting, namely the WuXi PharmaTech Share-based Compensation.

Agency Commission to WAHK

WAHK entered into project-based service contracts or long-term service agreements with our overseas customers on behalf of us before the establishment of HK Biologics, which is a subsidiary of our Company responsible for signing contracts with overseas customers. WAHK retained 6% of the revenue generated under such service contracts or agreements as an agency commission. We paid an agency commission to WAHK of RMB3.7 million and RMB11.9 million for the years ended December 31, 2014 and 2015, respectively. Starting from the beginning of 2016, we have started to work with our overseas customers directly and thus have ceased paying agency commission to WAHK.

WuXi PharmaTech Share-based Compensation

WuXi PharmaTech adopted an employee share incentive plan in July 2007, pursuant to which the compensation committee of WuXi PharmaTech had the discretion to issue and grant WuXi PharmaTech Stock Units and WuXi PharmaTech Options to WuXi PharmaTech's employees and determine the type and timing of WuXi PharmaTech Stock Units and WuXi PharmaTech Options to be granted, the exercise price and vesting schedules and other terms and conditions of the WuXi PharmaTech Stock Units and WuXi PharmaTech Options. Many of our employees received WuXi PharmaTech Stock

Units and WuXi PharmaTech Options before the Delisting. Given that the outstanding WuXi PharmaTech Stock Units and WuXi PharmaTech Options were settled in cash by the buyer group which took WuXi PharmaTech private upon the Delisting, WuXi PharmaTech set up an escrow account with cash that will be distributed to the holders of the WuXi PharmaTech Stock Units and WuXi PharmaTech Options according to their respective vesting schedules. See "History and Corporate Development" for more details about the Delisting.

WuXi PharmaTech Share-based Compensation is recorded as part of our employee costs and is allocated to cost of services and administrative expenses. Given that (i) we did not actually make any payments in relation to the WuXi PharmaTech Stock Units and WuXi PharmaTech Options and (ii) WuXi PharmaTech was our ultimate holding company at the time the WuXi PharmaTech Stock Units and WuXi PharmaTech Options were granted to our employees, WuXi PharmaTech Share-based Compensation is treated as deemed capital contribution by WuXi PharmaTech into our Group. Accordingly, we record an amount equal to that of WuXi PharmaTech Share-based Compensation as recognition of equity-settled share-based compensation in the equity-settled share-based compensation reserve in our consolidated statements of changes in equity. For the years ended December 31, 2014, 2015 and 2016, we recognized RMB4.8 million, RMB26.9 million and RMB9.3 million of share-based compensation in relation to WuXi PharmaTech Share-based Compensation, respectively.

We experienced a significant increase in WuXi PharmaTech Share-based Compensation from RMB4.8 million for the year ended December 31, 2014 to RMB26.9 million for the year ended December 31, 2015, primarily because (i) we experienced a significant increase in our headcount in 2015, (ii) WuXi PharmaTech granted additional WuXi PharmaTech Stock Units and WuXi PharmaTech Options to some of our employees in 2015, a significant portion of which was recognized as expense in the same year based on the vesting schedule at the time of the grant, and (iii) the vesting of certain WuXi PharmaTech Stock Units and WuXi PharmaTech Options held by our employees were accelerated as a result of the Delisting. Out of our RMB26.9 million share-based compensation expense in relation to WuXi PharmaTech Stock Units and WuXi PharmaTech Options in 2015, RMB7.2 million was attributable to the acceleration of vesting. For more information about the accounting treatments in relation to the acceleration of the vesting of the WuXi PharmaTech Stock Units and WuXi PharmaTech Options, please see "— Critical Accounting Policies and Estimates — WuXi PharmaTech Stock Units and WuXi PharmaTech Options Granted by WuXi PharmaTech to our Employees — Acceleration of Vesting". WuXi PharmaTech Share-based Compensation decreased by 65.2% from RMB26.9 million for the year ended December 31, 2015 to RMB9.3 million for the year ended December 31, 2016, mainly because (i) there was no acceleration of vesting in 2016, and (ii) following the Delisting of WuXi PharmaTech in December 2015, no additional WuXi PharmaTech Stock Units and WuXi PharmaTech Options were granted in 2016.

According to the vesting schedules of the WuXi PharmaTech Stock Units and WuXi PharmaTech Options, some of our employees are expected to continue to receive cash from the escrow account set up by the buyer group of WuXi PharmaTech until 2020, which will be included in our employee costs. We expect to record approximately US$930,000, US$390,000, US$120,000 and US$20,000 of WuXi PharmaTech Share-based Compensation in the years 2017, 2018, 2019 and 2020, respectively.

Increasing Direct Labor Costs

Our direct labor costs, mainly comprising of salaries, bonus, share-based compensation and social security costs for our employees in our business units, amounted to RMB60.6 million, RMB138.5 million and RMB214.9 million for the years ended December 31, 2014, 2015 and 2016, respectively. In recent years, our direct labor costs have increased as a result of our expanded operational scale, increase in our average salary and bonus, and employment of more scientists. Most of our employees are employed in the PRC and in general, the average labor cost in the PRC has been steadily increasing during the Track Record Period, particularly for highly trained employees such as ours. Fluctuation in direct labor costs may lead to fluctuation in our cost of services. We have also adopted an employee share option plan for the primary purpose of rewarding and incentivizing our employees. See "Statutory and General Information — E. [REDACTED] Share Option Scheme" in Appendix IV to this document for more details. For the year ended December 31, 2016, we recognized RMB38.3 million share-based compensation for the stock options granted under our employee share option plan. We plan to continue to grant employee share options under our employee share option plan, and we may adopt other share-based compensation scheme in the future, which would result in an increase in our direct labor costs. See "Risk Factors — Risks Relating to Our Business and Industry — Our success depends on our ability to attract, train, motivate and retain highly skilled scientists and other technical personnel." for more information.

Fluctuations in Foreign Exchange Rates

During the Track Record Period, a majority of our revenue was generated from sales denominated in U.S. dollars. However, a majority of our cost of services and operating costs and expenses are denominated in Renminbi, and our financial information is presented in Renminbi. For example, during the year ended December 31, 2016, over 75% of our revenue was generated from sales denominated in U.S. dollars, while a majority of our cost of services and a vast majority of our operating costs and expenses were denominated in RMB. We are thus subject to foreign exchange risk. For example, if the U.S. dollar appreciates against the Renminbi after we enter into a U.S. dollar denominated project-based service contract or a work order with a customer, our cost of services as a percentage of our revenue attributable to such service contract or work order would decrease due to such appreciation, increasing both our gross profit and gross profit margin. Conversely, if the Renminbi appreciates against the U.S. dollar after we enter into a U.S. dollar denominated project-based service contract or a work order with a customer, our gross profit and gross profit margin would be adversely affected. We do not have a currency hedging policy in place, and large fluctuations in foreign exchange rates at any time could affect our financial condition and results of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial information in accordance with accounting policies which conform with IFRS, which requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the consolidated financial information and the reported amounts of revenue and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that

are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. We will continuously assess our assumptions and estimates going forward. We consider the policies and estimates discussed below to be critical to an understanding of our consolidated financial information as their application places the most significant demands on our management's judgment. For details of our significant accounting policies and estimates, see Notes 4 and 5 in the accountants' report set out in Appendix I to this document.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

We primarily earn revenue by providing discovery, development and manufacturing services to our customers through fixed-fee per contracts. We also occasionally provide services to customers on a full-time-equivalent basis. Our contract duration ranges from a few months to several years. We recognize revenue of contractual elements upon finalization, delivery and acceptance of the deliverable units, which is generally in the form of a technical laboratory report and/or product/ samples. Excess of amount of revenue recognized over the amount billed on a particular contract is included in trade and other receivables as unbilled revenue. Amounts billed in accordance with the pre-agreed payment schedule specified in the contract in advance of our fulfilling our contractual obligations and recognizing revenue are recorded in current liabilities as advance from customers. Most contracts are terminable by our customers, with or without prior notice. These contracts often require payment to us of fees to compensate costs incurred up to the date of termination or, in some cases, a termination fee. Such payments are included in revenue when earned. For services provided on a full-time-equivalent, or FTE, basis, we designate employees to the customer's projects at a fixed rate per FTE employee. We recognize revenue based on the number of employees assigned to the project team and the amount of time they have worked for the project. FTE contracts do not require acceptance by the customer of specified deliverables from us.

Government Grants

Government grants are not recognized until there is reasonable assurance that we will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which we recognize as expense the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that we should purchase, construct or otherwise acquire plant and equipment are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to us with no future related costs are recognized in profit or loss in the period in which they become receivable.

Research and Development Expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) the ability to use or sell the intangible asset; (iv) how the intangible asset will generate probable future economic benefits; (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any).

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the year in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in our consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax

laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which we expects at the end of each reporting period, to recover or settle the carrying amount of our assets and liabilities.

We recognize deferred tax liabilities for taxable temporary differences arising on investments in subsidiaries except where we are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

We recognize deferred tax assets arising from deductible temporary differences to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Plant and Equipment

Plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. We determine the estimated useful lives and related depreciation charges for our plant and equipment based on the historical experience of the actual useful lives of plant and equipment of similar nature and functions. We regularly review whether there are any indications of impairment and recognize an impairment loss if the carrying amount of an asset is lower than its recoverable amount. We will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. We test for impairment for plant and equipment whenever there is an indication that the asset may be impaired. The recoverable amounts have been determined based on the higher of the fair value less costs of disposal and value in use. These calculations require the use of estimates, such as discount rates, future profitability and growth rates. We review the estimated useful lives, residual values and depreciation method at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Plant and equipment in the course of construction for production are carried at cost less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with our accounting policy. Such assets are classified to the appropriate category of plant and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

Inventories and Service Work in Progress

Inventories and service work in progress are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Service work in progress consists of cost of materials consumed (determined on a weighted average method), cost of labor and other costs of personnel directly engaged in providing the biologics discovery, development and manufacturing service, including supervisory personnel, and attributable overheads. Net realizable value represents the contracted selling price less all estimated costs of completion and costs necessary to make the sale.

Impairment of Inventories and Service Work in Progress

We assess periodically if cost of inventories and service work in progress may not be recoverable based on an assessment of the net realizable value of inventories and service work in progress. Allowances are applied to inventories and service work in progress where events or changes in circumstances indicate that the net realizable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories and in the case of service work in progress, the net realizable value is determined based on the contracted selling price to be recognized upon the completion of the service work in progress less all estimated remaining costs to completion and costs necessary to provide the service. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and service work in progress in the year in which such estimate changes.

Foreign Currencies

In preparing the financial statements of each individual entity of our Group, transactions in currencies other than such entity's functional currency (foreign currencies) are recognized at the rates of exchanges prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on retranslation of monetary items are recognized in profit or loss in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on retranslation of monetary items are recognized in profit or loss in the period in which they arise.

Estimated Impairment of Trade and Other Receivables

When there is objective evidence of impairment loss, we estimate the future cash flows from trade and other receivables. The amount of the impairment loss is measured as the difference between the carrying amount of the receivable and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition) of the receivable. Estimation of future cash flows involves uncertainty. Actual cash flows may differ from the estimate.

Share-based Payment Transactions

Equity-settled share-based payment to employees (including directors of the Company) are measured at the fair value of the services received, unless that fair value cannot be estimated reliably. If the fair value of the services received cannot be reliably estimated, their value are measured by reference to the fair value of the equity instruments granted. The fair value determined at the grant date of the share-based payments is expensed on a straight-line basis over the vesting period, based on our estimate of equity instruments that will eventually vest, with a corresponding increase in the equity-settled share-based compensation reserve. At the end of each reporting period, we review our estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the equity-settled share-based compensation reserve.

When the share options are exercised, the amount previously recognized in the equity-settled share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in the equity-settled share-based compensation reserve will be transferred to retained earnings.

WuXi PharmaTech Stock Units and WuXi PharmaTech Options Granted by WuXi PharmaTech to our Employees

The grant of WuXi PharmaTech Stock Units and WuXi PharmaTech Options by WuXi PharmaTech to our employees is treated as equity-settled share-based payments in our consolidated financial statements. An expense for the grant date fair value of such WuXi PharmaTech Stock Units and WuXi PharmaTech Options is recognized over their vesting period, with a corresponding increase in equity. The increase in equity is treated as a deemed capital contribution into our Group and is included in equity-settled share-based compensation reserve.

Acceleration of Vesting

WuXi PharmaTech was privatized and delisted from the New York Stock Exchange on December 10, 2015, and was taken control by Life Science Holdings, which is controlled by the Controlling Shareholders. As part of the privatization process, the terms and conditions of the WuXi PharmaTech Stock Units and WuXi PharmaTech Options were modified. Pursuant to such modification, the total

number of the outstanding WuXi PharmaTech Stock Units remained unchanged, but all the outstanding WuXi PharmaTech Stock Units as of December 10, 2015 were settled by a cash consideration based on the closing price of WuXi PharmaTech's shares on December 10, 2015 (being US$5.75 per share). Part of the cash consideration was paid out immediately to certain designated employees of ours who held outstanding WuXi PharmaTech Stock Units as their WuXi PharmaTech Stock Units were deemed to be immediately vested in accordance with the modification. Because the fair value of the outstanding WuXi PharmaTech Stock Units under both the original and the modified terms and conditions of the WuXi PharmaTech Stock Units and WuXi PharmaTech Options as measured at the date of the modification is determined to be the same, the outstanding WuXi PharmaTech Stock Units would continue to be measured at the original grant-date fair value. For those designated employees, because their outstanding WuXi PharmaTech Stock Units were deemed to be immediately vested, we recognized the share-based compensation expense related to such acceleration of vesting immediately in the profit and loss of the year of our Group ended December 31, 2015.

For the other remaining employees of ours who held outstanding WuXi PharmaTech Stock Units, an escrow arrangement was made by Life Science Holdings to put aside the remaining cash consideration in an escrow account and the cash consideration would be paid out to the those employees when the original vesting conditions of their WuXi PharmaTech Stock Units are met. For those employees, we continue to recognize the corresponding share-based compensation expense in relation to their outstanding WuXi PharmaTech Stock Units in the profit and loss of our Group in accordance with the original vesting schedules.

Our Group as Lessee

Assets held under a finance lease are recognized as our assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with our policy on borrowing costs. Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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,		
	2014	2015	2016
		(RMB'000)	
Revenue	331,850	557,042	989,029
Cost of services[(1)]	(208,596)	(376,321)	(599,919)
Gross profit	123,254	180,721	389,110
Other income	12,753	6,917	7,523
Other gains and losses	(1,250)	5,705	(1,538)
Selling and marketing expenses	(4,303)	(13,447)	(15,326)
Administrative expenses[(1)]	(43,862)	(72,220)	(94,606)
Research and development expenses	(35,024)	(39,743)	(53,282)
Other expenses	—	—	[REDACTED]
Finance cost	(2,556)	(2,531)	(24,155)
Profit before tax	49,012	65,402	175,846
Income tax expense	(7,034)	(20,893)	(34,750)
Profit and total comprehensive income for the year	41,978	44,509	141,096

Note:

1. Cost of services and administrative expenses include WuXi PharmaTech Share-based Compensation and our own share-based compensation, which are not tax deductible under the PRC Enterprise Income Tax Law. We recorded RMB4.8 million, RMB26.9 million and RMB47.6 million of WuXi PharmaTech Share-based Compensation and our own share-based compensation for the years ended December 31, 2014, 2015 and 2016, respectively.

Revenue

We operate our integrated biologics outsourcing services business as a single operating segment. We primarily generate revenue from fee income for the services provided to our customers. See "Business — Our Business Model — Our Fee Model" for more information. We recorded revenue of RMB331.9 million, RMB557.0 million and RMB989.0 million for the years ended December 31, 2014, 2015 and 2016, respectively.

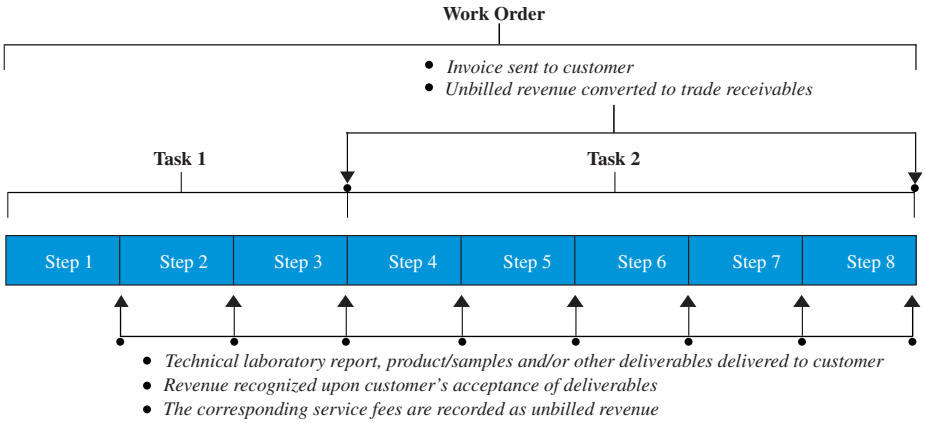
Our Revenue Recognition Mechanism

We generally enter into long-term service agreements with our customers for our integrated services. Services for each project under a long-term service agreement are provided pursuant to a separate and distinct work order. A work order typically comprises a number of tasks, each in turn including several steps. According to our contractual arrangements with our customers, we typically

bill our customers after we complete a task. A task is deemed to have been completed after all the steps within such task are completed. Our customer contracts and work orders include specifications about the services to be rendered at each step and the deliverables that we should send to the customer upon completion of such step. Our project team also interacts with each customer's project-management team through daily emails, bi-weekly reports and regular conference calls to give the customer timely updates of the progress of its projects. We are typically required to deliver a technical laboratory report, product/samples and/or other deliverables and transfer the relevant data and rights to the customer after all the services have been rendered for a step. A particular step is deemed to be completed upon the customer's acceptance of the deliverables in relation to such step, which indicates that the customer is satisfied with the services provided by us at such step and would like us to proceed to the next step of the project. Revenue from the services rendered for a particular step is recognized only after we receive such acceptance from the customer. As a result, the corresponding service fee for each step is recorded as unbilled revenue upon the completion of such step until the entire task is completed, at which time we will bill the customer. Unbilled revenue is converted into a receivable at this time. Our revenue recognition mechanism is in line with the common industry practice, according to the Frost & Sullivan Report. Based on the foregoing, the Directors are of the view that the revenue attributable to a particular step is recognized fairly and reasonably and not prematurely.

A work order may also include pre-set milestones. Milestone fee is recognized immediately upon the project reaching a pre-set milestone, which may or may not coincide with the completion of a specific step or task under the work order. In addition, we may be able to receive royalty fee on certain contracts. Under the royalty fee structure, we typically require the customer to make royalty payment quarterly after the successful commercialization of the relevant biologics. The customer is responsible for submitting a quarterly sales report to us and making royalty payment within 30 days after the end of each quarter. Royalty fee for each quarter is recognized by the end of such quarter. We had not generated any revenue from the royalty fee structure as of the Latest Practicable Date because none of our projects with the royalty fee structure had advanced to commercialization.

The following chart is an illustration of our typical revenue recognition mechanism under a work order.



During the Track Record Period, we derived a vast majority of our revenue from providing services to customers headquartered in the United States and China. The table below sets forth a breakdown of our revenue by the geographical location of our customers' headquarters for the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	(RMB'000)					
Revenue						
- United States	107,573	32.4%	354,631	63.7%	505,045	51.1%
- China	191,284	57.6%	158,762	28.5%	385,307	39.0%
- Europe	2,585	0.8%	5,098	0.9%	21,094	2.1%
- Rest of the world[(note)]	30,408	9.2%	38,551	6.9%	77,583	7.8%
Total	331,850	100.0%	557,042	100.0%	989,029	100.0%

Note: Rest of the world primarily includes Canada, Israel, Japan, India and South Korea.

Our revenue increased by 77.6% from RMB557.0 million for the year ended December 31, 2015 to RMB989.0 million for the year ended December 31, 2016, primarily due to an increase in the revenue from customers headquartered in China and the United States. We also benefitted from the U.S. dollar's appreciation against the Renminbi during the year ended December 31, 2016. The significant increase in our revenue in 2016 was primarily attributable to services provided for our new integrated projects starting from the pre-IND phase, mainly from new customers headquartered in China and existing customers headquartered in the United States. This was mainly as a result of the growing demand for biologics outsourcing services from both established pharmaceutical and biotechnology companies and newly established biotechnology companies with limited in-house research and development capabilities. See "Industry Overview — Overview of the Biologics Outsourcing Services Market" for more information. Given our growing reputation as an integrated biologics services provider, premium service quality and sales and marketing efforts, we were able to receive new projects from existing customers and attract new customers, in particular those headquartered in China. Another factor contributing to the increase in our revenue in 2016 was that a number of our integrated projects successfully obtained approval for their IND filings and progressed to the post-IND phase, which required us to provide a significantly larger amount of services for those projects, thereby leading to a significant increase in the revenue from those projects.

Our revenue increased by 67.8% from RMB331.9 million for the year ended December 31, 2014 to RMB557.0 million for the year ended December 31, 2015, primarily due to a significant increase in the revenue from customers headquartered in the United States, which was partially offset by a decrease in the revenue from customers headquartered in China. The significant increase in our revenue in 2015 was primarily because a number of our integrated projects successfully obtained approval for their IND applications and progressed to the post-IND phase, which required us to provide a significantly larger amount of services for those projects, thereby leading to a significant

increase in the revenue from those projects. The increase in our revenue in 2015 was also attributable to services provided for our new integrated projects, which started at the pre-IND or post-IND phase, primarily from existing customers headquartered in the United States and China. This was mainly as a result of the growing demand for biologics outsourcing services. See "Industry Overview — Overview of the Biologics Outsourcing Services Market" for more information. Given our growing reputation as an integrated biologics services provider, premium service quality and sales amarketing efforts, we were able to receive new projects from existing customers and attract new customers.

Cost of Services

Our cost of services consists of direct labor costs, cost of raw materials and overhead. Direct labor costs primarily consist of salaries, bonus, social security costs and share-based compensation for the employees in our business units. Cost of raw materials primarily consists of costs incurred for the purchase of raw materials used in the rendering of our services, such as reagents and chromatograph columns. Overhead primarily consists of deprecation charges of the facilities and equipment used in the rendering of our services, testing service fees for the biologics testing work we outsourced to WuXi AppTec Group, utilities and maintenance. See "Connected Transactions — Non-exempt Continuing Connected Transactions — 1. Testing Service Framework Agreement" for more details about our arrangement with WuXi AppTec Group. For the years ended December 31, 2014, 2015 and 2016, our cost of services was RMB208.6 million, RMB376.3 million and RMB599.9 million, respectively.

The table below sets forth a breakdown of our cost of services for the periods indicated, both in actual terms and as a percentage of our revenue:

	Year ended December 31,					
	2014		2015		2016	
	(RMB'000)					
Direct labor costs	60,601	18.3%	138,514	24.9%	214,904	21.7%
Cost of raw materials	69,767	21.0%	116,279	20.9%	211,274	21.4%
Overhead	78,228	23.6%	121,528	21.8%	173,741	17.6%
Total	208,596	62.9%	376,321	67.6%	599,919	60.7%

Direct Labor Costs

Our direct labor costs increased by 55.2% from RMB138.5 million for the year ended December 31, 2015 to RMB214.9 million for the year ended December 31, 2016, primarily due to an increase in our business units' employee headcount as a result of an increase in demand for our services. Despite the forgoing, our direct labor costs as a percentage of our revenue decreased from 24.9% for the year ended December 31, 2015 to 21.7% for the year ended December 31, 2016, primarily because the increase in our revenue outpaced the increase in our business units' employee headcount.

Our direct labor costs increased by 128.5% from RMB60.6 million for the year ended December 31, 2014 to RMB138.5 million for the year ended December 31, 2015. Our direct labor costs as a percentage of our revenue also increased from 18.3% for the year ended December 31, 2014 to 24.9% for the year ended December 31, 2015, primarily because we increased the salary and bonus of the employees in our business units as part of our efforts to retain and incentivize those employees, and to a lesser extent due to an increase in our business units' employee headcount as a result of an increase in the demand for our services. In 2015, we also experienced a significant increase in WuXi PharmaTech Share-based Compensation as compared to 2014. See "— Factors Affecting Our Results of Operations and Financial Condition — Privatization of WuXi PharmaTech and Reorganization — WuXi PharmaTech Share-based Compensation" for more information.

Cost of Raw Materials

Our cost of raw materials increased during the Track Record Period primarily as a result of an increase in the demand for our services. Our cost of raw materials as a percentage of our revenue remained relatively stable at 21.0%, 20.9% and 21.4% for the years ended December 31, 2014, 2015 and 2016, respectively. We continued to improve our efficiency of raw material usage in 2016, but our cost of raw materials as a percentage of our revenue nevertheless increased, primarily because part of the new facilities at our Wuxi site commenced pilot operation. During pilot operation, we conducted tests on such new facilities and as a result experienced an increase in raw material usage.

Overhead

Our overhead increased over the Track Record Period primarily due to the expansion of our facilities and the growth of our business. During the Track Record Period, we continuously expanded the facilities at our Wuxi and Shanghai sites and completed the construction of the facilities at our Suzhou site in December 2014. We also experienced a significant increase in testing service fees in 2015, because in 2015 we needed to address a significant increase in the demand for testing services while we were at an early stage of building up our technical analysis function.

Overhead as a percentage of our revenue decreased from 23.6% for the year ended December 31, 2014 to 21.8% for the year ended December 31, 2015 and to 17.6% for the year ended December 31, 2016, primarily because the increase in our revenue outpaced the increase in our depreciation charges.

Gross Profit and Gross Profit Margin

For the years ended December 31, 2014, 2015 and 2016, our gross profit was RMB123.3 million, RMB180.7 million and RMB389.1 million, respectively. For the same periods, our gross profit margin was 37.1%, 32.4% and 39.3%, respectively.

Our gross profit margin increased from 32.4% for the year ended December 31, 2015 to 39.3% for the year ended December 31, 2016, primarily due to (i) the growth of our business, which enabled us to achieve greater economies of scale, (ii) an increase in the amount of integrated projects starting from the discovery stage that require us to utilize our own proprietary technologies, which enabled us to receive milestone fee on top of service fee, and (iii) the appreciation of the U.S. dollar against the Renminbi. Our gross profit margin decreased from 37.1% for the year ended December 31, 2014 to 32.4% for the year ended December 31, 2015, primarily due to an increase in salaries and bonuses of the employees in our business units and an increase in WuXi PharmaTech Share-based Compensation received by the employees in our business units.

Other Income

Other income consists of government grants and subsidies, interest income and administrative service income from WXAT Shanghai. Administrative service income from WXAT Shanghai represents the margin we earned from the provision of administrative services to WXAT Shanghai. We had ceased to provide such services since April 1, 2016. For the years ended December 31, 2014, 2015 and 2016, our other income was RMB12.8 million, RMB6.9 million and RMB7.5 million, respectively. The following table sets forth a breakdown of our other income for the periods indicated:

	Year ended December 31,		
	2014	2015	2016
		(RMB'000)	
Government grants and subsidies related to			
- Assets[(i)]	1,377	1,338	1,478
- Income[(ii)]	11,316	3,844	5,551
Interest income	60	66	413
Administrative service income from WXAT Shanghai	—	1,669	81
Total	12,753	6,917	7,523

Notes:

i. We have received certain government grants and subsidies to invest in laboratory equipment. The grants and subsidies were recognized in profit or loss over the useful lives of the relevant assets.

ii. The government grants have been received for our contribution to the local high-tech industry and economy. These grants are unconditional and accounted for as immediate financial support with neither future related costs expected to be incurred nor related to any assets.

During the Track Record Period, we received various grants and subsidies from PRC local government authorities as an incentive for (i) our operation of biologics outsourcing business in certain geographic areas, (ii) our purchase of high-tech equipment and construction of facilities, and (iii) our employment of certain skilled personnel recognized by the relevant PRC government authorities.

Other Gains and Losses

Other gains and losses consist of net foreign exchange gain or loss, provision of allowance for doubtful debts, and others. For the years ended December 31, 2014, 2015 and 2016, we recorded net other losses of RMB1.3 million, net other gains of RMB5.7 million, and net other losses of RMB1.5 million, respectively. The following table sets forth a breakdown of our other gains and losses for the periods indicated:

	Year ended December 31,		
	2014	2015	2016
		(RMB'000)	
Net foreign exchange (loss) gain	(58)	6,463	1,417
Provision of allowance for doubtful debts	(1,841)	(615)	(5,696)
Others	649	(143)	2,741
Total	(1,250)	5,705	(1,538)

We recorded net foreign exchange gain of RMB6.5 million and RMB1.4 million for the years ended December 31, 2015 and 2016, respectively, mainly as a result of the depreciation of the RMB against the U.S. dollar since the second half of 2015.

Provision of allowance for doubtful debts primarily consists of provisions made for impaired trade receivables which have been in financial difficulties. We determine the allowance for impaired trade receivables based on the evaluation of recovery possibility and aging analysis of the relevant accounts and our management's judgment including the assessment of change in credit quality and the past collection history of the relevant customer.

We took a provision of RMB5.7 million for doubtful debts for the year ended December 31, 2016, mainly attributable to one former customer who has not paid its long overdue services fees.

We recorded other gains of RMB2.7 million for the year ended December 31, 2016, which mainly comprised of (i) a service fee from the local PRC Tax Bureau in Wuxi for our collection of the individual income tax of our employees in Wuxi from August 2013 to July 2015, and (ii) a service fee from the local PRC Tax Bureau in Suzhou for our collection of the individual income tax of our employees in Suzhou in 2015. Under PRC laws and regulations, enterprises in China are entitled to receive service fees from local PRC Tax Bureaus for collecting the individual income tax of their employees on behalf of the local PRC Tax Bureaus. We have also received notices from the local PRC Tax Bureau in Shanghai that we are entitled to receive a service fee for collecting the income tax of our employees in Shanghai from November 2014 to June 2016. We have applied for such service fee and received part of it in 2017 from the local PRC Tax Bureau in Shanghai for collecting the income tax of our employees in Shanghai from November 2014 to December 2015. In addition, in 2017, we received service fee from the local PRC Tax Bureau in Wuxi for collecting the income tax of our employees in Wuxi from August 2015 to July 2016.

Selling and Marketing Expenses

Our selling and marketing expenses consist of agency commission paid to WAHK, staff costs, advertisement and others. Staff costs mainly consist of salaries, bonus and social security costs for our sales and marketing staff. Others mainly include travelling expenses and depreciation. For the years ended December 31, 2014, 2015 and 2016, our selling and marketing expenses were RMB4.3 million, RMB13.4 million and RMB15.3 million, respectively. The table below sets forth a breakdown of our selling and marketing expenses for the periods indicated:

	Year ended December 31,		
	2014	2015	2016
		(RMB'000)	
Agency commission - WAHK	3,746	11,914	—
Staff costs	373	1,096	10,629
Marketing expenses	—	—	3,207
Others	184	437	1,490
Total	4,303	13,447	15,326

Our selling and marketing expenses increased by 14.2% from RMB13.4 million for the year ended December 31, 2015 to RMB15.3 million for the year ended December 31, 2016, primarily because (i) we established our independent sales and marketing presence in the United States with senior business development experts, and (ii) we incurred marketing expenses for marketing activities in the United States, including attending industry conventions and publishing advertisements, partially offset by a decrease in agency commission to WAHK as we have ceased paying agency commission to WAHK since the beginning of 2016. See "— Factors Affecting Our Results of Operations and Financial Condition — Privatization of WuXi PharmaTech and Reorganization — Agency Commission to WAHK" for more details.

Our selling and marketing expenses increased significantly from RMB4.3 million for the year ended December 31, 2014 to RMB13.4 million for the year ended December 31, 2015, mainly due to: (i) an increase in agency commission to WAHK primarily due to an increase in revenue from our overseas customers who entered into long-term service agreements or project-based service contracts with WAHK prior to the establishment of HK Biologics, and (ii) an increase in salary and benefit expenses for our sales and marketing personnel as a result of the expansion of our sales team and the increasing labor costs to hire and retain skilled sales and marketing personnel.

Administrative Expenses

Our administrative expenses consist of administrative staff costs, dormitory, shuttle bus and canteen expenses, office administration expenses, audit and consultancy fees, pre-operating expenses, depreciation and others. Administrative staff costs consist primarily of (i) salaries, bonus, social security costs and share-based compensation for our management, administrative, finance and

accounting and other administrative personnel; and (ii) staff costs attributable to the administrative personnel of WuXi AppTec Group in relation to the general services provided by them to our Shanghai site. WuXi AppTec Group provided general services (including but not limited to engineering, IT and administrative services) to our Shanghai site during the Track Record Period. Office administration expenses primarily consist of information technology and telecommunication expenses, training and conference expenses, travelling and transportation expenses, utility expenses, rental payments, office maintenance and security expenses and office expenses. Audit and consultancy fees primarily consist of fees paid for audit, legal and other professional services that are not related to the [REDACTED]. Pre-operating expenses primarily consist of expenses incurred for the preparations of our Suzhou site before it commenced operation. Depreciation charges primarily consist of depreciation of facilities and equipment for administrative purposes. Others primarily include insurance expenses, bank charges and other miscellaneous fees for general administrative purposes.

For the years ended December 31, 2014, 2015 and 2016, our administrative expenses were RMB43.9 million, RMB72.2 million and RMB94.6 million, respectively. The table below sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,		
	2014	2015	2016
		(RMB'000)	
Administrative staff costs	17,389	46,331	68,526
Dormitory, shuttle bus and canteen expenses	6,244	9,510	10,423
Office administration expenses	5,383	9,498	7,235
Audit and consultancy fees	768	1,407	1,623
Pre-operating expenses	10,516	—	—
Depreciation	1,345	1,842	895
Others	2,217	3,632	5,904
Total	43,862	72,220	94,606

Our administrative expenses increased by 31.0% from RMB72.2 million for the year ended December 31, 2015 to RMB94.6 million for the year ended December 31, 2016, primarily due to an increase in our administrative staff costs, primarily attributable to the stock options granted to our management under our employee share option plan and an increase in the headcount of our administrative personnel in light of the growth of our business.

Our administrative expenses increased by 64.5% from RMB43.9 million for the year ended December 31, 2014 to RMB72.2 million for the year ended December 31, 2015, primarily because of an increase in our administrative staff costs, which was mainly due to (i) an increase in the headcount of our administrative personnel in light of the growth of our business, (ii) an increase in the staff costs attributable to the administrative personnel of WuXi AppTec Group in relation to the general services

provided by them to us in light of the growth of our business, (iii) an increase in the average salary and bonus of our administrative personnel, which was part of our efforts to retain and incentivize such personnel, and (iv) an increase in WuXi PharmaTech Share-based Compensation received by our administrative personnel. See "— Factors Affecting Our Results of Operations and Financial Condition — Privatization of WuXi PharmaTech and Reorganization — WuXi PharmaTech Share-based Compensation" for more information.

Research and Development Expenses

Our research and development expenses mainly consist of staff costs, material costs and depreciation charges in relation to our research and development activities. For the years ended December 31, 2014, 2015 and 2016, our research and development expenses were RMB35.0 million, RMB39.7 million and RMB53.3 million, respectively. Our research and development expenses increased over the Track Record Period primarily due to an increase in our research and development activities in connection with the development of next generation technologies and the improvement of our service efficiency. See "Business — Research and Development" for more details.

Other Expenses

Other expenses of RMB31.9 million for the year ended December 31, 2016 represent fees paid for audit, legal and other professional services for the preparations of the [REDACTED].

Finance Cost

Our finance cost primarily consists of interest expenses on loans from a related party, bank loans and a finance lease. For the years ended December 31, 2014, 2015 and 2016, our finance cost was RMB2.6 million, RMB2.5 million and RMB24.2 million, respectively. Our finance cost increased significantly in the year ended December 31, 2016, primarily due to an increase in bank loans, which were used to (i) repay the inter-company loans from WXAT Shanghai, which were primarily used to fund the construction of the new facilities at our Wuxi site, (ii) settle a portion of our other payables to related parties and payable to related parties in relation to the Reorganization, and (iii) fund the on-going construction of the new facilities at our Wuxi site.

Income Tax Expense

Our income tax expense primarily consists of the current income tax at the statutory rates applicable to our assessable profit before taxation as determined under relevant laws and regulations. For the years ended December 31, 2014, 2015 and 2016, our income tax expense was RMB7.0 million, RMB20.9 million and RMB34.8 million respectively. The following table sets forth a breakdown of our income tax expenses for the periods indicated:

	Year ended December 31,		
	2014	2015	2016
		(RMB'000)	
Current tax:			
- PRC enterprise income tax	9,556	19,483	30,012
- Hong Kong profits tax	10	780	1,875
Under (Over) provision in prior years:			
- PRC enterprise income tax	34	(428)	(1,865)
	9,600	19,835	30,022
Deferred tax:			
- Current year	(2,566)	1,058	4,728
Total	7,034	20,893	34,750

During the Track Record Period, our income tax expense primarily consists of income tax payable by our subsidiaries in China and Hong Kong. We did not have any assessable income in Cayman Islands during the Track Record Period.

PRC Enterprise Income Tax

PRC enterprise income tax, or EIT, constitutes substantially all of our income tax expense during the Track Record Period. According to the PRC Enterprise Income Tax Law, or the EIT Law, and its implementation rules, the standard EIT rate applicable to our PRC subsidiaries is 25.0%. See "Regulatory Overview — Laws and Regulations of the PRC — Taxation" for further details of our taxation.

Some of our operating subsidiaries enjoyed preferential tax treatment during the Track Record Period. WXAT Shanghai, which operated the Biologics Business Unit prior to the WASH BU Acquisition, has been recognized by the relevant local government authorities as a HNTE under the EIT Law, which makes it eligible for a preferential EIT rate of 15% during the Track Record Period. As such, we calculate the EIT of the Biologics Business Unit by treating the Biologics Business Unit as a separate tax payer using the EIT rate of WXAT Shanghai before the WASH BU Acquisition. In addition, WuXi Biopharma, a subsidiary of our Company, has been recognized by the relevant local government authorities as an HNTE under the EIT Law, which makes it eligible for a preferential EIT rate of 15% during the Track Record Period and up to the Latest Practicable Date. We also applied for

the HNTE qualification of Shanghai Biologics and received it in December 2016. In early 2017, we obtained confirmation from the local tax authority that Shanghai Biologics is entitled to EIT exemption for its 2016 profit, and is eligible for a special EIT rate of 12.5% in 2017, 2018 and 2019, after which it will be eligible for the preferential EIT rate of 15%.

Hong Kong Income Tax

Our Hong Kong subsidiaries are subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Track Record Period.

Effective Tax Rate

Our effective tax rate, representing income tax expense divided by profit before taxation, was 14.4%, 31.9% and 19.8% for the years ended December 31, 2014, 2015 and 2016, respectively. The decrease in our effective tax rate in the year ended December 31, 2016 was primarily because (i) Suzhou Biologics, which recorded significant operating loss in 2015, recorded an operating profit for the year ended December 31, 2016, and (ii) Shanghai Biologics, which obtained the HNTE qualification in 2016, is entitled to EIT exemption for its 2016 profit, partially offset by an increase in share-based compensation, which was not tax deductible under PRC law. Given the income tax of each of our subsidiaries is calculated separately, an operating loss incurred by one subsidiary during a period will not affect the total income tax of our Group for such period, but will reduce the profit and total comprehensive income of our Group for such period, thus driving up our Group's effective income tax rate. The increase in our effective tax rate in 2015 was primarily because Suzhou Biologics recorded significant operating loss in 2015 and to a lesser extent (i) attributable to a RMB22.1 million increase in WuXi PharmaTech Share-Based Compensation, which was not tax deductible under PRC law, and (ii) because more entities in our Group were subject to 25% EIT rate in 2015 following the WASH BU Acquisition. See "— Factors Affecting Our Results of Operations and Financial Condition — Privatization of WuXi PharmaTech and Reorganization — WuXi PharmaTech Share-based Compensation" for more information. During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes applicable to us and had no disputes or unresolved tax issues with relevant tax authorities.

DISCUSSION OF RESULTS OF OPERATIONS

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Our revenue increased by 77.6% from RMB557.0 million for the year ended December 31, 2015 to RMB989.0 million for the year ended December 31, 2016, primarily due to an increase in the revenue from customers headquartered in China and the United States. We also benefitted from the U.S. dollar's appreciation against the Renminbi during the year ended December 31, 2016.

The significant increase in our revenue in 2016 was primarily attributable to services provided for our new integrated projects starting from the pre-IND phase, mainly from new customers headquartered in China and existing customers headquartered in the United States. This was mainly as a result of the growing demand for biologics outsourcing services from both established pharmaceutical and biotechnology companies and newly established biotechnology companies with limited in-house research and development capabilities. See "Industry Overview — Overview of the Biologics Outsourcing Services Market" for more information. Given our growing reputation as an integrated biologics services provider, premium service quality and sales and marketing efforts, we were able to receive new projects from existing customers and attract new customers, in particular those headquartered in China. Another factor contributing to the increase in our revenue in 2016 was that a number of our integrated projects successfully obtained approval for their IND filings and progressed to the post-IND phase, which required us to provide a significantly larger amount of services for those projects, thereby leading to a significant increase in the revenue from those projects.

Our revenue from customers headquartered in countries and regions other than the United States, China and Europe increased by 101.0% from RMB38.6 million for the year ended December 31, 2015 to RMB77.6 million for the year ended December 31, 2016, primarily attributable to an increase in revenue generated by a Canadian customer and an Israeli customer.

Cost of Services

Our cost of services increased by 59.4% from RMB376.3 million for the year ended December 31, 2015 to RMB599.9 million for the year ended December 31, 2016.

Our cost of raw materials increased by 81.7% from RMB116.3 million for the year ended December 31, 2015 to RMB211.3 million for the year ended December 31, 2016, primarily due to an increase in the demand for our services.

Our direct labor costs increased by 55.2% from RMB138.5 million for the year ended December 31, 2015 to RMB214.9 million for the year ended December 31, 2016, primarily because (i) the employee headcount of our business units increased as a result of an increase in the demand for our services, and (ii) we incurred stock-based compensation for the employees in our business units under our employee share option plan, partially offset by a decrease in WuXi PharmaTech Share-based Compensation received by the employees in our business units. See "— Factors Affecting Our Results of Operations and Financial Condition — Privatization of WuXi PharmaTech and Reorganization — WuXi PharmaTech Share-based Compensation" for more information.

Our overhead increased by 43.0% from RMB121.5 million for the year ended December 31, 2015 to RMB173.7 million for the year ended December 31, 2016, primarily because a new laboratory at our Shanghai site commenced operation in March 2016.

Gross Profit and Gross Profit Margin

Our gross profit increased by 115.3% from RMB180.7 million for the year ended December 31, 2015 to RMB389.1 million for the year ended December 31, 2016. Our gross profit margin increased from 32.4% for the year ended December 31, 2015 to 39.3% for the year ended December 31, 2016, primarily due to (i) the growth of our business, which enabled us to achieve greater economies of scale; (ii) an increase in the amount of integrated projects starting from the discovery stage that require us to utilize our own proprietary technologies, which enabled us to receive milestone fee on top of service fee, and (iii) the appreciation of the U.S. dollar against the Renminbi.

Other Income

Our other income increased by 8.7% from RMB6.9 million for the year ended December 31, 2015 to RMB7.5 million for the year ended December 31, 2016, primarily due to a RMB1.8 million increase in government grants and subsidies, partially offset by a RMB1.6 million decrease in administrative service income as we had ceased to provide administrative services to WXAT Shanghai since April 1, 2016.

Other Gains and Losses

We recorded net other losses of RMB1.5 million for the year ended December 31, 2016, compared with net other gains of RMB5.7 million for the year ended December 31, 2015, primarily due to an increase in provision of allowance for doubtful debts and a decrease in net foreign exchange gain, partially offset by an increase in other gains. We took a provision of RMB5.7 million for doubtful debts for the year ended December 31, 2016, mainly attributable to one former customer who has not paid its long overdue services fees. We recorded net foreign exchange gain of RMB6.5 million and RMB1.4 million for the year ended December 31, 2015 and 2016, respectively, mainly as a result of the depreciation of the RMB against the U.S. dollar since the second half of 2015. We recorded other gains of RMB2.7 million for the year ended December 31, 2016, which mainly comprised of (i) a service fee from the local PRC Tax Bureau in Wuxi for our collection of the individual income tax of our employees in Wuxi from August 2013 to July 2015, and (ii) a service fee from the local PRC Tax Bureau in Suzhou for our collection of the individual income tax of our employees in Suzhou in 2015.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 14.2% from RMB13.4 million for the year ended December 31, 2015 to RMB15.3 million for the year ended December 31, 2016, primarily because (i) we established our independent sales and marketing presence in the United States with senior business development experts, and (ii) we incurred marketing expenses for marketing activities in the United States, including attending industry conventions and publishing advertisements, partially offset by a decrease in agency commission to WAHK as we have ceased paying agency commission to WAHK since the beginning of 2016. See "— Factors Affecting Our Results of Operations and Financial Condition — Privatization of WuXi PharmaTech and Reorganization — Agency Commission to WAHK" for more details.

Administrative Expenses

Our administrative expenses increased by 31.0% from RMB72.2 million for the year ended December 31, 2015 to RMB94.6 million for the year ended December 31, 2016, primarily due to an increase in our administrative staff costs. Our administrative staff costs increased by 47.9% from RMB46.3 million for the year ended December 31, 2015 to RMB68.5 million for the year ended December 31, 2016, primarily attributable to (i) the stock options granted to our management under our employee share option plan, and (ii) an increase in the headcount of our administrative personnel in light of the growth of our business.

Research and Development Expenses

Our research and development expenses increased by 34.3% from RMB39.7 million for the year ended December 31, 2015 to RMB53.3 million for the year ended December 31, 2016, primarily due to an increase in our research and development activities in connection with the development of next generation technologies and the improvement of our service efficiency. See "Business — Research and Development" for more details.

Other Expenses

We began the preparations for the [REDACTED] in 2016 and incurred expenses for audit, legal and other professional services, which amounted to RMB[REDACTED] during the year ended December 31, 2016.

Finance Cost

Our finance cost increased significantly from RMB2.5 million for the year ended December 31, 2015 to RMB24.2 million for the year ended December 31, 2016, primarily because we incurred a RMB23.5 million interest expense (after RMB6.3 million of interest being capitalized) on borrowings in the year ended December 31, 2016. In 2016, we incurred bank loans to (i) repay the inter-company loans from WXAT Shanghai, which were primarily used to fund the construction of the new facilities at our Wuxi site, (ii) settle a portion of our other payables to related parties and payable to related parties in relation to the Reorganization, and (iii) fund the on-going construction of the new facilities at our Wuxi site.

Income Tax Expense

Our income tax expense increased by 66.5% from RMB20.9 million for the year ended December 31, 2015 to RMB34.8 million for the year ended December 31, 2016, primarily due to an increase in PRC enterprise income tax. Our PRC enterprise income tax increased significantly from RMB19.5 million for the year ended December 31, 2015 to RMB30.0 million for the year ended December 31, 2016, primarily due to the growth of our business. Our effective income tax rate decreased from 31.9% for the year ended December 31, 2015 to 19.8% for the year ended December 31, 2016, primarily

because (i) Suzhou Biologics, which recorded significant operating loss in 2015, recorded an operating profit for the year ended December 31, 2016, and (ii) Shanghai Biologics, which obtained the HNTE qualification in 2016, is entitled to EIT exemption for its 2016 profit, partially offset by an increase in share-based compensation, which was not tax deductible under PRC law. See "— Factors Affecting Our Results of Operations and Financial Condition — Privatization of WuXi PharmaTech and Reorganization — WuXi PharmaTech Share-based Compensation" for more information about WuXi PharmaTech Share-based Compensation.

Profit and Total Comprehensive Income for the Year and Net Profit Margin

As a result of the foregoing, our profit and total comprehensive income for the year increased significantly from RMB44.5 million for the year ended December 31, 2015 to RMB141.1 million for the year ended December 31, 2016. Our net profit margin increased from 8.0% for the year ended December 31, 2015 to 14.3% for the year ended December 31, 2016, primarily due to (i) the growth of our business, which enabled us to achieve greater economies of scale, (ii) an increase in the amount of integrated projects starting from the discovery stage that require us to utilize our own proprietary technologies, which enabled us to receive milestone fee on top of service fee, (iii) a decrease in our effective income tax rate, and (iv) the appreciation of the U.S. dollar against the Renminbi.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenue

Our revenue increased by 67.8% from RMB331.9 million for the year ended December 31, 2014 to RMB557.0 million for the year ended December 31, 2015, primarily due to an increase in the revenue from customers headquartered in the United States, which was partially offset by a decrease in the revenue from customers headquartered in China.

The significant increase in our revenue in 2015 was primarily because a number of our integrated projects successfully obtained approval for their IND applications and progressed to the post-IND phase, which required us to provide a significantly larger amount of services for those projects, thereby leading to a significant increase in the revenue from those projects. The increase in our revenue in 2015 was also attributable to services provided for our new integrated projects, which started at the pre-IND or post-IND phase, primarily from existing customers headquartered in the United States and China. This was mainly as a result of the growing demand for biologics outsourcing services. See "Industry Overview — Overview of the Biologics Outsourcing Services Market" for more information. Given our growing reputation as an integrated biologics services provider, premium service quality and sales and marketing efforts, we were able to receive new projects from existing customers and attract new customers.

Cost of Services

Our cost of services increased by 80.4% from RMB208.6 million for the year ended December 31, 2014 to RMB376.3 million for the year ended December 31, 2015.

Our direct labor costs increased by 128.5% from RMB60.6 million for the year ended December 31, 2014 to RMB138.5 million for the year ended December 31, 2015, significantly exceeding the growth of our revenue, primarily because (i) we increased the salary and bonus of the employees in our business units as part of our efforts to retain and incentivize those employees, (ii) the headcount of the employees in our business units increased as a result of an increase in the demand for our services, and (iii) we experienced an increase in WuXi PharmaTech Share-based Compensation received by the employees in our business units. See "— Factors Affecting Our Results of Operations and Financial Condition — Privatization of WuXi PharmaTech and Reorganization — WuXi PharmaTech Share-based Compensation" for more information.

Our cost of raw materials increased by 66.6% from RMB69.8 million for the year ended December 31, 2014 to RMB116.3 million for the year ended December 31, 2015, primarily due to an increase in the demand for our services. Our overhead increased by 55.4% from RMB78.2 million for the year ended December 31, 2014 to RMB121.5 million for the year ended December 31, 2015, primarily because (i) we completed the construction of and began operating our Suzhou site in December 2014 and continuously expanded the facilities at our Wuxi site in 2014 and 2015; and (ii) we experienced a significant increase in testing service fees as the demand for testing services increased while we were at an early stage of building up our technical analysis function.

Gross Profit and Gross Profit Margin

Our gross profit increased by 46.6% from RMB123.3 million for the year ended December 31, 2014 to RMB180.7 million for the year ended December 31, 2015. Our gross profit margin decreased from 37.1% for the year ended December 31, 2014 to 32.4% for the year ended December 31, 2015, primarily due to an increase in salaries and bonuses of the employees in our business units and an increase in WuXi PharmaTech Share-based Compensation received by the employees in our business units.

Other Income

Our other income decreased by 46.1% from RMB12.8 million for the year ended December 31, 2014 to RMB6.9 million for the year ended December 31, 2015, primarily due to a RMB7.5 million decrease in government grants and subsidies.

Other Gains and Losses

We recorded net other gains of RMB5.7 million for the year ended December 31, 2015, compared with net other losses of RMB1.3 million for the year ended December 31, 2014, primarily due to net foreign exchange gain recorded in 2015. We recorded net foreign exchange loss of RMB58,000 for the

year ended December 31, 2014 mainly as a result of the appreciation of the RMB against the U.S. dollar in 2014. We recorded net foreign exchange gain of RMB6.5 million for the year ended December 31, 2015 mainly as a result of the depreciation of the RMB against the U.S. dollar in the second half of 2015.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 211.6% from RMB4.3 million for the year ended December 31, 2014 to RMB13.4 million for the year ended December 31, 2015, primarily due to an increase in agency commission paid to WAHK. The agency commission we paid to WAHK increased by 221.6% from RMB3.7 million for the year ended December 31, 2014 to RMB11.9 million for the year ended December 31, 2015, significantly exceeding the growth of our revenue, primarily because we experienced a higher increase in the revenue from overseas customers, who entered into long-term service agreements or project-based service contracts with WAHK prior to the establishment of HK Biologics.

Administrative Expenses

Our administrative expenses increased by 64.5% from RMB43.9 million for the year ended December 31, 2014 to RMB72.2 million for the year ended December 31, 2015, primarily due to an increase in our administrative staff costs, which was partially offset by a decrease in pre-operating expenses. Our administrative staff costs increased by 166.1% from RMB17.4 million for the year ended December 31, 2014 to RMB46.3 million for the year ended December 31, 2015, significantly outpacing the growth of our revenue, primarily due to (i) an increase in the headcount of our administrative personnel in light of the growth of our business, (ii) an increase in the staff costs attributable to the administrative personnel of WuXi AppTec Group in relation to the general services provided by them to us in light of the growth of our business, (iii) an increase in the average salary and bonus of our administrative personnel, which was part of our efforts to retain and incentivize such personnel, and (iv) an increase in WuXi PharmaTech Share-based Compensation received by our administrative personnel. See "— Factors Affecting Our Results of Operations and Financial Condition — Privatization of WuXi PharmaTech and Reorganization — WuXi PharmaTech Share-based Compensation" for more information. We recorded pre-operating expenses of RMB10.5 million in 2014 for the preparations of our Suzhou site before it commenced operation in December 2014.

Research and Development Expenses

Our research and development expenses increased by 13.4% from RMB35.0 million for the year ended December 31, 2014 to RMB39.7 million for the year ended December 31, 2015, primarily due to an increase in our research and development activities in connection with the development of next generation technologies and the improvement of our service efficiency. See "Business — Research and Development" for more details.

Finance Cost

Our finance cost remained stable from RMB2.6 million for the year ended December 31, 2014 to RMB2.5 million for the year ended December 31, 2015.

Income Tax Expense

Our income tax expense increased by 198.6% from RMB7.0 million for the year ended December 31, 2014 to RMB20.9 million for the year ended December 31, 2015, primarily due to an increase in PRC enterprise income tax. Our PRC enterprise income tax increased from RMB9.6 million for the year ended December 31, 2014 to RMB19.5 million for the year ended December 31, 2015, which was primarily due to the growth of our business and a RMB22.1 million increase in WuXi PharmaTech Share-Based Compensation in 2015, which was not tax deductible under PRC law. Our effective income tax rate increased from 14.4% for the year ended December 31, 2014 to 31.9% for the year ended December 31, 2015, primarily because Suzhou Biologics recorded significant operating loss in 2015, and to a lesser extent (i) due to the increase in WuXi PharmaTech Share-Based Compensation in 2015, and (ii) because more entities in our Group were subject to 25% EIT rate in 2015 following the WASH BU Acquisition. See "— Factors Affecting Our Results of Operations and Financial Condition — Privatization of WuXi PharmaTech and Reorganization — WuXi PharmaTech Share-based Compensation" for more information about WuXi PharmaTech Share-based Compensation.

Profit and Total Comprehensive Income for the Year and Net Profit Margin

As a result of the foregoing, our profit and total comprehensive income for the year increased by 6.0% from RMB42.0 million for the year ended December 31, 2014 to RMB44.5 million for the year ended December 31, 2015. Our net profit margin decreased from 12.6% for the year ended December 31, 2014 to 8.0% for the year ended December 31, 2015, primarily due to a RMB22.1 million increase in WuXi PharmaTech Share-based Compensation.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth our current assets, current liabilities and net current liabilities for the dates indicated:

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	(RMB'000)			(Unaudited)
Current Assets				
Inventories	33,555	49,919	78,988	109,751
Service work in progress	28,291	100,625	122,702	167,573
Trade and other receivables	160,398	283,275	419,376	400,835
Income tax recoverable	—	—	6,426	1,804
Pledged bank deposits	965	9,064	33,262	39,184
Cash and cash equivalents	5,948	158,229	169,102	241,062
	229,157	601,112	829,856	960,209
Current Liabilities				
Trade and other payables	201,449	726,107	558,088	590,310
Loans from related parties	50,966	455,859	183,417	230,298
Income tax payable	4,035	19,962	8,949	10,048
Bank borrowings	4,444	—	39,000	39,000
Obligations under a finance lease	—	—	11,371	10,452
	260,894	1,201,928	800,825	880,108
Net Current (Liabilities)/Assets	(31,737)	(600,816)	29,031	80,101

We recorded net current assets of RMB29.0 million as of December 31, 2016, compared with net current liabilities of RMB600.8 million as of December 31, 2015, primarily due to (i) a RMB272.4 million decrease in loans from related parties, (ii) a RMB168.0 million decrease in trade and other payables, and (iii) a RMB136.1 million increase in trade and other receivables. The decrease in loans from related parties was due to our repayment of the RMB455.9 million interest-bearing loans from WXAT Shanghai, partially offset by a new interest-free loan of RMB183.4 million as of December 31, 2016 from WuXi PharmaTech. The decrease in trade and other payables was primarily due to decreases in payables to related parties in relation to the Reorganization and trade payables to related parties, partially offset by increases in advances from third-party customers, payable for purchase of plant and equipment, trade payables to third parties, option fee received and payable in relation to listing of Company shares. The increase in trade and other receivables was primarily due to increases in trade receivables from third parties, custom duty recoverable and receivables for purchase of raw materials on behalf of customers, partially offset by decreases in other receivables from related parties and trade receivables from related parties.

We recorded net current liabilities of RMB600.8 million as of December 31, 2015, compared with net current liabilities of RMB31.7 million as of December 31, 2014, primarily due to (i) a RMB524.7 million increase in trade and other payables and (ii) a RMB404.9 million increase in loans from a related party, partially offset by (i) a RMB152.3 million increase in cash and cash equivalents, (ii) a RMB122.9 million increase in trade and other receivables and (iii) a RMB88.7 million increase in inventories and service work in progress. The increase in trade and other payables was primarily due to (i) RMB329.3 million of payable to related parties in relation to the Reorganization and for the purchase of certain equipment in connection with the Reorganization, and (ii) a RMB107.6 million increase in trade payables to related parties primarily due to an increase in the value of raw materials we purchased through our related parties as our business grew. The increase in loans from a related party was primarily because we borrowed a new loan from WXAT Shanghai in the second half of 2015 to fund the expansion of our Wuxi Site.

Inventories

Our inventories include raw materials and consumables used for our services, such as reagents and chromatograph columns. Our inventories increased from RMB33.6 million as of December 31, 2014 to RMB49.9 million as of December 31, 2015 and to RMB79.0 million as of December 31, 2016, primarily as a result of the growth of our business.

As of April 30, 2017, approximately RMB32.4 million, or 41.1%, of our inventory as of December 31, 2016 had been subsequently consumed.

Service Work in Progress

Our service work in progress mainly comprises our services in progress and semi-finished deliverables. Our service work in progress increased from RMB28.3 million as of December 31, 2014 to RMB100.6 million as of December 31, 2015 and to RMB122.7 million as of December 31, 2016, primarily attributable to the growth of our business.

As of April 30, 2017, approximately RMB71.6 million, or 58.4%, of our service work in progress as of December 31, 2016 had been subsequently recognized as cost of services upon revenue recognition.

Trade and Other Receivables

The following table shows a breakdown of our trade and other receivables by category as of the dates indicated:

	As of December 31,		
	2014	2015	2016
		(RMB'000)	
Trade receivables			
- related parties	16,129	49,049	7,488
- third parties	80,787	63,585	216,027
Unbilled revenue			
- related parties	—	—	4,130
- third parties	35,514	80,141	72,819
Allowance for doubtful debts	(1,841)	(2,456)	(6,598)
	130,589	190,319	293,866
Other receivables			
- related parties	5,761	43,628	2,812
- third parties	4,375	6,257	6,252
	10,136	49,885	9,064
Advances to suppliers	755	903	4,532
Deferred listing expenses	—	—	4,705
Prepayments	—	220	972
Receivables for purchase of raw materials on behalf of customers	—	15,565	39,084
Custom duty recoverable	—	—	36,209
Value added tax recoverable	18,918	26,383	30,944
	19,673	43,071	116,446
Total trade and other receivables	160,398	283,275	419,376

Trade receivables from related parties primarily comprise of the outstanding amounts receivable by us from WAHK for the services we provided to overseas customers who entered into contracts with WAHK and the outstanding amounts receivable by us from our related parties for our services. Our overseas customer entered into long-term service agreements or project-based service contracts with WAHK prior to the establishment of HK Biologics. See "— Factors Affecting Our Results of Operations and Financial Condition — Privatization of WuXi PharmaTech and Reorganization — Agency Commission to WAHK" for more information. Trade receivables from third parties primarily represent the outstanding amounts receivable by us from our other customers for our services. Trade receivables also include unbilled revenue. Our project-based service contract or work order typically comprises a number of tasks, each including several discovery, development and/or manufacturing steps. We bill our customers by task but recognize revenue for each discovery, development or

manufacturing step upon the customer's acceptance of the relevant deliverables. As a result, the corresponding service fee for each discovery, development or manufacturing step is recorded as unbilled revenue upon the completion of such step until the entire task is completed, at which time we will bill the customer. See "Business — Customers — Payment Terms" for more details. Other receivables from related parties primarily represent the outstanding amounts receivable by us from WXAT Shanghai for services provided by us to WXAT Shanghai. Other receivables from third parties primarily consist of prepaid rent for our Suzhou site. Custom duty recoverable represents deposits paid to the PRC Customs for the import tax on our imported raw materials and equipment. WuXi Biologics has been recognized by the relevant government authority as an FIRDC, which makes it eligible for a waiver of import tax on imported raw materials and equipment. WuXi Biologics applied to renew its FIRDC qualification in December 2015 and successfully renewed it in December 2016. During the period when the FIRDC qualification of WuXi Biologics was pending, WuXi Biologics paid deposits to the PRC Customs for the import tax on imported raw materials and equipment. The PRC Customs is in the process of issuing us refunds for such deposits.

Our trade and other receivables increased by 48.0% from RMB283.3 million as of December 31, 2015 to RMB419.4 million as of December 31, 2016, primarily due to (i) a RMB152.4 million increase in trade receivables from third parties, (ii) custom duty recoverable of RMB36.2 million and (iii) a RMB23.5 million increase in receivables for purchase of raw materials on behalf of customers, partially offset by (i) a RMB40.8 million decrease in other receivables from related parties, and (ii) a RMB41.6 million decrease in trade receivables from related parties. The increase in trade receivables from third parties was primarily due to (i) WAHK ceasing to act as an intermediary between us and our overseas customers, and (ii) the growth of our business. See "— Factors Affecting Our Results of Operations and Financial Condition — Privatization of WuXi PharmaTech and Reorganization — Agency Commission to WAHK" for more information. The decrease in other receivables from related parties was primarily because (i) WXAT Shanghai paid substantially all of the outstanding fees for the administrative services provided to it by us in previous years, and (ii) we ceased providing such services to WXAT Shanghai after April 1, 2016. Trade receivables from related parties decreased because WAHK ceased to act as an intermediary between us and our overseas customers.

Our trade and other receivables increased by 76.6% from RMB160.4 million as of December 31, 2014 to RMB283.3 million as of December 31, 2015, primarily due to increases in unbilled revenue, other receivables from related parties and trade receivables from related parties, partially offset by a decrease in trade receivables from third parties. Our unbilled revenue increased by 125.6% from RMB35.5 million as of December 31, 2014 to RMB80.1 million as of December 31, 2015, generally in line with our business growth. Other receivables from related parties increased significantly from RMB5.8 million as of December 31, 2014 to RMB43.6 million as of December 31, 2015, primarily because during the Reorganization process we calculated the fees for the administrative services provided by us to WXAT Shanghai in previous years and charged such fees to WXAT Shanghai by the end of 2015. Trade receivables from related parties increased by 204.3% from RMB16.1 million as of December 31, 2014 to RMB49.0 million as of December 31, 2015, primarily due to an increase in the trade receivables from WAHK as a result of an increase in the revenue from the overseas customers

who entered into long-term service agreements or project-based service contracts with WAHK prior to the establishment of HK Biologics. Trade receivables from third parties decreased by 21.3% from RMB80.8 million as of December 31, 2014 to RMB63.6 million as of December 31, 2015, primarily attributable to the decrease in revenue from customers headquartered in China in 2015.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute or disagreement with our customers in relation to the timing, amounts of billing or the collection of our trade receivables. Our trade receivables (including unbilled revenue and allowance for doubtful debts) increased by 45.7% from RMB130.6 million as of December 31, 2014 to RMB190.3 million as of December 31, 2015, and further increased by 54.4% to RMB293.9 million as of December 31, 2016, which was primarily due to, and generally in line with, the growth of our business during the Track Record Period.

As of December 31, 2014, 2015 and 2016, our unbilled revenue was RMB35.5 million, RMB80.1 million and RMB76.9 million, respectively. The fluctuations in our unbilled revenue during the Track Record Period were primarily attributable to two factors: (i) the growth of our business, which caused our unbilled revenue to increase, and (ii) the billing cycle specified in our contracts or work orders with our customers. In general, the more discovery, development and/or manufacturing steps are grouped into a task, the more unbilled revenue we will generate for such task before we are able to bill the customer. The relevant contractual arrangements are subject to a number of factors, including, but not limited to, common industry practice, the nature of the project, the billing preferences of the customer and the bargaining power of the customer. Our unbilled revenue increased from RMB35.5 million as of December 31, 2014 to RMB80.1 million as of December 31, 2015, which was primarily due to, and generally in line with, the growth of our business. Our unbilled revenue decreased slightly from RMB80.1 million as of December 31, 2015 to RMB76.9 million as of December 31, 2016, in spite of the growth of our business, primarily because we enhanced our billing management by grouping a smaller number of discovery, development and/or manufacturing steps into individual tasks. In an attempt to improve our working capital, we have placed a greater emphasis on our billing management after the Reorganization, at which time we started to operate as a standalone group. We were able to enhance our billing management when negotiating new contracts by grouping a smaller number of steps into each task, primarily because we took on projects from new customers that are small to medium-sized or newly established biotechnology companies with limited in-house research and development capabilities. Given their reliance on our technical capabilities and proprietary technologies, we were able to negotiate shorter billing cycles. In addition, we were able to shorten the billing cycles of new projects with customers that are established pharmaceutical and biotechnology companies, primarily attributable to our enhanced market position and growing reputation as an integrated biologics services provider with premium service quality.

We typically grant our customers credit periods ranging from 30 days to 60 days. The following table sets forth an aging analysis of our trade receivables net of allowance for doubtful debts presented based on invoice dates (excluding unbilled revenue) as of the dates indicated:

	As of December 31,		
	2014	2015	2016
		(RMB'000)	
Within 60 days	80,962	101,420	185,992
61 to 180 days	12,576	4,830	25,318
181 days to one year	1,537	3,928	5,607
Total	95,075	110,178	216,917

In determining the recoverability of the trade receivable, we consider any change in the credit quality of the trade receivable from the date on which the credit was initially granted up to the reporting date. The credit quality of trade receivables that were neither past due nor impaired had not changed during the Track Record Period.

We determine the allowance for bad debts based on the evaluation of collectability and ageing analysis of the receivables and on our management's judgment including the assessment of change in credit quality and the past collection history of each customer. The following table sets forth the movement of allowance for doubtful debts as of the dates indicated:

	As of December 31,		
	2014	2015	2016
		(RMB'000)	
Opening balance	—	(1,841)	(2,456)
Provided	(1,841)	(906)	(6,890)
Reversed for the year	—	291	1,194
Write off for the year	—	—	1,554
Closing balance	(1,841)	(2,456)	(6,598)

For the years ended December 31, 2014, 2015 and 2016, our trade receivables turnover days were 61.9 days, 68.7 days and 62.0 days, respectively. We calculate the trade receivables turnover days using the average of the opening and closing balances of trade receivables for the relevant year (excluding unbilled revenue and before adjustment of allowance for doubtful debts), divided by the corresponding revenue for the year, and then multiplied by 365 days.

Our trade receivables turnover days increased slightly from 61.9 days for the year ended December 31, 2014 to 68.7 days for the year ended December 31, 2015, primarily attributable to the growth of our business. Our trade receivables turnover days decreased from 68.7 days for the year ended December 31, 2015 to 62.0 days for the year ended December 31, 2016, primarily because we enhanced our management over trade receivables collection.

As of April 30, 2017, approximately RMB200.8 million, or 68.3%, of our trade receivables as of December 31, 2016 had been subsequently settled.

Trade and Other Payables

The following table sets forth a breakdown of our trade and other payables by category as of the dates indicated:

	As of December 31,		
	2014	2015	2016
		(RMB'000)	
Trade payables			
- related parties	135,945	243,535	30,576
- third parties	10,632	27,093	74,453
	146,577	270,628	105,029
Other payables			
- related parties	261	12,618	2,684
- third parties	4,471	11,413	18,515
	4,732	24,031	21,199
Advances from customers			
- related parties	—	—	5,652
- third parties	18,528	27,363	126,780
	18,528	27,363	132,432
Payable to related parties in relation to group reorganization	—	329,330	84,317
Option fee received	—	—	27,780
Payable for purchase of plant and equipment	26,677	36,213	103,342
Payable in relation to listing of Company shares	—	—	25,782
Salary and bonus payables	4,279	37,272	56,343
Other taxes payable	656	1,270	1,864
Total trade and other payables	201,449	726,107	558,088

Trade payables to related parties mainly represent the balances due to related parties for purchase of certain raw materials we made through such related parties. See "Connected Transactions — Non-exempt Continuing Connected Transactions — 4. Procurement Service Framework Agreement" for more information. Trade payables to third parties mainly represent the balances due to our suppliers for purchase of raw materials. Other payables to related parties mainly consist of the balances of payables to related parties for purchase of certain equipment in connection with the Reorganization. See "Connected Transactions — Non-exempt Continuing Connected Transactions — 3. Equipment Lease Framework Agreement" for more details. Other payables to third parties mainly represent payables for various operating expenses. Payable to related parties in relation to group reorganization represents the consideration payable to related parties for the purchase of the equities of certain subsidiaries during the Reorganization, which is interest free and repayable on demand. Option fee received refers to a fee received for granting an option to AstraZeneca to purchase the AstraZeneca Option Facility. See "Business — Business Collaboration — Business Collaboration with AstraZeneca" for more details. Payable in relation to listing of Company shares represent payables for audit, legal and other professional services for the preparation of the [REDACTED].

Our trade and other payables decreased by 23.1% from RMB726.1 million as of December 31, 2015 to RMB558.1 million as of December 31, 2016, primarily due to decreases in payables to related parties in relation to the Reorganization and trade payables to related parties, partially offset by increases in advances from third-party customers, payable for purchase of plant and equipment, trade payables to third parties, option fee received and payable in relation to listing of Company shares. Payable to related parties in relation to the Reorganization decreased by 74.4% from RMB329.3 million as of December 31, 2015 to RMB84.3 million as of December 31, 2016 primarily due to our repayment to the relevant related parties. We plan to settle the remaining payable to related parties in relation to the Reorganization before the Listing. Our trade payables to related parties decreased by 87.4% from RMB243.5 million as of December 31, 2015 to RMB30.6 million as of December 31, 2016, primarily because (i) we repaid a substantial portion of our outstanding trade payables to related parties, and (ii) we reduced raw material purchases through our related parties and increasingly made purchases directly from third party suppliers. Our advances from third-party customers increased significantly from RMB27.4 million as of December 31, 2015 to RMB126.8 million as of December 31, 2016, primarily attributable to the growth of our business, in particular an increase in work orders from customers with a limited credit history, upon whom we have imposed a stricter policy on collecting pre-payment. Our payable for purchase of plant and equipment increased significantly from RMB36.2 million as of December 31, 2015 to RMB103.3 million as of December 31, 2016 in light of the growth of our business. Our trade payables to third parties increased significantly from RMB27.1 million as of December 31, 2015 to RMB74.5 million as of December 31, 2016, primarily due to the growth of our business and an increase in purchases made by us directly from third party suppliers.

Our trade and other payables increased by 260.5% from RMB201.4 million as of December 31, 2014 to RMB726.1 million as of December 31, 2015, primarily due to increases in payable to related parties in relation to the Reorganization, trade payables to related parties and salary and bonus payables. We recorded RMB329.3 million of payable to related parties in relation to the Reorganization in 2015. Trade payables to related parties increased by 79.2% from RMB135.9 million as of December 31, 2014 to RMB243.5 million as of December 31, 2015, primarily due to an increase

in the value of raw materials we purchased through our related parties as our business grew. Salary and bonus payables increased significantly from RMB4.3 million as of December 31, 2014 to RMB37.3 million as of December 31, 2015, primarily because we increased the year-end bonus to our employees in 2015 as part of our efforts to retain and incentivize our employees.

The following table sets forth an aging analysis of our trade payables based on invoice dates as of the dates indicated:

	As of December 31,		
	2014	2015	2016
		(RMB'000)	
Within three months	146,577	270,628	102,123
Over three months but within one year	—	—	2,906
Total	146,577	270,628	105,029

Our third party suppliers typically grant us credit terms of up to 90 days from the time when the goods are received from the suppliers. For the years ended December 31, 2014, 2015 and 2016, our trade payables turnover days were 139.1 days, 202.3 days and 114.3 days, respectively. We calculate the trade payables turnover days using the average of the opening and closing balances of trade payables for the relevant year divided by the corresponding cost of services for the year, and then multiplied by 365 days.

Our trade payables turnover days increased from 139.1 days for the year ended December 31, 2014 to 202.3 days for the year ended December 31, 2015, primarily due to an increase in trade payables to related parties. Our related parties typically grant us credit terms ranging from six months to nine months, thereby leading to longer average trade payables turnover period in 2015. Our trade payables turnover days decreased from 202.3 days for the year ended December 31, 2015 to 114.3 days for the year ended December 31, 2016, primarily because we reduced raw material purchases through our related parties and increasingly made purchases directly from third party suppliers, who generally grant us shorter credit terms.

As of April 30, 2017, approximately RMB80.2 million, or 76.4%, of our trade payables as of December 31, 2016 had been subsequently settled. As of April 30, 2017, approximately RMB57.3 million, or 43.2%, of our advances from customers as of December 31, 2016 had been subsequently settled. Our Directors confirm that we had no material defaults in our trade and other payables during the Track Record Period and up to the Latest Practicable Date.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Our primary uses of cash are to fund working capital, payment for the purchase of plant and equipment and other recurring expenses. During the Track Record Period, we funded our working capital and other capital expenditure requirements through a combination of cash generated from operations, loans from related parties, advances from related parties and bank borrowings. We had settled all of the inter-company loans from WAXT Shanghai and a portion of the advances from related parties by the Latest Practicable Date and plan to settle the remaining advances from related parties and the inter-company loan from WuXi PharmaTech before the Listing. We estimate that we will settle in total approximately RMB315 million of such advances and inter-company loan using available banking facilities before the Listing.

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,		
	2014	2015	2016
		(RMB'000)	
Net cash provided by operating activities	21,505	107,150	81,921
Net cash used in investing activities	(50,120)	(336,216)	(421,144)
Net cash provided by financing activities	30,436	377,400	332,763
Effects of exchange rate changes	(49)	3,947	17,333
Net increase in cash and cash equivalents	1,772	152,281	10,873
Cash and cash equivalents at beginning of year	4,176	5,948	158,229
Cash and cash equivalents at end of year	5,948	158,229	169,102

Operating Activities

Our cash inflow from operating activities primarily comprises service fees and advances from our customers for our services. Cash outflow from operating activities primarily comprises payments for direct labor costs and raw materials, income tax, administration and other operating expenses.

For the year ended December 31, 2016, our net cash provided by operating activities was RMB81.9 million, consisting of RMB288.4 million of cash generated from operating activities before working capital adjustments that was partially offset by RMB206.5 million of negative net working capital adjustments. Our negative net working capital adjustments for the year ended December 31, 2016 were primarily attributable to (i) an increase in trade and other receivables of RMB142.2 million primarily due to the growth of our business, and (ii) an increase in inventories and service work in progress of RMB51.1 million primarily resulting from the growth of our business.

For the year ended December 31, 2015, our net cash provided by operating activities was RMB107.2 million, consisting of RMB147.1 million of cash generated from operating activities before working capital adjustments that was partially offset by RMB39.9 million of negative net working capital adjustments. Our negative net working capital adjustments for the year ended December 31, 2015 were primarily attributable to (i) an increase in trade and other receivables of RMB110.2 million primarily due to the growth of our business and our billing of the fees for the administrative services provided by us to WAXT Shanghai by the end of 2015, and (ii) an increase in inventories and service work in progress of RMB101.2 million primarily resulting from the growth of our business, partially offset by an increase in trade and other payables of RMB188.3 million primarily due to the growth of our business.

For the year ended December 31, 2014, our net cash provided by operating activities was RMB21.5 million, consisting of RMB96.9 million of cash generated from operating activities before working capital adjustments that was partially offset by RMB75.4 million of negative net working capital adjustments. Our negative net working capital adjustments for the year ended December 31, 2014 were primarily attributable to (i) an increase in trade and other receivables of RMB114.8 million primarily due to the growth of our business, (ii) a RMB61.2 million increase in working capital items of the Biologics Business Unit that were not transferred to our Group during the WASH BU Acquisition, and (iii) an increase in inventories and service work in progress of RMB38.4 million primarily resulting from the growth of our business, partially offset by an increase in trade and other payables of RMB139.0 million primarily due to the growth of our business.

Investing Activities

Our cash used in investing activities mainly reflects our cash used in payments for purchases of plant and equipment.

For the year ended December 31, 2016, our net cash used in investing activities was RMB421.1 million, primarily attributable to (i) payments for purchase of plant and equipment of RMB428.9 million, which were mainly in connection with the construction of the new facilities at our WuXi site, and (ii) a net increase in pledged bank deposits of RMB24.2 million, which were cash deposits with a bank as collateral for such bank to issue letters of credit for our purchases of raw materials and equipment from overseas, partially offset by a RMB26.7 million option fee received from granting an option to AstraZeneca to purchase certain facilities at our WuXi site. See "Business — Business Collaboration — Business Collaboration with AstraZeneca" for more details.

For the year ended December 31, 2015, our net cash used in investing activities was RMB336.2 million, primarily attributable to payments for purchase of plant and equipment of RMB334.4 million, which was mainly in connection with the construction of the new facilities at our Wuxi site, partially offset by government grants received of RMB6.2 million.

For the year ended December 31, 2014, our net cash used in investing activities was RMB50.1 million, primarily attributable to payments for purchase of plant and equipment of RMB51.0 million, which was mainly in connection with the construction of the new facilities at our WuXi site, partially offset by government grants received of RMB0.8 million.

Financing Activities

Our cash inflow from financing activities mainly comprises advance from related parties and bank borrowings.

For the year ended December 31, 2016, our net cash from financing activities was RMB332.8 million, primarily attributable to (i) receipt of bank loans (net) of RMB905.0 million to (1) repay the inter-company loans from WXAT Shanghai, which were primarily used to fund the construction of the new facilities at our Wuxi site, (2) settle a portion of our payable to related parties in relation to the Reorganization, and (3) fund the on-going construction of the new facilities at our Wuxi site, and (ii) receipt of advance from related parties of RMB176.2 million to satisfy our working capital requirements, partially offset by (i) payment of RMB455.9 million to a related party which mainly comprised of inter-company loans from WXAT Shanghai for the construction of the new facilities at our Wuxi site, (ii) payments of RMB250.5 million to related parties in relation to the Reorganization, (iii) interest paid of RMB29.8 million, primarily in connection with our bank loans, and (iv) finance lease payment of RMB11.7 million to a related party.

For the year ended December 31, 2015, our net cash from financing activities was RMB377.4 million, primarily attributable to advance from related parties of RMB404.9 million mainly in connection with inter-company loans from WXAT Shanghai for the construction of the new facilities at our Wuxi site, partially offset by payment of dividend of RMB18.1 million.

For the year ended December 31, 2014, our net cash from financing activities was RMB30.4 million, primarily attributable to capital contribution from a shareholder of RMB24.0 million and advance from a related party of RMB9.0 million in connection with an inter-company loan from WXAT Shanghai.

Working Capital

As of December 31, 2014, 2015 and 2016, we had cash and cash equivalents of RMB5.9 million, RMB158.2 million and RMB169.1 million, respectively. Our cash and cash equivalents increased significantly in 2015 primarily due to increases in cash generated from operations and balances of loans from a related party, partially offset by an increase in cash used in investing activities. Taking into account the estimated net [REDACTED] of the [REDACTED], cash flow generated from our operations and bank facilities available to us, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next twelve months from the date of this document. See "— Discussion of Selected Items from the Consolidated Statements of Financial Position" for more information.

CAPITAL EXPENDITURES

Our principal capital expenditures relate primarily to purchases of plant and equipment in relation to facilities construction and equipment purchases. The following table sets forth a breakdown of our historical capital expenditures for the periods indicated:

	Year ended December 31,		
	2014	2015	2016
		(RMB'000)	
Equipment	50,682	236,960	292,883
Construction	13,710	72,639	154,444
Total	64,392	309,599	447,327

We expect to incur approximately US$145.0 million in capital expenditures in 2017, which we expect to fund primarily through cash generated from operations, bank facilities and net [REDACTED] to be received from the [REDACTED]. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, the market conditions and various other factors we believe to be appropriate.

INDEBTEDNESS

As of April 30, 2017, our outstanding bank loans amounted to RMB987.0 million. The following table sets out our bank loans as of the dates indicated:

	As of December 31,			As of April 30,
	2014	2015	2016	2017
		(RMB'000)		
				(Unaudited)
Unsecured bank loans	4,444	—	905,000	987,000
Carrying amount repayable*:				
Within one year	4,444	—	39,000	39,000
Within a period of more than one year but not exceed two years	—	—	141,000	141,000
Within a period of more than two years but not exceed five years	—	—	725,000	807,000
	4,444	—	905,000	987,000

Note:

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

We incurred a significant amount of bank borrowing in 2016 to (i) repay the inter-company loans from WXAT Shanghai, which were primarily used to fund the construction of the new facilities at our Wuxi site, (ii) settle a portion of our other payables to related parties and payable to related parties in relation to the Reorganization, and (iii) fund the on-going construction of the new facilities at our Wuxi site. Our bank loan balance as of December 31, 2016 represents (i) a five-year syndicated term loan granted by Shanghai Pudong Development Bank Baoshan Branch and Ping An Bank Shanghai Branch, which bears the relevant benchmark interest rate published by the PBOC (being 4.75% as of the Latest Practicable Date), will mature in May 2021 and is guaranteed by our Company, and (ii) a three-year syndicated term loan granted by Shanghai Pudong Development Bank Baoshan Branch and Ping An Bank Shanghai Branch, which bears the relevant benchmark interest rate published by the PBOC (being 4.75% as of the Latest Practicable Date), will mature in May 2019 and is guaranteed by our Company. As of December 31, 2016, the outstanding balance of the five-year syndicated term loan and the three-year syndicated term loan was RMB658.0 million and RMB247.0 million, respectively.

In order to settle our outstanding loans from related parties and payable to related parties in relation to the Reorganization, we entered into a one-year credit facility with HSBC on March 14, 2017. The credit facility is unsecured and not guaranteed and grants us a line of credit up to US$40 million, at an interest rate of LIBOR plus 1.0% per annum, subject to further agreements between us and HSBC upon drawdown. As of the Latest Practicable Date, we had not made any drawdown under this credit facility. We plan to draw down the funds before the Listing to settle our outstanding obligations to related parties.

In order to fund our future capital expenditure needs, for example, potential land acquisition as disclosed in "Business — Recent Development" and the improvement and maintenance of our existing facilities, we entered into another one-year credit facility with HSBC on March 14, 2017. The credit facility is unsecured and not guaranteed and grants us a line of credit up to US$40 million, at an interest rate of a minimum of LIBOR plus 1.6% per annum, which will be stepped up by 0.25% per annum after six months from the first drawdown. As of the Latest Practicable Date, we had not made any drawdown under this credit facility. We plan to draw down the funds should any capital expenditure need arise in the future.

Our bank loan balance as of April 30, 2017 represents (i) a five-year syndicated term loan granted by Shanghai Pudong Development Bank Baoshan Branch and Ping An Bank Shanghai Branch, which bears the relevant benchmark interest rate published by the PBOC (being 4.75% as of the Latest Practicable Date), will mature in May 2021 and is guaranteed by our Company, and (ii) a three-year syndicated term loan granted by Shanghai Pudong Development Bank Baoshan Branch and Ping An Bank Shanghai Branch, which bears the relevant benchmark interest rate published by the PBOC (being 4.75% as of the Latest Practicable Date), will mature in May 2019 and is guaranteed by our Company. As of April 30, 2017, the outstanding balance of the five-year syndicated term loan and the three-year syndicated term loan was RMB740.0 million and RMB247.0 million, respectively.

As of the Latest Practicable Date, we had fully utilized the five-year syndicated term loan and the three-year syndicated term loan, and we had not made any drawdown under the two credit facilities with HSBC. As of the Latest Practicable Date, the total amount of our unutilized banking facilities was approximately RMB556.0 million (US$80.0 million).

In addition to bank loans, we also satisfied our capital requirements partially through loans from related parties during the Track Record Period. The following table sets out our inter-company loans as of the dates indicated.

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	(RMB'000)			(Unaudited)
RMB fixed-rate loans from WXAT Shanghai	50,966	455,859	—	—
Loan from WuXi PharmaTech	—	—	183,417	230,298
	50,966	455,859	183,417	230,298

All of our loans from WAXT Shanghai were interest-bearing unsecured and unguaranteed. Our loans from WAXT Shanghai increased significantly from RMB51.0 million as of December 31, 2014 to RMB455.9 million as of December 31, 2015, primarily because we borrowed a new loan from WXAT Shanghai in the second half of 2015 to fund the expansion of our Wuxi site. This new loan bears a fixed interest rate of 1.75% and has a term of one year. As of the Latest Practicable Date, we had repaid all of our loans from WAXT Shanghai. We obtained a loan from WuXi PharmaTech in 2016 to satisfy our working capital requirements. This loan is unsecured, unguaranteed, interest free and repayable on demand, and had a balance of RMB183.4 million and RMB230.3 million as of December 31, 2016 and April 30, 2017, respectively. We plan to repay the loan from WuXi PharmaTech before the Listing.

Our Directors confirm that as of the Latest Practicable Date, other than disclosed under "Risk Factors — Risks Relating to Our Business and Industry — Restrictions on our operations contained in agreements relating to bank loans may limit how we conduct our business", the agreements under our borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no material defaults in bank and other borrowings, nor did we breach any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulty in obtaining credit facilities, or withdrawal of facilities or request for early repayment.

Save as otherwise disclosed under "— Indebtedness" and "— Contractual Obligations", we did not have any outstanding loan, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments or other contingent liabilities as of the Latest Practicable Date. As of the same date, we had not guaranteed the indebtedness of any independent third parties.

CONTRACTUAL OBLIGATIONS

Capital Commitments

Our capital commitments are related to purchase of equipment and building construction. We expect to satisfy our capital commitments using net [REDACTED] to be received from the [REDACTED], cash from operations and bank facilities available to us. The following table sets forth our capital commitments as of the date indicated:

	As of December 31,		
	2014	2015	2016
		(RMB'000)	
Contracted but not provided for	32,805	501,796	501,178

Operating Lease Commitments

We are the lessee in respect of land and buildings on our Wuxi, Shanghai and Suzhou sites. The following table sets forth our commitments for future minimum lease payments under our non-cancellable operating leases which fall due as indicated:

	As of December 31,		
	2014	2015	2016
		(RMB'000)	
Within one year	10,193	3,978	22,121
In the second to fifth years inclusive	22,270	24,518	84,040
Over five years	30,112	23,983	86,533
Total	62,575	52,479	192,694

Our operating lease commitments increased significantly from RMB52.5 million as of December 31, 2015 to RMB192.7 million as of December 31, 2016, primarily because we leased additional properties for the expansion of our Shanghai and Wuxi sites.

Obligations under a Finance Lease

We leased from WXAT Shanghai certain equipment, which could not be transferred to us during the process of the WASH Business Unit Acquisition given WXAT Shanghai received government subsidies for purchasing such equipment. Our finance lease is unsecured and unguaranteed. See "Connected Transactions — Non-exempt Continuing Connected Transactions — 3. Equipment Lease Framework Agreement" for more information. Our finance lease has a lease term of four years and includes a renewal clause.

	As of December 31,		
	2014	2015	2016
		(RMB'000)	
Analyzed for reporting purposes as:			
Current liabilities	—	—	11,371
Non-current liabilities	—	—	29,655
	—	—	41,026

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Save for the contractual obligations disclosed under "— Indebtedness", "— Contractual Obligations" and "Risk Factors — Risks Relating to Our Business and Industry — Restrictions on our operations contained in agreements relating to bank loans may limit how we conduct our business", we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our equity interests and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

RELATED PARTY TRANSACTIONS

We had the following transactions with related parties during the Track Record Period:

(a) ***Provision of research and development service to related parties***

	Year ended December 31,		
	2014	2015	2016
		(RMB'000)	
WuXi MedImmune Biopharmaceuticals Co., Ltd. ("**WX MedImmune**")[note(i)]	3,713	1,772	16,624
Adagene (Suzhou) Limited[note(ii)]	—	186	6,456
Huahui Anjian (Beijing) Biologics Technology Co., Ltd[note(ii)]	—	2,370	5,410
	3,713	4,328	28,490

(b) ***Provision of administrative service to a related party***

WXAT Shanghai	—	1,669	81

(c) ***Provision of premises sub-leasing services***

Abgent Biotechnology (Suzhou) Co., Ltd.	—	—	454
WuXi AppTec (Suzhou) Co., Ltd. ("**AppTec Suzhou**")	—	—	420
	—	—	874

(d) ***Testing service received***

WuXi AppTec, Inc.	6,225	16,881	14,021
AppTec Suzhou	—	3,400	165
	6,225	20,281	14,186

(e) ***Purchase of materials, plant and equipment***

Shanghai SynTheAll Pharmaceutical Co., Ltd. ("**STA**")	—	2,560	—
WuXi AppTec Sales LLC ("**AppTec Sales**")	98	1,006	—
WXAT Shanghai	—	—	56,388
	98	3,566	56,388

(f) ***Sales commission paid***

WAHK	3,746	11,914	—

	Year ended December 31,		
	2014	2015	2016
		(RMB'000)	
(g) ***Interest expense***			
WXAT Shanghai	2,453	2,517	3,153
(h) ***General services received***			
WXAT Shanghai	—	—	21,404
(i) ***Labor secondment service received***			
WXAT Shanghai	—	—	8,147
AppTec Sales	—	—	5,599
WuXi AppTec UK Ltd.	—	—	576
	—	—	14,322
(j) ***Research and development services received***			
WXAT Shanghai	—	—	2,014
(k) ***Premises leasing services received***			
WXAT Shanghai	—	—	1,588

(l) ***Finance lease from a related party***

During the year ended December 31, 2016, we entered into a finance lease arrangement with WXAT Shanghai in respect of machinery, equipment and leasehold improvement with a total capital value at the inception of the lease of RMB53,781,000. The finance lease charges under the arrangement were RMB690,000 for the year ended December 31, 2016. Our obligations under such finance lease were RMB41,026,000 as of December 31, 2016.

Notes:

(i) WX MedImmune is a 50% shareholding interest joint venture of WAHK.

(ii) Adagene (Suzhou) Limited and Huahui Anjian (Beijing) Biologics Technology Co., Ltd are associates of WXAT Shanghai.

(iii) All of the above related parties are entities in which the Controlling Shareholders can exercise significant influence.

It is the view of our Directors that each of the related party transactions set out in Note 35 to the accountants' report set out in Appendix I to this document (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 reflective of future performance.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of market risks, including currency risk, interest rate risk, credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks. For further details, including relevant sensitivity analysis, see Note 30 to the accountants' report set out in Appendix I to this prospectus.

Currency Risk

Certain entities in our Group have foreign currency sales and purchases, which exposes us to foreign currency risk. In addition, certain entities in our Group also have other payables and other receivables which are denominated in currencies other than their respective functional currencies. We are mainly exposed to the foreign currency of U.S. dollars and we did not use any derivative contracts to hedge against our exposure to currency risk during the Track Record Period and up to the Latest Practicable Date. For example, during the year ended December 31, 2016, over 75% of our revenue was generated from sales denominated in U.S. dollars, while a majority of our cost of services and a vast majority of our operating costs and expenses were denominated in RMB. We have conducted a sensitivity analysis to determine our exposure to changes in foreign currency exchange rate.

Sensitivity analysis

The following table demonstrates our sensitivity to a 5% change in the RMB against the U.S. dollar, the foreign currency with which we may have a material exposure. The sensitivity rate of 5% represents our management's assessment of the reasonably possible change in foreign currency rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at each period end for a 5% change in foreign currency rate.

	Year ended December 31,		
	2014	2015	2016
		(RMB'000)	
Impact on profit or loss before tax			
If RMB weakens against the U.S. dollar	2,498	3,936	(5,311)
If RMB strengthens against the U.S. dollar	(2,498)	(3,936)	5,311

Interest Rate Risk

We are exposed to fair value interest rate risk in relation to fixed rate pledged bank deposits, bank borrowings, finance lease and interest-bearing loans from a related party. We are also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. We currently do not have an interest rate hedging policy to mitigate the interest rate risk. Our management monitors our interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Our cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates. If the interest rate had been 50 basis points higher/lower and all other variables were held constant, our profit before tax would decrease/increase by RMB22,000, nil and RMB2.5 million for the years ended December 31, 2014, 2015 and 2016, respectively.

Credit Risk

We are exposed to credit risk primarily arising from trade and other receivables. Our maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as of the end of each reporting period in relation to each class of recognized financial assets was the carrying amounts of those assets as stated in the consolidated statements of financial position. In order to minimize the credit risk, our management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, our Directors review the recoverability of each trade debt at the end of each of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors are of the view that our credit risk is significantly reduced.

We have concentration of credit risk with respect to trade receivables as the amount due from our largest customer accounted for 13%, 22% and 10% of our total trade receivables as of December 31, 2014, 2015 and 2016, respectively, and the aggregated amount due from our top five customers accounted for 43%, 59% and 46% of our total trade receivables as of December 31, 2014, 2015 and 2016, respectively.

We also have concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on bank balances is limited because a majority of our counterparties are state-owned banks with good reputation or banks with good credit rating.

Liquidity Risk

As of December 31, 2014 and 2015, we recorded net current liabilities of RMB31.7 million and RMB600.8 million, respectively. We recorded net current assets of RMB29.0 million as of December 31, 2016. Prior to the Reorganization, we relied on the financial support of WuXi PharmaTech and its subsidiaries. Upon the completion of the WASH BU Acquisition and subsequent to December 31, 2015, we manage our liquidity risk by maintaining a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the impacts of fluctuations in cash flows.

KEY FINANCIAL RATIOS

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

	Year ended December 31,		
	2014	2015	2016
		(%)	
Profitability ratios			
Gross profit margin [(1)]	37.1	32.4	39.3
Net profit margin [(2)]	12.6	8.0	14.3
Return on equity [(3)]	12.5	17.2	67.8

	As of December 31,		
	2014	2015	2016
		(%)	
Liquidity ratio			
Current ratio [(4)]	87.8	50.0	103.6
Leverage ratio			
Gearing ratio [(5)]	13.3	203.9	272.1

Notes:

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

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

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

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

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

See "— Discussion of Results of Operations" for a discussion of the factors affecting our gross profit margin and net profit margin during the respective periods.

Our return on equity increased from 17.2% for the year ended December 31, 2015 to 67.8% for the year ended December 31, 2016, primarily due to a significant increase in our profit and total comprehensive income from RMB44.5 million for the year ended December 31, 2015 to RMB141.1 million for the year ended December 31, 2016. Our return on equity increased from 12.5% for the year ended December 31, 2014 to 17.2% for the year ended December 31, 2015, primarily due to a decrease in total equity in 2015, which was mainly attributable to RMB205.3 million of deemed distribution to equity holders of our Company and RMB89.1 million of net distribution to WXAT Shanghai. Deemed distribution to equity holders of our Company represents the differences between the existing book values of net assets of the entities acquired by our Group during the Reorganization and the fair value

of consideration payable when our Group acquired those entities from the equity holders of our Company. Net distribution to WXAT Shanghai represents the funds generated by or from the Biologics Business Unit that was retained by WXAT Shanghai prior to the transfer of the Biologics Business Unit to our Group.

Our current ratio increased from 50.0% as of December 31, 2015 to 103.6% as of December 31, 2016, primarily attributable to significant decreases in trade and other payables and inter-company loans from WXAT Shanghai, and increase in trade and other receivables. Our current ratio decreased from 87.8% as of December 31, 2014 to 50.0% as of December 31, 2015, primarily because of increases in our trade and other payables and inter-company loans from WXAT Shanghai.

Our gearing ratio increased from 203.9% as of December 31, 2015 to 272.1% as of December 31, 2016, primarily attributable to an increase in our bank loans, partially offset by a decrease in interest-bearing inter-company loans from WXAT Shanghai. Our gearing ratio increased from 13.3% as of December 31, 2014 to 203.9% as of December 31, 2015, primarily due to an increase in inter-company loans from WXAT Shanghai due to our expansion of the Wuxi site and a decrease in total equity.

DIVIDENDS

A subsidiary of the Company distributed interim dividends of RMB18.1 million for the year ended December 31, 2015 to its then shareholders prior to the Reorganization. Other than the foregoing, no dividend has been paid or declared by other companies comprising our Group during the Track Record Period or the Company since its incorporation.

Our Company currently does not have any dividend policy. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law. 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 Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, 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. PRC laws also require foreign invested enterprises, such as some of our subsidiaries in China, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash 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 December 31, 2016, we had distributable reserves of RMB248.8 million, which were available for distribution to our equity shareholders.

LISTING EXPENSES

Our listing expenses mainly include [REDACTED] and commissions and professional fees paid to legal advisers and the Reporting Accountants for their services rendered in relation to the Listing and the [REDACTED]. The estimated total listing expenses (based on the mid-point of our indicative [REDACTED] for the [REDACTED] and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately RMB[REDACTED]. We incurred listing expenses of RMB[REDACTED] for the year ended December 31, 2016, which was recognized as other expenses. We expect to further incur listing expenses of RMB[REDACTED] in connection with the [REDACTED], of which an estimated amount of RMB8.7 million is expected to be recognized as other expenses and the remaining amount of RMB71.15 million is expected to be recognized directly as a deduction from equity upon the Listing. Our Directors do not expect such expenses would have a material adverse impact on our results of operations for the year ending December 31, 2017.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited [REDACTED] statement of adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of the Group as at December 31, 2016 as if the [REDACTED] had taken place on such date.

This unaudited [REDACTED] statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at December 31, 2016 following

the [REDACTED] or as at any subsequent dates. It is prepared based on the unaudited consolidated net tangible assets of the Group as at December 31, 2016 as derived from the consolidated financial statements set out in Appendix I of this document and adjusted as described below.

	Audited consolidated net tangible assets of the Group as at December 31, 2016	**Estimated [REDACTED] from the [REDACTED]**	**Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group as at December 31, 2016**	**Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group as at December 31, 2016 per Share**	
	RMB'000 (Note 1)	**RMB'000 (Note 2)**	**RMB'000**	**RMB (Note 3)**	**HK$ (Note 4)**
Based on an [REDACTED] of HK$[REDACTED] per [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The audited consolidated net tangible assets of the Group as at December 31, 2016 is extracted from the consolidated statement of financial position set out in Appendix I to this document.

(2) The estimated net [REDACTED] from the [REDACTED] are based on [REDACTED] [REDACTED] at the indicative [REDACTED] of HK$[REDACTED] (equivalent to RMB[REDACTED]) and HK$[REDACTED] (equivalent to RMB[REDACTED]) per [REDACTED], respectively, after deduction of [REDACTED] and commissions and other listing related expenses paid/payable by the Company (excluding approximately RMB[REDACTED] listing expenses which has been charged to profit or loss up to December 31, 2016), and without taking into account of (i) any shares which may be allotted and issued upon the exercise of the [REDACTED] or (ii) which may be issued under [REDACTED] Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company. For the purpose of the estimated net [REDACTED] from the [REDACTED], the amount denominated in Hong Kong dollars has been converted into Renminbi at the rate of HK$1 to RMB0.89586, which was the exchange rate prevailing on January 3, 2017 with reference to the rate published by the People's Bank of China. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

(3) The unaudited [REDACTED] adjusted consolidated net tangible assets of the Group per Share is arrived at on the basis that [REDACTED] Shares were in issue assuming that the [REDACTED] had been completed on December 31, 2016 and without taking into account of (i) any shares which may be allotted and issued upon the exercise of the [REDACTED] (ii) which may be issued under [REDACTED] Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company.

(4) For the purpose of unaudited [REDACTED] adjusted consolidated net tangible assets of the Group per Share, the amount stated in RMB is converted into Hong Kong dollar at the rate of HK$1 to RMB0.89586, which was the exchange rate prevailing on January 3, 2017 with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(5) No adjustment has been made to the unaudited [REDACTED] adjusted consolidated net tangible assets of the Group as at December 31, 2016 to reflect any trading result or other transaction of the Group entered into subsequent to December 31, 2016.

NO MATERIAL ADVERSE CHANGE

We confirm that there has been no material adverse change in our financial or trading position since December 31, 2016, being the date of the latest audited consolidated statements of financial position of our Group as set out in the Accountant's Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

Please see the sections headed "Business — Our Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that we will receive net [REDACTED] of the [REDACTED], after deducting the [REDACTED] and commissions and estimated expenses payable by us in relation to the [REDACTED] in the amount of:

- approximately HK$[REDACTED], if the [REDACTED] is not exercised, or approximately HK$[REDACTED], if the [REDACTED] is exercised in full, assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the low-end of the proposed [REDACTED];

- approximately HK$[REDACTED], if the [REDACTED] is not exercised, or approximately HK$[REDACTED], if the [REDACTED] is exercised in full, assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the proposed [REDACTED]; or

- approximately HK$[REDACTED], if the [REDACTED] is not exercised, or approximately HK$[REDACTED], if the [REDACTED] is exercised in full, assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the high-end of the proposed [REDACTED].

We intend to use the net [REDACTED] from the [REDACTED] for the purposes and in the amounts set out below, assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the proposed [REDACTED] and assuming the [REDACTED] is not exercised:

- approximately [REDACTED]% of the net [REDACTED], or HK$[REDACTED], will be used for the construction of our new facilities and facility improvement and maintenance. We expect to use approximately HK$[REDACTED] of the net [REDACTED] for our expansions, including (i) approximately HK$[REDACTED] and HK$[REDACTED] on the construction and equipment purchase for the new facilities at our Wuxi site, respectively, and (ii) approximately HK$[REDACTED] and HK$[REDACTED] on the construction and equipment purchase for the new facilities at our Shanghai site, respectively. See "Business — Future Expansion" for more details. We expect to use approximately HK$[REDACTED] million of the net [REDACTED] for the improvement and maintenance of our existing facilities, including (i) approximately HK$[REDACTED] and HK$[REDACTED] on the existing buildings and equipment at our Wuxi site, respectively, and (ii) approximately HK$[REDACTED] and HK$[REDACTED] on the existing buildings and equipment at our Shanghai site, respectively; and

- approximately [REDACTED]% of the net [REDACTED], or HK$[REDACTED], will be used to repay a portion of our outstanding bank facilities, including (i) a five-year syndicated term loan granted by Shanghai Pudong Development Bank Baoshan Branch and Ping An Bank Shanghai Branch, which bears the relevant benchmark interest rate published by the PBOC (being 4.75% as of the Latest Practicable Date) and will mature in May 2021, (ii) a three-year syndicated term loan granted by Shanghai Pudong Development Bank Baoshan Branch and Ping An Bank Shanghai Branch, which bears the relevant benchmark interest rate published by the PBOC (being 4.75% as of the Latest Practicable Date) and will mature in May 2019 and (iii) a one-year credit facility granted by HSBC, which bears an interest rate of LIBOR plus 1.0% per annum and will mature in March 2018. We incurred the bank borrowing from Shanghai Pudong Development Bank Baoshan Branch and Ping An Bank Shanghai Branch to (i) repay the inter-company loans from WXAT Shanghai, which were primarily used to fund the construction of the new facilities at our Wuxi site, (ii) settle a portion of our other payables to related parties and payable to related parties in relation to the WASH BU Acquisition, and (iii) fund the on-going construction of the new facilities at our Wuxi site. We incurred the bank borrowing from HSBC to settle our outstanding loans from related parties and payable to related parties in relation to the Reorganization. See "Financial Information — Indebtedness" for more details about these bank facilities.

[In the event that the [REDACTED] is fixed below or above the midpoint of the [REDACTED], the net [REDACTED] allocated to the repayment of our outstanding bank facilities will be decreased or increased accordingly. Any additional [REDACTED] received from the exercise of the [REDACTED] will also be allocated to the repayment of our outstanding bank facilities.]

To the extent that the net [REDACTED] are not immediately applied to the above purposes, we intend to deposit the net [REDACTED] into short-term demand deposits and/or money market instruments.

In the event of any material change in our use of net [REDACTED] of the [REDACTED] from the purposes described above or in our allocation of the net [REDACTED] among the purposes described above, a public announcement will be made.

We will not receive any of the [REDACTED] from the [REDACTED] of the [REDACTED] by the [REDACTED] in the [REDACTED]. The [REDACTED], after deduction of [REDACTED] for the [REDACTED] payable by them in the [REDACTED] and assuming an [REDACTED] of HK$[REDACTED] per Share (being the mid-point of the indicative [REDACTED]), will receive aggregate net [REDACTED] from the [REDACTED] of approximately HK$[REDACTED].

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

[REDACTED]

Lock-up

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 will not, any time within six months from the [REDACTED], issue any Shares or other securities convertible into equity securities (whether or not of a class already listed) of our Company or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the [REDACTED]), except pursuant to the [REDACTED] or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

[REDACTED]

JOINT SPONSORS' INDEPENDENCE

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

[REDACTED]

UNDERWRITING

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

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STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

Deloitte. 德勤

35/F One Pacific Place
88 Queensway
Hong Kong

[REDACTED]

The Directors
WuXi Biologics (Cayman) Inc.

Merrill Lynch Far East Limited

Morgan Stanley Asia Limited

China Merchants Securities (HK) Co., Limited

Dear Sirs,

We set out below our report on the financial information relating to WuXi Biologics (Cayman) Inc. (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") for each of the three years ended December 31, 2016 (the "**Track Record Period**") (the "**Financial Information**"), for the inclusion in the document of the Company dated [REDACTED] (the "**Document**") in connection with the proposed [REDACTED] and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**").

The Company, which acts as an investment holding company, was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands on February 27, 2014. Pursuant to a group reorganization, as more fully explained in note 2 to section A of the Financial Information (the "**Group Reorganization**"), the Company became the holding company of the entities now comprising the Group since July 17, 2015.

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation/ establishment	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interest held by the Company as at December 31, 2014	December 31, 2015	December 31, 2016	the date of this report	Principal activities
				%	%	%	%	
Directly held:								
WuXi Biologics Investments Limited (formerly known as "Global Bond Investments Ltd.") ("**Biologics Investments**")	Hong Kong November 18, 2010	Not applicable	Hong Kong dollar ("**HK$**") 1	100	100	100	100	Investment holding

Name of subsidiaries	Place and date of incorporation/ establishment	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interest held by the Company as at December 31, 2014	2015	2016	the date of this report	Principal activities
				%	%	%	%	
Indirectly held:								
無錫藥明康德企業管理有限公司 (WuXi Biologics Holdings Co., Ltd.)# ("**WuXi Enterprise**")	The People's Republic of China (the "**PRC**") August 14, 2014	Renminbi ("**RMB**") 168,070,000	RMB94,290,000	100	100	100	100	Investment holding
無錫藥明康德生物技術股份有限公司 (WuXi AppTec Biopharmaceuticals Co., Ltd)# ("**WuXi Biopharma**")	The PRC May 25, 2010	RMB353,970,000	RMB353,970,000	100	100	100	100	Development of, and the provision of consultation services in relation to, the biopharmaceutical technology
WuXi Biologics (Hong Kong) Limited ("**HK Biologics**")	Hong Kong May 12, 2014	Not applicable	HK$1	100	100	100	100	International sales contracting service
蘇州藥明康德檢測檢驗有限責任公司 (WuXi AppTec (Suzhou) Testing Technology Co., Ltd.)# ("**Suzhou Biologics**")	The PRC May 30, 2012	RMB42,860,000	RMB42,860,000	100	100	100	100	Testing and development of testing technologies
上海藥明生物技術有限公司 (WuXi Biologics (Shanghai) Co., Ltd.)# ("**Shanghai Biologics**")	The PRC January 6, 2015	RMB130,000,000	RMB130,000,000	N/A	100	100	100	Research and development in relation to biologics
WuXi Biologics USA, LLC. ("**USA Biologics**")	The United States of America April 21, 2016	US dollars ("**US$**")100	US$100	N/A	N/A	100	100	Sales and marketing services in US
無錫明德生物醫藥有限公司 (WuXi Medi Biologics, Inc.)#	The PRC September 26, 2016	US$20,000,000	—	N/A	N/A	100	100	Development of, and the provision of consultation services in relation to, the biopharmaceutical technology
WuXi Biologics UK Ltd. ("**UK Biologics**")	The United Kingdom December 2, 2016	Pound Sterling 1,000	—	N/A	N/A	100	100	Sales and marketing services in Europe

 # English name is for identification purpose only.

Historically, part of the Group's principal business, which is providing biologics discovery, development and manufacturing service, was carried out by a fellow subsidiary of the Company, WuXi AppTec (Shanghai) Co., Ltd. ("**WXAT Shanghai**") during the Track Record Period until, as part of the Group Reorganization, WXAT Shanghai ceased to operate biologics discovery, development and manufacturing service (the "**Biologics Business Unit**") and transferred to Shanghai Biologics all relevant assets and liabilities, except for the trade payables and certain plant and equipment, related specifically to the biologics discovery, development and manufacturing service (the "**Business Transfer**").

The statutory financial statements of the Company's PRC subsidiaries and of WXAT Shanghai for the Track Record Period, or since their respective dates of establishment, where this is a shorter period, were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were all audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥)), Certified Public Accountants registered in the PRC. The respective statutory financial statements of HK Biologics since its dates of incorporation to December 31, 2014, the year ended December 31, 2015 and the year ended December 31, 2016, and Biologics Investments for the Track Record Period were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and were audited by us.

No statutory audited financial statements have been prepared for the Company and USA Biologics as they were incorporated in jurisdiction where there is no statutory audit requirement. UK Biologics was newly incorporated and no statutory audited financial statements have been issued.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries (including the Biologics Business Unit) for the Track Record Period in accordance with accounting policies that conform with the International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") (the "**Underlying Financial Statements**"). The Underlying Financial Statements have been audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have also examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "[REDACTED] and the Reporting Accountant" issued by the HKICPA.

The Financial Information of the Group for the Track Record Period as set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 to Section A of the Financial Information. No adjustment was considered necessary by the directors of the Company to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the Document.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Document in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 2 to Section A of the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at December 31, 2014, 2015 and 2016, and of the Company as at December 31, 2014, 2015 and 2016, and of the Group's financial performance and cash flows for the Track Record Period.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The Group

		Year ended December 31,		
	NOTES	2014	2015	2016
		RMB'000	RMB'000	RMB'000
Revenue	6	331,850	557,042	989,029
Cost of services		(208,596)	(376,321)	(599,919)
Gross profit		123,254	180,721	389,110
Other income	7	12,753	6,917	7,523
Other gains and losses	8	(1,250)	5,705	(1,538)
Selling and marketing expenses		(4,303)	(13,447)	(15,326)
Administrative expenses		(43,862)	(72,220)	(94,606)
Research and development expenses		(35,024)	(39,743)	(53,282)
Other expenses	11	—	—	[REDACTED]
Finance cost	9	(2,556)	(2,531)	(24,155)
Profit before tax		49,012	65,402	175,846
Income tax expense	10	(7,034)	(20,893)	(34,750)
Profit and total comprehensive income for the year	11	41,978	44,509	141,096
		RMB	RMB	RMB
Earnings per share - basic and diluted	14	0.04	0.05	0.15

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Group

	NOTES	As at December 31, 2014	2015	2016
		RMB'000	RMB'000	RMB'000
Non-current Assets				
Plant and equipment	17	404,847	753,996	1,152,770
Deferred tax assets	18	2,666	1,608	2,370
		407,513	755,604	1,155,140
Current Assets				
Inventories	19	33,555	49,919	78,988
Service work in progress	20	28,291	100,625	122,702
Trade and other receivables	21	160,398	283,275	419,376
Income tax recoverable		—	—	6,426
Pledged bank deposits	22	965	9,064	33,262
Cash and cash equivalents	22	5,948	158,229	169,102
		229,157	601,112	829,856
Current Liabilities				
Trade and other payables	23	201,449	726,107	558,088
Loans from related parties	24	50,966	455,859	183,417
Income tax payable		4,035	19,962	8,949
Bank borrowings	25	4,444	—	39,000
Obligations under a finance lease	26	—	—	11,371
		260,894	1,201,928	800,825
Net Current (Liabilities) Assets		(31,737)	(600,816)	29,031
Total Assets Less Current Liabilities		375,776	154,788	1,184,171
Non-current Liabilities				
Deferred revenue	27	3,946	8,787	12,559
Bank borrowings	25	—	—	866,000
Obligations under a finance lease	26	—	—	29,655
Deferred tax liabilities	18	—	—	5,490
		3,946	8,787	913,704
Net Assets		371,830	146,001	270,467
Capital and Reserves				
Share capital	28	—	—	158
Reserves		371,830	146,001	270,309
Total Equity		371,830	146,001	270,467

STATEMENTS OF FINANCIAL POSITION

The Company

		As at December 31,		
	NOTES	2014	2015	2016
		RMB'000	RMB'000	RMB'000
Non-current Assets				
Investments in subsidiaries	16	—	—	38,308
Amount due from a subsidiary	38	—	—	31,082
		—	—	69,390
Current Assets				
Other receivables and prepayments	21	—	—	5,403
Bank balances and cash	22	—	—	20,251
		—	—	25,654
Current Liabilities				
Trade and other payables	23	15	16	94,322
Net Current Liabilities		(15)	(16)	(68,668)
Total Assets Less Current Liabilities		(15)	(16)	722
Capital and Reserves				
Share capital	28	—	—	158
Reserves	36	(15)	(16)	564
Total (Deficit) Equity attributable to the Owners of the Company		(15)	(16)	722

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The Group

	Share capital	Statutory reserve	Equity-settled share-based compensation reserve	Reorganization reserve	Special reserve	Retained earnings	Total
	RMB'000	RMB'000 (Note i)	RMB'000 (Note ii)	RMB'000 (Note iv)	RMB'000 (Note iii)	RMB'000	RMB'000
At January 1, 2014	—	1,035	2,218	171,162	110,857	13,681	298,953
Profit and total comprehensive income for the year	—	—	—	—	—	41,978	41,978
Transfer to statutory reserve	—	977	—	—	—	(977)	—
Recognition of equity-settled share-based compensation	—	—	4,766	—	—	—	4,766
Net contribution from WXAT Shanghai (Note iii(a))	—	—	—	—	11,898	—	11,898
Profit for the year from Biologics Business Unit transferred to special reserve (Note iii(b))	—	—	—	—	30,807	(30,807)	—
Capital contribution from equity holders of the Company (Note iv(a))	—	—	—	24,000	—	—	24,000
Deemed distribution to equity holders of the Company (Note iv(b))	—	—	—	(9,765)	—	—	(9,765)
At December 31, 2014	—	2,012	6,984	185,397	153,562	23,875	371,830
Profit and total comprehensive income for the year	—	—	—	—	—	44,509	44,509
Transfer to statutory reserve	—	8,112	—	—	—	(8,112)	—
Recognition of equity-settled share-based compensation	—	—	26,861	—	—	—	26,861
Net distribution to WXAT Shanghai (Note iii(a))	—	—	—	—	(89,107)	—	(89,107)
Loss for the year from Biologics Business Unit transferred to special reserve (Note iii(b))	—	—	—	—	(116)	116	—
Deemed distribution to equity holders of the Company (Note iv(c))	—	—	—	(205,293)	—	—	(205,293)
Deemed contribution from equity holders of the Company (Note iv(d))	—	—	—	15,260	—	—	15,260
Dividends paid (Note 15)	—	—	—	—	—	(18,059)	(18,059)
At December 31, 2015	—	10,124	33,845	(4,636)	64,339	42,329	146,001
Profit and total comprehensive income for the year	—	—	—	—	—	141,096	141,096
Tranfer to statutory reserve	—	17,892	—	—	—	(17,892)	—
Recognition of equity-settled share-based compensation	—	—	47,551	—	—	—	47,551
Assumption of a liability to WXAT Shanghai (Note iii(c))	—	—	—	—	(64,339)	—	(64,339)
Ordinary shares issued (note 28)	158	—	—	—	—	—	158
At December 31, 2016	158	28,016	81,396	(4,636)	—	165,533	270,467

Notes:

(i) In accordance with the Articles of Association of all subsidiaries established in the PRC, they are required to transfer 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

(ii) The amount represents equity-settled share-based compensation in respect of employee stock incentive plan of WuXi PharmaTech (Cayman) Inc. ("**WuXi PharmaTech**"), the then ultimate holding company of the Company before completion of the Group Reorganization, for the equity instruments granted by WuXi PharmaTech to certain directors of the Company and employees of the Group for their service rendered to the Group (the WuXi PharmaTech Stock Units and Options as defined in note 13) and, when applicable, the equity-settled share-based compensation under the Company's [REDACTED] share option scheme (the "[REDACTED] Share Option Scheme") as disclosed in note 37. Since the Group has no obligation to reimburse WuXi PharmaTech for the employee stock incentive plan expense, the amount is treated as deemed capital contribution and included in equity-settled share-based compensation reserve accordingly.

(iii) The special reserve reflects reserve movements related to the operations of the Biologics Business Unit.

  a. The net contribution from WXAT Shanghai represents the funding used in the Biologics Business Unit provided by WXAT Shanghai prior to the Business Transfer, and the net distribution to WXAT Shanghai represents the funding generated by the Biologics Business Unit and retained in WXAT Shanghai prior to the Business Transfer.

  b. The profit or loss in respect of the operations of the Biologics Business Unit carried out by WXAT Shanghai prior to the Business Transfer legally belonged to WXAT Shanghai. Therefore, the net profit (loss) in respect of the Biologics Business Unit was transferred to special reserve, as such profit (loss) is non-distributable.

  c. As a result and for the purpose of the closure of the Business Transfer, the Company assumed an obligation to pay to WXAT Shanghai the balance of the cumulative profit or loss of the Biologics Business Unit and the cumulative net funding contributed by WXAT Shanghai into Biologics Business Unit up to the date of the Business Transfer, aggregating to RMB64,339,000.

(iv) Reorganization reserve as of January 1, 2014 represents (i) the combined capital contribution in WuXi Biopharma and Suzhou Biologics by the then shareholders of the combining entities before the Group Reorganization, net of (ii) the administrative service cost borne on behalf of a fellow subsidiary that the Group did not demand repayment. The amounts recorded in reorganization reserve during the years ended December 31, 2014, 2015 and 2016 are resulted from the following movements:

  a. The movement represents additional capital injection into the combining entities by the then shareholders of the combining entities before the Group Reorganization.

  b. The movement represents administrative service cost borne on behalf of a fellow subsidiary that the Group did not demand repayment, hence it was treated as deemed distribution to equity holders of the Company.

  c. The movement represents the consideration paid/payable by the Group for the acquisition of the combining entities from equity holders of the Company.

  d. The movement represents repayment made by a fellow subsidiary for the administrative service cost incurred by the Group on its behalf and was recognized by the Group as deemed distribution to equity holders of the Company in prior years.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The Group

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit before tax	49,012	65,402	175,846
Adjustments for:			
Interest expense	2,556	2,531	24,155
Depreciation for plant and equipment	42,309	57,006	93,185
Allowance for doubtful debts	1,841	615	5,696
Impairment loss on inventories and service work in progress	—	3,771	—
Net foreign exchange loss (gain)	46	(3,984)	(9,223)
Share-based payment expense	4,766	26,861	47,551
Income from government grants and subsidies	(1,377)	(1,338)	(1,478)
Loss on disposal of plant and equipment	—	105	90
	99,153	150,969	335,822
Income tax paid	(2,272)	(3,908)	(47,461)
Operating cash flows before movements in working capital	96,881	147,061	288,361
Increase in inventories and service work in progress	(38,395)	(101,158)	(51,146)
Increase in trade and other receivables	(114,846)	(110,192)	(142,236)
Increase (decrease) in trade and other payables	139,035	188,251	(13,058)
Increase in working capital items that were not transferred to the Group (Note)	(61,170)	(16,812)	—
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,505	107,150	81,921
INVESTING ACTIVITIES			
Proceeds on disposal of plant and equipment	46	66	—
Purchase of plant and equipment	(51,044)	(334,362)	(428,883)
Government grants and subsidies received	840	6,179	5,250
Withdrawal of pledged bank deposits	38	965	26,769
Placement of pledged bank deposits	—	(9,064)	(50,967)
Option fee received (Note 23)	—	—	26,687
NET CASH USED IN INVESTING ACTIVITIES	(50,120)	(336,216)	(421,144)

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
FINANCING ACTIVITIES			
Proceeds from bank borrowings	4,424	—	918,000
Repayment of bank borrowings	(4,424)	(4,408)	(13,000)
Interest paid	(2,556)	(2,531)	(29,759)
Finance lease charges paid	—	—	(640)
Repayment of obligation under a finance lease to a related party	—	—	(11,689)
Advance from related parties	8,992	404,893	176,202
Repayment to a related party	—	—	(455,859)
Capital contribution from shareholders	24,000	—	—
Repayment to related parties in relation to Group Reorganization	—	(2,495)	(250,492)
Payment of dividends	—	(18,059)	—
NET CASH PROVIDED BY FINANCING ACTIVITIES	30,436	377,400	332,763
Effects of exchange rate changes	(49)	3,947	17,333
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,772	152,281	10,873
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,176	5,948	158,229
CASH AND CASH EQUIVALENTS AT END OF YEAR	5,948	158,229	169,102

Note:

The following is an analysis of the change in working capital that was resulted from the operation of the Biologics Business Unit but had no impact on the cash flows of the Group as such working capital items of the Biologics Business Unit were not transferred to the Group.

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Increase in trade and other receivables	(206,628)	(180,261)	—
Increase in trade and other payables	145,458	163,449	—
Increase in working capital items that were not transferred to the Group	(61,170)	(16,812)	—

NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was established in the Cayman Islands as an exempted company with limited liability on February 27, 2014. The address of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the Document. As at the date of this report, the immediate and ultimate holding company of the Company is WuXi Biologics Holdings Limited ("**Biologics Holdings**"), a company incorporated in the British Virgin Islands, which is ultimately controlled by Dr. Li Ge; Dr. Zhao Ning, the spouse of Dr. Li; Mr. Liu Xiaozhong and Mr. Zhang Zhaohui who are all acting in concert (collectively known as "Controlling Shareholders").

The Company is an investment holding company. The principal activity of the Group is to provide discovery, development and manufacturing of biologics services.

The functional currency of the Company is RMB, which is the same as the presentation currency of the Financial Information.

2. GROUP REORGANIZATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Biologics Business Unit and the entities comprising the Group have been fellow subsidiaries under the common control of WuXi PharmaTech from the beginning of the Track Record Period until January 12, 2016 ("**WuXi PharmaTech Holding Period**"), on which date, WuXi PharmaTech transferred all of the Company's shares to Biologics Holdings as more fully described in the section headed "History and Corporate Development" in the Document. Both WuXi PharmaTech and Biologics Holdings were under the common control of the Controlling Shareholders at the date of the shares transfer. Subsequent to the shares transfer, the Group is controlled by Biologics Holdings, which is ultimately controlled by the Controlling Shareholders. During the WuXi PharmaTech Holding Period, WuXi PharmaTech underwent a reorganization that restructured the Biologics Business Unit and the entities comprising the Group into the current listing group structure under the Company ("**Group Reorganization**"), the major steps of the Group Reorganization are detailed below. The Group Reorganization was completed as at December 31, 2015.

Major steps of the Group Reorganization include the following:

- HK Biologics was incorporated in Hong Kong by the Company on May 12, 2014. In December 2015, the Company transferred the one ordinary share issued by HK Biologics at nominal value to WuXi Biopharma, as a result HK Biologics became a wholly-owned subsidiary of WuXi Biopharma.

- Shanghai Biologics was established in the PRC by WuXi Biopharma on January 6, 2015.

- In January 2015, the Company acquired the entire issued share capital of Biologics Investments from WuXi AppTec (BVI) Inc. ("**WXAT BVI**"), a wholly-owned subsidiary of WuXi PharmaTech, at a cash consideration of HK$1.

- In March 2015, Biologics Investments acquired 45% equity interest of WuXi Biopharma from WXAT BVI at a cash consideration of approximately RMB78,838,000 and acquired 100% of WuXi Enterprise, which holds 55% equity interest in WuXi Biopharma, from WuXi AppTec Co., Ltd ("**WuXi AppTec**"), a wholly-owned subsidiary of WuXi PharmaTech, at a cash consideration of approximately RMB90,809,000.

- On April 20, 2015, Shanghai Biologics and WXAT Shanghai entered into a business transfer agreement, pursuant to which WXAT Shanghai transferred the Biologics Business Unit to Shanghai Biologics at a cash consideration of approximately RMB127,111,000. The transfer of the operations of the Biologics Business Unit was completed on December 31, 2015. Subsequently, WXAT Shanghai ceased to engage in biologics discovery, development and manufacturing service.

- In July 2015, Wuxi Biopharma acquired the entire equity interest of Suzhou Biologics from WuXi Apptec Investment & Development Co., Ltd. ("**WuXi Investment**"), a wholly-owned subsidiary of WuXi PharmaTech, WXAT Shanghai and WXAT BVI at a cash consideration of approximately RMB22,456,000, RMB2,495,000 and RMB10,694,000, respectively.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the two years ended December 31, 2015 include the results, changes in equity and cash flows of the entities comprising the Group and of the Biologics Business Unit, on the basis mentioned below, as if the Biologics Business Unit had been operated by the Group throughout the Track Record Period.

The consolidated statement of financial position of the Group as at December 31, 2014 has been prepared to present the assets and liabilities of the entities comprising the Group and of the Biologics Business Unit, on the basis mentioned below, as if the current group structure had been in existence and the Biologics Business Unit had been transferred to the Group on that date.

To the extent the assets, liabilities, income and expenses that are specifically identified to the Biologics Business Unit, such items are included in the Financial Information throughout the Track Record Period. To the extent the assets, liabilities, income and expenses that are impracticable to identify specifically, these items are allocated to the Biologics Business Unit on the basis set out below (such items include certain selling and marketing expenses, administrative expenses and income tax expense). Items that do not meet the criteria above are not included in the Financial Information of the Group.

Expenses which are impracticable to identify specifically to the Biologics Business Unit are determined on the following basis: (1) included in the administrative expenses are administrative and support department staff salaries and staff welfare which were allocated based on the percentage of headcount of the Biologics Business Unit to the total headcount of WXAT Shanghai; (2) sales commissions for sales generated from WXAT Shanghai's marketing unit included in the selling and

marketing expenses were allocated based on the percentage of Biologics Business Unit's revenue generated from marketing activity to WXAT Shanghai's total revenue generated from marketing activity; and (3) income tax expense was calculated based on the tax rate of WXAT Shanghai as if the Biologics Business Unit is a separate tax reporting entity. The directors of the Company believe that the method of allocation of the above expense items presents a reasonable basis of estimating what Biologics Business Unit's operating results would have been on a stand-alone basis for the Track Record Period. Other than those items mentioned above, all other items of assets and liabilities, income and expenses of Biologics Business Unit are specifically identified.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has adopted all the IFRSs which are effective for the financial year beginning on January 1, 2016 and consistently applied them throughout the Track Record Period.

New and amendments to standards and interpretations issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs and interpretation that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 15	Clarification to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses[4]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle[5]

[1] Effective for annual periods beginning on or after January 1, 2018

[2] Effective for annual periods beginning on or after January 1, 2019

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after January 1, 2017

[5] Effective for annual periods beginning on or after January 1, 2017 or January 1, 2018, as appropriate

Except as disclosed below, the directors of the Company anticipate that application of the new and amendments to IFRSs will have no material impact to the consolidated financial statements in the future.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidances including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group recognizes revenue from providing research services to its customers through fixed-fee per contract ("**Fee-for-service**") and from research services provided on a full-time-equivalent ("**FTE**") basis. Details of the revenue recognition policy are disclosed in Note 4.

The directors of the Company have preliminarily assessed and identified the performance obligations and the method used to measure the progress towards complete satisfaction of these performance obligations. The directors of the Company consider that the performance obligations are similar to the current identification of separate revenue components under IAS 18.

The directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the financial performance and position of the Group upon adoption. The directors of the Company do not intend to early apply the standard and intend to use the full retrospective method upon adoption.

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at December 31, 2016, the Group is the accounting lessee for certain operating lease contracts as disclosed in note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The directors of the Company do not anticipate that the application of IFRS 16 will have a material impact on the financial performance and position of the Group upon adoption.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with accounting policies which conform with International Financial Reporting Standards. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below. These policies have been consistently applied throughout the Track Record Period.

Basis of consolidation

The Financial Information incorporates the financial information of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combination under common control

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the common control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities first came under the common control combination, where this is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for services provided in the normal course of business, net of discounts and sales related taxes.

The Group primarily earns revenues by providing research services to its customers through Fee-for-service contracts. Contract duration ranges from a few months to years. The Group recognizes revenues of contractual elements upon finalization, delivery and acceptance of the deliverable units, which is generally in the form of a technical laboratory report and/or product/samples. Excess of the amount of revenue recognized over the amount billed on a particular contract is included in trade and other receivables as unbilled revenue. Amounts billed in accordance with pre-agreed payment schedule specified in the contract in advance of the Group fulfilling its contractual obligations and recognizing revenue are recorded in current liabilities as advance from customers. Most contracts are terminable by the customers, with or without prior notice. These contracts often require payment to the Group a fee to compensate costs incurred up to the date of termination or, in some cases, a termination fee. Such payments are included in revenues when earned.

For the research services provided on a FTE basis, the Group provides its customer with a project team of employees dedicated to the customer's studies for a specific period of time and charges the customer at a fixed hourly/daily rate per employee. The Group recognizes revenue based on the number of employees assigned to the team and the amount of time they have worked on the project. FTE contracts do not require acceptance by the customer of specified deliverables from the Group.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expense the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire plant and equipment are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the year in which they are incurred.

Retirement benefit costs

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the schemes. Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. 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.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognized in profit or loss.

Plant and equipment

Plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Plant and equipment in the course of construction for production are carried at cost less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such assets are classified to the appropriate category of plant and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

Impairment losses on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows of the tangible asset (or the cash-generating unit) 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.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Inventories and service work in progress

Inventories and service work in progress are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Service work in progress consists of cost of materials consumed (determined on a weighted average method), cost of labor and other

costs of personnel directly engaged in providing the biologics discovery, development and manufacturing service, including supervisory personnel, and attributable overheads. Net realizable value represents the contracted selling price less all estimated costs of completion and costs necessary to make the sale.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchanges prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on retranslation of monetary items are recognized in profit or loss in the period in which they arise.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to its net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and cash and cash equivalents) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization;

For certain categories of loans and receivables such as trade receivables, assets that are assessed not to be impaired individually are in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognized is the excess of the asset's carrying amount over the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all loans and receivables, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, loans from related parties and bank borrowings) are subsequently measured at amortized cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount of the financial liability on initial recognition. Interest expense is recognized on an effective interest basis.

Derecognition of financial assets and financial liabilities

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

The Group derecognizes financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Share-based payment transactions

Equity-settled share-based transactions

Share options granted to employees

Equity-settled share-based payment to employees (including directors of the Company) are measured at the fair value of the services received, unless that fair value cannot be estimated reliably. If the fair value of the services received cannot be reliably estimated, their value are measured by reference to the fair value of the equity instruments granted. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 37.

The fair value determined at the grant date of the equity-settled share-based transaction is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (equity-settled share-based compensation reserve). At the end of each reporting period, the Group reviews its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the equity-settled share-based compensation reserve.

When the share options are exercised, the amount previously recognized in the equity-settled share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in the equity-settled share-based compensation reserve will be transferred to retained earnings.

Equity instruments granted by the then ultimate holding company to employees of the Group

The grant by the then ultimate holding company of equity instruments under its employee stock incentive plan to the employees of the Group (including directors of the Company) is treated as equity-settled share-based payments in the Financial Information. An expense for the grant date fair value of the equity instruments under the employee stock incentive plan is recognized over the vesting period of the instruments, with a corresponding increase in equity. The increase in equity is treated as a deemed capital contribution into the Group and is included in equity-settled share-based compensation reserve.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Key sources of estimation uncertainty

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

Useful lives and estimated impairment on plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on the historical experience of the actual useful lives of plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The Group regularly reviews whether there are any indications of impairment and recognizes an impairment loss if the carrying amount of an asset is lower than its recoverable amount. The Group tests for impairment for plant and equipment whenever there is an indication that the asset may be impaired. The recoverable amounts have been determined based on the higher of the fair value less costs of disposal and value in use. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

As at December 31, 2014, 2015 and 2016, the carrying amount of plant and equipment (without impairment loss recognized) was RMB404,847,000, RMB753,996,000 and RMB1,152,770,000, respectively.

Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group estimates the future cash flows from the trade and other receivable. The amount of the impairment loss is measured as the difference between the carrying amount of the receivable and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition) of the receivable. Estimation of future cash flows involves uncertainty. Actual cash flows may differ from estimate.

As at December 31, 2014, 2015 and 2016, the carrying amount of trade and other receivables was RMB160,398,000 (net of allowance for doubtful debts of RMB1,841,000), RMB283,275,000 (net of allowance for doubtful debts of RMB2,456,000) and RMB419,376,000 (net of allowance for doubtful debts of RMB6,598,000), respectively.

Inventories and service work in progress

The Group assesses periodically if cost of inventories and service work in progress may not be recoverable based on an assessment of the net realizable value of inventories and service work in progress. Allowances are applied to inventories and service work in progress where events or changes in circumstances indicate that the net realizable value is lower than the cost of inventories or service work in progress. The identification of obsolete inventories requires the use of judgement and

estimates on the conditions and usefulness of the inventories and in the case of service work in progress, the net realizable value has been determined based on the contracted selling price to be recognized upon the completion of the service work in progress less all estimated remaining costs to completion and costs necessary to provide the service. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and service work in progress in the year in which such estimate changes.

At December 31, 2014, 2015 and 2016, the carrying amounts of inventories were approximately RMB33,555,000, RMB49,919,000 and RMB78,988,000, respectively (net of write down of inventories of approximately Nil, RMB852,000 and Nil, respectively); the carrying amounts of service work in progress were approximately RMB28,291,000, RMB100,625,000 and RMB122,702,000, respectively (net of write down of service work in progress of approximately Nil, RMB2,919,000 and Nil, respectively).

6. REVENUE AND SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Group) reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in note 4. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is present.

Entity-wide disclosure

Geographical information

Substantially all of the Group's operations and non-current assets are located in the PRC. An analysis of the Group's revenue from external customers, analyzed by their respective country/region of domicile, is detailed below:

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Revenue			
- United States of America ("**USA**")	107,573	354,631	505,045
- PRC	191,284	158,762	385,307
- Europe	2,585	5,098	21,094
- Rest of the world	30,408	38,551	77,583
	331,850	557,042	989,029

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the Track Record Period is as follows:

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Customer A	39,189	120,176	185,904
Customer B	N/A*	84,080	N/A*
Customer C	N/A*	N/A*	159,547

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year concerned.

7. OTHER INCOME

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Administrative service income from WXAT Shanghai	—	1,669	81
Interest income	60	66	413
Government grants and subsidies related to			
- Asset (i)	1,377	1,338	1,478
- Income (ii)	11,316	3,844	5,551
	12,753	6,917	7,523

Note:

i. The Group has received certain government grants and subsidies to invest in laboratory equipment. The grants and subsidies were recognized in profit or loss over the useful lives of the relevant assets. Details of the grants and subsidies are set out in Note 27.

ii. The government grants have been received for the Group's contribution to the local high-tech industry and economy. These grants are unconditional and accounted for as immediate financial support with neither future related costs expected to be incurred nor related to any assets.

8. OTHER GAINS AND LOSSES

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Net foreign exchange (loss) gain	(58)	6,463	1,417
Provision of allowance for doubtful debts, net	(1,841)	(615)	(5,696)
Others	649	(143)	2,741
	(1,250)	5,705	(1,538)

9. FINANCE COST

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Interest expense	2,556	2,531	29,759
Interest on finance lease	—	—	690
Less: amounts capitalized	—	—	(6,294)
	2,556	2,531	24,155

Borrowing costs capitalized during the year ended December 31, 2016 arose on bank borrowings and are calculated by applying a capitalization rate of 4.75%.

10. INCOME TAX EXPENSE

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Current tax:			
- PRC Enterprise Income Tax ("**EIT**")	9,556	19,483	30,012
- Hong Kong profits tax	10	780	1,875
Under (Over) provision in prior years:			
- EIT	34	(428)	(1,865)
	9,600	19,835	30,022
Deferred tax:			
- Current year	(2,566)	1,058	4,728
	7,034	20,893	34,750

Hong Kong Profits Tax for the Hong Kong subsidiaries is calculated at 16.5% of the estimated assessable profit for the Track Record Period.

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

WuXi Biopharma was accredited as a "High and New Technology Enterprise" on August 5, 2013 and therefore is entitled to a preferential EIT rate of 15% for a three-year period commencing from the beginning of 2013. In 2016, WuXi Biopharma renewed its High and New Technology Enterprise status, which has been approved by the relevant government authorities, and it is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2016.

Shanghai Biologics was accredited as a High and New Technology Enterprise in November 2016 and therefore is entitled to a one year's exemption from EIT followed by three years of 50% tax reduction with effect from the beginning of 2016 in accordance with Guo Fa No. 40. Accordingly, Shanghai Biologics is exempted from EIT for the year ended December 31, 2016.

The EIT of the Biologics Business Unit is estimated by treating the Biologics Business Unit as a separate tax payer using the tax rate of WXAT Shanghai. WXAT Shanghai has been accredited as a High and New Technology Enterprise and is entitled to the 15% reduced EIT rate for the years ended December 31, 2014 and 2015.

The Company is registered as an exempted company and as such is not subject to Cayman Islands taxation.

No income tax expense has been accrued by USA Biologics and UK Biologics for the year ended December 31, 2016 as they did not earn any taxable income in that year.

	Year ended December 31,		
	2014	2015	2106
	RMB'000	RMB'000	RMB'000
Profit before tax	49,012	65,402	175,846
Tax charge at the EIT rate of 25%	12,253	16,351	43,962
Tax effect of income that is exempt from taxation	—	(35)	(134)
Tax effect of expenses not deductible for tax purpose	796	6,832	26,404
Under (over) provision in respect of prior years	34	(428)	(1,865)
Effect of unused tax losses and other deductible temporary differences not recognized as deferred tax assets	—	7,625	337
Utilization of tax losses previously not recognized as deferred tax assets	—	—	(2,786)
Tax at concessionary rate	(6,044)	(9,049)	(35,656)
Effect of different EIT rate applied to deferred tax and current tax	—	—	5,490
Effect of different tax rate of a subsidiary operating in other jurisdiction	(5)	(403)	(1,002)
Income tax expenses	7,034	20,893	34,750

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Depreciation for plant and equipment	42,309	57,006	93,185
Staff cost (including directors' emoluments):			
- Salaries and other benefits	74,269	167,756	244,095
- Retirement benefit scheme contributions	4,094	18,184	33,006
- Share-based payment expense	4,766	26,861	47,551
	83,129	212,801	324,652
Auditors' remuneration	235	916	998
Minimum operating lease payment in respect of rented premises	6,070	13,019	17,679
Listing expenses (included in other expenses)	—	—	[REDACTED]
Loss on disposal of plant and equipment	—	105	90
Write down of inventories (included in cost of services)	—	852	—
Impairment recognized on service work in progress (included in cost of services)	—	2,919	—
Cost of inventories recognized as expense	71,490	117,793	211,274

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the directors and the Chief Executive of the Company (including emoluments for their services as managerial level employees of group entities prior to becoming the directors of the Company) for the service provided to the Group during the Track Record Period are as follows:

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Chief Executive and executive director:			
Dr. Zhisheng Chen (note i)			
— director's fee	—	—	—
— salaries and other benefits	1,380	1,780	1,901
— performance-based bonus	1,863	1,123	836
— retirement benefits scheme contributions	52	86	86
— share-based compensation	3,260	5,933	19,179
	6,555	8,922	22,002
Executive director:			
Dr. Weichang Zhou (note ii)			
— director's fee	—	—	—
— salaries and other benefits	1,380	1,494	1,557
— performance-based bonus	1,333	800	641
— retirement benefits scheme contributions	36	86	74
— share-based compensation	756	869	3,062
	3,505	3,249	5,334
Non-executive directors:			
Dr. Ge Li (note iii)			
— director's fee	—	—	—
— salaries and other benefits	—	—	—
— performance-based bonus	—	—	—
— retirement benefits scheme contributions	—	—	—
— share-based compensation	—	—	—
	—	—	—

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Mr. Edward Hu (note iii)			
— director's fee	—	—	—
— salaries and other benefits	—	—	—
— performance-based bonus	—	—	—
— retirement benefits scheme contributions	—	—	—
— share-based compensation	—	—	—
	—	—	—
Mr. Yibing Wu (note iv)			
— director's fee	—	—	—
— salaries and other benefits	—	—	—
— performance-based bonus	—	—	—
— retirement benefits scheme contributions	—	—	—
— share-based compensation	—	—	—
	—	—	—
Mr. Yanling Cao (note iv)			
— director's fee	—	—	—
— salaries and other benefits	—	—	—
— performance-based bonus	—	—	—
— retirement benefits scheme contributions	—	—	—
— share-based compensation	—	—	—
	—	—	—

Note:

(i) Dr. Zhisheng Chen was appointed as a director of the Company in February 2014. Dr. Zhisheng Chen is also the Chief Executive of the Group and his emoluments disclosed above included those for services rendered by him as the Chief Executive.

(ii) Dr. Weichang Zhou was appointed as a director of the Company in May 2016. His emoluments disclosed above included those for his service as managerial level employees of group entities prior to becoming the director of the Company.

(iii) Dr. Ge Li and Mr. Edward Hu were appointed as non-executive directors of the Company in February 2014.

(iv) Mr. Yibing Wu and Mr. Yanling Cao were appointed as non-executive directors of the Company in May 2016.

(v) The performance-based bonus is discretionary based on the Group's financial results and the directors' performance as decided by the management of the Group.

The executive directors' emoluments shown above were for their service in connection with the management of the affairs of the Company and the Group.

Five highest paid individuals' emoluments

The five individuals with the highest emoluments in the Group include two directors disclosed above. The emoluments of the five highest paid individuals for the years ended December 31, 2014, 2015 and 2016 respectively were as follows:

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Salaries and other benefits	5,227	5,393	7,569
Performance-based bonus	4,572	3,180	2,857
Retirement benefits scheme contributions	160	344	234
Share-based compensation	5,641	9,553	26,500
	15,600	18,470	37,160

The emoluments of the five highest paid individuals were within the following bands:

	Number of individuals Year ended December 31,		
	2014	2015	2016
HK$2,000,001 to HK$2,500,000	2	1	—
HK$2,500,001 to HK$3,000,000	1	2	—
HK$3,000,001 to HK$3,500,000	—	—	2
HK$3,500,001 to HK$4,000,000	—	1	—
HK$4,000,001 to HK$4,500,000	1	—	—
HK$4,500,001 to HK$5,000,000	—	—	1
HK$6,000,001 to HK$6,500,000	—	—	1
HK$8,000,001 to HK$8,500,000	1	—	—
HK$10,500,001 to HK$11,000,000	—	1	—
HK$25,500,001 to HK$26,000,000	—	—	1
	5	5	5

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any emoluments during the Track Record Period.

13. ARRANGEMENTS IN WHICH DIRECTORS OF THE COMPANY HAVE MATERIAL INTERESTS

WuXi PharmaTech was once listed on the New York Stock Exchange and used to have an employee stock incentive plan ("WuXi PharmaTech Stock Units and Options"). Pursuant to the WuXi PharmaTech Stock Units and Options, certain directors of the Company and employees of the Group were issued shares of WuXi PharmaTech which are restricted in that these shares are subject to vesting term of one to five years ("WX RSUs"). The share restriction will be released when vested.

WuXi PharmaTech was privatized and delisted from the New York Stock Exchange on December 10, 2015, and was taken control by New WuXi Life Science Holdings Limited ("Life Science Holdings") which is a company controlled by the Controlling Shareholders. As part of the privatization process, the terms and conditions of WuXi PharmaTech Stock Units and Options were modified.

Under the modified WuXi PharmaTech Stock Units and Options, the total number of the outstanding WX RSUs remained unchanged, but all outstanding WX RSUs as at December 10, 2015 would be settled by a cash consideration based on the closing price of WuXi PharmaTech on December 10, 2015 (US$5.75 per share). Part of the cash consideration was paid out immediately to some of the designated employees ("Designated Employees") of the Group holding outstanding WX RSUs as their WX RSUs were deemed to be immediately vested. For the other remaining employees of the Group ("Non-designated Employees") holding outstanding WX RSUs, an escrow arrangement was made by Life Science Holdings to put aside the cash consideration in an escrow account and the cash consideration would be paid out to the Non-designated Employees when the original vesting conditions of the WX RSUs are met.

Because the fair values of the outstanding WX RSUs under both the original and modified WuXi PharmaTech Stock Units and Options as measured at the date of modification are determined to be the same, therefore, the outstanding WX RSUs would continue to be measured at the original grant-date fair value. For the Designated Employees, because their outstanding WX RSUs were deemed to be immediately vested, the Group recognized the share-based compensation expense related to this acceleration of vesting immediately in the profit and loss of the year ended December 31, 2015. For the Non-designated Employees, the Group continued to recognize the corresponding share-based compensation expense of their outstanding WX RSUs in the profit and loss of the Group over the original vesting periods.

For the years ended December 31, 2014, 2015 and 2016, the Group recognized RMB4,766,000, RMB26,861,000 and RMB9,341,000 of share-based compensation expense in relation to WuXi PharmaTech Stock Units and Options respectively, of which RMB Nil, RMB 7,157,000 and RMB Nil respectively were share-based compensation expense contributed by acceleration of vesting.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Earnings:			
Earnings for the purpose of calculating basic and diluted earnings per share	41,978	44,509	141,096

	Year ended December 31,		
	2014	2015	2016
Number of Shares:			
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	963,952,201	963,952,201	963,998,559

The weighted average number of shares for the purpose of basic earnings per share for Track Record Period is calculated based on the assumption that the subdivision of shares and the bonus element of the share allotment as disclosed in note 28 have been adjusted retrospectively.

No diluted earnings per share was presented for the years ended December 31, 2014 and 2015 as there were no potential dilutive ordinary shares in issue. The computation of diluted earnings per share for the year ended December 31, 2016 does not assume the exercise of [REDACTED] share options since their exercise would result in an increase in earnings per share.

15. DIVIDENDS

A subsidiary of the Company distributed interim dividends of RMB18,059,000 in the year ended December 31, 2015 to its then shareholders prior to the Group Reorganization. Other than the above, no dividend has been paid or declared by any companies comprising the Group during the Track Record Period. The rates of dividend declared and the number of shares ranking for distribution are not presented as such information is not considered meaningful having regard to the purpose of this report.

16. INVESTMENTS IN SUBSIDIARIES

The Company

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost (Note i)	—	—	—
Deemed capital contributions to (Note ii):			
WuXi Biopharma	—	—	12,206
Shanghai Biologics	—	—	25,204
USA Biologics	—	—	218
Suzhou Biologics	—	—	680
	—	—	38,308

Note i: The amount represents the cost of investment amounting to HK$1 in Biologics Investments, a wholly owned subsidiary of the Company incorporated in Hong Kong.

Note ii: The amounts represent the equity-settled share-based compensation in respect of the respective share options granted by the Company to certain employees of the specified subsidiaries for employees' services rendered to the respective subsidiaries under the Company's [REDACTED] Share Option Scheme as disclosed in note 37. Since the subsidiaries have no obligation to reimburse such expense, the amounts are treated as deemed capital contribution by the Company to the subsidiaries and included in the Company's cost of investments in subisidiaries.

17. PLANT AND EQUIPMENT

	Machinery	Furniture, fixtures and equipment	Transportation equipment	Leasehold improvement	Construction in progress (or "CIP")	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At January 1, 2014	159,986	12,352	218	116,251	58,129	346,936
Additions	52,066	2,724	—	1,283	79,721	135,794
Transfer from CIP	46,771	758	—	32,614	(80,143)	—
Disposals	(227)	(10)	—	—	—	(237)
At December 31, 2014	258,596	15,824	218	150,148	57,707	482,493
Additions	64,559	10,040	529	7,267	323,931	406,326
Transfer from CIP	85,636	2,852	—	21,816	(110,304)	—
Disposals	(249)	(60)	—	—	—	(309)
At December 31, 2015	408,542	28,656	747	179,231	271,334	888,510
Additions	75,869	11,092	—	43,976	371,369	502,306
Deemed disposal (note i)	—	—	—	—	(6,261)	(6,261)
Adjustment in relation to leased assets (note ii)	(2,682)	(82)	—	(1,232)	—	(3,996)
Transfer from CIP	85,783	5,632	—	165,371	(256,786)	—
Disposals	(567)	(55)	—	—	—	(622)
At December 31, 2016	566,945	45,243	747	387,346	379,656	1,379,937
DEPRECIATION AND IMPAIRMENT						
At January 1, 2014	(25,876)	(1,782)	(62)	(7,808)	—	(35,528)
Provided for the year	(29,794)	(2,128)	(39)	(10,348)	—	(42,309)
Eliminated on disposals	189	2	—	—	—	191
At December 31, 2014	(55,481)	(3,908)	(101)	(18,156)	—	(77,646)
Provided for the year	(40,153)	(2,659)	(63)	(14,131)	—	(57,006)
Eliminated on disposals	103	35	—	—	—	138
At December 31, 2015	(95,531)	(6,532)	(164)	(32,287)	—	(134,514)
Provided for the year	(57,938)	(6,625)	(134)	(28,488)	—	(93,185)
Eliminated on disposals	491	41	—	—	—	532
At December 31, 2016	(152,978)	(13,116)	(298)	(60,775)	—	(227,167)
CARRYING VALUES						
At December 31, 2014	203,115	11,916	117	131,992	57,707	404,847
At December 31, 2015	313,011	22,124	583	146,944	271,334	753,996
At December 31, 2016	413,967	32,127	449	326,571	379,656	1,152,770

Note i: CIP of the Biologics Business Unit not transferred from WXAT Shanghai to the Group was deemed to be an asset disposal.

Note ii: Certain plant and equipment of the Biologics Business Unit were restricted from transfer to the Group as WXAT Shanghai received government subsidies for the purchase of such assets which imposed restrictions on their ownership transfer. As a result and for the purpose of the closure of the Business Transfer, an arrangement was entered into with WXAT Shanghai to lease these plant and equipment under finance lease (also refer to note 26 and note 35(1)(l)) and a difference in value between the net book value of and the present value of the minimum lease payments for these assets was recorded.

The above items of plant and equipment except for construction in progress are depreciated on a straight-line basis after taking into account of the residual value as follows:

Machinery	9%-18% per annum
Furniture, fixtures and equipment	9%-18% per annum
Transportation equipment	18% per annum
Leasehold improvement	Over the shorter of the lease term or ten years

The net book value of plant and equipment of RMB1,152,770,000 as of December 31, 2016 includes a carrying amount of RMB40,827,000 (December 31, 2014 and 2015: Nil) in respect of assets held under a finance lease with a related party.

18. DEFERRED TAXATION

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is a summary of the deferred tax balances for financial reporting purposes:

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Deferred tax assets	2,666	1,608	2,370
Deferred tax liabilities	—	—	(5,490)
	2,666	1,608	(3,120)

The following are the major deferred tax assets and liabilities recognized and movements thereon before offsetting during the Track Record Period:

	Doubtful debts	Deferred revenue	Unrealized profits in inventories	Tax losses	Accelerated tax depreciation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2014	—	—	—	100	—	100
Credited to profit or loss	44	447	—	2,075	—	2,566
At December 31, 2014	44	447	—	2,175	—	2,666
Credited (charged) to profit or loss	87	593	437	(2,175)	—	(1,058)
At December 31, 2015	131	1,040	437	—	—	1,608
Credited (charged) to profit or loss	854	416	(437)	—	(5,561)	(4,728)
At December 31, 2016	985	1,456	—	—	(5,561)	(3,120)

As at December 31, 2014, 2015 and 2016, the Group had unused tax losses of RMB8,698,000, RMB28,649,000 and RMB17,955,000, respectively, available to offset against future profits. As at December 31, 2014, 2015 and 2016, unused tax loss of RMB8,698,000, Nil and Nil had been recognized in deferred tax assets, while Nil, RMB28,649,000 and RMB17,955,000 had not been recognized due to the unpredictability of future profit streams.

Apart from unused tax losses as mentioned above, at December 31, 2014, 2015 and 2016, the Group had other deductible temporary differences of RMB3,274,000, RMB11,405,000 and RMB19,023,000 respectively, available to offset against future profits. As at December 31, 2014, 2015 and 2016, deductible temporary differences of RMB3,274,000, RMB9,555,000 and RMB16,273,000 had been recognized in deferred tax assets, while Nil, RMB1,850,000 and RMB2,750,000 had not been recognized due to the unpredictability of future profit streams.

Balances of deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized due to the unpredictability of future profits stream are as follows:

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Deferred revenue	—	1,850	2,750
Tax losses	—	28,649	17,955
	—	30,499	20,705

The Group had unrecognized tax losses of Nil, RMB28,649,000 and RMB17,955,000 as at December 31, 2014, 2015 and 2016, respectively. These tax losses will be carried forward and expire in years as follows:

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
2017	—	20	—
2018	—	380	—
2019	—	8,298	—
2020	—	19,951	17,507
2021	—	—	25
2036	—	—	423
	—	28,649	17,955

Deferred taxation has not been provided for in the Financial Information in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB18,103,000, RMB73,052,000 and RMB234,075,000 as at December 31, 2014, 2015 and 2016, respectively as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

19. INVENTORIES

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Raw material and consumables	33,555	49,919	78,988

The inventories are net of a write-down of approximately Nil, RMB852,000 and Nil as at December 31, 2014, 2015 and 2016, respectively.

20. SERVICE WORK IN PROGRESS

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Service work in progress	28,291	100,625	122,702

The service work in progress are net of a write-down of approximately Nil, RMB2,919,000 and Nil as at December 31, 2014, 2015 and 2016, respectively.

21. TRADE AND OTHER RECEIVABLES

The Group

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Trade receivables			
- related parties	16,129	49,049	7,488
- third parties	80,787	63,585	216,027
Unbilled revenue			
- related parties	—	—	4,130
- third parties	35,514	80,141	72,819
Allowance for doubtful debts	(1,841)	(2,456)	(6,598)
	130,589	190,319	293,866

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Other receivables			
- related parties	5,761	43,628	2,812
- third parties	4,375	6,257	6,252
	10,136	49,885	9,064
Advances to suppliers	755	903	4,532
Deferred listing expenses	—	—	4,705
Prepayments	—	220	972
Receivables for purchase of raw materials on behalf of customers	—	15,565	39,084
Custom duty recoverable (Note)	—	—	36,209
Value added tax recoverable	18,918	26,383	30,944
	19,673	43,071	116,446
Total trade and other receivables	160,398	283,275	419,376

Details of the trade and other receivables due from related parties are set out in note 35(2).

Note: Amounts consist of deposits paid to the PRC Customs for the import tax on the imported raw materials and equipment. WuXi Biopharma has been recognized by the relevant government authority as a foreign-invested research and development center ("FIRDC"), which makes it eligible for a waiver of import tax on imported raw materials and equipment. WuXi Biopharma applied to renew its FIRDC qualification in December 2015 and successfully renewed it in December 2016. During the period when the FIRDC qualification of WuXi Biopharma was pending, WuXi Biopharma paid deposits to the PRC Customs for the import tax on imported raw materials and equipment.

The Group allows a credit period ranging from 30 to 60 days to its customers. The following is an age analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice dates (excluding the unbilled revenue), at the end of each year in the Track Record Period:

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Within 60 days	80,962	101,420	185,992
61 to 180 days	12,576	4,830	25,318
181 days to 1 year	1,537	3,928	5,607
	95,075	110,178	216,917

In determining the recoverability of the trade receivable, the Group considers any change in the credit quality of the trade receivable from the date on which the credit was initially granted up to the reporting date. The credit quality of the trade receivables that are neither past due nor impaired had not changed during the Track Record Period.

Aging of trade receivables which are past due but not impaired

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
61 to 180 days	12,576	4,830	25,318
181 days to 1 year	1,537	3,928	5,607
	14,113	8,758	30,925

Movement of allowance for doubtful debts on trade and unbilled receivables

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Opening balance	—	(1,841)	(2,456)
Provided	(1,841)	(906)	(6,890)
Reversed	—	291	1,194
Write off	—	—	1,554
Closing balance	(1,841)	(2,456)	(6,598)

Included in the allowance for doubtful debts are individually impaired trade and unbilled receivables.

The Group determines the allowance for impaired debts based on the evaluation of collectibility and ageing analysis of the receivables and on management's judgement including the assessment of change in credit quality and the past collection history of each customer.

Trade and other receivables that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
US$	68,669	152,417	207,245

The Company

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Deferred listing expenses	—	—	4,705
Others	—	—	698
	—	—	5,403

22. CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS

The Group

At the end of each reporting period, cash and cash equivalents of the Group comprised of cash and short term bank deposits with an original maturity of three months or less. The short term bank deposits carry interest at market rates which ranged from 0.35% to 3%, 0.3% to 2.75% and 0.01% to 2.9% per annum as at December 31, 2014, 2015 and 2016, respectively. The deposits are pledged to a bank as collateral for the issue of letter of credit by the bank in connection with the purchase of raw materials, and plant and equipment by the Group.

Cash and cash equivalents and pledged bank deposits that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
US$	1,701	135,344	134,165
EUR	331	—	—

The Company

As at December 31, 2016, cash and cash equivalents of the Company comprised of short term bank deposits with an original maturity of three months or less. The short term deposits carry interest at the market rate of 0.01% per annum and are denominated in US$.

23. TRADE AND OTHER PAYABLES

The Group

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Trade payables			
- related parties	135,945	243,535	30,576
- third parties	10,632	27,093	74,453
	146,577	270,628	105,029
Other payables			
- related parties	261	12,618	2,684
- third parties	4,471	11,413	18,515
	4,732	24,031	21,199
Advances from customers			
- related parties	—	—	5,652
- third parties	18,528	27,363	126,780
	18,528	27,363	132,432
Payable to related parties in relation to Group Reorganization (Note i)	—	329,330	84,317
Option fee received (Note ii)	—	—	27,780
Payable for purchase of plant and equipment	26,677	36,213	103,342
Payable in relation to listing of Company shares	—	—	25,782
Salary and bonus payables	4,279	37,272	56,343
Other taxes payable	656	1,270	1,864
	201,449	726,107	558,088

Note i: Amount represents consideration payable to related parties for the purchase of the equities of the Group's subsidiaries as disclosed in Note 2. The consideration is interest free and repayable on demand. The related parties and the Group are under common control of the Controlling Shareholders.

Note ii: Amount represents a US$4 million non-refundable option fee received from an independent third party for granting the party an option to purchase certain of the Group's assets. In December 2015, an agreement (hereafter referred to as the "Option to Purchase Agreement") was entered into between the Company and a Company's strategic customer, pursuant to which the Company granted the customer an option to acquire certain of its biologics manufacturing facilities. The total consideration for the option was US$8 million, 50% of which had been paid as of December 31, 2016 and the remaining 50% would be payable upon the Company completing certain required documentations. Pursuant to the Option to Purchase Agreement, the customer has a right to exercise the purchase option on or before June 30, 2020, which upon mutual agreement between the Company and the customer, may be extended until no later than June 30, 2023. Should the customer choose to exercise the purchase option, it has to pay the Company an acquisition price for the biologics manufacturing facilities determined on the basis as specified in the Option to Purchase Agreement; and the Company has to

fulfill certain stipulated conditions including completing the transfer of the title to the biologics manufacturing facilities to the customer or its designated person, and obtaining all necessary regulatory approvals and consents in relation to the transfer of the facilities. The option fee would then be applied for part payment for the manufacturing facilities acquisition price. Should the customer choose to terminate the agreement without exercising the purchase option, the customer could apply the option fee to pay for any service fees due and payable to the Group for services rendered by the Group, up to a maximum of 50% of the option fee paid.

Details of the trade and other payables due to related parties are set out in note 35(2).

Payment terms with suppliers are mainly on credit within 90 days from the time when the goods are received from the suppliers. The following is an age analysis of trade payables presented based on invoice date at the end of each reporting period:

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Within three months	146,577	270,628	102,123
Over three months but within one year	—	—	2,906
	146,577	270,628	105,029

Trade and other payables that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
US$	15,966	209,032	264,220
EUR	365	337	2,198

The Company

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Trade and other payables to subsidiaries	15	16	19,926
Advance from a customer	—	—	20,834
Option fee received	—	—	27,780
Payable in relation to listing of Company shares	—	—	25,782
	15	16	94,322

24. LOANS FROM RELATED PARTIES

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
RMB fixed-rate loan from WXAT Shanghai	50,966	455,859	—
Loan form WuXi PharmaTech	—	—	183,417
	50,966	455,859	183,417

The loan from WXAT Shanghai is unsecured, repayable on demand and carry interest at the fixed rates of 4.78%, 1.75% to 4.28%, and 1.75% to 4.28% per annum for the years ended December 31, 2014, 2015 and 2016, respectively. The loan had been repaid in full on May 24, 2016.

The loan from WuXi PharmaTech is unsecured, interest free and repayable on demand for the year ended December 31, 2016.

Loans from related parties that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
US$	—	—	183,417

25. BANK BORROWINGS

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Unsecured bank loans	4,444	—	905,000

Carrying amount repayable*:

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Within one year	4,444	—	39,000
Within a period of more than one year but not exceed two years	—	—	141,000
Within a period of more than two years but not exceed five years	—	—	725,000
	4,444	—	905,000
Less: Amounts due within one year shown under current liabilities	4,444	—	39,000
	—	—	866,000

* The amounts due are based on scheduled repayment date set out in the loan agreements.

The bank loan as at December 31, 2014 carries interest at a fixed rate of 2.74% per annum.

The Group entered into a five-year syndicated term loan facility with two banks on May 12, 2016. The five-year syndicated term loan facility is guaranteed by the Company and grants the Group a line of credit up to RMB740,000,000, of which the Group drew down RMB658,000,000 during the year ended December 31, 2016.

The Group also entered into a three-year syndicated term loan facility with the same banks on May 12, 2016. The three-year syndicated term loan facility is guaranteed by the Company and grants the Group a line of credit up to RMB260,000,000, of which the Group drew down RMB260,000,000 and repaid RMB13,000,000 during the year ended December 31, 2016.

Each syndicated loan facility bears a variable interest rate based on the relevant benchmark interest rate published by the People's Bank of China.

Bank borrowings that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
US$	4,444	—	—

26. OBLIGATIONS UNDER A FINANCE LEASE

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Analyzed for reporting purposes as:			
Current liabilities	—	—	11,371
Non-current liabilities	—	—	29,655

The Group leases from WXAT Shanghai certain of its machinery, equipment and leasehold improvement on January 1, 2016 under a finance lease with lease term of four years, which is renewable indefinitely at the discretion of the Group. Interest imputed in the finance lease at the lease inception date is at the rate of 1.44% per annum.

	Minimum Lease Payments			Present Value of Minimum Lease Payments		
	As at December 31,			As at December 31,		
	2014	2015	2016	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Obligations under a finance lease payable:						
Within one year	—	—	11,883	—	—	11,371
Within a period of more than one year but no more than two years	—	—	9,538	—	—	9,172
Within a period of more than two years but no more than five years	—	—	17,372	—	—	16,945
Within a period of more than five years	—	—	3,600	—	—	3,538
	—	—	42,393	—	—	41,026
Less: future finance charges	—	—	1,367			
Present value of lease obligations	—	—	41,026			
Less: Amounts due for settlement within twelve months (shown under current liabilities)				—	—	11,371
Amounts due for settlement after twelve months (shown under non-current liabilities)				—	—	29,655

27. DEFERRED REVENUE

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Assets related government grants	3,946	8,787	12,559

Movements of assets related government grants:

	RMB'000
At January 1, 2014	4,483
Government grants received	840
Credited to profit or loss	(1,377)
At December 31, 2014	3,946
Government grants received	6,179
Credited to profit or loss	(1,338)
At December 31, 2015	8,787
Government grants received	5,250
Credited to profit or loss	(1,478)
At December 31, 2016	12,559

During the years ended December 31, 2014, 2015 and 2016, the Group received government grants of RMB840,000, RMB6,179,000 and RMB5,250,000, respectively for its investment in laboratory equipment. The grants were recognized in profit or loss over the useful lives of the relevant assets.

28. SHARE CAPITAL

The Company was incorporated and registered as an exempted company in the Cayman Islands on February 27, 2014 with an authorized share capital of US$50,000 divided into 50,000 shares of a par value of US$1 each. Upon incorporation of the Company, one share was issued at par value of US$1, equivalent to approximately RMB6.37.

On December 21, 2015, each authorized and issued share of a par value of US$1 was subdivided into 40,000 shares of a par value of US$0.000025 each, such that the authorized share capital of the Company is US$50,000 divided into 2,000,000,000 shares of a par value of US$0.000025 each, and the issued and outstanding ordinary shares as at December 31, 2015 were 40,000 shares.

On January 12, 2016, an aggregate of 963,960,000 shares of the Company were authorized and issued at a par value of US$0.000025. As such, the issued and outstanding ordinary shares of the Company as at December 31, 2016 were 964,000,000 shares, equivalent to approximately RMB158,000.

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of loans from related parties, finance lease, bank borrowings (net of cash and cash equivalents) and equity attributable to owners of the Company (comprising capital and reserves).

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Financial assets			
Loans and receivables (including cash and cash equivalents)	147,638	423,062	580,587
Financial liabilities			
Amortized cost	229,440	1,106,219	1,414,497
Obligations under a finance lease	—	—	41,026

Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, pledged bank deposits, cash and bank balances, trade and other payables, loans from related parties, bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk and interest rate risk. There had been no change in the Group's exposure to these risks or the manner in which it managed and measured the risks during the Track Record Period.

Currency risk

Certain group entities have foreign currency sales and purchases, which expose the Group to foreign currency risk. The carrying amounts of relevant group entities' foreign currency denominated monetary assets and liabilities other than their functional currency are disclosed in the respective notes.

The Group mainly exposes to foreign currency of US$ and Euro ("**EUR**"). The Group does not use any derivative contracts to hedge against its exposure to currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets (trade receivables, cash and bank balances) and liabilities (trade and other payables, loans from related parties) at the end of each reporting period are as follows:

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Assets			
US$	70,370	287,761	341,410
EUR	331	—	—
Liabilities			
US$	20,410	209,032	447,637
EUR	365	337	2,198

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$, the foreign currency with which the Group may have a material exposure. No sensitivity analysis has been disclosed for the Euro denominated assets/liabilities as the impact on profit is immaterial. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A positive number below indicates an increase in profit where RMB strengthens 5% against US$. For a 5% weakening of RMB against US$, there would be an equal and opposite impact on profit.

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Impact on profit or loss before tax			
US$	(2,498)	(3,936)	5,311

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate pledged bank deposits, bank borrowings, finance lease and interest bearing loans from related parties. The Group is also exposed to cash flow interest rate risk in relation to variable rate bank balances and bank borrowings. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

If the interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax would decrease/increase by RMB22,000, Nil and RMB2,477,000 for the years ended December 31, 2014, 2015 and 2016, respectively.

Credit risk

As at December 31, 2014, 2015 and 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position.

In order to minimize the credit risk, the management has designated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the directors of the Company review the recoverability of each significant trade debt (both billed and unbilled) at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Trade receivables (both billed and unbilled) are due from corporate customers with good financial strength. The Group did not experience significant defaults by the debtors.

The Group has concentration of credit risk with respect to trade recivables as 13%, 22% and 10% of the total trade receivables was due from the Group's largest customer as of December 31, 2014 , 2015 and 2016, respectively, and 43%, 59% and 46% of the total trade receivables was due from the Group's top five customers as of December 31, 2014, 2015 and 2016, respectively.

The Group has concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on bank balances is limited because majority of the counterparties are state-owned banks with good reputation or banks with good credit rating.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and unused banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	On demand or less than one year	One to five years	Over five years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2014						
Trade and other payables	N/A	174,030	—	—	174,030	174,030
Loans from related parties	4.78%	53,402	—	—	53,402	50,966
Bank borrowings - Fixed interest rate	2.74%	4,519	—	—	4,519	4,444
Total		231,951	—	—	231,951	229,440
As at December 31, 2015						
Trade and other payables	N/A	650,360	—	—	650,360	650,360
Loans from related parties	2.39%	466,754	—	—	466,754	455,859
Total		1,117,114	—	—	1,117,114	1,106,219
As at December 31, 2016						
Trade and other payables	N/A	326,080	—	—	326,080	326,080
Loans from related parties	N/A	183,417	—	—	183,417	183,417
Bank borrowings - Variable interest rate	4.75%	39,660	986,313	—	1,025,973	905,000
Obligations under a finance lease	1.44%	11,883	26,910	3,600	42,393	41,026
Total		561,040	1,013,223	3,600	1,577,863	1,455,523

Fair value

The fair value of financial assets and financial liabilities measured at amortized cost is determined in accordance with generally accepted pricing models.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

31. OPERATING LEASES

The Group as leasee

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Within one year	10,193	3,978	22,121
In the second to fifth years inclusive	22,270	24,518	84,040
Over five years	30,112	23,983	86,533
	62,575	52,479	192,694

Included in the above is lease commitment with a related party as follows.

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Within one year	—	—	1,588
In the second to fifth years inclusive	—	—	1,588
Over five years	—	—	—
	—	—	3,176

Operating lease payments represent rentals payable by the Group for certain of its office premises, factories and laboratories. Leases are for a term of 8 to 10 years and rentals are fixed for an average of 8 to 10 years.

32. CAPITAL COMMITMENTS

The Group had capital commitments for equipment purchase and building construction under non-cancellable contracts as follows:

	As at December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Contracted but not provided for	32,805	501,796	501,178

33. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to profit or loss in respect of the above-mentioned schemes amounted to approximately RMB4,094,000, RMB18,184,000 and RMB33,006,000, for the years ended December 31, 2014, 2015 and 2016 respectively.

34. CONTINGENT LIABILITIES

At the end of each reporting period, the Group had no significant contingent liability.

35. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances disclosed in notes 21, 23, 24 and 26, the Group had the following significant transactions and balances with related parties during the Track Record Period:

(1) **Related party transactions:**

(a) ***Provision of research and development service to related parties***

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
WuXi MedImmune Biopharmaceutical Co., Ltd. ("**WX MedImmune**")	3,713	1,772	16,624
Adagene (Suzhou) Limited ("**Adagene**")	—	186	6,456
Huahui Anjian (Beijing) Biologics Technology Co., Ltd. ("**Huahui Anjian**")	—	2,370	5,410
	3,713	4,328	28,490

Note: WX MedImmune is a joint venture held by WuXi AppTec (Hong Kong) Limited ("**WAHK**"), a wholly-owned subsidiary of WXAT Shanghai.

Adagene and Huahui Anjian are associates of WXAT Shanghai.

(b) ***Provision of administrative service to a related party***

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
WXAT Shanghai	—	1,669	81

(c) ***Provision of premises sub-leasing services***

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Abgent Biotechnology (Suzhou) Co., Ltd	—	—	454
WuXi AppTec (Suzhou) Co., Ltd. ("**AppTec Suzhou**")	—	—	420
	—	—	874

(d) ***Testing service received***

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
WuXi AppTec, Inc.	6,225	16,881	14,021
AppTec Suzhou	—	3,400	165
	6,225	20,281	14,186

(e) ***Purchase of materials, plant and equipment***

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Shanghai SynTheAll Pharmaceutical Co., Ltd. ("**STA**")	—	2,560	—
WuXi AppTec Sales LLC ("**AppTec Sales**")	98	1,006	—
WXAT Shanghai	—	—	56,388
	98	3,566	56,388

(f) ***Sales commission paid***

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
WAHK	3,746	11,914	—

(g) ***Interest expense***

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
WXAT Shanghai	2,453	2,517	3,153

(h) ***General service received***

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
WXAT Shanghai	—	—	21,404

(i) ***Labor secondment service received***

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
WXAT Shanghai	—	—	8,147
AppTec Sales	—	—	5,599
WuXi AppTec UK Ltd. ("**WuXi AppTec UK**")	—	—	576
	—	—	14,322

(j) ***Research and development service received***

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
WXAT Shanghai	—	—	2,014

(k) ***Premises leasing services received***

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
WXAT Shanghai	—	—	1,588

(l) ***Finance lease from a related party***

During the year ended December 31, 2016, the Group entered into a finance lease arrangement with WXAT Shanghai in respect of machinery, equipment and leasehold improvement with a total capital value at the inception of the leases of RMB53,781,000. The finance lease charges under the arrangements is RMB690,000 for the year ended December 31, 2016. The obligations under a finance lease are disclosed in note 26.

The transactions above were carried out in accordance with the terms agreed with the counterparties.

(2) **Related party balances:**

As at the end of each reporting period, the Group had balances with related parties as follows:

	As at December 31,		
	2014	2015	2016
	RMB'000 Non-interest bearing	RMB'000 Non-interest bearing	RMB'000 Non-interest bearing
Amounts due from related parties			
Trade related			
WX MedImmune	—	926	195
Adagene	—	89	3,492
Huahui Anjian	—	875	4,130
WAHK	16,129	47,159	3,211
WuXi PharmaTech	—	—	590
	16,129	49,049	11,618

	As at December 31,		
	2014	2015	2016
	RMB'000 Non-interest bearing	RMB'000 Non-interest bearing	RMB'000 Non-interest bearing
Non-trade related			
WXAT Shanghai	—	37,160	—
WAHK	—	5,578	—
WuXi PharmaTech	—	848	—
WuXi AppTec	3	42	—
WXAT BVI	5,655	—	—
AppTec Suzhou	103	—	—
WX MedImmune	—	—	2,812
	5,761	43,628	2,812
Amounts due to related parties			
Trade related			
WXAT Shanghai	135,939	238,185	24,752
AppTec Suzhou	—	3,400	—
WuXi AppTec, Inc.	—	1,800	5,824
AppTec Sales	6	150	—
WX MedImmune	—	—	2,669
Adagene	—	—	555
Huahui Anjian	—	—	2,400
JW Therapeutics (Shanghai) Co., Ltd.	—	—	28
	135,945	243,535	36,228

Note: JW Therapeutics (Shanghai) Co., Ltd is a joint venture held by WAHK.

Non-trade related			
WXAT Shanghai	9	12,511	2,113
WXAT BVI	19	20	21
WuXi AppTec, Inc.	113	—	16
AppTec Sales	114	—	81
WuXi PharmaTech	6	81	—
WXPT Investments (Cayman) Inc.	—	6	—
WuXi AppTec UK	—	—	453
	261	12,618	2,684

Maximum outstanding balance during the Track Record Period of non-trade related amounts due from related parties are as follows:

	As at December 31,		
	2014	2015	2016
	RMB'000 Maximum outstanding balance during the year	RMB'000 Maximum outstanding balance during the year	RMB'000 Maximum outstanding balance during the year
Amounts due from related parties			
Non-trade related			
WXAT Shanghai	—	37,160	37,160
WAHK	15	5,578	8,720
WuXi PharmaTech	—	848	858
WuXi AppTec	49	42	55
WXAT BVI	5,655	5,655	—
AppTec Suzhou	103	103	1,478
WX MedImmune	—	—	2,812

All the above balances with related parties are unsecured, interest free and repayable on demand.

Except for WX MedImmune, Adagene, Huahui Anjian, JW Therapeutics, WuXi PharmaTech, WuXi AppTec and WXAT BVI, whose relationship with the Group have been disclosed previously in other notes, all of the other abovementioned related parties are considered to be related to the Group because (i) during the WuXi PharmaTech Holding Period, they were fellow subsidiaries of the Group under the common control of WuXi PharmaTech and (ii) after transfer of the Company's shares to Biologics Holdings, they are considered to be fellow subsidiaries of the Group under the common control of the Controlling Shareholders.

(3) **Compensation of key management personnel**

The remuneration of the directors of the Company and other members of key management of the Group during the Track Record Period were as follows:

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Salaries and other benefits	4,081	4,668	7,992
Performance-based bonus	4,165	2,645	2,857
Retirement benefits scheme contributions	124	257	255
Share-based compensation	4,744	8,150	26,499
	13,114	15,720	37,603

The remuneration of key management is determined with reference to the performance of the individuals and market trends.

36. RESERVES MOVEMENT OF THE COMPANY

The movement of the reserves of the Company are as follows:

	Other reserve	Accumulated losses	Total reserves
	RMB'000	RMB'000	RMB'000
At January 1, 2014	—	—	—
Loss for the year	—	(15)	(15)
At December 31, 2014	—	(15)	(15)
Loss for the year	—	(1)	(1)
At December 31, 2015	—	(16)	(16)
Loss for the year	—	(37,728)	(37,728)
Recognition of equity-settled share-based compensation	38,308	—	38,308
At December 31, 2016	38,308	(37,744)	564

37. [REDACTED] SHARE OPTION SCHEME

The Company's [REDACTED] Share Option Scheme was adopted pursuant to resolutions passed on January 5, 2016 for the primary purpose of attracting, retaining and motivating the directors of the Company and employees of the Group. Under the [REDACTED] Share Option Scheme, the directors of the Company may grant up to 144,600,000 share options to eligible employees, including the directors, of the Company and its subsidiaries, to subscribe for shares in the Company. Grantee accepting an option grant offered by the Company has to sign an acceptance letter and pay to the Company an amount of HK$1.00 as consideration for the grant.

(1) As at December 31, 2016, [REDACTED] share options granted to the employees of the Group and directors of the Company are as follows:

Date of grant	Number of options	Exercise price per share
January 7, 2016	89,364,668	US$0.50
March 28, 2016	2,412,750	US$0.50
August 10, 2016	5,729,313	US$0.66
November 11, 2016	6,321,000	US$0.79

(2) Each option granted under the [REDACTED] Share Option Scheme can only be exercised in the following manners (each date on which any portion of option granted shall be vested is hereinafter referred to as a "Vesting Date" and each tranche on which any portion of option granted shall be vested is hereinafter referred to as a "Tranche"):

Tranche	Vesting Date
20% of the shares subject to an option so granted	2nd anniversary of the offer date for an Option
20% of the shares subject to an option so granted	3rd anniversary of the offer date for an Option
20% of the shares subject to an option so granted	4th anniversary of the offer date for an Option
40% of the shares subject to an option so granted	5th anniversary of the offer date for an Option

Set out below are details of the movements of the outstanding options granted under the [REDACTED] Share Option Scheme during the year ended December 31, 2016:

Option batch	Outstanding as at January 1, 2016	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at December 31, 2016
January 7, 2016	—	89,364,668	—	5,854,674	83,509,994
March 28, 2016	—	2,412,750	—	—	2,412,750
August 10, 2016	—	5,729,313	—	20,000	5,709,313
November 11, 2016	—	6,321,000	—	276,000	6,045,000
	—	103,827,731	—	6,150,674	97,677,057
Exercisable at the end of the year	—				—
Weighted average exercise price (US$)	N/A	0.53	N/A	0.51	0.53

The estimated fair value of the [REDACTED] share options granted were approximately USD20,489,000, USD555,000, USD1,773,000 and USD2,227,000 respectively for the January 7, 2016, March 28, 2016, August 10, 2016 and November 11, 2016 grants. The fair value was calculated using the Binomial model. The major inputs into the model are as follows:

Grant date	January 7, 2016	March 28, 2016	August 10, 2016	November 11, 2016
Share price (US$)	0.48	0.48	0.65	0.75
Exercise price (US$)	0.50	0.50	0.66	0.79
Expected volatility	40.80%	40.80%	40.92%	40.87%
Expected life (years)	10	10	10	10
Risk-free interest rate	2.92%	2.92%	2.72%	2.83%
Forfeiture rate	7.7%	7.7%	7.7%	7.7%

Share price is determined as the total fair value of the Company's equity divided by the total number of shares, assuming the allotment of shares as disclosed in note 28 has been effective on January 1, 2016. To determine the fair value of the Company's equity value as of January 7, 2016, March 28, 2016, August 10, 2016 and November 11, 2016, the Company used primarily the discounted cash flow method under the income approach, using cash flow projections based on financial forecasts approved by management covering a six-year period as appropriate and a discount rate of 13%. The management assessment is that the Group will arrive at a stable growth stage after 6 years period. Cash flow beyond that six-year period has been extrapolated using a steady 5% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates. The result from the income approach was cross checked with the market approach, which incorporates certain assumptions, including the market performance of comparable listed companies, as well as the financial results and growth trends of the Company, to derive the total equity of the Group.

The risk-free interest rate was based on market yield rate of China government bonds with the term corresponding to the contractual life of the options. Expected volatility was determined by using the historical volatility of the comparable companies.

Changes in variables and assumptions may result in changes in the fair values of the share options.

The Group recognized total expense of approximately RMB38,308,000 for the year ended December 31, 2016 in relation to share options granted by the Company under the [REDACTED] Share Option Scheme.

38. AMOUNT DUE FROM A SUBSIDIARY

Amount due from a subsidiary of the Company is unsecured and interest free. In the opinion of the directors of the Company, the amount will not be repaid within the next twelve months and therefore the amount is classified as non-current.

39. MAJOR NON-CASH TRANSACTIONS

During the year ended December 31, 2016, the Group entered into finance lease arrangement in respect of assets with a total capital value at the inception of the lease of RMB53,781,000.

B. SUBSEQUENT EVENTS

The Group has the following events taken place subsequent to December 31, 2016:

On March 15, 2017, the Company granted 20,970,000 share options under the [REDACTED] Share Option Scheme to the employees of the Group and directors of the Company at an exercise price of US$1.02 per share. The Company has engaged an independent valuation firm to assess the resulting share-based compensation charge. Based on the preliminary assessment of the valuation, the resulting total share-based compensation charge would be approximately RMB60,500,000 of which approximately RMB14,800,000 would be charged to the profit and loss for the year ending December 31, 2017.

The Group entered into a one-year credit facility with the Hongkong and Shanghai Banking Corporation Limited on March 14, 2017. The credit facility grants the Group a line of credit up to US$40,000,000, at an interest rate of a minimum of one, two, three or six months London Interbank Offered Rate plus 1.0% p.a., subject to further agreements between the Group and the Hongkong and Shanghai Banking Corporation Limited upon drawdown. The Group also entered into another one-year credit facility with the Hongkong and Shanghai Banking Corporation Limited on March 14, 2017. The credit facility grants the Group a line of credit up to US$40,000,000, at an interest rate of a minimum of one, two, three or six months London Interbank Offered Rate plus 1.6% p.a., which will be stepped up by 0.25% after six months from the first drawdown. The Group had not made any drawdown under these two credit facilities at of the date of this report.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any companies now comprising of the Group have been prepared in respect of any period subsequent to December 31, 2016.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong, [REDACTED]

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1. Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on May 17, 2017 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection".

2. Articles of Association

The Articles of Association of the Company were conditionally adopted on May 17, 2017 and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US$50,000 divided into 2,000,000,000 shares of US$0.000025 each.

2.2 *Directors*

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature

of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an [REDACTED] of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the [REDACTED] or [REDACTED] of the [REDACTED];

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by

ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed

for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 ***Alteration to constitutional documents***

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 ***Variation of rights of existing shares or classes of shares***

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 ***Alteration of capital***

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Companies Law.

2.6 ***Special resolution — majority required***

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed,

by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 ***Voting rights***

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 ***Annual general meetings***

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it.

2.9 ***Accounts and audit***

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the

manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 ***Notice of meetings and business to be conducted thereat***

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 ***Transfer of shares***

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favor of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 ***Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 ***Power of any subsidiary of the Company to own shares***

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 ***Dividends and other methods of distribution***

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 ***Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a

resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 ***Calls on shares and forfeiture of shares***

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 ***Inspection of register of members***

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 ***Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 ***Rights of minorities in relation to fraud or oppression***

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 ***Procedure on liquidation***

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator

may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 ***Untraceable members***

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1. Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2. Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on February 27, 2014 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3. Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption

or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4. **Dividends and Distributions**

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5. **Shareholders' Suits**

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6. **Protection of Minorities**

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7. **Disposal of Assets**

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8. **Accounting and Auditing Requirements**

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9. **Register of Members**

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10. **Inspection of Books and Records**

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11. **Special Resolutions**

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12. **Subsidiary Owning Shares in Parent**

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13. **Mergers and Consolidations**

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14. **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15. **Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16. **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17. **Liquidation**

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18. **Stamp Duty on Transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19. **Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Governor in Cabinet:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20. **Exchange Control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21. **General**

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

We were incorporated in the Cayman Islands as an exempted company with limited liability under Cayman Islands Law on February 27, 2014.

We have established a place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and have registered with the Registrar of Companies as a non-Hong Kong company under Part 16 of the Hong Kong Companies Ordinance on May 2, 2017. Ms. Cheng Pik Yuk and Ms. Clare Ng Sin Yee have been appointed as our agents for the acceptance of service of process and notices on behalf of us in Hong Kong. As we are incorporated in the Cayman Islands, our corporate structure, as well as our Articles of Association, are subject to the relevant laws of the Cayman Islands. A summary of relevant parts of Articles of Association and certain relevant aspects of Cayman Islands company law is set out in "Appendix III — Summary of the Constitution of the Company and Cayman Companies Law" to this document.

2. Changes in the share capital of our Company

As of the date of our incorporation, our authorized share capital was US$50,000, divided into 50,000 shares of nominal value of US$1.00 each.

On February 27, 2014, one share of the Company was issued and allotted to the initial subscriber and then transferred to WuXi PharmaTech by the initial subscriber at par value.

On December 21, 2015, each of the issued and unissued share of the Company with a par value of US$1.00 was subdivided into 40,000 shares with a par value of US$0.000025 each and the authorized share capital of the Company became US$50,000 divided into 2,000,000,000 Shares of a par value of US$0.000025 each.

On January 12, 2016, 963,960,000 shares in the Company were allotted and issued to Biologics Holdings at a consideration of US$24,099.

Immediately following the completion of the [REDACTED] and assuming that the [REDACTED] and any [REDACTED] Share Option are not exercised, the authorized share capital of the Company will be US$50,000 divided into 2,000,000,000 Shares, of which [REDACTED] Shares will be issued fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.

Save as disclosed in this document and as mentioned in the paragraph headed "Resolutions of the Shareholders of our Company passed on May 17, 2017" in this appendix, there has been no alteration in our share capital within two years immediately preceding the date this document.

3. **Changes in the share capital or registered capital of our subsidiaries**

The following sets out the changes in share capital or registered capital of our subsidiaries which have taken place within the two years preceding the date of this document:

WuXi Biopharma

On June 10, 2015, the registered capital of WuXi Biopharma was redenominated from US$25 million to RMB158 million and subsequently increased to RMB35,397 million on March 11, 2016.

Shanghai Biologics

On August 10, 2015, the registered capital of Shanghai Biologics was increased from RMB10 million to RMB130 million.

WuXi Enterprise

On August 14, 2014, WuXi Enterprise was established in the PRC as a limited liability company with an initial registered capital of RMB168 million.

Biologics Investments

On January 15, 2015, the issued share capital of Biologics Investments was increased from HK$1.00 to HK$10,000.

US Biologics

On April 21, 2016, US Biologics was established in Delaware, US as a limited liability company with an issued capital of US$100.

WuXi Medi Biologics

On September 26, 2016, WuXi Medi Biologics was established in the PRC as a limited liability company with an initial registered capital of US$20 million.

UK Biologics

On December 2, 2016, UK Biologics was established in the United Kingdom as a limited liability company with an issued capital of £1,000.

Shanghai Biopharma

On April 7, 2017 Shanghai Biopharma was established in the PRC as a limited liability company with an initial registered capital of US$50 million.

Save as disclosed above, there has been no alterations in the share capital of our subsidiaries within two years immediately preceding the date of this document.

4. **Resolutions of the Shareholders of our Company passed on May 17, 2017**

Pursuant to the written resolutions dated May 17, 2017 passed by the Shareholders of the Company, among other matters:

(a) conditional on (aa) the Listing Committee granting listing of, and permission to [REDACTED] in, the Shares in issue and to be issued as mentioned in this document; and (bb) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of the [REDACTED] or otherwise:

(i) the Memorandum and Articles of Association were approved and adopted;

(ii) the [REDACTED] and the [REDACTED] were approved and our Directors were authorized to allot and issue Shares pursuant to the [REDACTED] and such number of Shares as may be required to be allotted and issued upon the exercise of the [REDACTED];

(b) a general unconditional mandate was given to our Directors to allot, issue and [REDACTED] with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which would or might require Shares to be allotted, issued or [REDACTED] with, with an aggregate number of Shares (otherwise than pursuant to, or in consequence of, the [REDACTED], a rights issue or pursuant to the exercise of any subscription rights which may be granted under the [REDACTED] Share Option Scheme and any other share incentive scheme or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our Shareholders or an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association), not exceeding the sum of 20% of the issued share capital immediately following the completion of the [REDACTED] but excluding any Shares, which may be issued pursuant to the exercise of the [REDACTED] and the options granted under the [REDACTED] Share Option Scheme, until the conclusion of our next annual general meeting, or the passing of an ordinary resolution by the Shareholders renewing, revoking or varying the authority to our Directors, whichever occurs first;

(c) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of the Company to purchase Shares with an aggregate number of Shares of not exceeding 10% of the issued share capital of our Company immediately following the completion of the [REDACTED] but excluding any Shares, which may be

issued pursuant to the exercise of the [REDACTED] and the options granted under the [REDACTED] Share Option Scheme until the conclusion of our next annual general meeting, or the passing of an ordinary resolution by the Shareholders renewing, revoking or varying the authority given to our Directors, whichever occurs first; and

(d) the extension of the general mandate to allot, issue and [REDACTED] with Shares to include the number of Shares repurchased pursuant to paragraph (c) above.

5. **Repurchase by the Company of its own Shares**

This section sets out information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its own securities.

(a) ***Provisions of the Listing Rules***

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders' approval*

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association of the Company and the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by the Company may be made out of the Company's funds, which would otherwise be available for dividend or distribution, or out of the [REDACTED] of a new issue of shares made for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of the funds, which would otherwise be available for dividend or distribution, or from sums standing to the credit of the Company's share premium account.

On the basis of the current financial position of us as disclosed in this Document and taking into account the current working capital position of us, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of us as compared with the position disclosed in this

Document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in these circumstances, have a material adverse effect on our working capital requirements or the gearing levels, which in the opinion of our Directors, are from time to time appropriate for us.

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after the Listing (assuming the [REDACTED] and the [REDACTED] Share Option are not exercised), would result in up to 113,411,787 Shares being repurchased by us during the period in which the Repurchase Mandate remains in force.

(iii) *Trading restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities, which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) *Status of repurchased Shares*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be canceled and destroyed.

(v) *Suspension of repurchase*

A listed company may not make any repurchase of securities after inside information has come to the knowledge of the Company until such time as the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) *Reporting requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) *Connected persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

(viii) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules or waived by the Stock Exchange).

No connected person of the Company has notified us that he/she/it has a present intention to sell Shares to the Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

(b) ***Reasons for Repurchases***

The Directors believe that it is in the best interest of the Company and the Shareholders for the Directors to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit the Company and the Shareholders.

B. CORPORATE ORGANIZATION

Please refer to the section headed "History and Corporate Development" of this document.

C. FURTHER INFORMATION ABOUT THE COMPANY'S BUSINESS

1. Summary of the material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this document that are or may be material:

(a) a deed of non-competition dated May 17, 2017 executed by the Controlling Shareholders in favor of our Company, details of which are set out in the section headed "Relationship with Our Controlling Shareholders" in this document;

(b) a deed of indemnity dated May 17, 2017 entered into between our Company and the Founding Individuals, pursuant to which the Founding Individuals will give certain indemnities in our favor, details of which are set forth in the section headed "— F. Other Information — 2. Tax and other indemnity"; and

(c) the [REDACTED].

2. Intellectual property rights of our Group

Trademarks

As of the Latest Practicable Date, we have registered the following trademark in Hong Kong which, in the opinion of our Directors, is material to our business:

Trademark	Name of Registered Proprietor	Registration No.	Class	Expiry Date
	Our Company	303771946	5	May 10, 2026

As of the Latest Practicable Date, we have applied for registration the following trademarks in the PRC which, in the opinion of our Directors, is material to our business:

Trademark	Applicant	Application No.	Class	Application Date
	WuXi Biopharma	20923541	9	August 9, 2016
	WuXi Biopharma	20923613	42	August 9, 2016
	WuXi Biopharma	20923649	5	August 9, 2016
	WuXi Biopharma	20923718	35	August 9, 2016
	WuXi Biopharma	20923753	44	August 9, 2016

As of the Latest Practicable Date, our Group had obtained a license to use the following trademarks which, in the opinion of our Directors, are material to our Group's business.

No.	Trademark	Place of Registration	Name of registered proprietor / applicant	Registration No.	Class	Expiry Date
1		PRC	WuXi AppTec	1805113	1	July 13, 2022
2	WUXI APPTEC	PRC	WuXi AppTec	6864346	1	July 13, 2020

No.	Trademark	Place of Registration	Name of registered proprietor / applicant	Registration No.	Class	Expiry Date
3		PRC	WuXi AppTec	1950842	35	November 20, 2022
4		PRC	WuXi AppTec	1948180	40	January 13, 2023
5		PRC	WuXi AppTec	3858816	40	April 6, 2026
6	药明康德	PRC	WuXi AppTec	3858821	40	April 6, 2026
7		PRC	WuXi AppTec	1794833	42	June 20, 2022
8	药明康德	PRC	WuXi AppTec	3858817	5	April 27, 2026
9		PRC	WuXi AppTec	3858818	5	April 27, 2026
10	WUXI APPTEC	PRC	WuXi AppTec	6864345	5	July 13, 2020

Patents

As of the Latest Practicable Date, we have registered the following patents in the PRC which, in the opinion of our Directors, are material to our business:

Patent No.	Description	Types of Patents	Registered Owner	Issuance Date	Expiry Date
ZL201210074420.5 . . .	Cell culture method capable of improving antibody expression levels and improving glycosylation levels (提高抗體表達量和改良糖基化水平的細胞培養方法)	Invention	WuXi Biopharma	March 20, 2012	March 19, 2032
ZL201210468883.X . . .	Host cell for expressing KCNQ1/KCNE1 protein and preparation method of host cell (表達KCNQ1/KCNE1蛋白的宿主細胞及其制法)	Invention	WuXi Biopharma	November 19, 2012	November 19, 2032
ZL201210481167.5. . . .	Synthetic method of 2,2-bis (trifluoroethyl) propanol (2,2-雙三氟乙基丙醇的合成方法)	Invention	WuXi Biopharma	November 23, 2012	November 22, 2032
ZL201210514949.4 . . .	Difluoromethyl-containing cytisine derivative, preparation method and antitumous effect research (含二氟甲基的金雀花堿衍生物及製備方法和抗癌作用研究)	Invention	Suzhou Biologics	December 5, 2012	December 4, 2032
201210483844.7	Efficient clone selection expression vector, and preparation method and use thereof (高效克隆篩選表達載體、其製備方法及用途)	Invention	Shanghai Biologics	November 23, 2012	November 22, 2032

As of the Latest Practicable Date, we have applied for the registration of the following patents in the PRC (some via the Patent Cooperation Treaty (PCT)) which, in the opinion of our Directors, are material to our business:

Application No.	Description	Types of Patents	Applicant	Application Date
201510319692.0	Novel PD-L1 Antibodies (新型抗PD-L1抗體)	Invention	Shanghai Biologics	June 11, 2015
201610638134.5	Novel PD-L1 Antibodies (新型抗PD-L1抗體)	Invention	Shanghai Biologics	August 5, 2016
201610835878.6	Novel Anti-PCSK9 Antibodies	Invention	Shanghai Biologics	September 20, 2016

Application No.	Description	Types of Patents	Applicant	Application Date
201610836152.4	Novel Anti-PCSK9 Antibodies	Invention	Shanghai Biologics	September 20, 2016
201610840595.0	The Novel Monoclonal Antibodies to Programmed death 1 (PD-1) (一種新的PD-1單克隆抗體 (PD-1))	Invention	Shanghai Biologics	September 21, 2016
PCT/CN2015/081256 . . .	Novel PD-1 Antibodies	Invention	Shanghai Biologics	June 11, 2015
PCT/CN2016/093560 . . .	Novel Anti-PD-L1 Antibodies	Invention	Shanghai Biologics	August 5, 2016
PCT/CN2016/094624 . . .	Novel Anti-PD-L1 Antibodies	Invention	Shanghai Biologics (joint application)	August 11, 2016
PCT/CN2016/099492 . . .	Novel Anti-PCSK9 Antibodies	Invention	Shanghai Biologics	September 20, 2016
PCT/CN2016/099491 . . .	Novel Anti-PCSK9 Antibodies	Invention	Shanghai Biologics	September 20, 2016
PCT/CN2016/099576 . . .	The Novel Monoclonal Antibodies to Programmed Death 1 (PD-1)	Invention	Shanghai Biologics	September 21, 2016

Domain name

As of the Latest Practicable Date, we had the following domain names under our name in the PRC which, in the opinion of our Directors, is material to our business:

Domain Name	Registration Date	Expiration Date	Name of Registered Proprietor
wuxibiologics.com.cn.	March 2, 2016	March 2, 2021	WuXi Biopharma
wuxibiologics.com	January 15, 2015	January 15, 2019	WuXi Biopharma

D. FURTHER INFORMATION ABOUT THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors' service contracts and appointment letters

Executive Directors

Each of the executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as executive Directors for a term of three years with effect from February 28, 2017 or their respective appointment dates, renewable by mutual consent. The office of a Director is liable to be vacated in certain circumstances pursuant to the Articles. The appointment of each of the executive Directors may be terminated by either party by giving at least three months' written notice to the other. The appointments are subject to the provisions of retirement and rotation of Directors under the Article of Association.

Non-executive Directors

The non-executive Director has entered into a service contract with the Company pursuant to which he agreed to act as a non-executive Director for a term of three years with effect from February 28, 2017 or their respective appointment dates, renewable by mutual consent. The office of a Director is liable to be vacated in certain circumstances pursuant to the Articles. The appointment of the non-executive Directors may be terminated by either party by giving at least three months' written notice to the other. The appointments are subject to the provisions of retirement and rotation of Directors under the Article of Association.

Independent non-executive Directors

Each of the independent non-executive Directors has signed a letter of appointment with us for a term of three years commencing from May 17, 2017, renewable by mutual consent. The appointment of each of the independent non-executive Directors may be terminated by either party giving at least three months' written notice to the other. The appointments are subject to the provisions of retirement and rotation of Directors under the Article of Association.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with the Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

2. **Directors' remuneration**

The aggregate amount of remuneration (including salaries, housing and other allowances, discretionary bonuses, other benefits and contributions to pension schemes) which were paid to our Directors for the three years ended December 31, 2014, 2015 and 2016 were RMB10.1 million, RMB12.1 million and RMB27.3 million, respectively.

Under the arrangements currently in force, we estimate the aggregate remuneration payable to, and benefits in kind receivable by the Directors for the year ending December 31, 2017 to be approximately RMB20.6 million.

None of our Directors or any past Directors has been paid any sum of money for each of the three years ended December 31, 2014, 2015 and 2016 (i) as an inducement to join or upon joining the Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended December 31, 2014, 2015 and 2016.

3. **Disclosure of interests of substantial Shareholders**

Save as disclosed in the section headed "Substantial Shareholders" in this document, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any an interest or short position in the Shares and underlying Shares of our Company which, once the Shares are listed, would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

Save as disclosed in this document, immediately following the completion of the [REDACTED], no persons will, directly or indirectly, be interested in 10% or more of the issued voting shares of any member of the Group.

4. **Disclosure of interests of Directors and chief executive of the Company**

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] and the [REDACTED] Share Options are not exercised), the interests and short positions of each Director or chief executive of our Company in the Shares, underlying Shares and debentures of the Company or associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has 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 recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, are as follows:

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of shares/underlying shares[(1)]	Approximate percentage of shareholding interest
Dr. Li	the Company	Interests held jointly with another person; interests of a controlled corporation	[REDACTED][(2)] [REDACTED]	[REDACTED]%
	Biologics Holdings	Interests of controlled corporations	[REDACTED]	[REDACTED]%[(3)]
Mr. Edward Hu	the Company	Beneficial owner	[REDACTED]	[REDACTED]%
Dr. Zhisheng Chen . . .	the Company	Beneficial owner	[REDACTED]	[REDACTED]%
		Beneficial owner[(4)]	[REDACTED]	[REDACTED]%

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of shares/underlying shares[1]	Approximate percentage of shareholding interest
Dr. Weichang Zhou . . .	the Company	Beneficial owner[4]	[REDACTED]	[REDACTED]%

Note:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Dr. Li controls 56.82% of the voting power at general meetings of Biologics Holdings, which holds [REDACTED] Shares, and controls the voting power of 54,602,361 Shares through G&C VII Limited. For details, see "History and Corporate Development — Corporate Structure". Under the SFO, Dr. Li is deemed to be interested in our Shares held by Biologics Holdings and G&C VII Limited. On June 30, 2016, Dr. Li, Dr. Zhao, Mr. Zhaohui Zhang and Mr. Xiaozhong Liu entered into an acting-in-concert agreement to acknowledge and confirm their acting-in-concert relationship in relation to the Company. For details, see "Relationship with Our Controlling Shareholders — Overview". Under the SFO, Dr. Li is deemed to be interested in 3,557,088 Shares and 4,347,551 Shares interested by Mr. Zhaohui Zhang and Mr. Xiaozhong Liu, respectively.

(3) Dr. Li controls 56.82% of the voting power at general meetings of Biologics Holdings. For details, see "History and Corporate Development — Reorganization".

(4) Interests in share options granted pursuant to the [REDACTED] Share Option Scheme.

Save as disclosed herein, none of the Directors or chief executive of our Company has any interests and short positions in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or deemed to have taken 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 will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange.

5. Disclaimers

Save as disclosed in this Document and as at the Latest Practicable Date:

(a) none of our Directors nor any of the parties listed in the section headed "— F. Other Information — 9. Qualifications of experts" of this Appendix was interested, directly or indirectly, in the promotion of, or in any assets which have, within the two years immediately preceding the issue of this Document, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;

(b) save in connection with [REDACTED], none of our Directors nor any of the parties listed in the section headed "— F. Other Information — 9. Qualifications of experts" of this Appendix was materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the Company's business; and

(c) save in connection with [REDACTED], none of the persons listed in the section headed "— F. Other Information — 9. Qualifications of experts" below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

E. [REDACTED] SHARE OPTION SCHEME

Our Company has conditionally approved and adopted the [REDACTED] Share Option Scheme pursuant to the resolutions of our Shareholders passed on January 5, 2016, which was amended on August 10, 2016 pursuant to the resolutions of our Board.

Summary of Major Terms

Purpose and participants

The purpose of the [REDACTED] Share Option Scheme is to attract, retain and motivate employees, Directors and such other Participants of our Group, to provide a means of compensating them through the grant of options under the [REDACTED] Share Option Scheme for their contribution to the growth and profits of our Group, and to allow them to participate in the growth and profitability of our Group. Participants of the [REDACTED] Share Option Scheme ("**Participants**") include (a) any employee (whether full time or part time) of the Company or its subsidiaries, including any executive Director ("**Eligible Employee**"), (b) any non-executive Director or independent non-executive Director of the Company appointed or proposed to be appointed prior to the [REDACTED], or any director of any of the subsidiaries, and (c) any other person who in the sole opinion of the Board, will contribute or have contributed to the Group.

No grant of options on or after the [REDACTED]

Save for the options which have been granted before the [REDACTED], no further options will be granted under the [REDACTED] Share Option Scheme on or after the [REDACTED].

Subscription price

The subscription price shall be determined by the Board, as it may think fit taking into account a Participant's contribution to the development and growth of the Group, and specified in the offer of grant of an option to such Participant.

Offer and grant of options

An offer of the grant of an option shall be deemed to have been accepted and such option to which such offer relates shall be deemed to have been granted and to have taken effect when the duplicate letter comprising acceptance of such offer duly signed by the grantee with the number of Shares in respect of which such offer is accepted clearly stated therein, together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company such remittance shall in no circumstances be refundable. Once accepted, the option is granted as from the offer date.

[REDACTED] Share Options are personal to Participants

A [REDACTED] Share Option shall be personal to the Participant and shall not be assignable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any [REDACTED] Share Option, except for the transmission of a [REDACTED] Share Option on the death or incapacitation of the Participant to his personal representative(s) according to the terms of the [REDACTED] Share Option Scheme.

Duration of the [REDACTED] Share Option Scheme

The [REDACTED] Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any option granted prior thereto. Options granted hereunder shall be exercisable during the period to be notified by the Board to each grantee at the time of making an offer of any option, which shall not be longer than ten (10) years from the date of the grant of the option ("**Option Period**").

Exercise of options and vesting

An option may be exercised in whole or in part in the manner as set out in the [REDACTED] Share Option Scheme and by the grantee (or, as the case may be, his or her legal personal representative(s)) giving notice in writing to the Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. Within five (5) Business Days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate of the auditors or the financial adviser of the Company retained for such purpose pursuant to the [REDACTED] Share Option Scheme, the Company shall allot and issue, and shall instruct the share registrar to issue, the relevant Shares to the grantee (or his or her legal personal representative(s)) credited as fully paid and issue to the grantee (or his or her legal personal representative(s)) a share certificate in respect of the Shares so allotted.

Subject to the terms of the [REDACTED] Share Option Scheme, the options (to the extent that they are vested and/or exercisable pursuant to sub-clauses (a) and (b) below) may be exercised by the grantees (or their legal personal representatives) at any time during the Option Period, provided that:-

(a) Subject as hereinafter provided, each option shall be vested in the following manner (each date on which any portion of an option shall be vested is hereinafter referred to as a "**Vesting Date**" and each tranche on which any portion of an option shall be vested is hereinafter referred to as a "**Tranche**"):

Tranche	Vesting Date
twenty percent (20%) of the Shares subject to an option so granted	second (2nd) anniversary of the offer date for an option
twenty percent (20%) of the Shares subject to an option so granted	third (3rd) anniversary of the offer date for an option
twenty percent (20%) of the Shares subject to an option so granted	fourth (4th) anniversary of the offer date for an option
forty percent (40%) of the Shares subject to an option so granted	fifth (5th) anniversary of the offer date for an option

(b) For avoidance of doubt, (i) any proportion of any option which has already vested on any prior Vesting Date(s) shall continue to be vested and shall be exercisable by the relevant grantee of such option; (ii) in the event that the Participant fails to fulfill any of the conditions (if any) imposed by the Board for vesting any proportion of any Tranche of any option, such proportion of the relevant option due to be vested on the relevant Vesting Date shall neither be vested nor be exercisable on such Vesting Date and shall lapse automatically on the relevant Vesting Date.

Lapse of options

An option granted under the [REDACTED] Share Option Scheme shall lapse automatically (to the extent not already exercised) on the earliest of:

(a) the expiry of the Option Period;

(b) the date or the expiry of the periods for exercising the option;

(c) the date on which an offer (or as the case may be, revised offer) closes;

(d) the date of the commencement of the winding-up of the Company;

(e) the date when the proposed compromise or arrangement becomes effective;

(f) the date on which the grantee ceases to be an Eligible Employee by reason of the termination of his or her employment on any one or more of the grounds that he or she voluntarily resigns, or has been guilty of misconduct or has found to have breached the terms of employment during his or her employment (regardless of whether such employment contract has already been terminated) leading to a material loss or damage to the Group, or his or her employment has terminated by reason of the failure of such employment to pass the annual evaluation, or has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his or her employment at law or pursuant to any applicable laws or under the grantee's service contract with the Company or the relevant subsidiary. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that employment of a grantee has or has not been terminated in shall be conclusive and binding on the grantee;

(g) the date on which the grantee commits a breach of the options are cancelled in accordance with [REDACTED] Share Option Scheme; or

(h) if the Board at their absolute discretion determines that the grantee (other than an Eligible Employee) has committed any breach of any contract entered into between the grantee on the one part and any member of the Group on the other part or that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his or her or its creditors generally, the Board shall determine that the outstanding options or granted to the grantee (whether exercisable or not) shall lapse. In such event, his or her or its options will lapse automatically and will not in any event be exercisable on or after the date on which the Board has so determined.

Maximum number of Shares

The Shares which may be issued upon exercise of all options to be granted under the [REDACTED] Share Option Scheme shall not exceed 144,600,000 Shares (i.e. 15% of the issued share capital of the Company as at the adoption of the [REDACTED] Share Option Scheme). Options lapsed in accordance with the terms of the [REDACTED] Share Option Scheme shall not be counted for the purpose of calculating the limit.

Ranking of Share allotted upon exercise of options

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue as from the day when the name of the grantee is registered on the register of members of the Company and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date when the name of the grantee is registered on the register of members of the Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date

which shall be before the date when the name of the grantee is registered on the register of members of the Company, provided always that when the date of exercise of the option falls on a day upon which the register of members of the Company is closed then the exercise of the option shall become effective on the first Business Day on which the register of members of the Company is re-opened. A Share allotted upon the exercise of an option shall not carry any voting right until the completion of the registration of the grantee as the holder thereof.

Voluntary winding-up of our Company

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all Participants and thereupon, each Participant (or her legal personal representative(s)) shall be entitled to exercise all or any of his or her or its [REDACTED] Share Options (to the extent which has become exercisable and not already exercised) at any time not later than three (3) Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Participant credited as fully paid, which Shares shall rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

Rights on take-over

In the event of a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of our Shares (or all such holders other than the offer or and/or any person controlled by the offer or and/or any person acting in association or concert with the offeror), our Company shall use all reasonable endeavors to procure that such offer is extended to all the Participants on the same terms, *mutatis mutandis*, and assuming that they will become, by exercise in full of the [REDACTED] Share Options granted to them, shareholders of our Company. If such offer becomes or is declared unconditional, a Participant shall be entitled to exercise his [REDACTED] Share Option (to the extent not already exercised) to its full extent or to the extent specified in the Participant's notice to our Company in exercise of his [REDACTED] Share Option at any time before the close of such offer (or any revised offer).

Rights on a compromise or arrangement

In the event of a compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Participants on the same day as it gives notice of the meeting to its members or creditors to consider such scheme or arrangement, and thereupon any Participant (or her legal personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two (2) months thereafter and the date on which such

compromise or arrangement is sanctioned by court be entitled to exercise his or her or its [REDACTED] Share Option (to the extent which has become exercisable and not already exercised), but the exercise of the [REDACTED] Share Option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. Our Company may thereafter require such Participant to transfer or otherwise deal with the Shares issued as a result of such exercise of his or her or its [REDACTED] Share Option so as to place the Participant in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

Reorganization of share capital

In the event of any alteration in the capital structure of our Company while any [REDACTED] Share Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision or reduction or similar reorganization of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding alterations (if any) shall be made in (a) the number or nominal amount of Shares subject to the [REDACTED] Share Option so far as unexercised, and/or (b) the subscription price, and/or (c) the method of exercise of the [REDACTED] Share Option, as the auditors or the financial adviser of our Company retained for such purpose shall certify in writing to the Board to be in their opinion fair and reasonable, provided that any alteration shall be made on the basis that the proportion of the issued share capital of our Company to which a Participant is entitled after such alteration shall remain the same as that to which he or she or it was entitled before such alteration and that the aggregate subscription price payable by a Participant on the full exercise of any [REDACTED] Share Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but so that no such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value and no such adjustment will be required in circumstances where there is an issue of Shares or other securities of our Group as consideration in a transaction.

Cancellation of options granted

Subject to the consent from the relevant grantee, the Board may at its discretion cancel options previously granted to and yet to be exercised by a grantee with the relevant grantees abstaining from voting.

Termination of the [REDACTED] Share Option Scheme

The Company may terminate the operation of the [REDACTED] Share Option Scheme at any time by resolution of the Board or resolution of the Shareholders in general meeting and in such event no further option will be offered but the provisions of the [REDACTED] Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provision of the [REDACTED] Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the [REDACTED] Share Option Scheme.

Alteration of the provisions of the [REDACTED] Share Option Scheme

Subject to provisions of [REDACTED] Share Option Scheme, the Board may amend any of the provisions of the [REDACTED] Share Option Scheme (including with limitation to amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions imposed by the provisions of this [REDACTED] Share Option Scheme) at any time (but not so as to affect adversely any rights which have accrued to any grantee at that date).

Outstanding Options

As at the date of this document, outstanding options to subscribe for an aggregate of [REDACTED] Shares representing approximately [REDACTED]% of the enlarged issued share capital of our Company immediately upon completion of the [REDACTED] (assuming that all options granted under the [REDACTED] Share Option Scheme are exercised, but without taking into account any Shares which may be allotted and issued upon the exercise of the [REDACTED]) have been conditionally granted by our Company under the [REDACTED] Share Option Scheme.

The outstanding options have been conditionally granted based on the performance of the grantees who have made important contributions to or are important to the long-term growth and profitability of our Group. A total of 495 grantees, including two executive Directors and four members of the senior management (excluding the Directors) of our Company (as set out in the section headed "Our Directors and Senior Management" of this document) have been conditionally granted outstanding options under the [REDACTED] Share Option Scheme.

Six batches of outstanding options to subscribe 83,073,818 Shares, 2,412,750 Shares, 5,684,313 Shares, 5,928,000 Shares, 20,942,000 Shares and 3,804,000 Shares under the [REDACTED] Share Option Scheme were granted to the respective grantees on January 7, 2016, March 28, 2016, August 10, 2016, November 11, 2016, March 15, 2017 and May 12, 2017, respectively. The exercise price of the options granted on January 7, 2016 and March 28, 2016 is US$0.50 per Share. The exercise price of the options granted on August 10, 2016 is US$0.66 per Share. The exercise price of the options granted on November 11, 2016 is US$0.79 per Share. The exercise price of the options granted on March 15, 2017 is US$1.02 per Share. The exercise price of the options granted on May 12, 2017 is US$1.80 per Share. No options are held by connected persons of our Company other than those granted to the Directors and the directors of the subsidiaries of our Company, under the [REDACTED] Share Option Scheme. If a grantee is a connected person of our Company, such grantee shall not exercise any option granted under the [REDACTED] Share Option Scheme to the extent that our Company's [REDACTED] will as a result of such exercise be less than the minimum requirements under the Listing Rules.

Exercise in full of all outstanding options granted under the [REDACTED] Share Option Scheme would result in an increase in the total number of Shares in issue immediately upon completion of the [REDACTED] (assuming there will be no further issue of Shares whether pursuant to the exercise of the [REDACTED] or any option granted under the [REDACTED] Share Option Scheme) by approximately [REDACTED]%.

Further, assuming that (i) our Company had been listed on the Stock Exchange since January 1, 2016 with [REDACTED] Shares in issue; and (ii) all the outstanding options granted under the [REDACTED] Share Option Scheme in respect of [REDACTED] Shares were exercised in full on January 1, 2016, the earnings per Share on a [REDACTED] basis for the year ended December 31, 2016 would have been diluted from approximately RMB[REDACTED] (unaudited) to RMB[REDACTED] (unaudited).

Summary of Grantees

A summary of the grantees who have been granted options under the [REDACTED] Share Option Scheme is set out below:

Grantee	Main Position in the Group	Address	Number of Shares to be issued upon full exercise of the option under the [REDACTED] Share Option Scheme	Percentage of enlarged issued share capital of our Company immediately upon completion of the [REDACTED] (assuming no exercise of the [REDACTED]) and full exercise of the options granted under the [REDACTED] Share Option Scheme
Directors of our Company				
Dr. Zhisheng Chen	Executive Director and chief executive officer	10-803, 128 Longrui Road Xuhui District Shanghai China	40,844,000	[REDACTED]
Dr. Weichang Zhou	Executive Director, chief technology officer and senior vice president	22-1504, 1888 Langu Road Pudong District Shanghai China	6,581,000	[REDACTED]
Sub-total:			**47,425,000**	**[REDACTED]**
Senior management of our Company				
Ms. Christine Shaohua Lu-Wong	Chief financial officer	Building 37 399 Zaozhuang Road Pudong New Area Shanghai China	4,500,000	[REDACTED]
Dr. Jing Li	Senior vice president	6-601, Apartment 108 Mashan Meiliang Road Binhu District, Wuxi City Jiangsu China	2,490,000	[REDACTED]
Mr. Jian Dong	Vice president	13-701, Lane 200 Songtao Road Pudong New Area Shanghai China	2,004,000	[REDACTED]
Mr. Angus Scott Marshall Turner	Vice president	82 Polwarth Terrace Edinburgh, EK111 1NN United Kingdom	640,000	[REDACTED]
Sub-total			**9,634,000**	**[REDACTED]**
Other 489 grantees who are employees of our Group				
—		—	64,785,881	[REDACTED]
Total			**121,844,881**	**[REDACTED]**

Note 1: All the percentage figures are subject to round-up and represent approximate percentage only.

Save and except as set out above, no other options have been granted or agreed to be granted by our Company under the [REDACTED] Share Option Scheme.

F. OTHER INFORMATION

1. 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.

2. Tax and other indemnity

The Founding Individuals have entered into a deed of indemnity in favor of our Group (being a material contract referred to in the paragraph "C. Further Information About the Company's Business — 1. Summary of the material contracts" in this Appendix) to provide the indemnities on a joint and several basis in respect of certain taxation falling on any Group company resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) as well as any actions, claims, costs, penalties, fines, damages, losses, fees, expenses and liabilities relating to the non-compliance incidents of any member of our Group on or before the date when the [REDACTED] becomes unconditional.

3. Litigation

Save as disclosed in this Document, as at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on its results of operations or financial condition.

4. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the [REDACTED] (including any Shares which may fall to be issued pursuant to the exercise of the [REDACTED]) and the Shares to be issued upon exercise of the options granted under the [REDACTED] Share Option Scheme. The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in the Listing Rules. The fees payable to the Joint Sponsors in respect of their services as sponsor for the Listing are approximately US$1.0 million and are payable by us.

5. Preliminary expenses

The preliminary expenses of the Company of US$3,427 were paid by the Company.

6. Promoter

We do not have any promoter. Within the two years immediately preceding the date of this document, no cash, securities or other benefits have been paid, allotted or given nor are any proposed cash, securities or other benefits to be paid, allotted or given to any promoters.

7. **Agency fees or commission received**

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this document in connection with the issue or sale of any capital of any member of our Group.

8. **Binding effect**

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

9. **Qualifications of experts**

The following are the qualifications of the experts who have given opinion or advice contained in this document:

Name	Qualification
Merrill Lynch Far East Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of the regulated activities under the SFO
Morgan Stanley Asia Limited.	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities under the SFO
China Merchants Securities (HK) Co., Limited.	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities under the SFO
Fangda Partners	PRC legal advisors
Deloitte Touche Tohmatsu	Certified public accountants
Maples and Calder (Hong Kong) LLP .	Cayman Islands legal advisors
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultants

10. **Consents of experts**

Each of the persons named in "— 9. Qualifications of experts" has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

11. **Bilingual Document**

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and document from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. **Particulars of the [REDACTED]**

[REDACTED]

[REDACTED]

13. **Miscellaneous**

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) neither the Company nor any of its subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(iv) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group; and

(v) no commission has been paid or payable (except commissions to the [REDACTED]) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in the Company.

(b) The Company has no outstanding convertible debt securities.

(c) No company within our Group is presently listed on any stock exchange or traded in any trading system.

(d) There is no arrangement under which future dividends are waived or agreed to be waived.

(e) The principal register of members of our Company will be maintained in the Cayman Islands by [REDACTED] and a branch register of members the Company will be maintained in Hong Kong by [REDACTED]. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, among others:

(a) copies of each of the [REDACTED];

(b) a copy of each of the material contracts referred to the section headed "Statutory and General Information — C. Further Information About The Company's Business — 1. Summary of the Material Contracts" in Appendix IV to this document;

(c) the written consents referred to in the section headed "Statutory and General Information — F. Other Information — 10. Consents of Experts" in Appendix IV to this document; and

(d) a list of the names, addresses and description of the [REDACTED].

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Wilson Sonsini Goodrich & Rosati at Suite 1509, 15/F, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

(a) our Memorandum and Articles of Association;

(b) the Accountants' Report for the three years ended December 31, 2016 issued by Deloitte Touche Tohmatsu, and the assurance report on the unaudited [REDACTED] financial information prepared by Deloitte Touche Tohmatsu, the texts of which are set out in Appendix I and Appendix II of this document, respectively;

(c) the audited consolidated financial statements of our Company for the three years ended December 31, 2016;

(d) the legal opinions issued by Fangda Partners, our PRC legal advisor, in respect of certain aspects of our Group and the property interests of our Group;

(e) the letter of advice issued by Maples and Calder (Hong Kong) LLP, our Cayman legal advisor, in respect of certain aspects of the Cayman Companies Law referred to in Appendix III to this document;

(f) the Cayman Companies Law;

(g) the material contracts referred to the section headed "Statutory and General Information — C. Further Information About The Company's Business — 1. Summary of the Material Contracts" in Appendix IV to this document;

(h) the written consents referred to in the section headed "Statutory and General Information — F. Other Information — 10. Consents of Experts" in Appendix IV to this document;

(i) service contracts and letters of appointment entered into between the Company and each of the Directors;

(j) the rules of the [REDACTED] Share Option Scheme;

(k) a list of all the Grantees who have been granted options under the [REDACTED] Share Option Scheme containing all the particulars as required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

(l) a list of the names, addresses and description of the [REDACTED].