SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this document. You should read the whole document (including the appendices hereto, which constitute an integral part of this document) before you decide to [**REDACTED**] *in the* [**REDACTED**]. *There are risks associated with any* [**REDACTED**]. *Some of the particular risks in* [**REDACTED**] *in the* [**REDACTED**] *are set out in the section headed "Risk Factors" in this document. You should read this section carefully before you decide to* [**REDACTED**] *in the* [**REDACTED**].

OVERVIEW

We are a well-recognized life sciences research and application service and product provider with comprehensive portfolio coverage in the world, according to the Frost & Sullivan Report. We ranked first in the global gene synthesis service market in terms of revenue in 2014 with market share of 25.6%, according to the Frost & Sullivan Report. As gene synthesis is one of the fundamental techniques in synthetic biology, being a global leader in gene synthesis, we have strong technological advantages in the discipline of synthetic biology, and have successfully developed a number of products and services by applying synthetic biology technologies. Our services and products are primarily used by scientists and researchers for conducting fundamental life sciences research, translational biomedical research, and early stage pharmaceutical development. Our synthetic biology products are also used by industry users of industrial enzymes such as those in the food industry. According to the Frost & Sullivan Report, we are a well-recognized and trusted provider of synthetic biology research and application services and products, with a broad portfolio coverage.

Originally founded in New Jersey in the United States in 2002, we have established an extensive direct sales network, reaching over 100 countries in North America, Europe, the PRC, Asia Pacific (excluding the PRC and Japan), and Japan. As of June 30, 2015, we had established a highly diversified customer base, including over 3,100 pharmaceutical and biotech companies, 1,980 colleges and universities, 680 research institutes, 60 government bodies (including government testing and diagnostic centers), and 30 distributors. For the period ended June 30, 2015, our sales to such categories of customers generated approximately 57.9%, 25.7%, 13.1%, 1.6% and 1.7% of our total revenue, respectively. Over the 13 years of our service, we believe that we have engendered customers' trust and confidence in our Company. As of June 30, 2015, over 14,500 international peer-reviewed journal articles had cited the use of our life sciences research and application services and products, making our Company a frequently cited life sciences research and application service and product provider. These citations also indicated that many users of our services and products are leading scientists and researchers in the life sciences research industries, according to the Frost & Sullivan Report.

SERVICES AND PRODUCTS

We attribute our success to our technological advantages and application experience in the discipline of synthetic biology, and our strong research and development capabilities accumulated over the years. Our competitive advantages are based on the broad and integrated life sciences research and application service and product portfolio of four segments, namely, (i) life sciences research services, (ii) life sciences research catalog products, (iii) preclinical drug development services, and (iv) industrial synthetic biology products. Under the first three segments, we provide our customers with efficient and cost-effective solutions designed to shorten their discovery and development time in various life sciences research and development activities and preclinical drug development processes. The fourth segment is a new segment growing from the leverage over our technical expertise and experience in gene synthesis and synthetic biology. For the six months ended June 30, 2015, our sales of life sciences research services, life sciences research catalog products, preclinical drug development services, and industrial synthetic biology products generated approximately US$36.8 million, US$1.2 million, US$2.6 million, and US$0.5 million, respectively, representing approximately 89.6%, 2.9%, 6.4%, and 1.1% of our total revenue.

Segment	Key Service/Product	Applications	Sample Picture
Life sciences research services	• Gene synthesis • Oligonucleotide synthesis • DNA sequencing • Protein production • Peptide synthesis • Antibody development	Widely used in life sciences research and application, such as basic biology studies, disease and pharmaceutical research, drug discovery, agriculture, environmental studies, and food industry.	
Life sciences research catalog products	• Precast gels • Antibodies • Recombinant proteins • Affinity resins	Widely used in life sciences research and application, such as basic biology studies, disease and pharmaceutical research, drug discovery, agriculture, environmental studies, and food industry.	
Preclinical drug development services	• Antibody and protein engineering • *In vitro* pharmacology service • *In vivo* pharmacology service	Applied in disease studies and drug discovery processes.	
Industrial synthetic biology products	• Industrial enzymes	Useful for speeding up biochemical reactions in many industries such as the food industry.	

Our world leadership in gene synthesis and our technological advantages in the discipline of synthetic biology have become a driving force that benefit the development of each of our business segments. For example, our capability of *de novo* synthesis of DNA molecules encoding novel or optimized proteins has enriched our protein and antibody-related services and products. The services provided by our preclinical drug development service segment also grew from the leverage over our technical expertise and experience in gene synthesis and protein production.

BUSINESS MODEL

Direct Sales and Distribution

We primarily sell our life sciences research and application services and products through our own direct sales force to our customers worldwide, while we also sell our services and products through independent third-party distributors to expand our market presence and facilitate communication with end users. We attribute our success to our teams of well-trained sales and marketing specialists, as well as around-the-clock customer and consultation services. As of June 30, 2015, nearly 90% of the members of our U.S. sales and marketing team have attained doctoral or master's degrees in life sciences-related disciplines. They are dedicated to understanding customers' needs and helping to solve their research problems. We have also established an active online presence through our interactive online quotation and ordering system. A significant number of our worldwide customers navigate directly to our websites at www.genscript.com and www.bestzyme.com and can place orders for most of our life sciences research and application services and products 24 hours a day. In addition, we leverage the established network of independent third-party distributors to expand the breadth and depth of our market presence and facilitate communication with end users. We believe that the use of distributors is generally in line with industry practice, according to the Frost & Sullivan Report. As of June 30, 2015, we had sold our services and

products to over 30 international distributors located across North America, Europe, the PRC, Asia Pacific (excluding the PRC and Japan), and Japan.

For the years ended December 31, 2012, 2013, 2014, and the six months ended June 30, 2015, our direct sales generated US$52.2 million, US$59.0 million, US$69.0 million, and US$40.4 million, representing approximately 98.6%, 98.1%, 98.6% and 98.3% of our total revenue, respectively. For the same periods, our sales to distributors generated US$0.7 million, US$1.1 million, US$1.0 million, and US$0.7 million, representing approximately 1.4%, 1.9%, 1.4% and 1.7% of our total revenue, respectively.

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

	For the years ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014		2015	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
	(US$ in thousands, except percentages)									
North America	27,120	51.2	31,367	52.2	36,473	52.1	17,067	50.9	21,565	52.5
Europe	11,994	22.6	12,396	20.6	14,714	21.0	7,464	22.3	8,426	20.5
The PRC	5,390	10.2	7,145	11.9	8,676	12.4	3,645	10.9	5,993	14.6
Asia Pacific (excluding the PRC and Japan)	4,198	7.9	4,857	8.1	5,602	8.0	2,761	8.2	2,746	6.7
Japan	3,684	7.0	3,523	5.9	3,582	5.1	2,103	6.3	1,842	4.5
Others (including South America and Africa)	604	1.1	816	1.3	947	1.4	481	1.4	478	1.2
TOTAL	52,990	100.0	60,104	100.0	69,994	100.0	33,521	100.0	41,050	100.0

SUPPLIERS, RAW MATERIALS, AND INVENTORY

Owing to our vast array of services and products, we procure a wide variety of raw materials from a large number of suppliers for our business segments. As of December 31, 2012, 2013, and 2014 and the six months ended June 30, 2015, we had a total of over 250, 280, 270 and 210 suppliers of different raw materials for our production, respectively, that are mostly located in China. Our life sciences research service segment comprises six key sub-segments, each of which uses different raw materials. For example, gene synthesis service uses various types of restriction endonuclease, oligonucleotide synthesis service uses nucleotide monomers, DNA sequencing service uses BigDye Terminator kit, protein production service uses culture media, peptide synthesis service uses amino acids, and antibody development service uses experimental animals such as rats and rabbits. Please see the section headed "Business — Suppliers, Raw Materials, and Inventory" on page 198 of this document for further details.

During the Track Record Period, the purchase prices of our raw materials were relatively stable. For the years ended December 31, 2012, 2013, and 2014 and the six months ended June 30, 2015, purchases from our five largest suppliers were approximately US$3.0 million, US$2.3 million, US$3.4 million, and US$2.0 million, accounting for approximately 23.7%, 16.1%, 19.8%, and 23.7% of our total purchases, respectively. During the same periods, our purchases from our largest supplier were US$1.0 million, US$0.7 million, US$1.1 million, and US$0.8 million, accounting for approximately 7.6%, 4.9%, 6.4%, and 9.2% of our total purchases, respectively.

PRODUCTION

As of the Latest Practicable Date, we had three production facilities in operation in China and the United States. Our principal research and development base and production facility covers a site area of approximately 71,838.18 sq.m. in Jiangning Science Park located in Nanjing, China* (南京江寧科學園). As of the Latest Practicable Date, we had three five-storey research and development and production buildings and two two-storey animal housing buildings in Jiangning Science Park in Nanjing, which are AAALAC- and OLAW-accredited facilities. We leased our second production facility located in Pukou, Nanjing, which is used primarily for the production of peptides. We also leased and operated a facility for

express gene synthesis and DNA sequencing service at GS US. As of June 30, 2015, we operated a total of 12 key production lines and employed more than 600 production personnel. For the six months ended June 30, 2015, the utilization rate of our production facilities for the production and provision of life sciences research services, life sciences research catalog products, and preclinical drug development services were 85.0%, 85.1%, and 91.2%. While we substantially produce almost all services and products at our production facility, we outsource certain steps of production. We also engage independent third-party OEM contractors in the PRC to expand and diversify our product offerings under the life sciences research catalog product segment. Please see the section headed "Business — Production Equipment and Maintenance" for a discussion on the designed annual production capacity, production volume, and the utilization rates in respect of each of our three business segments during the Track Record Period on page 211 of this document.

Under the industrial synthetic biology product segment, we have invested significantly in the research and development of industrial enzymes, and have developed product lines for a series of industrial enzymes in the past two years. Currently, we maintain the design and laboratory-scale production of our industrial synthetic biology products in-house, and outsource the large-scale industrial production and formulation processes to third-party outsourced suppliers under our on-site technical supervision and according to our specifications.

OUR COMPETITIVE STRENGTHS

Our core strengths are set our below:

- We have achieved world market leadership in the global gene synthesis service market with recognized stature in synthetic biology, and we offer a broad and integrated life sciences research and application service and product portfolio.
- We are a well-known and trusted brand underpinned by our high quality life sciences research and application services and products.
- We maintain a strong sales and marketing team and operate an interactive online quotation and ordering platform to support our global sales.
- We possess strong research and development capabilities, with a proven track record and a robust service and product pipeline.
- We have an experienced and professional management team supported by a strong talent base.

OUR STRATEGIES

Our business strategies and development direction are set out below:

- Increase investment in research and development projects to expand our research and application service and product portfolio.
- Enhance production capacity to capitalize on the strong demand for our life sciences research and application services and products.
- Increase penetration into the overseas and PRC markets by expanding and strengthening our sales and marketing team.
- Pursue strategic acquisitions to complement organic growth.

COMPETITIVE LANDSCAPE

The global life sciences research service and product market

(A) The global DNA synthesis service market

According to the Frost & Sullivan Report, the global DNA synthesis service market is moderately concentrated in terms of revenue in 2014. The top five players in the global oligonucleotide synthesis

service market segment accounted for 58.4% of the market share in terms of revenue in 2014. Similarly, the top five players in the global gene synthesis service market segment dominate the market segment with a 74.2% market share in terms of revenue in 2014. We are the largest provider of gene synthesis service in the world, and had a market share of 25.6% in the global gene synthesis service market in terms of revenue in 2014.

(B) The global genetic analysis and engineering service market

According to the Frost & Sullivan Report, the global genetic analysis and engineering service market is a relatively less concentrated market, with the top five players accounting for 22.0% of market share in terms of revenue in 2014.

(C) The global research-based protein and antibody-related service and product market

According to the Frost & Sullivan Report, the global research-based protein and antibody-related service and product market is highly fragmented.

(D) The global life sciences research reagent market

According to the Frost & Sullivan Report, the global life sciences research reagent market is highly fragmented with a significant number of suppliers available both locally and internationally.

Entry barriers of the global life sciences research service and product market include accumulated technical know-how and operational expertise, research and development talents, substantial capital investment, and strong market recognition.

The global drug development service market

According to the Frost & Sullivan Report, the global drug development service market is a moderately concentrated market, with the top five players accounting for 38.3% of market share in terms of revenue in 2014. Entry barriers of the global drug development service market include access to research and development talents, substantial capital investment, and the establishment of strategic partnership with drug developers.

The global industrial enzyme market

According to the Frost & Sullivan Report, the global industrial enzyme market is highly concentrated, with two market players accounting for 62.7% of the market share in terms of revenue in 2014. Entry barriers of the global industrial enzyme market include establishment of economies of scale, existing major players, and biotechnology expertise. There is great growth potential for the global industrial enzyme market due to the demand for more environmentally friendly industries with higher productivity at lower cost.

Please see the section headed "Industry Overview" beginning on page 92 of this document for details of the market share and ranking of the key market players.

OUR SHAREHOLDERS

As of the Latest Practicable Date, Dr. Zhang, our co-founder, chairman, executive Director and chief executive officer, is also our Controlling Shareholder. Dr. Zhang holds approximately 30.73% of our total issued share capital indirectly through GS Corp (which is owned as to approximately 40.59% by Dr. Zhang, and GS Corp owned approximately 75.71% of the issued share capital of GS Cayman and in turn owned the entire issued share capital of our Company). Immediately after the completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and that no Shares have been issued pursuant to the exercise of any option which have been or may be granted under the Share Option Schemes), Dr. Zhang will hold approximately [**REDACTED**]% of our total issued share capital indirectly through GS Corp (which is owned as to approximately 40.59% by Dr. Zhang and GS Corp owned approximately [**REDACTED**]% of the issued share capital of our Company). Dr. Zhang has also been conferred the voting rights of Ms. Wu, who will hold approximately [**REDACTED**]% of our total issued share capital indirectly through GS Corp (which is owned as to approximately 23.235% by

Ms. Wu and GS Corp will own approximately [**REDACTED**]% of the issued share capital of our Company) immediately after the completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be issued upon the exercise of the [**REDACTED**] and the options that have been or may be granted under the Share Option Schemes). Therefore, immediately after the completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and that no Shares have been issued pursuant to the exercise of any option which have been or may be granted under the Share Option Schemes), Dr. Zhang will hold approximately [**REDACTED**]% of the voting control of our Company. As part of the [**REDACTED**] Reorganization, GS Cayman will not remain as the Controlling Shareholder of our Company, but Dr. Zhang and GS Corp will remain as the Controlling Shareholders of our Company.

There is no competition between the business of our Controlling Shareholders and our businesses. The Directors believe that our Group is capable of carrying out its businesses independently of our Controlling Shareholders and their associates.

For more details, please see the sections headed "Relationship with Controlling Shareholders" and "Directors and Senior Management" in this document.

[REDACTED] SHARE OPTION

The purpose of the [**REDACTED**] Share Option Scheme is to attract skilled and experienced personnel, to incentivize them to remain with our Group and to motivate them to strive for the future development and expansion of our Group by providing them with the opportunity to acquire equity interests in our Company. The principal terms of the [**REDACTED**] Share Option Scheme were approved by our Board on July 15, 2015.

We have granted options to 170 persons (the "Grantees" and each a "Grantee") to subscribe for 155,538,420 Shares (immediately before [**REDACTED**] Reorganization) or [**REDACTED**] (immediately before completion of the [**REDACTED**] and the [**REDACTED**]), both representing approximately [**REDACTED**]% of the then respective issued share capital of our Company. The [**REDACTED**] to be subjected to the [**REDACTED**] Share Option Scheme shall be [**REDACTED**] Shares, representing approximately [**REDACTED**]% of the issued share capital of our Company immediately after the completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] Share Options are exercised in full and without taking into account of any Shares which may be issued pursuant to the exercise of the [**REDACTED**] and the options which have been or may be granted under the [**REDACTED**] Share Option Scheme). The exercise prices of the [**REDACTED**] Share Options immediately before completion of the [**REDACTED**] and the [**REDACTED**] range from US$0.005 to US$0.20 and the adjusted exercise prices of the [**REDACTED**] Share Options immediately after the completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] Share Options are exercised in full and without taking into account of any Shares which may be issued pursuant to the exercise of the [**REDACTED**] and the options which have been or may be granted under the [**REDACTED**] Share Option Scheme) range from US$0.003 to US$0.103. The vesting dates of the [**REDACTED**] Share Options range from December 31, 2007 to March 20, 2022. Among the 170 Grantees, two of them are executive Directors, one of them is a non-executive Director, four of them are members of the senior management of our Group, and 163 of them are employees of our Group (the "Employee Grantees").

Assuming all outstanding options as of Latest Practicable Date were exercised as of January 1, 2015 prior to the [**REDACTED**] and the [**REDACTED**], this would have a dilutive effect on the shareholdings of our Shareholders of approximately 20.12% and, as a result of the adjustment in share-based compensation expenses for the six months ended June 30, 2015, an anti-dilutive effect of approximately 11.34% on our earnings per Share for the six months ended June 30, 2015.

For more details, please refer to the Note 27 of Accountants' Report as set out in Appendix I and the section headed "Statutory and General Information — 8. [**REDACTED**] Share Option Scheme" in Appendix V of this document.

[REDACTED] INVESTMENT

On April 3, 2009, GS Cayman entered into a [**REDACTED**] Investment Agreement with KPCB China Fund, KPCB China Founders Fund and TBIG Healthcare, pursuant to which GS Cayman agreed to issue and sell to the [**REDACTED**] Investors, at the price of US$0.10 per share, an aggregate of 150,000,000 Series A-1 Preference Shares and issue Series A-2 Warrants to the [**REDACTED**] Investors to purchase up to an aggregate of 25,641,029 Series A-2 Warrant Shares.

On April 15, 2009, KPCB China Fund paid an aggregate purchase price of US$11,162,400 for 111,624,000 Series A-1 Preference Shares and 19,081,028 Series A-2 Warrant Shares; KPCB China Founders Fund paid an aggregate purchase price of US$837,600 for 8,376,000 Series A-1 Preference Shares and 1,431,795 Series A-2 Warrant Shares; and TBIG Healthcare paid an aggregate purchase price of US$3,000,000 for 30,000,000 Series A-1 Preference Shares and 5,128,206 Series A-2 Warrant Shares. On the same day, KPCB China Fund, KPCB China Founders Fund and TBIG Healthcare hold 18.08%, 1.35% and 4.86% of the then total issued share capital of GS Cayman. Immediately before the [**REDACTED**], all the Series A-1 Preference Shares held by KPCB China Fund, KPCB China Founders Fund and TBIG Healthcare will be converted into ordinary shares of GS Cayman. GS Cayman will repurchase all the ordinary shares of GS Cayman held by GS Corp, KPCB China Fund, KPCB China Founders Fund and TBIG Healthcare, in consideration of which, GS Cayman will transfer [**REDACTED**] Shares, [**REDACTED**] Shares, [**REDACTED**] Shares and [**REDACTED**] Shares to GS Corp, KPCB China Fund, KPCB China Founders Fund and TBIG Healthcare, respectively.

Immediately after the completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be issued upon the exercise of the [**REDACTED**] and the options that have been and may be granted under the Share Option Schemes), KPCB China Fund, KPCB China Founders Fund and TBIG Healthcare will hold [**REDACTED**], [**REDACTED**] and [**REDACTED**] Shares, respectively, representing approximately [**REDACTED**]%, [**REDACTED**]% and [**REDACTED**]% , respectively, of the issued share capital of the Company.

Our Directors and the Sole Sponsor confirm that they consider the [**REDACTED**] investments, after the lapse of all special rights relating to [**REDACTED**] investment upon the [**REDACTED**], are under normal commercial terms and in compliance with the Guidance Letters HKEx-GL29-12, HKEx-GL44-12 and HKEx-GL43-12 issued by the Stock Exchange, based on the relevant documentation. For more details, please see the section headed "History and Reorganization — [**REDACTED**] Investment" in this document.

SUMMARY OF OUR FINANCIAL INFORMATION

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

Information on our combined statements of profit or loss

	Year ended December 31,						Six months ended June 30,			
	2012		2013		2014		2014		2015	
	Revenue US $'000	*% of total revenue*	*Revenue US $'000*	*% of total revenue*	*Revenue US $'000*	*% of total revenue*	*Revenue US $'000* (unaudited)	*% of total revenue*	*Revenue US $'000*	*% of total revenue*
Life sciences research services	48,571	91.6	55,354	92.1	63,220	90.3	30,320	90.4	36,775	89.6
Life sciences research catalog products	1,793	3.4	1,527	2.5	2,044	2.9	943	2.8	1,181	2.9
Preclinical drug development services	2,626	5.0	3,223	5.4	4,382	6.3	2,163	6.5	2,641	6.4
Industrial synthetic biology products	–	–	–	–	348	0.5	95	0.3	453	1.1
TOTAL	**52,990**	**100.0**	**60,104**	**100.0**	**69,994**	**100.0**	**33,521**	**100.0**	**41,050**	**100.0**

	Year ended December 31,			Six months ended June 30,	
	2012	**2013**	**2014**	**2014**	**2015**
	Gross profit margin (%)	*Gross profit margin (%)*	*Gross profit margin (%)*	*Gross profit margin (%)* (unaudited)	*Gross profit margin (%)*
Life sciences research services	67.3	64.0	63.2	64.5	66.3
Life sciences catalog products	59.8	58.3	66.5	58.4	62.6
Preclinical drug development services	64.4	60.2	63.8	64.3	64.3
Industrial synthetic biology products	–	–	–	(60.0)	5.7
OVERALL GROSS PROFIT MARGIN	**66.9**	**63.7**	**63.0**	**63.9**	**65.4**

Our revenue increased from 2012 to 2014 at a CAGR of 14.9%, primarily attributable to increases in revenues from our life sciences research service, life sciences research catalog product and preclinical drug development service businesses. Our revenue increased by US$7.6 million, or 22.7%, from US$33.5 million for the six months ended June 30, 2014 to US$41.1 million for the six months ended June 30, 2015, primarily attributable to increases in revenues from all our business segments. During the Track Record Period, revenues from our four business segments increased, respectively, due to the following factors:

- *Life sciences research services:* (i) an increase in revenue generated from the sale of our gene synthesis services, which in turn was mainly a result of (a) our strengthened sales and marketing efforts on key customers and (b) our provision of GenPlus™ next-generation gene synthesis technology and GenPlus™ high-throughput gene synthesis service; (ii) an increase in revenue generated from the sale of our protein production service, which in turn, was mainly a result of (a) our improved services, including more efficient delivery, and (b) our provision of a variety of protein and antibody-related complex projects; (iii) an increase in sales generated through our interactive online quotation and ordering system; and (iv) an increase in demand from our existing customers as a result of our one-stop integrated service platform.

- *Life sciences research catalog products:* the revenue generated from our newly launched recombinant protein products, precast gels products, and eStain® and eBlot® products.

- *Preclinical drug development services:* (i) an increase in revenue generated from our antibody and protein engineering service, which in turn, was mainly a result of our commercial introduction of our half-life extension technology for single domain antibody drugs; and (ii) an increase in revenue generated from our *in vivo* pharmacology service as a result of the operational expansion.

- *Industrial synthetic biology products:* we launched the industrial synthetic biology product segment in 2013, and continued to grow our production and sales of our industrial synthetic biology products in 2014 and first half of 2015.

Our overall gross profit margin decreased from 2012 to 2014 primarily as a result of a decrease in the gross profit margin for our life sciences research service segment. In turn, such decrease was mainly a result of: (i) an increase in labor costs, which was attributable to the employment of more skilled labors; (ii) the launch of a few new services, which have relatively lower gross profit margin as they were still in early stages of development; (iii) an increase in our operation costs, which was attributable to the expanded operation at our new facilities in Jiangning Science Park in Nanjing in 2013; and (iv) the lowering of the sales price of certain gene synthesis service. Our gross profit margin increased from 63.9% for the six months ended June 30, 2014 to 65.4% for the six months ended June 30, 2015, which in turn, was primarily attributable to an increase in gross profit margin of our life sciences research service segment. The increase was a result of a decrease in cost of raw materials and our enhanced production efficiency as we improved our gene synthesis technology. Our net profit margin decreased from 17.3% for the year ended December 31, 2012 to 10.0% for the year ended December 31, 2013, primarily because of a decrease in our overall gross profit margin from 2012 to 2013. Our net profit margin for the year ended December 31, 2014 further decreased to 8.8%, primarily attributable to an increase in our administrative expenses in 2014 as a result of increase in our equity-settled share option expenses. Our net profit margin increased from 12.1% for the six months ended June 30, 2014 to 14.0% for the six months ended June 30, 2015 primarily because of an increase in our overall gross profit margin. Please see the section headed "Financial Information — Description of Certain Combined Income Statement Items" starting on page 277 of this document for further discussion.

Information on our combined balance sheets

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Non-current assets	45,490	45,274	48,588	50,402
Current assets	30,099	38,561	43,792	43,768
Net current (liabilities)/assets	(153)	8,676	14,604	20,029
Non-current liabilities	1,181	1,387	1,445	1,436
Current liabilities	30,252	29,885	29,188	23,739
Total equity	44,156	52,563	61,747	68,995

Please see the section headed "Financial Information — Discussion of Selected Item from the Combined Statement of Financial Position" starting on page 302 of this document for further discussion.

Extract of combined statements of cash flows

The following table sets forth selected cash flow data from our combined statements of cash flows for the periods indicated. For more information, please see the section headed "Accountants' Report" in Appendix I to this document.

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000 (unaudited)*	*US$'000*
Cash and cash equivalents at beginning of year/period	16,778	18,660	22,457	22,457	25,637
Net cash flows from operating activities	9,190	12,024	12,206	5,822	9,274
Net cash flows used in investing activities	(7,317)	(10,914)	(9,114)	(3,156)	(1,121)
Net cash flows from financing activities	(99)	1,988	395	(215)	(8,178)
Net foreign exchange difference	108	699	(307)	(445)	72
Cash and cash equivalents at end of the year/period	18,660	22,457	25,637	24,463	25,684

Key financial ratios

The following table sets forth certain key financial ratios as of the dates or for the periods indicated. Please see the section headed "Financial Information — Key Financial Ratios" starting on page 322 of this document for descriptions of the calculations and the relevant analysis of the ratios below.

	As of December 31,			As of June 30,
	2012	2013	2014	2015
Current ratio	1.0	1.3	1.5	1.8
Gearing Ratio (%)	17.0	18.9	17.4	3.7

	For the year ended December 31,			For the six months ended June 30,
	2012	2013	2014	2015
Gross profit margin (%)	66.9	63.7	63.0	65.4
Net profit margin (%)	17.3	10.0	8.8	14.0
Effective tax rate (%)	17.3	20.3	21.2	27.2
Return on equity (%)	23.5	12.4	10.8	17.6
Return on total assets (%)	14.4	7.5	7.0	12.4
EBITDA margin (%)	28.2	20.6	18.6	25.2
Interest coverage	66.3	23.3	20.1	N/A

DIVIDEND POLICY

During the Track Record Period, we have not declared and/or paid any dividends to our Shareholders. Subject to the Companies Law and our Memorandum and Articles, through a general meeting, we will declare dividends from the profit of the forthcoming periods, but no dividends shall exceed the amount recommended by our Directors. Our Directors will consider, from time to time, to pay to our shareholders such interim dividends as appear to our Directors to be justified by our financial conditions and profits. The amount of any dividends to be declared or paid in the future will depend on, among other things, our results of operations, cash flows, financial condition, operating and capital requirements, future prospects and other factors that our Directors may deem relevant.

SUMMARY OF MATERIAL RISK FACTORS

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

- Our future growth is dependent upon our ability to develop new services and products, which requires significant research and development efforts, and our investment in new services and products may not result in any commercially viable services and products
- If our customers are not receptive to our services and products, our sales will decline, and we will be unable to increase our sales and profit
- Unauthorized use of our brand names by third parties and our failure to develop, maintain and enhance our brands may adversely affect the level of market recognition of, and trust in, our services and products
- Our business, financial condition and results of operations may be harmed if our customers discontinue or spend less on research and development or are unable to obtain funding for their research and development, or our customers fail to obtain, maintain or renew relevant licenses or permits required for their businesses
- If we experience a significant disruption in our information technology systems or if we fail to implement new systems and software successfully, our business could be adversely affected
- 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

A detailed discussion of the risk factors is set forth in "Risk Factors" section beginning on page 40 of this document.

NON-COMPLIANCE INCIDENTS

During the Track Record Period, we had certain non-compliance incidents in relation to (i) the discharge of pollutants prior to obtaining pollutants discharge permits and the discharge of waste gas

beyond the permitted level, (ii) failure to attend to "Occupational Health Three Simultaneities" procedures* ("職業衛生三同時"手續) and "Safety Facilities Three Simultaneities" procedures* ("安全設施三同時"手續) in relation to certain construction projects, (iii) failure to obtain construction work commencement permit, inspection and acceptance on completion of construction, and building ownership certificate in relation to certain construction projects and buildings, (iv) failure to file information of projects posing occupational disease and to conduct a testing of factors in connection with occupational disease and assessment on the current status of occupational disease, (v) failure to undertake the design examination and acceptance procedures of the fire prevention inspection in relation to a leased property, and (vi) failure to comply with the ITSR in respect of one sales transaction with a customer in Iran. Please see the section headed "Business — Historical Non-compliance Incidents" for further details beginning on page 230 of this document. All such non-compliance incidents had not resulted, and are not expected to result, in any material impact on our business operation financial condition. Please see the section headed "Business — Sales to Sanctioned Countries" beginning on page 191 of this document for further details on our non-compliance with ITSR during the Track Record Period.

BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

The United States, the European Union, Australia, the United Nations Security Council and Hong Kong, collectively, have broad economic sanctions targeting the Sanctioned Countries. In addition, the United States and other jurisdictions have certain sanctions that target Sanctioned Persons regardless of whether they are located in the Sanctioned Countries. For details on relevant sanctions laws, see "Regulations — Descriptions of Sanctions Laws" beginning on page 134 of this document. During the Track Record Period, we made certain sales of our products and services to customers in the following Sanctioned Countries: Belarus, Egypt, Iran, Iraq, Lebanon, Libya, Russia, Serbia and Ukraine. Our revenue derived from sales made to these Sanctioned Countries in aggregate accounted for approximately 0.23%, 0.10%, 0.12% and 0.10% of our revenue for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. As advised by our International Sanctions Legal Advisors, it is likely that only one of these sales transactions we conducted with customers in the Sanctioned Countries in the Track Record Period could be deemed to have violated the U.S. sanctions. A replacement product for one sales transaction was shipped by us to the customer in Iran in November 2013. The replacement shipment was made without charge to the customer and had a cash value of US$1,650. On August 25, 2015 (Hong Kong time), we have made a voluntary self-disclosure ("VSD") of this one incident to OFAC. We have not yet received responses from OFAC as to its rulings or applicable penalty. As advised by our International Sanctions Legal Advisors, any penalty assessed against our Company for this one potential violation of the U.S. sanctions is likely to range from a cautionary letter (without monetary penalty) to a maximum civil penalty of up to US$1,000. In addition, we are currently considering whether certain additional past sales transactions involving Iran between the period 2010 to 2015 with aggregate sales amount of US$72,550.9 may constitute violations under the U.S. sanctions, although our International Sanctions Legal Advisers are of the view that those additional past sales transactions involving Iran may not constitute violations under U.S. sanctions. If we ultimately determine that any of these additional sales transactions may also be apparent violations of the U.S. economic sanctions against Iran, then we may add these apparent violations in our VSD to OFAC. If all such sales transactions were to be included in such a VSD to OFAC and OFAC were to deem all the disclosed transactions to be non-egregious, then, under OFAC's Economic Sanctions Enforcement Guidelines governing such VSD of apparent violations, our International Sanctions Legal Advisers expect that, in the aggregate, in a written settlement with OFAC, we may be subject to a maximum civil penalty of up to US$30,000. For details of our business operations in the Sanctioned Countries, see "Business — Sales to Sanctioned Countries" beginning on page 191 of this document.

As of the Latest Practicable Date/ prior to the [**REDACTED**], all of our sales transactions with customers in the Sanctioned Countries have been completed. We have no present intention to undertake any future business or make any future sales to the Sanctioned Countries. We undertake to the Hong Kong Stock Exchange that (i) we will not use the [**REDACTED**] from the [**REDACTED**], as well as any other funds raised through the Hong Kong Stock Exchange, whether directly or indirectly, to finance or facilitate any projects or businesses in the Sanctioned Countries, and (ii) we will not undertake any sanctionable transactions that would expose the Hong Kong Stock Exchange, the [**REDACTED**] Committee of the Stock Exchange, [**REDACTED**], [**REDACTED**] Nominees, our Shareholders and/or investors (collectively, the "Relevant Persons") or us to risk of being sanctioned. If we breach any of these undertakings to the Hong Kong Stock Exchange after the [**REDACTED**], it is possible that the Hong Kong Stock Exchange may [**REDACTED**] our Shares. Our Directors believe that the Relevant Persons are unlikely to face sanctions risk due to our transactions with the Sanctioned Countries. In order to ensure our compliance with these undertakings to the Hong Kong Stock Exchange, we will continuously monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders. For details of our internal control procedures, please see the section headed "Business — Sales to Sanctioned Countries — Our Undertakings and Internal Control Procedures" beginning on page 196 of this document. In addition, for related risks, please see the section headed "Risk Factors — Risks Relating to Our Business — We could be adversely affected as a result of our operations in certain countries that are subject to evolving economic sanctions of the United States, the European Union, Australia and the United Nations Security Council and other relevant sanctions authorities" beginning on page 48 of this document.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our business model, revenue structure and cost structure remained unchanged since June 30, 2015. Our business achieves a strong growth rate and the contribution by each business segment is in line with the historical record.

The global demand for life sciences research and application services and products has been improving in recent years. Such improvements were primarily contributed by the considerable growth in the developing countries such as China. North America and Europe captured the highest market share in aggregate in the global life sciences research service and product market in terms of revenue in 2014. Increasing research and development funding and declining cost of major raw materials and technology further facilitate the development of such industries, resulting in the wide applications of some breakthrough technologies to various bio-related industries. There has also been an increasing demand for innovative therapeutic options in recent years, owing to the rise in disease incidence cases across predominant therapeutic categories. Such demand, coupled with constraints faced by drug manufacturers, and drug development service providers' access to advanced research tools and technologies, contributes to the increasing popularity of drug development services. Due to their environmental friendliness and the ability to achieve higher productivity with lower manufacturing cost, industrial enzymes are becoming more and more popular in a variety of industries such as the food industry and the textile industry. We believe that such favorable trends had continued as of the Latest Practicable Date.

Under our three principal segments, namely, life sciences research services, life sciences research catalog products, and preclinical drug development services, we provide our customers with access to a comprehensive portfolio of over 4,000 services and products, of which our life sciences research service segment contributed approximately 89.6% of our total revenue for the six months ended June 30, 2015. Under this segment, certain prices of our services showed a downward trend. For instance, during the Track Record Period, the average selling price of our gene synthesis service decreased from US$0.38 to US$0.34 per base pair, representing a decrease of approximately 10.5%. We believe that such decrease was in line with market trend. According to the Frost & Sullivan Report, the price of gene synthesis are expected to remain stable in the future, with a slight downward trend primarily due to the decreasing costs of raw materials and advancement of production technology. Meanwhile, for instance, the prices of our peptide synthesis and protein production remained relatively stable during the Track Record Period.

For the seven months ended July 31, 2015, we had incurred expenses in connection with the [**REDACTED**] (the "[**REDACTED**] Expenses") in the amount of [**REDACTED**] and expenses of equity-settled share option expenses in the amount of [**REDACTED**] in relation to the [**REDACTED**] Share Option Scheme.

The depreciation of the Renminbi against the U.S. dollar in August 2015 may have a positive effect on our financial results as our cost of sales is mainly denominated in Renminbi. At the same time, as far as we are aware, there was no material change in the general economic, market and regulatory conditions in our industry that had materially and adversely affected our business operations or financial conditions since June 30, 2015 and up to the Latest Practicable Date. Our Directors confirm that, save as the [**REDACTED**] and equity-settled share option expenses, up to the date of this document, there has been no other material adverse change in our financial or trading position or prospects since June 30, 2015, being the date to which our latest audited financial statements were prepared.

[**REDACTED**] EXPENSES

The [**REDACTED**] of our Shares generates [**REDACTED**] expenses including professional fees, [**REDACTED**] commissions and other expenses. The estimated [**REDACTED**] expenses (including [**REDACTED**] commissions) are approximately US$[**REDACTED**], among which, approximately US$[**REDACTED**] is directly attributable to the [**REDACTED**] of our Shares generates and will be capitalized, and approximately US$[**REDACTED**] has been or is expected to be reflected in our income statement. For the six months ended June 30, 2015, we have incurred [**REDACTED**] expenses of approximately US$[**REDACTED**], which have already been reflected in our income statement, and approximately US$[**REDACTED**] is expected to incur after June 30, 2015.

[**REDACTED**] STATISTICS

All statistics in the following table are based on the assumptions that: (i) completion of the [**REDACTED**]; (ii) the [**REDACTED**] has been completed and [**REDACTED**] are newly [**REDACTED**] in the [**REDACTED**]; (iii) [**REDACTED**] Shares are issued and outstanding following completion of the [**REDACTED**]; and (iv) the [**REDACTED**] is not exercised.

	Based on an [REDACTED] of HK$[REDACTED] per Share		Based on an [REDACTED] of HK$[REDACTED] per Share	
	US$	*HK$*	*US$*	*HK$*
Market capitalization of our Shares upon completion of the [**REDACTED**](1)	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Unaudited pro forma adjusted combined net tangible assets per [**REDACTED**](2)	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Note:

(1) Taking no account of any shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**], the options granted or to be granted under the [**REDACTED**] Share Option Schemes or the [**REDACTED**] Share Option Scheme and any shares which may be issued or repurchased by our Company pursuant to the General Mandate to Issue Shares and General Mandate to Purchase Shares.

(2) The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to in Appendix II to this document and based on [**REDACTED**] which are expected to be in issue immediately after completion of the [**REDACTED**] and the [**REDACTED**] and taking into no account of any Shares which may be issued pursuant to the [**REDACTED**], the options which have been or may be granted under the Share Option Schemes and any Shares which may be issued or repurchased by our Company pursuant to the [**REDACTED**]. Please refer to Appendix II to this document for further details regarding the assumptions and calculation method.

USE OF PROCEEDS

We estimate that the aggregate net [**REDACTED**] to our Company from the [**REDACTED**] (after deducting [**REDACTED**] fees and estimated expenses in connection with the [**REDACTED**] payable by us and assuming that the [**REDACTED**] is not exercised and an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] stated in this document) will be approximately HK$[**REDACTED**]. We currently intend to apply such net proceeds for the following purposes. Please see the section headed "Future Plans and Use of [**REDACTED**]" on pages 329 of this document for details.

Amount of net [REDACTED]	Intended application	Intended year of application
• approximately [**REDACTED**]%, or [**REDACTED**]	• expanding our current life sciences research and application service and product portfolio	• 2016–2017
• approximately [**REDACTED**]%, or [**REDACTED**]	• expanding production capacity	• 2016–2017
• approximately [**REDACTED**]%, or [**REDACTED**]	• enhancing our information technology capability	• 2015–2016
• approximately [**REDACTED**]%, or [**REDACTED**]	• reinforcing the sales and marketing team	• 2016–2018
• approximately [**REDACTED**]%, or [**REDACTED**]	• potential acquisition in attractive segments of the industry	• no specific acquisition target identified as of the Latest Practicable Date
• approximately [**REDACTED**]%, or [**REDACTED**]	• supplement our working capital and for general corporate purposes	• 2016–2018