You should read the following discussion and analysis of our financial condition and results of operations together with our combined financial information as of and for each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015 and the accompanying notes included in the Accountants' Report set out in Appendix I to this document. Our combined financial information has been prepared in accordance with HKFRS. Potential [**REDACTED**] *should read the whole of the Accountants' Report set out in Appendix I to this document and not rely merely on the information contained in this section.*

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyzes made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please see the sections headed "Risk Factors" and "Forward-looking Statements" in this document for more details.

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.

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. 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.

(i) *Life sciences research services*: This segment provides comprehensive research services in six key sub-segments, namely, gene synthesis, oligonucleotide synthesis, DNA sequencing, protein production, peptide synthesis, and antibody development. These services and associated products are widely used and are fundamental to life sciences research and application, such as basic biology studies, disease and pharmaceutical research, drug discovery, agriculture, environmental studies, and food industry. For the six months ended June 30, 2015, we generated approximately US$36.8 million, representing approximately 89.6% of our total revenue for that period, under this segment.

(ii) *Life sciences research catalog products*: This segment provides pre-packaged, ready-to-use, and off-the-shelf products such as antibodies, recombinant proteins, reagent products, and small equipment for protein expression and analysis. Examples of products offered by this segment include but are not limited to, cytokines and antibodies, precast protein separation gels, affinity purification resins, desktop instruments for protein staining and protein transfer, and PCR cloning kits. For the six months ended June 30, 2015, we generated approximately US$1.2 million, representing approximately 2.9% of our total revenue for that period, under this segment.

(iii) *Preclinical drug development services*: This segment provides integrated services in three key sub-segments, namely, antibody and protein engineering, *in vitro* pharmacology service, and *in vivo* pharmacology service. These services are applied in disease studies and drug discovery processes. Our service portfolio in this segment enables us to develop new protein and antibody drugs from the initial target validation to drug candidate engineering and optimization, and all the way to preclinical animal model studies. For the six months ended June 30, 2015, we generated approximately US$2.6 million, representing approximately 6.4% of our total revenue for that period, under this segment.

(iv) *Industrial synthetic biology products*: This new segment grows from the leverage over our technical expertise and experience in gene synthesis and synthetic biology. Our technical experience in gene synthesis facilitates the construction of non-pathogenic microbial strains to produce high-quality industrial enzymes through outsourced suppliers which can be used in a variety of industries, such as the food processing, feed, pharmaceutical, and chemical industries. Our first focus in this segment is industrial enzymes used in the food industry. For the six months ended June 30, 2015, we generated approximately US$0.5 million, representing approximately 1.1% of our total revenue for that period, under this segment.

As of June 30, 2015, we generated US$36.8 million, US$1.2 million, US$2.6 million and US$0.5 million in the life sciences research service, life sciences research catalog product, preclinical drug development service and industrial synthetic biology product segments, representing 89.6%, 2.9%, 6.4%, and 1.1% of our total revenue, respectively.

Our revenue increased from US$53.0 million for the year ended December 31, 2012 to US$60.1 million for the year ended December 31, 2013, and further to US$70.0 million for the year ended December 31, 2014, representing a 2012-2014 CAGR of 14.9%. 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. Increased sales of our services and products across all our business segments during the Track Record Period contributed to such revenue growth.

BASIS OF PRESENTATION

Pursuant to the 2015 Reorganization, our Group companies were transferred to and held by our Company. Our Company has not been involved in any other business prior to the 2015 Reorganization. The companies now comprising our Group were under the common control of GS Cayman before and after the 2015 Reorganization. Accordingly for the purpose of this document, the financial information of our Group has been prepared on a combined basis by applying the principles of merger accounting as if the 2015 Reorganization had been completed at the beginning of the Track Record Period. The combined statements of profit or loss, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Parent Company, where this is a shorter period.

CRITICAL ACCOUNTING POLICIES

In our preparation of the combined financial statements in accordance with HKFRS, we have made judgments, estimates and assumptions that affect each reported amount relating to our assets and liabilities at the end of each financial period, as well as each reported amounts relating to our income and expenses during each financial period. We continually evaluate these estimates based on our own historical experience, knowledge and assessment of our current business and other conditions, our expectations regarding the future based on available information and our best assumptions.

When reviewing our combined financial statements, you should consider these factors: (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in relevant conditions and assumptions. The accounting policies involving the most significant judgment and estimation for the preparation of our combined financial statements are set out below:

Revenue Recognition

We recognize revenue when it is probable that the economic benefits will flow to us and when the revenue can be measured reliably, on the following bases:

- *Service income.* Revenue is recognized when the services have been rendered and it is probable that the economic benefits will flow to us and the relevant fees can be measured reliably.

- *Sale of goods*. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, provided that we maintain neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

- *Interest income.* Revenue is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

- *Dividend income.* Revenue is recognized when the right to receive payment has been established.

Share-based Payments

Our employees (including Directors) receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 27 to the Accountants' Report in Appendix I.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as of the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either us or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Impairment of Non-financial Assets (other than goodwill)

We assess whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, we estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred Tax Assets

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The outcome of their actual utilization may be different. The carrying values of deferred tax assets relating to recognized deductible temporary differences were US$1.3 million, US$1.8 million, US$2.3 million and US$2.9 million as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

Income Tax

We are subject to income taxes in various regions. As a result, certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgments based on currently enacted tax laws, regulations and other related policies are required in determining the provision for corporate income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the corporate income tax and tax provisions over the period in which the differences are realized.

Impairment of Trade and Other Receivables

Impairment of trade and other receivables is made based on an assessment of the recoverability of trade and other receivables. The identification of impairment requires our judgments and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade and other receivables and impairment loss over the period in which such estimate has been changed. The provision for impairment of trade and other receivables amounted to US$0.7 million, US$1.1 million, US$1.2 million and US$1.2 million as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

Useful Lives of Property, Plant and Equipment

We determine the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. We will increase the depreciation charge where useful lives are less than previously estimated lives, or we will write off or write down technically obsolete or non-strategic assets that have been abandoned.

Net Realizable Value of Inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in market conditions. We reassess these estimates at each reporting date. The net carrying value of inventories were US$1.2 million, US$1.4 million, US$1.8 million and US$2.1 million as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations, financial condition and the period-to-period comparability of our financial results are principally affected by the following factors:

Market Demand for Our Services and Products

We provide life sciences research and application services and have a comprehensive portfolio of products, which scientists and researchers apply to conduct fundamental life sciences research, translational biomedical research, and early stage pharmaceutical development. Our financial results have been driven primarily by the significant growth of market demands for life sciences research and application services and products. According to the Frost & Sullivan Report, there is an increasing trend in spending on research and development worldwide. This trend is led by the United States, which recorded a US$410.9 billion of gross domestic spending on research and development in 2014. The PRC has also shown a significant increase in research and development spending in recent years. This trend is expected to lead to a direct increase in demand for life sciences research and application services and products. Please see the section headed "Industry Overview" for a detailed discussion on the growth drivers of the life sciences research and application services and products industries.

Expansion and Performance of Our Sales Team

The growth of our revenue and profit depends on the expansion and performance of our sales network across continents, covering over 100 countries in North America, Europe, and the Asia Pacific. We primarily sell our life sciences research and application services and products through our own direct sales force, and our ability to increase revenue is directly affected by the scale of our sales network and the effectiveness of our sales and marketing activities. During the Track Record Period, we expanded our sales network. Our revenue and profit increased accordingly. Our revenue and profit growth will continue to depend on our ability to further expand our sales network and to effectively improve the overall performance of our sales and distribution network.

Cost of Sales

Our profitability is significantly affected by our cost of sales, which primarily consists of labor costs and cost of raw materials in relation to our manufacture and sale of products and rendering of our services to customers.

Labor Costs

Our labor costs mainly include salaries, wages and social security costs for our production and service employees, which represented approximately 42.5%, 42.8%, 42.6%, 43.5% and 45.1% of our total cost of sales for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, respectively. In recent years, our labor costs have increased as a result of our expanded operational scale, increase in our average salary and employment of more skilled labors. Furthermore, 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. We had 1,159, 1,133, 1,203 and 1,187 full-time employees as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. As of June 30, 2015, over 63.3% of our employees had obtained a bachelor's or higher degree, with over 7.6% holding Ph.Ds. Fluctuation in labor costs may lead to fluctuation in our cost of sales.

Cost of Raw Materials

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, our cost of raw materials accounted for 30.9%, 32.1%, 31.5%, 28.0% and 27.2% of our cost of sales for the same periods, respectively. Owing to our vast array of services and products, we procure a wide variety of raw materials. For example, gene synthesis uses various types of restriction endonuclease, oligonucleotide synthesis uses nucleotide monomers, DNA sequencing uses BigDye Terminator kit, protein production uses culture media, peptide synthesis uses amino acids, and antibody development uses experimental animals such as rats and rabbits. Our life sciences research catalog product segment uses gel reagents to cast protein gels. Raw materials used under our preclinical drug development service segment are usually project-specific, such as mice. Raw materials currently used in our industrial synthetic biology product segment include maltose syrup, which is a common industrial carbon source used for fermentation of enzymes. The prices of raw materials for our life sciences research and application services and products are determined principally by the general market conditions and our bargaining power with suppliers. The prices and availability of raw materials may vary from period to period due to factors such as consumer demand and market conditions. We are exposed to the market risk of price fluctuation of raw materials, and fluctuation in such prices may cause fluctuation in our cost of sales.

Based on our best estimates, for illustrative purposes only, the following table shows the sensitivity of our overall gross profit during the Track Record Period with regard to certain possible changes in the cost of raw materials during the same period, assuming all other variables remain constant:

	Changes in our overall gross profit				
	Year ended December 31,			**Six months ended June 30,**	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Changes in cost of raw materials:					
–10.0%	543	702	816	339	386
–5.0%	271	351	408	170	193
–1.0%	54	70	82	34	39
+1.0%	(54)	(70)	(82)	(34)	(39)
+5.0%	(271)	(351)	(408)	(170)	(193)
+10.0%	(543)	(702)	(816)	(339)	(386)

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, if the cost of raw materials had increased by 653.1%, 545.1%, 540.4%, 632.2% and 695.6%, respectively, and assuming all other variables remain constant, our overall gross profit for the same periods would have been nil.

Service and Product Mix

The mix of services and products in our portfolio may have a material effect on our financial performance and results of operations. We provide a wide range of life sciences research and application services and products. Our diverse service and product offerings enable us to capitalize on the changing market trend, technological development and customer demand in our target markets. As our services and products have different profit margins which depend on a series of factors (such as cost of raw materials, labor costs, service and product pricing, promotional and marketing strategies, and research and development expenses), the mix of services and products in our portfolio materially affects our financial performance and results of operations.

Competition and Product Price

We have positioned ourselves as a well-recognized life sciences research and application service and product provider with comprehensive portfolio coverage in the world. We face competition from a number of other domestic and international life sciences research and application service and product providers, and we expect competition to intensify as new suppliers enter the market. In such an environment, competitive pricing is an important factor affecting our results of operations, and changes in pricing strategies by our competitors may have an adverse impact on our results of operations. In addition, competitive pricing behavior in the market affects our ability to manage relationships with existing customers. As our competitors improve their offerings, merely providing superior quality products and services may not be sufficient to increase market share. For additional information regarding competition, please see the section headed "Risk Factors — Risks Relating to Our Business" in this document.

Under our life sciences research service segment, which contributed approximately 89.6% of our total revenue for the six months ended June 30, 2015, certain prices of our services showed a downward trend. For instance, during the Track Record Period, the average selling price of our gene synthesis services decreased from US$0.38 toUS$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. For additional information regarding the decreasing pricing trends and reduced margins, please see the section headed "Risk Factors — Risks Relating to Our Business" in this document.

RESULTS OF OPERATIONS

The following table sets forth a summary of our combined statements of profit or loss for the periods indicated. This information should be read together with our combined financial information and related notes, which have been prepared in accordance with HKFRS and set out in Appendix I —"Accountants' Report" to this document. Our results of operations in any period are not necessarily indicative of results that may be expected for any future period.

	Year ended December 31,			Six months ended June 30,	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Revenue	52,990	60,104	69,994	33,521	41,050
Costs of sales	(17,547)	(21,846)	(25,896)	(12,089)	(14,192)
Gross profit	35,443	38,258	44,098	21,432	26,858
Other income and gains	1,603	1,182	1,468	1,217	737
Selling and distribution expenses	(10,339)	(12,813)	(15,538)	(7,570)	(8,357)
Administrative expenses	(15,018)	(16,855)	(21,446)	(9,714)	(11,325)
Other expenses	(415)	(1,906)	(335)	(5)	(17)
Finance costs	(170)	(337)	(411)	(215)	—
Profit before tax	11,104	7,529	7,836	5,145	7,896
Income tax expense	(1,922)	(1,529)	(1,661)	(1,099)	(2,150)
Profit for the year/ period	9,182	6,000	6,175	4,046	5,746
Attributable to:					
Owners of the parent	9,182	6,000	6,175	4,046	5,746
Non-controlling interests	—	—	—	—	—
	9,182	6,000	6,175	4,046	5,746
Earnings per share attributable to equity holders of the parent					
Basic and diluted (US$)					
— For profit for the year/period	N/A	N/A	N/A	N/A	N/A

	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*
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Fair value change on available-for-sale financial assets	(15)	20	(9)	4	4
Exchange differences on translation of foreign operations	219	1,937	(266)	(750)	106
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	204	1,957	(275)	(746)	110
Other comprehensive income for the year/period, net of tax	204	1,957	(275)	(746)	110
Total comprehensive income for the year/ period	9,386	7,957	5,900	3,300	5,856
Attributable to:					
Owners of the parent	9,386	7,957	5,900	3,300	5,856
Non-controlling interests	—	—	—	—	—
	9,386	7,957	5,900	3,300	5,856

Please refer to "Financial Information — Description of Certain Combined Income Statement Items — Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014, Year Ended December 31, 2014 Compared to Year Ended December 31, 2013 and Year Ended December 31, 2013 Compared to Year Ended December 31, 2012" for the detailed year-on-year analyzes of certain combined income statements items.

DESCRIPTION OF CERTAIN COMBINED INCOME STATEMENT ITEMS

Revenue

During the Track Record Period, we generated our revenue primarily from our four business segments: (i) life sciences research services, (ii) life sciences research catalog products, (iii) preclinical drug development services, and (iv) industrial synthetic biology products. Our revenue increased from US$53.0 million for the year ended December 31, 2012 to US$60.1 million for the year ended December 31, 2013, and further to US$70.0 million for the year ended December 31, 2014, representing a 2012-2014 CAGR of 14.9%. 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.

By Business Segment

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

	Year ended December 31,						Six months ended June 30,			
	2012		2013		2014		2014		2015	
	US$'000	*% of total revenue*	*US$'000*	*% of total revenue*	*US$'000*	*% of total revenue*	*US$'000 (unaudited)*	*% of total 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**

Life sciences research services

Revenue generated from our life sciences research service segment is recognized when we provide our gene synthesis, oligonucleotide synthesis, DNA sequencing, protein production, peptide synthesis, and antibody development services to customers. During the Track Record Period, revenue generated from our life sciences research services segment generally increased primarily due to: (i) an increase in revenue generated from the sale of our gene synthesis service, 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

Revenue generated from our life sciences research catalog product segment is recognized when we sell our antibodies, recombinant proteins, reagent products, small equipment for protein expression and analysis and other products to customers. During the Track Record Period, an increase in revenue generated from our life sciences research catalog product segment was primarily attributable to the revenue generated from our newly launched recombinant protein products, precast gel products, and eStain® and eBlot® products.

Preclinical drug development services

Revenue generated from our preclinical drug development service segment is recognized when we provide our antibody and protein engineering, *in vitro* pharmacology, and *in vivo* pharmacology services to customers. During the Track Record Period, revenue generated from our preclinical drug development service segment generally increased primarily because of: (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. Products of this segment can be used in a variety of industries, such as the food processing, feed, pharmaceutical, and chemical industries. Our first focus is industrial enzymes used in the food industry. Revenue generated from our industrial synthetic biology product segment is recognized when we sell our products to customers.

By Region

During the Track Record Period, over 50% of our revenue was derived primarily from the sale of our services and products in the North America, with the remaining generated from Europe, PRC, Asia Pacific (excluding PRC and Japan), Japan and others (including South America and Africa). The following table sets forth a breakdown of our revenue by sales region for the periods indicated.

	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*	*%*
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
PRC	5,390	10.2	7,145	11.9	8,676	12.4	3,645	10.9	5,993	14.6
Asia Pacific (excluding 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**

North America

Revenue generated from our business in North America increased during the Track Record Period. The increase was primarily attributable to: (i) a growth in sales volume as we provided around-the-clock customer and consultation services through our well-trained sales and marketing specialists. 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; (ii) an increase in revenue from our key customers in the United States as a result of our sales and marketing efforts on such customers; (iii) an increase in revenue generated from our GenPlus™ high-throughput gene synthesis services since its launch in 2014; and (iv) the growth in the overall market demand in the United States as a result of an increased spending on research and development.

Europe

Revenue generated from our business in Europe increased during the Track Record Period. The increase was primarily attributable to: (i) an increase in revenue from our key customers in Europe as a result of our sales and marketing efforts on such customers; and (ii) an increase in purchases from colleges and universities of our services and products as we carried out promotional and marketing activities in colleges and universities.

PRC

Revenue generated from our business in the PRC increased during the Track Record Period. The increase was primarily attributable to: (i) a growth in revenue generated from our key customers in the PRC as a result of our sales and marketing efforts on such customers; (ii) the launch of a number of new services and products in the PRC, including GenPlus™ high-throughput gene synthesis services and recombinant antibody development services; and (iii) a growth in the overall market demand for life sciences research and application services and products in the PRC.

Asia Pacific (excluding PRC and Japan)

Revenue generated from our business in Asia Pacific other than the PRC and Japan increased during the Track Record Period. The increase was primarily attributable to (i) a growth in revenue generated from our key customers in the Asia Pacific other than PRC and Japan as a result of our sales and marketing efforts on such customers; and (ii) the launch of a number of new services and products.

Japan

Revenue generated from our business in Japan increased during the Track Record Period. The increase was primarily attributable to: (i) efforts to expand and strengthen our sales team; and (ii) increased investments in advertising and promotional activities for our services and products in Japan. During the Track Record Period, the aforementioned increases were partially offset by the depreciation of Japanese Yen against U.S. Dollars.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales consists of labor costs, cost of raw materials, depreciation and amortization charges, and others. Labor costs primarily consist of compensation and benefits we provide to our service and production employees. Cost of raw materials primarily consists of costs incurred for the purchase of raw materials and consumables used in our production and rendering of our services and products. Our cost of sales also includes depreciation of property, plant and equipment used in our operations, amortization of intangibles and other miscellaneous expenses (including maintenance fees, property management fees and other sundry expenses).

The following table sets forth a breakdown of our overall cost of sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2012		2013		2014		2014		2015	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*	*US$'000* *(unaudited)*	*%*	*US$'000*	*%*
Labor costs	7,459	42.5	9,354	42.8	11,036	42.6	5,263	43.5	6,396	45.1
Cost of raw materials	5,427	30.9	7,018	32.1	8,161	31.5	3,390	28.0	3,861	27.2
Depreciation and amortization charges	2,708	15.4	2,729	12.5	3,314	12.8	1,670	13.8	1,771	12.5
Others	1,953	11.2	2,745	12.6	3,385	13.1	1,766	14.7	2,164	15.2
TOTAL	**17,547**	**100.0**	**21,846**	**100.0**	**25,896**	**100.0**	**12,089**	**100.0**	**14,192**	**100.0**

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, our overall cost of sales was approximately 33.1%, 36.3%, 37.0%, 36.1% and 34.6% of our total revenue for the same periods, respectively.

Our gross profit increased from US$35.4 million for the year ended December 31, 2012 to US$38.3 million for the year ended December 31, 2013, further to US$44.1 million for the year ended December 31, 2014, representing a 2012-2014 CAGR of 11.5%. Our gross profit increased by US$5.5 million, or 25.7%, from US$21.4 million for the six months ended June 30, 2014 to US$26.9 million for the six months ended June 30, 2015.

Our overall gross profit margin decreased from 66.9% for the year ended December 31, 2012 to 63.7% for the year ended December 31, 2013, further to 63.0% for the year ended December 31, 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 the 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.

The following tables set forth a breakdown of our revenue and gross profit margin by business segment and relevant percentages of segment revenue for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2012		2013		2014		2014		2015	
	US $'000	*% of total revenue*	*US $'000*	*% of total revenue*	*US $'000*	*% of total revenue*	*US $'000* (unaudited)	*% of total 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**

Life sciences research services

The principal components of cost of sales of our life sciences research service segment include labor costs, cost of raw materials and other costs. Other costs mainly consist of depreciation and amortization charges and utility expenses. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, segment cost of sales of our life sciences research service segment was US$15.9 million, US$19.9 million, US$23.3 million, US$10.8 million and US$12.4 million, respectively.

For the years ended December 31, 2012, 2013 and 2014, our gross profit of our life sciences research service segment was US$32.7 million, US$35.4 million and US$39.9 million, respectively, and our gross profit margin was 67.3%, 64.0% and 63.2%, respectively, for the same periods. Our gross profit margin decreased over the periods primarily because of: (i) an increase in labor costs, which in turn was attributable to the increase in average salary and the employment of more skilled labors; (ii) the launch of a few new services, which have relatively lower gross profit margins as they were still in the early stage of development; (iii) an increase in our operation costs, which in turn 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. For the six months ended June 30, 2014 and 2015, our gross profit of our life sciences research service segment was US$19.5 million and US$24.4 million, respectively, and our gross profit margin was 64.5% and 66.3%, respectively, for the same periods. Our gross profit margin increased over the periods primarily due to a decrease in cost of raw materials and our enhanced production efficiency as we improved our gene synthesis technology.

Life sciences research catalog products

The principal components of cost of sales of our life sciences research catalog product segment include labor costs, cost of raw materials and other costs. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, segment cost of sales of our life sciences research catalog product segment was US$0.7 million, US$0.6 million, US$0.7 million, US$0.4 million and US$0.4 million, respectively.

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, our gross profit of our life sciences research catalog product segment was US$1.1 million, US$0.9 million, US$1.4 million, US$0.6 million, US$0.7 million, respectively, and our gross profit margin was 59.8%, 58.3%, 66.5%, 58.4% and 62.6%, respectively, for the same periods. Our gross profit margin generally increased over the periods primarily because of our launch of the recombinant protein products in 2014, which have relatively higher gross profit margins.

Preclinical drug development services

The principal components of cost of sales of our preclinical drug development service segment include labor costs, cost of raw materials and other costs. Other costs mainly consist of depreciation and amortization charges and utility expenses. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, segment cost of sales of our preclinical drug development services segment was US$0.9 million, US$1.3 million, US$1.6 million, US$0.8 million and US$0.9 million, respectively.

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, our gross profit of our preclinical drug development service segment was US$1.7 million, US$1.9 million, US$2.8 million, US$1.4 million, US$1.7 million, respectively, and our gross profit margin was 64.4%, 60.2% 63.8%, 64.3% and 64.3%, respectively, for the same periods. Our gross profit margin for the year ended December 31, 2013 was relatively low primarily because of (i) an increase in labor costs as a result of the increase in our average salary and the employment of more skilled labors; and (ii) an increase in our operational costs as a result of the addition of new facilities.

Industrial synthetic biology products

The principal components of cost of sales of our industrial synthetic biology product segment include labor costs, cost of raw materials and other costs. For the year ended December 31, 2014 and the six months ended June 30, 2014 and 2015, cost of sales of our industrial synthetic biology product segment was US$0.3 million, US$0.2 million and US$0.4 million, respectively.

For the year ended December 31, 2014 and the six months ended June 30, 2014 and 2015, gross profit of our industrial synthetic biology product segment, which equals segment revenue less segment cost of sales, was nil, gross loss of US$0.06 million and US$0.03 million, respectively.

Other Income and Gains

Other income and gains mainly include government grants, investment income, bank interest income and foreign exchange gains. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, our other income and gains were US$1.6 million, US$1.2 million, US$1.5 million, US$1.2 million and US$0.7 million, respectively.

During the Track Record Period, we received government grants from local government authorities in relation to our expenditures on certain facilities and credited to a deferred income account. The grants were released to the statement of profit or loss over the expected useful life of the relevant assets. We also received certain financial subsidies from local government authorities to support local business. There were no unfulfilled conditions and other contingencies attached to these government grants. These government grants were recognized in the statement of profit or loss upon receipt.

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, our other income and gains were approximately 3.0%, 2.0%, 2.1%, 3.6% and 1.8% of our total revenue for the same periods, respectively.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of sales and marketing staff costs, transportation expenses, promotion fees, rents, business development expenses, office expenses, traveling expenses, depreciation and amortization and others. The following table sets forth a breakdown of the major components of our selling and distribution expenses for the periods indicated.

	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*	*%*
Sales and marketing staff costs	5,879	56.9	8,088	63.1	9,989	64.3	4,981	65.8	5,305	63.5
Freight and port charges	1,374	13.3	1,439	11.2	1,525	9.8	619	8.2	811	9.7
Advertising and promotion expenses	821	7.9	967	7.6	1,052	6.8	508	6.7	543	6.5
Office administration expenses	1,057	10.2	1,171	9.1	1,459	9.4	687	9.1	757	9.1
Travel and business development expenses	371	3.6	324	2.5	393	2.5	142	1.9	178	2.1
Equity-settled share option expenses	—	—	—	—	257	1.7	87	1.1	190	2.3
Depreciation and amortization	109	1.1	99	0.8	91	0.6	41	0.5	42	0.5
Others	728	7.0	725	5.7	772	4.9	505	6.7	531	6.3
TOTAL	**10,339**	**100.0**	**12,813**	**100.0**	**15,538**	**100.0**	**7,570**	**100.0**	**8,357**	**100.0**

Sales and marketing staff costs consist primarily of salaries and benefit expenses for our sales and marketing personnel. Freight and port charges consist primarily of costs and expenses incurred in relation to delivery of our services and products from our production facilities and direct sales networks. Advertising and promotion expenses consist primarily of fees associated with advertisements placed in various media outlets, expenses incurred in conducting marketing and other promotional activities for our services and products. Travel and business development expenses consist primarily of travel and communication expenses for our sales and marketing staff, and expenses incurred for attending business meetings and conferences by sales and marketing staff, as well as reception expenses. Equity-settled share option expenses are related to the employee benefit expenses attributed to our [**REDACTED**] Share Option Scheme. Depreciation and amortization expenses are primarily related to properties for sales and marketing activities. Others include primarily labor fees, and other miscellaneous fees for sales and marketing.

Our selling and distribution expenses increased during the Track Record Period, mainly due to: (i) an increase in salary and benefit expenses for our sales and marketing personnel as a result of the expansion of our sales network; and (ii) the employment of more skilled sales and marketing personnel. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, our selling and distribution expenses were approximately 19.5%, 21.3%, 22.2%, 22.6% and 20.4% of our total revenue for the same periods, respectively.

Administrative Expenses

Overview

Our administrative expenses primarily consist of administrative staff costs, research and development expenses, audit and consultancy fees, office expenses, depreciation and amortization, bank charges, taxation, traveling expenses, rent, business development fees, maintenance fees, assets impairment provision and others. The following table sets forth a breakdown of the major components of our administrative expenses for the periods indicated.

	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*	*%*
Administrative staff costs	4,506	30.0	5,339	31.7	6,599	30.8	3,222	33.2	3,547	31.3
Research and development expenses	5,508	36.7	6,064	36.0	5,589	26.1	2,516	25.9	2,439	21.5
Audit and consultancy fees	403	2.7	1,175	7.0	1,942	9.1	824	8.5	524	4.6
Office administration expenses	1,123	7.5	767	4.6	1,042	4.9	490	5.0	489	4.3
Depreciation and amortization	677	4.5	784	4.7	1,009	4.7	415	4.3	485	4.3
Bank charges	290	1.9	321	1.9	436	2.0	222	2.3	309	2.7
Taxation	327	2.2	354	2.1	435	2.0	229	2.4	204	1.8
Travel and business development expenses	599	4.0	696	4.1	756	3.5	367	3.8	210	1.9
Maintenance Fees	144	1.0	124	0.7	151	0.7	79	0.8	117	1.0
[**REDACTED**]	—	—	—	—	—	—	—	—	1,661	14.7
Equity-settled share option expenses	653	4.3	417	2.5	3,027	14.1	1,099	11.3	1,235	10.9
Others	788	5.2	814	4.7	460	2.1	251	2.5	105	1.0
TOTAL	**15,018**	**100.0**	**16,855**	**100.0**	**21,446**	**100.0**	**9,714**	**100**	**11,325**	**100**

Administrative staff costs consist primarily of salaries and employee benefit expenses for our management, administrative, finance and accounting staff. Research and development expenses are discussed in details below. Audit and consultancy fees consist primarily of fees paid to finance, accounting and legal professionals other than those related to the [**REDACTED**]. Office administration expenses consist primarily of business administrative expenses, rental fees and communication expenses incurred by our administrative personnel. Taxation consists primarily of property taxes, land use taxes, stamp duty, and vehicle and vessel taxes incurred for business purposes. Travel and business development expenses consist primarily of expenses incurred for attending business meetings, conferences, trainings and other social events by our management, directors and other administrative personnel. [**REDACTED**] cost consists of the expenses incurred in relation to the [**REDACTED**]. Equity-settled share option expenses are related to the employee benefit expenses attributable to our [**REDACTED**] Share Option Scheme. Others include primarily insurance expenses, labor fees, training expenses, utility expenses, repair fees and other miscellaneous fees for general administrative purposes and depreciation and amortization charges related to properties, facilities and intangible assets.

Our administrative expenses increased during the Track Record Period primarily because of: (i) an increase in our equity-settled share option expenses; (ii) an increase in [**REDACTED**] in relation to the [**REDACTED**]; (iii) an increase in administrative staff costs as the average salary level of our administrative employees increased; and (iv) an increase in audit and consultancy fees as a result of the legal proceedings we initiated against one of our competitors and one of our former employees in the United States. Please see the section headed "Risk Factors — Risks Relating to Our Business — Any future litigation, legal disputes, claims or administrative proceedings against us could be costly and time-consuming to defend" for further details. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, our administrative expenses were approximately 28.3%, 28.0%, 30.6%, 29.0% and 27.6% of our total revenue for the same periods, respectively.

Research and Development Expenses

Research and development expenses consist primarily of costs, expenses and fees incurred in relation to our new product and service development. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, we had incurred research and development expenses in the amount of US$5.5 million, US$6.1 million, US$5.6 million, US$2.5 million and US$2.4 million, representing approximately 10.4%, 10.1%, 8.0%, 7.5% and 5.9% of our revenue, respectively. Please see the section headed "Business — Research and Development" for further details of major achievements in research and development activities during the Track Record Period.

Equity-settled Share Option Arrangements

We have conditionally adopted the [**REDACTED**] Share Option Scheme and [**REDACTED**] Share Option Scheme. The principal terms of the Share Option Schemes are summarized in the sections headed "Statutory and General Information — 8. [**REDACTED**] Share Option Scheme" and "Statutory and General Information — 9. [**REDACTED**] Share Option Scheme". The Share Option is treated as an equity-settled share-based payment to these executive Directors and employees, and the fair value of these share options are amortized within the respective vesting periods under the relevant plans. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we recognized the share-based payment of approximately US$0.7 million, US$0.4 million, US$3.0 million and US$1.2 million as employee benefit expenses in administrative expense.

Other Expenses

Our other expenses consist primarily of foreign exchange losses. We had other expenses of US$0.4 million, US$1.9 million, US$0.3 million, US$0.01 million and US$0.02 million for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, respectively. Our foreign exchange losses for the year ended December 31, 2013 were relatively high primarily because of the effect of appreciation of Renminbi against U.S. Dollars on our monetary assets as of December 31, 2013.

Finance Costs

Our finance costs consist primarily of interest expenses on entrust loans from Nanjing Jinsite which we repaid in 2014. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, our finance costs were US$0.2 million, US$0.3 million, US$0.4 million, US$0.2 million and nil, respectively.

Income Tax Expenses

Income tax expenses consist primarily of the current income tax and deferred income tax at the statutory rates applicable to our assessable profit before taxation as determined under relevant laws and regulations and the movement in deferred tax assets or liabilities recognized for the reporting periods. The following table sets forth a breakdown of the major components of our income tax expenses for the periods indicated:

	Year ended December 31,			**Six months ended June 30,**	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Current — China	1,272	1,243	1,846	1,025	1,768
Current — Elsewhere	1,157	751	338	447	969
Deferred income tax	(507)	(465)	(523)	(373)	(587)
TOTAL	**1,922**	**1,529**	**1,661**	**1,099**	**2,150**

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.

Japan Income Tax

Pursuant to the rules and regulations of Japanese, we are subject to 18% of taxable income in Japan for the year of 2012 and 15% for the years of 2013 and 2014 and 25.5% for the taxable income over JPY8,000,000 part and 15% for less than JPY8,000,000 part for the six months ended June 30, 2015.

United States Income Tax

Pursuant to the rules and regulations of the United States, we are subject to Federal tax rate at 34% and State tax rate at 9% of taxable income in the United States during the Track Record Period.

Cayman Islands and BVI Tax

Pursuant to the rules and regulations of Cayman and BVI, we are not subject to any income tax in Cayman and BVI during the Track Record Period.

PRC Corporate Income Tax

The EIT generally comprises our PRC corporate income taxes. The standard EIT rate applicable to our PRC subsidiary is 25.0%. Please see the section headed "Regulations —Taxation" in this document for further details of our taxation. GS China is qualified as High and New Technology Enterprises and Advanced Technology Service Enterprises and Nanjing Jinsikang is qualified as Advanced Technology Service Enterprises, both of them are subject to a preferential income tax rate of 15% during the Track Record Period. The qualifications of High and New Technology Enterprises and Advanced Technology Service Enterprises of GS China and Advanced Technology Service Enterprises of Nanjing Jinsikang are subject to renewal after their expiry in October 2015, December 2016 and December 2017, respectively.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of tax assets and tax liabilities in the financial statements and the corresponding tax basis. Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets and liabilities are determined at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and regulations that have been enacted or substantially enacted at the balance sheet date.

PRC Withholding Income Tax

Pursuant to the EIT Law, the dividends which foreign investment enterprises in the PRC declared to foreign investors are subject to a 10% withholding tax. A lower withholding tax rate of 5% may be applied if there is a tax treaty between the PRC and the jurisdictions of the foreign investors and the relevant conditions are satisfied.

Effective Tax Rate

As a result of the foregoing, our effective tax rate, representing income tax expense divided by profit before taxation, was 17.3%, 20.3%, 21.2%, 21.4% and 27.2% for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, respectively. The increase in our effective tax rate was primarily attributable to (i) growth in revenue generated from our business in the United States, which is subject to a relatively higher tax rate, and (ii) the increase in our [**REDACTED**] cost and equity-settled share option expenses, which cannot be deducted from our taxable income. During the Track Record Period, there were no disputes or unresolved tax issued with the relevant tax authorities.

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Revenue

Our total 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. Increased sales of our services and products across all our business segments contributed to such revenue growth.

By Business Segment

- *Life sciences research services.* Revenue generated from our life sciences research service segment increased by US$6.5 million, or 21.5%, from US$30.3 million for the six months ended June 30, 2014 to US$36.8 million for the six months ended June 30, 2015, primarily because of: (i) the growth in our GenPlus™ high-throughput gene synthesis service operation; (ii) an increase in sales of our protein production service, which in turn, was attributable to our elevation of the standards relating to delivery of our products and our ability to deliver a variety of complex projects; (iii) an increasing demand from customers as a result of our one-stop integrated services; and (iv) our sales and marketing efforts on key customers.

- *Life sciences research catalog products.* Revenue generated from our life sciences research catalog product segment increased by US$0.3 million, or 33.3%, from US$0.9 million for the six months ended June 30, 2014 to US$1.2 million for the six months ended June 30, 2015, primarily due to an increase in revenue generated from our recombinant protein product as a result of our expanded operation and technological improvements.

- *Preclinical drug development services.* Revenue generated from our preclinical drug development service segment slightly increased by US$0.4 million, or 18.2%, from US$2.2 million for the six months ended June 30, 2014 to US$2.6 million for the six months ended June 30, 2015 mainly as a result of the increase in antibody drug discovery services.

- *Industrial synthetic biology products.* Revenue generated from our industrial synthetic biology product segment increased by US$0.4 million, from US$0.1 million for the six months ended June 30, 2014 to US$0.5 million for the six months ended June 30, 2015 as we strengthened our marketing efforts in the first half of 2015.

By Region

- *North America.* Revenue generated from our business in North America increased by US$4.5 million, or 26.3%, from US$17.1 million for the six months ended June 30, 2014 to US$21.6 million for the six months ended June 30, 2015, primarily attributable to: (i) an increase in revenue generated from our gene synthesis service; (ii) an increase in sales volume as we provided around-the-clock customer and consultation services through our well-trained sales and marketing specialists; (iii) an increase in revenue from our key customers in the United States as a result of our sales and marketing efforts on such customers; and (iv) the growth in the overall market demand in the United States as a result of an increased spending on research and development.

- *Europe.* Revenue generated from our business in Europe increased by US$0.9 million, or 12.0%, from US$7.5 million for the six months ended June 30, 2014 to US$8.4 million for the six months ended June 30, 2015, primarily attributable to an increase in revenue from our key customers in Europe as a result of our marketing efforts on such customers.

- *PRC.* Revenue generated from our business in the PRC increased by US$2.4 million, or 66.7%, from US$3.6 million for the six months ended June 30, 2014 to US$6.0 million for the six months ended June 30, 2015, primarily attributable to: (i) an increase in revenue from the sales of our antibody development service in our life sciences research service segment; (ii) an increase in revenue from our key customers in the PRC as we focused our sales and marketing efforts on such customers; and (iii) the growth in the overall market demand for life sciences research and application services and products in the PRC.

- *Asia Pacific (excluding PRC and Japan).* Revenue generated from our business in Asia Pacific other than the PRC and Japan remained stable at US$2.8 million and US$2.7 million, respectively, for the six months ended June 30, 2014 and 2015.

- *Japan.* Revenue generated from our business in Japan decreased by US$0.3 million, or 14.3%, from US$2.1 million for the six months ended June 30, 2014 to US$1.8 million for the six months ended June 30, 2015, primarily attributable to the depreciation of Japanese Yen against the U.S. Dollars.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales increased by US$2.1 million, or 17.4%, from US$12.1 million for the six months ended June 30, 2014 to US$14.2 million for the six months ended June 30, 2015. Increases in cost of sales for all our business segments contributed to such increase in cost of sales.

Our gross profit increased by US$5.5 million, or 25.7%, from US$21.4 million for the six months ended June 30, 2014 to US$26.9 million for the six months ended June 30, 2015. 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.

By Business Segment

- *Life sciences research services.* Cost of sales of our life sciences research service segment increased by US$1.6 million, or 14.8%, from US$10.8 million for the six months ended June 30, 2014 to US$12.4 million for the six months ended June 30, 2015, primarily due to our expanded operational scale.

  Gross profit of our life sciences research service segment increased by US$4.9 million, or 25.1%, from US$19.5 million for the six months ended June 30, 2014 to US$24.4 million for the six months ended June 30, 2015. Gross profit margin of our life sciences research service segment increased from 64.5% for the six months ended June 30, 2014 to 66.3% for the six months ended June 30, 2015, primarily because of (i) a decrease in cost of raw materials as we improved our gene synthesis technology; and (ii) the increased revenue contribution of our gene synthesis service and protein production service, which had relatively higher gross profit margins in this segment.

- *Life sciences research catalog products.* Cost of sales of our life sciences research catalog product segment increased by US$0.05 million, or 12.8%, from US$0.39 million for the six months ended June 30, 2014 to US$0.44 million for the six months ended June 30, 2015, primarily due to our expanded operational scale.

  Gross profit of our life sciences research catalog products segment increased by US$0.19 million, or 34.5%, from US$0.55 million for the six months ended June 30, 2014 to US$0.74 million for the six months ended June 30, 2015. Gross profit margin of our life sciences research catalog product segment increased from 58.4% for the six months ended June 30, 2014 to 62.6% for the six months ended June 30, 2015 primarily due to the increased revenue contribution of our recombinant protein product in this segment, which had a relatively higher gross profit margin.

- *Preclinical drug development services.* Cost of sales of our preclinical drug development service segment increased by US$0.17 million, or 22.1%, from US$0.77 million for the six months ended June 30, 2014 to US$0.94 million for the six months ended June 30, 2015, primarily due to an increase in labor costs as a result of our employment of more skilled labors.

  Gross profit of our preclinical drug development service segment slightly increased by US$0.3 million, or 21.4%, from US$1.4 million for the six months ended June 30, 2014 to US$1.7 million for the six months ended June 30, 2015. Gross profit margin of our preclinical drug development service segment remained stable at 64.3% for the six months ended June 30, 2014 and 2015.

- *Industrial synthetic biology products.* Cost of sales of our industrial synthetic biology product segment increased by US$0.2 million, or 100.0%, from US$0.2 million for the six months ended June 30, 2014 to US$0.4 million for the six months ended June 30, 2015.

Gross profit of our industrial synthetic biology product segment, which equals segment revenue less segment cost of sales, increased from a gross loss of US$0.06 million for the six months ended June 30, 2014 to a gross profit of US$0.03 million for the six months ended June 30, 2015 primarily because of increase in sales of our industrial synthetic biology products in the first half of 2015.

Other Income and Gains

Other income and gains decreased by US$0.5 million, or 41.7%, from US$1.2 million for the six months ended June 30, 2014 to US$0.7 million for the six months ended June 30, 2015. This decrease was primarily attributable to a decrease in our foreign exchange gains.

Selling and Distribution Expenses

Our selling and distribution expenses increased by US$0.8 million, or 10.5%, from US$7.6 million for the six months ended June 30, 2014 to US$8.4 million for the six months ended June 30, 2015, primarily attributable to our efforts to expand and strengthen our sales team.

Administrative Expenses

Our administrative expenses increased by US$1.6 million, or 16.5%, from US$9.7 million for the six months ended June 30, 2014 to US$11.3 million for the six months ended June 30, 2015, primarily attributable to (i) an increase in [**REDACTED**] in relation to the [**REDACTED**]; and (ii) an increase in our equity-settled share option expenses.

Other Expenses

Other expenses, which consist primarily of losses on disposal of property and equipment, remained relatively stable at US$0.01 million and US$0.02 million for the six months ended June 30, 2014 and 2015, respectively.

Finance Costs

Our finance costs for the six months ended June 30, 2014 was US$0.2 million. Our finance costs for the six months ended June 30, 2015 was nil as we had not incurred any interest-bearing obligations during the period.

Profit before Tax

As a result of the foregoing, our profit before tax increased by US$2.8 million, or 54.9%, from US$5.1 million for the six months ended June 30, 2014 to US$7.9 million for the six months ended June 30, 2015 as a result of the aforementioned.

Income Tax Expense

Our income tax expense increased by US$1.1 million, or 100.0%, from US$1.1 million for the six months ended June 30, 2014 to US$2.2 million for the six months ended June 30, 2015, primarily because of our increased profit before tax. Our effective income tax rate increased from 21.4% for the six months ended June 30, 2014 to 27.2% for the six months ended June 30, 2015, primarily due to: (i) an increase in our revenue generated from our business in the United States which is subject to a relatively higher tax rate; and (ii) the increase in our [**REDACTED**] cost and equity-settled share option expenses, which can not be deducted from our taxable income.

Profit for the Period

As a result of the foregoing, our profit for the year increased by US$1.7 million, or 42.5%, from US$4.0 million for the six months ended June 30, 2014 to US$5.7 million for the six months ended June 30, 2015 as a result of the aforementioned.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenue

Our total revenue increased by US$9.9 million, or 16.5%, from US$60.1 million for the year ended December 31, 2013 to US$70.0 million for the year ended December 31, 2014. Increased sales of our services and products across all our business segments contributed to such revenue growth.

By Business Segment

- *Life sciences research services*. Revenue generated from our life sciences research service segment increased by US$7.8 million, or 14.1%, from US$55.4 million for the year ended December 31, 2013 to US$63.2 million for the year ended December 31, 2014, primarily because of: (i) revenue generated from our gene synthesis service; (ii) revenue generated from 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 to our customers worldwide; (iii) an increase in revenue from our key customers as a result of marketing efforts targeted on such customers; and (iv) increase in sales volume contributed by our one-stop integrated service platform.

- *Life sciences research catalog products.* Revenue generated from our life sciences research catalog product segment increased by US$0.5 million, or 33.3%, from US$1.5 million for the year ended December 31, 2013 to US$2.0 million for the year ended December 31, 2014, primarily because of the launch of recombinant protein product.

- *Preclinical drug development services.* Revenue generated from our preclinical drug development service segment increased by US$1.2 million, or 37.5%, from US$3.2 million for the year ended December 31, 2013 to US$4.4 million for the year ended December 31, 2014, primarily as a result of: (i) revenue generated from our antibody and protein engineering service, which in turn was mainly due to our commercial introduction of the half-life extension technology for single domain antibody drugs; and (ii) an increase in revenue generated from our *in vivo* pharmacology service as we launched a number of new services and expanded our operations.

- *Industrial Synthetic Biology Products.* Revenue generated from our industrial synthetic biology products business was US$0.3 million for the year ended December 31, 2014.

By Region

- *North America.* Revenue generated from our business in the North America increased by US$5.1 million, or 16.2%, from US$31.4 million for the year ended December 31, 2013 to US$36.5 million for the year ended December 31, 2014, primarily attributable to: (i) an increase in revenue generated from our gene synthesis services mainly because we developed GenPlus™ next-generation gene synthesis technology and started to provide GenPlus™ high-throughput gene synthesis service; (ii) an increase in sales volume as we continued to provide around-the-clock customer and consultation services through our well-trained sales and marketing specialists; (iii) an increase in revenue from our key customers in the United States as we commenced to designate a project manager and technical support to each of our key customers; and (iv) the growth in the overall market demand in the United States as a result of an increased spending on research and development.

- *Europe.* Revenue generated from our business in Europe increased by US$2.3 million, or 18.5%, from US$12.4 million for the year ended December 31, 2013 to US$14.7 million for the year ended December 31, 2014, primarily attributable to: (i) an increase in revenue from the sales of our gene synthesis service and protein production service in our life sciences research service segment; and (ii) an increasing number of colleges and universities purchasing our services and products because we carried out promotional and marketing activities in colleges and universities.

- *PRC.* Revenue generated from our business in the PRC increased by US$1.6 million, or 22.5%, from US$7.1 million for the year ended December 31, 2013 to US$8.7 million for the year ended December 31, 2014, primarily attributable to: (i) an increase in revenue from our key customers in the PRC as we commenced to designate a project manager and technical support to each of our key customers; (ii) the launch of a number of new services and products in the PRC, including GenPlus™ high-throughput gene synthesis service and recombinant antibody development service; and (iii) the growth in the overall market demand for life sciences research and application services and products in the PRC.

- *Asia Pacific (excluding PRC and Japan).* Revenue generated from our business in Asia Pacific other than the PRC and Japan increased by US$0.7 million, or 14.3%, from US$4.9 million for the year ended December 31, 2013 to US$5.6 million for the year ended December 31, 2014.

- *Japan.* Revenue generated from our business in Japan slightly increased by US$0.1 million, or 2.9%, from US$3.5 million for the year ended December 31, 2013 to US$3.6 million for the year ended December 31, 2014.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales increased by US$4.1 million, or 18.8%, from US$21.8 million for the year ended December 31, 2013 to US$25.9 million for the year ended December 31, 2014. Increases in cost of sales for each of our life sciences research service and preclinical drug development service segments were the primary reasons behind the increase in our overall cost of sales for this period.

Our gross profit increased by US$5.8 million, or 15.1%, from US$38.3 million for the year ended December 31, 2013 to US$44.1 million for the year ended December 31, 2014. Our gross profit margin slightly decreased from 63.7% for the year ended December 31, 2013 to 63.0% for the year ended December 31, 2014.

By Business Segment

- *Life sciences research services.* Cost of sales of our life sciences research service segment increased by US$3.4 million, or 17.1%, from US$19.9 million for the year ended December 31, 2013 to US$23.3 million for the year ended December 31, 2014, primarily due to (i) an increase in scale of operation; and (ii) an increase in labor costs as a result of the increase in the average salary level of our employees and our employment of more skilled labors.

  Gross profit of our life sciences research service segment increased by US$4.5 million, or 12.7%, from US$35.4 million for the year ended December 31, 2013 to US$39.9 million for the year ended December 31, 2014. Gross profit margin of our life sciences research service segment decreased from 64.0% for the year ended December 31, 2013 to 63.2% for the year ended December 31, 2014, primarily due to an increase in labor costs as a result of growth in average salary level of our employees and our employment of more skilled labors.

- *Life sciences research catalog products*. Cost of sales of our life sciences research catalog product segment increased by US$0.1 million, or 16.7%, from US$0.6 million for the year ended December 31, 2013 to US$0.7 million for the year ended December 31, 2014, primarily due to the increase in scale of operation.

  Gross profit of our life sciences research catalog product segment increased by US$0.5 million, or 55.6%, from US$0.9 million for the year ended December 31, 2013 to US$1.4 million for the year ended December 31, 2014. Gross profit margin of our life sciences research catalog product segment increased from 58.3% for the year ended December 31, 2013 to 66.5% for the year ended December 31, 2014, primarily attributable to (i) the launch of our recombinant protein product, which has a relatively higher gross profit margin; and (ii) decreases in unit cost of sales of our precast protein separation gel products as a result of economies of scale of production and technological improvements.

- *Preclinical drug development services*. Cost of sales of our preclinical drug development service segment increased by US$0.3 million, or 23.1%, from US$1.3 million for the year ended December 31, 2013 to US$1.6 million for the year ended December 31, 2014, primarily due to the increase in scale of operations.

  Gross profit of our preclinical drug development service segment increased by US$0.9 million, or 47.4%, from US$1.9 million for the year ended December 31, 2013 to US$2.8 million for the year ended December 31, 2014. Gross profit margin of our preclinical drug development service segment increased from 60.2% for the year ended December 31, 2013 to 63.8% for the year ended December 31, 2014, primarily because of (i) the benefits of a scaled production and (ii) technological improvements that lead to enhanced production efficiency.

- *Industrial synthetic biology products*. Cost of sales of our industrial synthetic biology product segment for the year ended December 31, 2014 was US$0.3 million. Gross profit of the segment for the same period was nil.

Other Income and Gains

Other income and gains increased by US$0.3 million, or 25.0%, from US$1.2 million for the year ended December 31, 2013 to US$1.5 million for the year ended December 31, 2014. This increase was primarily attributable to increase of government grants from US$0.9 million for the year ended December 31, 2013 to US$1.2 million for December 31, 2014.

Selling and Distribution Expenses

Our selling and distribution expenses increased by US$2.7 million, or 21.1%, from US$12.8 million for the year ended December 31, 2013 to US$15.5 million for the year ended December 31, 2014, primarily attributable to an increase in salary and benefit expenses of our sales and marketing personnel distribution activities, which in turn, was mainly a result of our sales network expansion and our employment of more skilled sales and marketing personnel.

Administrative Expenses

Our administrative expenses increased by US$4.5 million, or 26.6%, from US$16.9 million for the year ended December 31, 2013 to US$21.4 million for the year ended December 31, 2014, primarily attributable to: (i) an increase in our equity-settled share option expenses; (ii) an increase in audit and consultancy fees as a result of the legal proceedings we initiated in the United Sates; and (iii) an increase in the average salary level of our administrative employees.

Other Expenses

Other expenses, which consist primarily foreign exchange losses, decreased by US$1.6 million, or 84.2%, from US$1.9 million for the year ended December 31, 2013 to US$0.3 million for the year ended December 31, 2014.

Finance Costs

Our finance costs increased by US$0.1 million, or 33.3%, from US$0.3 million for the year ended December 31, 2013 to US$0.4 million for the year ended December 31, 2014, which mainly reflected increases in the average balance of interest-bearing obligations during the period.

Profit before Tax

As a result of the foregoing, our profit before tax increased by US$0.3 million, or 4.0%, from US$7.5 million for the year ended December 31, 2013 to US$7.8 million for the year ended December 31, 2014.

Income Tax Expense

Our income tax expense increased by US$0.2 million, or 13.3%, from US$1.5 million for the year ended December 31, 2013 to US$1.7 million for the year ended December 31, 2014, primarily attributable to our increased profit before tax. Our effective income tax rate slightly increased from 20.3% for the year ended December 31, 2013 to 21.2% for the year ended December 31, 2014.

Profit for the Year

As a result of the foregoing, our profit for the year increased by US$0.2 million, or 3.3%, from US$6.0 million for the year ended December 31, 2013 to US$6.2 million for the year ended December 31, 2014.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue

Our total revenue increased by US$7.1 million, or 13.4%, from US$53.0 million for the year ended December 31, 2012 to US$60.1 million for the year ended December 31, 2013. Increased sales of our life sciences research services and life sciences research catalog products were the primary factors behind such revenue growth.

By Business Segment

- *Life sciences research services.* Revenue generated from our life sciences research service segment increased by US$6.8 million, or 14.0%, from US$48.6 million for the year ended December 31, 2012 to US$55.4 million for the year ended December 31, 2013, primarily due to: (i) an increase in revenue generated from our gene synthesis service, mainly because we launched a number of new services and products; (ii) an increasing demand from our existing customers resulting from our one-stop integrated service platform; and (iii) the growth in the overall market demand for life sciences research services as a result of an increased spending on research and development.

- *Life sciences research catalog products.* Revenue generated from our life sciences research catalog product segment decreased by US$0.3 million, or 16.7%, from US$1.8 million for the year ended December 31, 2012 to US$1.5 million for the year ended December 31, 2013, primarily because we launched the precast gel product and eStain® and eBlot® products.

- *Preclinical drug development services.* Revenue generated from our preclinical drug development service segment slightly increased by US$0.6 million, or 23.1%, from US$2.6 million for the year ended December 31, 2012 to US$3.2 million for the year ended December 31, 2013 because of an increase in service offerings.

By Region

- *North America.* Revenue generated from our business in North America increased by US$4.3 million, or 15.9%, from US$27.1 million for the year ended December 31, 2012 to US$31.4 million for the year ended December 31, 2013, primarily attributable to: (i) our efforts to expand and strengthen our sales team; (ii) an increase in the number of pharmaceutical and biotech company customers in the United States; (iii) an increasing number of customers purchased our services in the United States which was mainly due to our provision of customized services on a rush basis to meet the individualized demands of our customers; and (iv) the growth in the overall market demand in the United States as a result of an increased spending on research and development.

- *Europe.* Revenue generated from our business in Europe slightly increased by US$0.4 million, or 3.3%, from US$12.0 million for the year ended December 31, 2012 to US$12.4 million for the year ended December 31, 2013.

- *PRC.* Revenue generated from our business in the PRC increased by US$1.7 million, or 31.5%, from US$5.4 million for the year ended December 31, 2012 to US$7.1 million for the year ended December 31, 2013, primarily attributable to: (i) our efforts to expand and strengthen our sales team; (ii) the expansion of our direct sales network in Jiangsu area; and (iii) the growth in the overall market demand for life sciences research and application services and products in the PRC.

- *Asia Pacific (excluding PRC and Japan).* Revenue generated from our business in Asia Pacific other than the PRC and Japan increased by US$0.7 million, or 16.7%, from US$4.2 million for the year ended December 31, 2012 to US$4.9 million for the year ended December 31, 2013, primarily attributable to an increase in revenue generated from our key customers in Singapore, Israel and Australia.

- *Japan.* Revenue generated from our business in Japan decreased by US$0.2 million, or 5.4%, from US$3.7 million for the year ended December 31, 2012 to US$3.5 million for the year ended December 31, 2013.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales increased by US$4.3 million, or 24.6%, from US$17.5 million for the year ended December 31, 2012 to US$21.8 million for the year ended December 31, 2013. Increases in cost of sales for each of our life sciences research service, life sciences research catalog product and preclinical drug development service segments contributed primarily to the increase in our overall cost of sales for these periods.

Our gross profit increased by US$2.9 million, or 8.2%, from US$35.4 million for the year ended December 31, 2012 to US$38.3 million for the year ended December 31, 2013. Our gross profit margin decreased from 66.9% for the year ended December 31, 2012 to 63.7% for the year ended December 31, 2013.

By Business Segment

- *Life sciences research services.* Cost of sales of our life sciences research service segment increased by US$4.0 million, or 25.2%, from US$15.9 million for the year ended December 31, 2012 to US$19.9 million for the year ended December 31, 2013, primarily due to: (i) an increase in labor costs which in turn was attributable to the increase in average salary and the employment of more skilled labors; (ii) 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 (iii) an increase in operation scales as a result of increase in sales.

  Gross profit of our life sciences research service segment increased by US$2.7 million, or 8.3%, from US$32.7 million for the year ended December 31, 2012 to US$35.4 million for the year ended December 31, 2013. Gross profit margin of our life sciences research service segment decreased from 67.3% for the year ended December 31, 2012 to 64.0% for the year ended December 31, 2013, primarily due to: (i) an increase in labor costs, which was attributable to the increase average salary and the employment of more skilled labors; (ii) the launch of a few new services, which have relatively lower gross profit margins as they were still in the 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.

- *Life sciences research catalog products.* Cost of sales of our life sciences research catalog product segment decreased by US$0.1 million, or 14.3%, from US$0.7 million for the year ended December 31, 2012 to US$0.6 million for the year ended December 31, 2013.

Gross profit of our life sciences research catalog product segment decreased by US$0.2 million, or 18.2% from US$1.1 million for the year ended December 31, 2012 to US$0.9 million for the year ended December 31, 2013. Gross profit margin of our life sciences research catalog product segment decreased from 59.8% for the year ended December 31, 2012 to 58.3% for the year ended December 31, 2013, primarily attributable to: (i) the launch of our precast protein separation gel and eStain® and eBlot® products in this segment, which has a relative lower gross profit margin; and (ii) an increase in labor costs, which was attributable to the increase in average salary and hiring of more skilled labor.

- *Preclinical drug development services*. Cost of sales of our preclinical drug development service segment increased by US$0.4 million, or 44.4%, from US$0.9 million for the year ended December 31, 2012 to US$1.3 million for the year ended December 31, 2013, primarily due to an increase in operation scales as a result of increase in sales and addition of new facilities.

  Gross profit of our preclinical drug development service segment increased by US$0.2 million, or 11.8%, from US$1.7 million for the year ended December 31, 2012 to US$1.9 million for the year ended December 31, 2013. Gross profit margin of our preclinical drug development service segment decreased from 64.4% for the year ended December 31, 2012 to 60.2% for the year ended December 31, 2013, primarily attributable to: (i) an increase in labor costs as a result of the increase in average salary and hiring of more skilled labor; and (ii) an increase in our operational costs as a result of the addition of a new facilities.

Other Income and Gains

Other income and gains decreased by US$0.4 million, or 25.0%, from US$1.6 million for the year ended December 31, 2012 to US$1.2 million for the year ended December 31, 2013. This decrease was primarily attributable to a decrease in government grants.

Selling and Distribution Expenses

Our selling and distribution expenses increased by US$2.5 million, or 24.3%, from US$10.3 million for the year ended December 31, 2012 to US$12.8 million for the year ended December 31, 2013, primarily attributable to an increase in salary and benefit expenses for employees involved in selling and distribution activities, primarily as a result of our expansion of our sales network and our employment of more skilled labors.

Administrative Expenses

Our administrative expenses increased by US$1.9 million, or 12.7%, from US$15.0 million for the year ended December 31, 2012 to US$16.9 million for the year ended December 31, 2013, primarily attributable to (i) an increase in administrative staff costs as the average salary level of our administrative employees increased; and (ii) an increase in audit and consultancy fees.

Other Expenses

Other expenses, consist primarily of foreign exchange losses, increased by US$1.5 million, or 375.0%, from US$0.4 million for the year ended December 31, 2012 to US$1.9 million for the year ended December 31, 2013. Our foreign exchange losses for the year ended December 31, 2013 were relatively high mainly because of the effect of appreciation of Renminbi against U.S. Dollars on our monetary assets as of December 31, 2013.

Finance Costs

Our finance costs increased by US$0.1 million, or 50.0%, from US$0.2 million for the year ended December 31, 2012 to US$0.3 million for the year ended December 31, 2013. This increase mainly reflected increases in the average balance of our entrust loans from Nanjing Jinsite during the period.

Profit before Tax

As a result of the foregoing, our profit before tax decreased by US$3.6 million, or 32.4%, from US$11.1 million for the year ended December 31, 2012 to US$7.5 million for the year ended December 31, 2013.

Income Tax Expense

Our income tax expense decreased by US$0.4 million, or 21.1%, from US$1.9 million for the year ended December 31, 2012 to US$1.5 million for the year ended December 31, 2013, primarily attributable to our decreased profit before tax. Our effective income tax rate increased from 17.3% for the year ended December 31, 2012 to 20.3% for the year ended December 31, 2013, primarily due to the increase in the percentage of our expenses which are unable to be deducted from our taxable income.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by US$3.2 million, or 34.8%, from US$9.2 million for the year ended December 31, 2012 to US$6.0 million for the year ended December 31, 2013.

DISCUSSION OF SELECTED ITEM FROM THE COMBINED STATEMENT OF FINANCIAL POSITION

Net Current Liabilities/Assets Position

Our current assets consist primarily of inventories, trade and notes receivables, cash and cash equivalents, prepayments, deposits and other receivables, and available-for-sale financial assets. Our current liabilities consist primarily of trade and notes payables, other payables and accruals, due to related parties, due to ultimate holding company, tax payables and government grants.

The table below sets forth our current assets, current liabilities and net current liabilities/assets for the dates indicated. This information should be read together with our combined financial information included in Appendix I — "Accountants' Report" to this document.

	As of December 31,			As of June 30,	As of July 31,
	2012	2013	2014	2015	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Current assets					
Inventories	1,244	1,404	1,777	2,136	2,197
Trade and notes receivables	7,908	9,010	12,157	13,940	15,532
Prepayments, deposits and other receivables	1,586	1,235	1,316	1,772	2,087
Due from the ultimate holding company	34	34	34	34	34
Due from the intermediate holding company	—	—	—	—	500
Due from the related party	100	115	—	—	—
Available-for-sale financial assets	303	4,105	2,526	—	—
Pledged short-term deposits	264	201	345	202	202
Cash and cash equivalents	18,660	22,457	25,637	25,684	34,481
Total current assets	30,099	38,561	43,792	43,768	55,033
Current liabilities					
Trade and notes payables	1,895	1,848	2,869	2,193	2,794
Other payables and accruals	18,776	15,437	15,132	17,285	18,040
Tax payable	1,266	1,858	49	1,652	1,735
Due to the ultimate holding company	2,577	2,532	2,570	2,570	2,570
Due to related parties	4,943	7,390	8,173	—	—
Government grants	795	820	395	39	39
Total current liabilities	30,252	29,885	29,188	23,739	25,178
Net current (liabilities)/assets	(153)	8,676	14,604	20,029	29,855
Total assets less current liabilities	45,337	53,950	63,192	70,431	80,799

Our net current assets increased by US$5.4 million, or 37.0%, from approximately US$14.6 million as of December 31, 2014 to approximately US$20.0 million as of June 30, 2015. The increase was primarily due to: (i) a decrease in an amount due to related parties of US$8.2 million as of June 30, 2015 compared to that as of December 31, 2014; and (ii) an increase in trade and notes receivables of US$1.8 million as of June 30, 2015, compared to that as of December 31, 2014, mainly attributable to our increase in sales, the effects of which were partially offset by (i) a decrease in available-for-sale financial assets of US$2.5 million as of June 30, 2015, compared to that as of December 31, 2014; (ii) an increase in other payables and accruals of US$2.2 million as of June 30, 2015, compared to that as of December 31, 2014, mainly attributable to the fees payables to professional parties in the first half of 2015 in relation to the [**REDACTED**]; and (iii) an increase in tax payables of US$1.6 million as of June 30, 2015, compared to that as of December 31, 2014.

Our net current assets increased by US$5.9 million, or 67.8%, from approximately US$8.7 million as of December 31, 2013 to approximately US$14.6 million as of December 31, 2014. The increase was primarily due to: (i) an increase in cash and cash equivalents of US$3.2 million as of December 31, 2014, compared to that as of December 31, 2013, mainly attributable to our increase in sales; (ii) an increase in trade and notes receivables of US$3.2 million as of December 31, 2014, compared to that as of December 31, 2013, mainly attributable to our increase in sales, and (iii) a decrease in tax payables of US$1.8 million as of December 31, 2014, compared to that as of December 31, 2013, mainly attributable to our payment for income tax in 2014, the effects of which were partially offset by (i) a decrease in available-for-sale financial assets of US$1.6 million as of December 31, 2014 compared to that as of December 31, 2013; and (ii) an increase in trade and notes payables of US$1.1 million as of December 31, 2014, compared to that as of December 31, 2013, mainly attributable to our increase in sales.

Our net current assets increased by US$8.9 million, from approximately net current liabilities of US$0.2 million as of December 31, 2012 to net current assets of approximately US$8.7 million as of December 31, 2013. The increase in our net current assets was primarily due to: (i) an increase in cash and cash equivalents of US$3.8 million as of December 31, 2013, compared to that as of December 31, 2012, mainly attributable to our increase in sales; (ii) an increase in available-for-sale financial assets of US$3.8 million as of December 31, 2013, compared to that as of December 31, 2012; (iii) a decrease in other payables and accruals of US$3.4 million as of December 31, 2013, compared to that as of December 31, 2012, primarily due to our payment for subcontracting and procurement expenses in connection with the development of our production facilities in Jiangning Science Park in Nanjing; and (iv) an increase in trade and notes receivables of US$1.1 million as of December 31, 2013, compared to that as of December 31, 2012, mainly attributable to our increase in sales, the effects of which were partially offset by an increase in due to related parties of US$2.5 million as of December 31, 2013, compared to that as of December 31, 2012, mainly as a result of an increased amount of entrust loan from Nanjing Jinsite.

Inventories

Our inventories include raw materials, work in progress and finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated.

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Raw materials	784	757	896	1,154
Work-in-progress	224	243	409	294
Finished goods	236	404	472	688
TOTAL	**1,244**	**1,404**	**1,777**	**2,136**

Raw materials consist of a variety of materials (primarily reagents and consumables). Work-in-progress mainly comprises our services in progress and semi-finished products. Finished goods represent products ready to be sold by us (primarily life sciences research catalog products).

Our inventory of raw materials is primarily used for the manufacture and sale of our products and rendering of our services. Our inventory of raw materials remained relatively stable at US$0.8 million, US$0.8 million, US$0.9 million and US$1.2 million as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

Our inventory of work-in-progress primarily includes our services in progress and semi-finished products. Our inventory of work-in-progress remained relatively stable at US$0.2 million, US$0.2 million, US$0.4 million and US$0.3 million as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

Our inventory of finished goods primarily includes our finished life sciences research catalog products. Our inventory of finished goods increased from US$0.2 million as of December 31, 2012 to US$0.4 million as of December 31, 2013, further to US$0.5 million as of December 31, 2014 and further to US$0.7 million as of June 30, 2015 as we continuously developed and launched new types of life sciences research catalog products to meet customer demands.

We maintain inventory control with respect to the ordering, storing, retrieving and purchase of raw materials and the storing and retrieving of finished products. Our procurement department manages the raw materials inventory level by monitoring our production activities and incoming sales orders in real time, taking into consideration our production plan, purchase orders received, and research and development needs. Our procurement department develops a procurement and inventory plan and places orders with suppliers for any inventory that is expected to decline below targeted levels. We typically procure raw materials on a monthly basis and maintain one month's worth of inventory. Furthermore, we procure raw materials for our customized services and products on an as-needed basis.

We track inventory levels and ensure adequate levels of raw materials and finished products through our information system. According to our inventory policy, for most of our finished products, we typically maintain an inventory level sufficient to meet expected orders from our customers for one month. We regularly monitor the inventory levels of finished products and raw materials as well as review the historical performance of relevant services and products taking into account our projections and market demographics. We also perform semi-annual stock counts and monitor the life of our products by conducting periodic review to assess our inventory control measures and costs. If any inventory discrepancy is discovered during each inventory check, we require our responsible staff to find specific reasons and take rectifying actions accordingly.

The cost of finished goods and work in progress comprises raw materials, labor cost, other direct costs and related production overhead, based on normal operating capacity. Inventories are stated at cost, which is calculated using the weighted average method, or net realizable value, whichever is lower. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs for sale. We review the carrying value of our inventories from time to time. Based on conditions of goods, including aging and expiry, and estimated net realizable value of our inventories, we make provision for impairment of inventories when the inventories become obsolete or damaged and the carrying value declines below the net realizable value.

If we fail to manage our inventories effectively, we may be subject to certain risks. Please see the section headed "Risk Factors — Risks Relating to Our Business — Failure to Manage Our Inventory Turnover May Materially and Adversely Affect Our Business, Results of Operations and Financial Condition" for further discussion.

We actively monitor and review our inventory levels on a regular basis and seek to maintain a reasonable level of inventories throughout our production process. We closely monitor and assess the sales performance of our services and products so that we can adjust our service and product mix and relevant production plans. We will increase the purchases of raw materials when we believe it is prudent to do so based on the raw material prices and our estimated production volumes and sales.

The following table sets forth the average inventory turnover days for the periods indicated.

	For the year ended December 31,			**For the six months ended June 30,**
	2012	**2013**	**2014**	**2015**
Average inventory turnover days[(1)]	20	22	22	25

Note:

(1) The average inventory turnover days are calculated by dividing the average of the opening and closing balances of inventories for the relevant period by the corresponding cost of sales for the period and then multiplying by 365 days for a year or multiplying by 180 days with respect to average inventory turnover days for a six-month period.

Our average inventory turnover days increased from 20 days for the year ended December 31, 2012 to 22 days for the year ended December 31, 2013, primarily because we expanded our operation scales and increased our inventory of finished goods at the end of 2013 to meet the sales demand before the Chinese holiday season. Our average inventory turnover days remained stable at 22 days for the year ended December 31, 2014. Our average inventory turnover days increased from 22 days for the year ended December 31, 2014 to 25 days for the six months ended June 30, 2015, primarily due to the expansion of our business scale.

As of July 31, 2015, the latest date for liquidity disclosure, approximately US$1.2 million, or 58.4%, of our inventories as of June 30, 2015, were subsequently sold.

Trade and Notes Receivables

The table below sets forth a breakdown of our trade and notes receivable balances as of the dates indicated.

	As of December 31,			As of June 30,
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade receivables	8,461	9,853	12,916	14,703
Notes receivables	—	—	101	171
Less: impairment of trade receivables	(553)	(843)	(860)	(934)
Trade and notes receivables — net	**7,908**	**9,010**	**12,157**	**13,940**

Our trade and notes receivable balances represented the outstanding amounts receivable by us from our customers. Our trade and notes receivables are initially recognized at fair value and subsequently measured at amortized costs less provision for impairment of trade receivables. Our management has maintained a strict control over outstanding balances of trade and other receivables and reviewed overdue amounts regularly.

Our trade and notes receivables as of December 31, 2012, 2013 and 2014 and June 30, 2015 were approximately 26.3%, 23.4%, 27.8% and 31.8% of our total current assets as of the same dates, respectively. Our trade and notes receivables increased by US$1.1 million, or 13.9%, from US$7.9 million as of December 31, 2012 to US$9.0 million as of December 31, 2013; further by US$3.2 million, or 35.6%, to US$12.2 million as of December 31, 2014, and further by US$1.7 million, or 13.9%, to US$13.9 million as of June 30, 2015. The increases in our trade and notes receivables primarily reflected the increased sales of our services and products.

Our policy for impairment on trade receivables is based on an evaluation of collectability and aging analysis of the receivables that requires the use of judgment and estimates of our management. Our management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assesses the collectability of overdue balances. After fully considering the nature of trade receivables and their collectability on a case-by-case basis, we have made provision for the impairment of certain long overdue trade receivables in order to ensure the quality of our assets. Provision would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. We recognize provision for impairment of trade receivables as administrative expenses in the combined income statement of our Group. As of December 31, 2012, 2013 and 2014 and June 30, 2015, we made provision for impairment of trade and notes receivables of approximately US$0.6 million, US$0.8 million, US$0.9 million and US$0.9 million, respectively. We did not hold any collateral or other security over such impaired amount. We believe that we have made sufficient provision for the unsettled trade receivables based on our assessment and impairment provision policy, and no additional provision is necessary for the Track Record Period. Please see the subsection "— Critical Accounting Policies — Impairment of Trade and Other Receivables" in this section for details of our impairment provision policy.

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As of December 31,			As of June 30,
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Neither past due nor impaired	3,248	2,812	7,784	7,799
Less than 3 months past due	3,062	4,413	3,441	4,938
Over 3 months within one year past due	1,598	1,785	831	1,032
	7,908	**9,010**	**12,056**	**13,769**

As of December 31, 2012, 2013 and 2014 and June 30, 2015, trade receivables of US$4.7 million, US$6.2 million, US$4.3 million and US$6.0 million, respectively, were past due but not impaired. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with our Group. Based on past experience, we are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The notes receivable were due within five months. No notes receivable were discounted or endorsed as of 31 December 2014 and 30 June 2015.

The following table sets forth the aging analysis of our trade and notes receivable balances as of the dates indicated.

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within three months	6,891	6,561	10,055	11,698
Three months to six months	584	1,394	1,339	1,557
Six months to 12 months	550	1,018	565	514
One year to Two years	193	666	414	332
Two years to Three years	243	6	336	500
Over three years	—	208	207	102
TOTAL	**8,461**	**9,853**	**12,916**	**14,703**

We generally grant a credit period ranging from 30 to 60 days to our customers after delivery of our services and products. Our trading terms with our customers vary depending on a number of factors, including their historical payments, business performance, market positions, possibility of default or delinquent payments, as well as probability of filing for bankruptcy by debtors or being subject to a financial reorganization. We have taken into account the impact on our working capital position when granting the credit limits to our customers. During the Track Record Period, we did not experience any difficulties in working capital requirement and maintained sufficient cash flow to support our operation through product sales and capital contribution by our shareholders.

The following table sets forth our average trade receivable turnover days for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2012	2013	2014	2015
Average trade receivable turnover days(1)	44	56	59	61

Note:

(1) The average trade receivable turnover days are calculated by dividing the average of the opening and closing balances of trade receivables (before adjustment of provision for impairment of trade receivables) for the relevant period by the corresponding revenue for the period and then multiplying by 365 days for a year or multiplying by 180 days with respect to average trade receivable turnover days for a six-month period

Our average trade receivable turnover days increased from 44 days for the year ended December 31, 2012 to 56 days for the year ended December 31, 2013, further to 59 days for the year ended December 31, 2014 and further to 61 days for the six months ended June 30, 2015, primarily because we granted a longer credit period to our key customers with a good credit record.

As of July 31, 2015, the latest date for liquidity disclosure, approximately US$4.7 million, or 31.7%, of our trade and notes receivables as of June 30, 2015 were settled.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables consisted primarily of: (i) other receivables, which primarily consist of deposits for utility fees and rent deposit; (ii) VAT recoverables, which mainly represent the net difference between output and deductible input PRC VAT, (iii) prepayments, which primarily consist of prepayments for [**REDACTED**] expenses and prepayments for purchases of raw materials; (iv) advance to employees; and (v) prepaid expenses. The table below sets forth a breakdown of the balances of our prepayments, deposits and other receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Other receivables	428	468	591	631
VAT recoverables	230	37	217	124
Prepayments	791	638	444	969
Advance to employees	130	169	157	138
Prepaid expenses	133	208	214	217
Less: Impairment of other receivables	(126)	(285)	(307)	(307)
TOTAL	**1,586**	**1,235**	**1,316**	**1,772**

Our prepayments increased by US$0.6 million, from US$0.4 million as of December 31, 2014 to US$1.0 million as of June 30, 2015 mainly attributable to our prepayments in relation to the [**REDACTED**].

Our other receivables increased by US$0.1 million, or 20.0%, from US$0.5 million as of December 31, 2013 to US$0.6 million as of December 31, 2014, which was primarily attributable to the increase in deposits for utility fees. This in turn was due to the expansion of our operational scales.

Our impairment of other receivables increased by US0.2 million, from US$0.1 million as of December 31, 2012 to US$0.3 million as of December 31, 2013. Such increase primarily relates to the termination of a project related to our life sciences research service segment, in which we prepaid US$0.2 million.

Available-for-sale Financial Assets

Our available-for-sale financial assets which we purchased during the Track Record Period represented RMB denominated wealth management products with floating interests ranging from 1.5% to

6.3% per annum and with maturity dates between 30 days and 252 days. These products did not guarantee the return of principals upon maturity, and none of them was either past due or impaired during the Track Record Period. As of June 30, 2015, our wealth management products were all redeemed. As of the Latest Practicable Date, we do not intend to make any investment in wealth management products.

For the years ended December 31, 2012, 2013 and 2014 and six months ended June 30, 2015, our purchases of wealth management products in our combined statements of cash flows were US$19.4 million, US$24.3 million, US$30.4 million and US$4.1 million, respectively. During the Track Record Period, we purchased and redeemed wealth management products by using the same amount of surplus funds for multiple times within the respective periods, and therefore each of these amounts relating to purchase and collection of available-for-sale financial assets in our combined statements of cash flows represents the cumulative balance of multiple purchases and redemptions we made by using the same amount of surplus funds for each year or period.

As part of our treasury management, we have purchased wealth management products as an auxiliary means to improve utilization of our cash on hand on a short-term basis. We have made such purchases only when (i) we have surplus funds after we have fully considered the cash requirement of our operations for the relevant periods and allocated accordingly; and (ii) our management has carefully assessed the risks and benefits and decided to make such purchases (including, among others, the availability of certain wealth management products which have high liquidity and generate interest income meeting our standards).

We have implemented our internal control policies, which provide the following guidelines, requirements and approval process with respect to our management of investments in wealth management products.

- *Type of investment:* All investments shall be made in low-risk, liquid and sound wealth management products and low-risk trust products, such as capital preservation products, fixed-income products, trust products with agreed yield expectations and adequate safeguards, and trust products backed by highly liquid collaterals.

- *Investment decision-making and management:* Our Board is responsible for determining the size of investment and the limit of bearable risks according to, among other things, assets, liabilities, incomes and capital adequacy. At the same time, our manager of financial department duly authorized by our chief operating officer or the vice president of finance is responsible for the matters concerning investments in wealth management products. Our financial department, as the organization responsible for executing investments in wealth management products, is responsible for determining the particular investment configuration strategy, investment making and type of investment. After carrying out the necessary analysis on an investment in wealth management products, subject to the relevant risks being measurable, controllable and bearable, our wealth management specialist in financial department will submit an application to the manager of the financial department for review and approval. Upon receipt of an approval from the manager of financial department, our cashier will make payments for purchase of the wealth management products.

- *Implementation and monitoring of investment in wealth management products:* During the Track Record Period, we carefully selected qualified professional wealth management organizations with good credit and financial conditions and high profitability to act as our trustee and entered into an agreement with it to specify, among other things, investment amount, investment period, type of investment and rights and obligations of the parties. We exercise strict separation in personnel, information, account, fund and accounting, with the manager of the financial department being responsible for determining the type of investment, the cashier being responsible for making payment, and the financial bookkeeper being responsible for preparing detailed accounts and checking accounts at the end of each month. Our manager of financial department monitor the performance of wealth management products which we have purchased on a regular basis and report to our chief operating officer and the vice president of finance as soon as he is aware of any event which may affect adversely the expected return and risk profile of such wealth management products.

- *Redemption of investments in wealth management products:* Any redemption of our investments in wealth management products shall be reviewed and approved by our chief operating officer and the vice president of finance. During the Track Record Period, we only invested in fixed-term wealth management products, which cannot be redeemed.

During the Track Record Period, we only invested in wealth management products issued or sold by major reputable financial institutions in the PRC, and we preserved all our investment capital in these products and did not encounter any default by the issuing financial institutions. We had not invested, and are prohibited, under our internal control policies, from directly investing, in any equity instrument, listed financial product or derivative financial instrument, and our investments had not been pledged to secure our borrowings during the Track Record Period.

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we recorded the investment income on available-for-sale financial assets of US$0.1 million, US$0.1 million, US$0.2 million and US$0.2 million, respectively.

Trade and Notes Payables

The table below sets forth a breakdown of our trade and notes receivable balances as of the dates indicated.

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade payables	1,793	1,848	2,869	2,193
Notes payables	102	—	—	—
Trade and notes payables	**1,895**	**1,848**	**2,869**	**2,193**

Our trade and notes payables consist mainly of amounts outstanding for our purchases of raw materials in relation to our manufacture and sale of products and rendering of services. Our trade and notes payables as of December 31, 2012, 2013 and 2014 and June 30, 2015 were approximately 6.3%, 6.2%, 9.8% and 9.2% of our total current liabilities as of the same dates, respectively. Our trade payables as of December 31, 2012 and 2013 remained relatively stable at US$1.8 million. Our trade payables increased by US$1.1 million, or 61.1%, from US$1.8 million as of December 31, 2013 to US$2.9 million as of December 31, 2014. Our trade payables as of December 31, 2014 were relatively high, primarily reflected our expanded operational scale and our increased bargaining power as our purchase volume increased. Our trade payables decreased by US$0.7 million, or 24.1%, from US$2.9 million as of December 31, 2014 to US$2.2 million as of June 30, 2015.

The following table sets forth the aging analysis of our trade payables balances as of the dates indicated.

	As of December 31,			As of June 30,
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within one to three months	1,666	1,726	2,813	2,148
Three months to six months	156	79	10	14
Six months to 12 months	17	43	19	3
Over one year	56	—	27	28
TOTAL	**1,895**	**1,848**	**2,869**	**2,193**

Our suppliers generally grant us a credit period of 30 to 90 days. The following table sets forth our average trade payable turnover days for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2012	**2013**	**2014**	**2015**
Average trade payable turnover days[1]	27	30	33	32

Note:

(1) The average trade payable turnover days are calculated by dividing the average of the opening and closing balances of trade payables for the relevant period by the corresponding cost of sales for the period and then multiplying by 365 days for a year or multiplying by 180 days with respect to average trade receivable turnover days for a six-month period.

Our average trade payable turnover days remained relatively stable at 27 days, 30 days, 33 days and 32 days, for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively.

As of July 31, 2015, the latest date for liquidity disclosure, approximately US$1.9 million, or 85.8%, of our trade payables as of June 30, 2015 were settled.

Other Payables and Accruals

Our other payables and accruals primarily consist of: (i) other payables; (ii) accrued expenses; (iii) accrued payroll; (iv) advances from customers; (v) taxes payables other than income tax; and (vi) payables for construction of buildings and purchase of machinery. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated.

	As of December 31,			As of June 30,
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Other payables	939	680	973	2,427
Accrued expenses	787	846	1,101	599
Accrued payroll	3,394	4,582	5,657	5,810
Advances from customers	2,792	3,715	5,197	6,379
Taxes payable other than corporate income tax	233	728	801	754
Payables for construction of buildings and purchases of machinery	10,631	4,886	1,403	1,316
TOTAL	**18,776**	**15,437**	**15,132**	**17,285**

Other Payables

Our other payables consist primarily of rent payables, office related expenses and fee payables to professionals in respect of services they have provided. Our other payables decreased by US$0.2 million, or 22.2%, from US$0.9 million as of December 31, 2012 to US$0.7 million as of December 31, 2013, primarily due to our payment of office related expenses. Our other payables increased by US$0.3 million, or 42.9%, from US$0.7 million as of December 31, 2013 to US$1.0 million as of December 31, 2014, primarily due to our expansion of operational scale. Our other payables increased by US$1.4 million, or 140.0%, from US$1.0 million as of December 31, 2014 to US$2.4 million as of June 30, 2015, primarily due to the fee payables to professional parties in the first half of 2015 in relation to the [**REDACTED**].

Accrued Payroll

Our accrued payroll consists primarily of employee salary and other benefit payables. Our accrued payroll increased by US$1.2 million, or 35.3%, from US$3.4 million as of December 31, 2012 to US$4.6 million as of December 31, 2013, further by US$1.1 million, or 23.9%, to US$5.7 million as of December 31, 2014, and remained relatively stable at US$5.8 million as of June 30, 2015, primarily because the average salary of our employees increased.

Advances from Customers

Our advances from customers increased by US$0.9 million, or 32.1%, from US$2.8 million as of December 31, 2012 to US$3.7 million as of December 31, 2013, further by US$1.5 million, or 40.5%, to US$5.2 million as of December 31, 2014, and further by US$1.2 million, or 23.1%, to US$6.4 million as of June 30, 2015, primarily because of an increase in upfront payment which is in line with our sales growth. Please see the sections headed "Business — Customers — Payment Terms" and "Industry Overview — The Global Life Sciences Research Service and Product Market" in this document for further details.

Due from/to Related Parties

The following table sets forth the net balance of due from/to related parties as of the dates indicated:

	As of December 31,			As of June 30,
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
NET BALANCE				
The Controlling Shareholder	(2,543)	(2,498)	(2,536)	(2,536)
Other related parties	(4,843)	(7,275)	(8,173)	—
TOTAL	**(7,386)**	**(9,773)**	**(10,709)**	**(2,536)**

The net balances of transactions with the Controlling Shareholder during the Track Record Period included primarily the amounts due to the Controlling Shareholder of US$2.6 million, US$2.5 million, US$2.6 million, and US$2.6 million as of December 31, 2012, 2013 and 2014 and June 30, 2015, which represented primarily the borrowings from the Controlling Shareholder to us.

The net balances of transactions with other related parties during the Track Record Period included primarily the amounts due to Nanjing Jinsite of US$4.9 million, US$7.4 million and US$8.2 million as of December 31, 2012, 2013 and 2014. The amounts due to Nanjing Jinsite referred to the advances from Nanjing Jinsite which was made to us after taking into account the fact that the shareholder of Nanjing Jinsite had not yet settled the consideration payable to GS Cayman for its acquisition of Nanjing Jinsite from GS Cayman (and for this reason and during such period Nanjing Jinsite was considered under significant influence by our Controlling Shareholder). The amounts were subsequently repaid to Nanjing Jinsite in light of repayment of consideration from the shareholder of Nanjing Jinsite to GS Cayman, and by then the significant influence on Nanjing Jinsite by our Controlling Shareholder ceased. Details of the abovementioned acquisition are set out in the section headed "Histroy and Reorganization — 2009 Reorganization".

All these amounts due from and amounts due to related parties were fully settled in August 2015.

Our Directors confirm that the foregoing related party transactions were conducted in the ordinary and usual course of business and on normal commercial terms. Our Directors further confirm that relevant terms of such transactions were no less favorable to us than terms available to Independent Third Parties and were fair and reasonable and in the interests of our Shareholders as a whole. For a discussion of related party transactions, see Note 33 to the Accountants' Report in Appendix I. Our Directors further confirm that all the related party transactions did not distort our results of operations during the Track Record Period.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

We have historically met our working capital and other capital requirements principally with a combination of capital contributions by shareholders and cash generated from our operations. In the future, we expect to continue to mainly rely on our cash flow from operations to fund our working capital needs and will use the proceeds from the [**REDACTED**] to finance part of our business expansion.

General economic conditions may affect our ability to settle payment obligations with our customers. In the event of any cancelation of purchase orders and/or default on payment obligations by our customers, our cash flow, business operations and profitability would be adversely affected.

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

Operating Activities

Our cash inflow from our operating activities is generated from sales of our products and rendering of our services and products, and advance payments from customers for their purchases of our services and products. Our cash used in our operating activities primarily includes payment for labor costs, purchases of raw materials and other expenses.

For the six months ended June 30, 2015, our net cash inflow from operating activities was US$9.3 million, while our net cash inflow from operating activities after adjustment for non-cash items but before changes in working capital was US$11.7 million. The difference of US$2.4 million was primarily attributable to: (i) an increase in trade and notes receivables of US$1.9 million mainly attributable to increased sales of our services and products to meet growing demands from customers; (ii) a decrease in trade and notes payables of US$0.7 million, mainly attributable to our payment for purchases of raw materials at the end of June 2015; and (iii) income tax expenses paid in an amount of US$1.1 million, the effects of which were partially offset by an increase other payables and accruals of US$2.2 million mainly attributable to an increase in payables to professional parties in the first half of 2015 in relation to the [**REDACTED**].

For the year ended December 31, 2014, our net cash inflow from operating activities was US$12.2 million, while our net cash inflow from operating activities after adjustment for non-cash items but before changes in working capital was US$16.3 million. The difference of US$4.1 million was primarily attributable to: (i) an increase in trade and notes receivables of US$3.2 million mainly attributable to increased sales of our services and products to meet growing demands from customers; (ii) an increase in inventories of US$0.4 million as we increased our inventory of life sciences research catalog products in relation to our expanded operational scale and continuous development of new types of life sciences research catalog products to meet customer demands; (iii) a decrease in government grants of US$0.8 million; and (iv) income tax expenses paid in an amount of US$4.0 million, the effects of which were partially offset by: (i) an increase in other payables and accruals of US$3.2 million mainly attributable to the increases in our accrued payroll and advances from customers; and (ii) an increase in trade and notes payables of US$1.0 million mainly attributable to an increase in the purchase of raw materials in 2014.

For the year ended December 31, 2013, our net cash inflow from operating activities was US$12.0 million, while our net cash inflow from operating activities after adjustment for non-cash items but before changes in working capital was US$13.2 million. The difference of US$1.2 million was primarily attributable to (i) an increase in trade and notes receivables of US$1.4 million mainly attributable to increased sales of our services and products to meet growing demands from customers; (ii) a decrease in government grants of US$0.8 million; (iii) an increase in inventories of US$0.2 million as we expanded our business scales to meet customer demands; and (iv) income tax expenses paid in an amount of US$1.4 million, the effects of which were partially offset by an increase in other payables and accruals of US$2.4 million due to the increases in our accrued payroll and advances from customers.

For the year ended December 31, 2012, our net cash inflow from operating activities was US$9.2 million, while our net cash inflow from operating activities after adjustment for non-cash items but before changes in working capital was US$16.1 million. The difference of US$6.9 million was primarily attributable to: (i) an increase in trade and notes receivables of US$4.2 million mainly attributable to increased sales of our services and products to meet growing demands from customers; (ii) an increase in trade and notes payables of US$1.1 million due to our expansion of operational scale; (iii) a decrease in amounts due to the ultimate holding company of US$1.2 million; (iv) a decrease in government grants of US$0.8 million; and (v) income tax expenses paid in an amount of US$2.1 million, the effects of which were partially offset by an increase in other payables and accruals of US$4.2 million due to the increases in our accrued payroll, advances from customers and accrued expenses.

Investing Activities

Our cash inflow from investing activities consists primarily of collection of available-for-sale investments and receipt of government grants. Our net cash used in investing activities consists primarily of purchases of available-for-sale investment, purchases of property, plant and equipment and payment of land premiums.

For the six months ended June 30, 2015, our net cash used in investing activities was US$1.1 million, which was primarily attributable to the purchase of property, plant and equipment in the amount of US$3.7 million as we purchased equipment and machinery for our expanded operational scale, the effects of which were partially offset by proceeds from disposal of available-for-sale financial assets in the amount of US$2.7 million.

For the year ended December 31, 2014, our net cash used in investing activities was US$9.1 million, which was primarily attributable to: (i) purchases of available-for-sale financial assets in the amount of US$30.4 million as we purchased wealth management products; (ii) purchase of property, plant and equipment in the amount of US$7.4 million as we purchased equipment and machinery for our expanded operational scale; and (iii) payment of land premiums of US$4.0 million in relation to our acquisition of the land use right of a parcel of land in Jiangning Science Park in Nanjing to expand our production facilities, the effects of which were partially offset by proceeds from disposal of available-for-sale financial assets in the amount of US$32.4 million.

For the year ended December 31, 2013, our net cash used in investing activities was US$10.9 million, which was primarily attributable to: (i) purchases of available-for-sale financial assets in the amount of US$24.3 million as we purchased wealth management products; and (ii) purchase of property, plant and equipment in the amount of US$8.4 million as we purchased equipment and machinery for our expanded operational scale, the effects of which were partially offset by (i) proceeds from disposal of available-for-sale financial assets in the amount of US$20.9 million; and (ii) receipt of government grants of US$1.1 million, which was related to the subsidies received from the government for the purpose of compensation for expenditure arising from improvement of our facilities in Jiangning Science Park in Nanjing.

For the year ended December 31, 2012, our net cash used in investing activities was US$7.3 million, which was primarily attributable to: (i) purchases of available-for-sale financial assets in the amount of US$19.4 million as we purchased wealth management products; and (ii) purchase of property, plant and equipment in the amount of US$9.5 million as we purchased equipment and machinery for our expanded operational scale, the effects of which were partially offset by proceeds from disposal of available-for-sale financial assets in the amount of US$21.6 million.

Financing Activities

Our cash inflow from financing activities is mainly generated from proceeds from entrust loans. Our cash used in financing activities consists primarily of repayment of entrust loans and payment of interests.

For the six months ended June 30, 2015, our net cash used in financing activities was US$8.2 million, which was primarily attributable to repayment of funding from Nanjing Jinsite.

For the year ended December 31, 2014, our net cash inflow from financing activities was US$0.4 million, primarily attributable to net addition of amount due to Nanjing Jinsite of US$0.8 million the effects of which were partially offset by interest paid.

For the year ended December 31, 2013, our net cash inflow from financing activities was US$2.0 million, primarily attributable to proceeds from an entrust loan in the amount of US$7.6 million from Nanjing Jinsite for our working capital needs, the effects of which were partially offset by (i) repayment of an entrust loan from Nanjing Jinsite in the amount of US$5.3 million, and (ii) interest paid of US$0.3 million in that year.

For the year ended December 31, 2012, our net cash used in financing activities was US$0.1 million, primarily attributable to payment of interest for an entrust loan from Nanjing Jinsite in the amount of US$0.2 million the effects of which were partially offset by net addition of amount due to Nanjing Jinsite of US$0.1 million.

Capital Expenditures

During the Track Record Period, our capital expenditures were primarily related to: (i) purchases of property, plant and equipment in relation to construction of buildings and purchases of equipment and machinery at our production facilities in the PRC and the United States; (ii) prepaid land lease payment for the land parcel where our operations are located in the PRC; and (iii) purchases of software and upgrading of our system. The following table sets forth a breakdown of our capital expenditure for the periods indicated:

	As of December 31,			**As of June 30,**
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Property, plant and equipment	29,982	3,054	4,216	3,250
Prepaid land lease payment	2,884	—	4,012	—
Other intangible assets	49	96	162	91
TOTAL	**32,915**	**3,150**	**8,390**	**3,341**

Between June 30, 2015 and the Latest Practicable Date, we did not make any material capital expenditures. We estimate that our total capital expenditures for the year ending December 31, 2015 and thereafter will increase as our business operations continue to expand. Our projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please see the section headed "Future Plans and Use of Proceeds" in this document for further details.

We anticipate that these capital expenditures will be financed primarily by cash flow generated from our operating activities and [**REDACTED**] from the [**REDACTED**]. If necessary, we may raise additional funds at commercially acceptable terms. Our estimated annual capital expenditures for the years ending December 31, 2015 and 2016 are US$6.7 million and US$18.2 million, respectively.

Commitments

Capital Commitments

The following table sets forth the outstanding balances of capital commitments as of the end of the relevant reporting periods:

	As of December 31,			As of June 30,
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Contracted, but not provided for:				
Plant and machinery	76	237	40	265

Operating Lease Commitments

We lease a number of offices and production properties under operating lease arrangements, with lease terms negotiated primarily ranging from one to seven years. The majority of these lease agreements are renewable at the end of the lease period at market rate.

The following table sets forth our future aggregate minimum lease payment under non-cancellable operating leases as of the end of the relevant reporting periods:

	As of December 31,			As of June 30,
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within one year	655	619	874	780
In the second to fifth years, inclusive	2,012	1,681	1,910	1,711
After five years	203	—	—	—
	2,870	**2,300**	**2,784**	**2,491**

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated.

	As of December 31,			As of	
	2012	**2013**	**2014**	**June 30, 2015**	**July 31, 2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000 (unaudited)*
Current					
Entrust bank loans					
— unsecured	4,943	7,390	—	—	—
TOTAL	**4,943**	**7,390**	**—**	**—**	**—**

As of December 31, 2013, the outstanding balance of our unsecured entrust bank loans was US$7.4 million with the effective interest rate per annum of 5.8%. Our outstanding interest bearing borrowings as of December 31, 2014, June 30, 2015 and July 31, 2015, the latest date for liquidity disclosure, were nil. Our Directors confirm that there is no material change in our indebtedness position since July 31, 2015, up to the date of this document.

Our Directors confirm that we had no material defaults in payment of trade and non-trade payables and interest-bearing borrowings or any withdrawal or request for early repayment of loans or borrowings, nor did we breach any financial covenants during the Track Record Period.

We intend to continue to finance portions of our capital expenditure primarily with cash generated from our operating activities and [**REDACTED**] from the [**REDACTED**]. We currently do not have plans for other material external debt financing.

Except as disclosed in this section, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, loan from government, debt securities or other similar indebtedness, finance lease on hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees on other material contingent liabilities outstanding as of July 31, 2015, the latest date for liquidity disclosure.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

WORKING CAPITAL

As of December 31, 2012, 2013 and 2014 and June 30, 2015, we had cash and cash equivalents of US$18.7 million, US$22.5 million, US$25.6 million and US$25.7 million, respectively. Taking into account the estimated net [**REDACTED**] from the [**REDACTED**] and cash flow generated from our operations, our Directors are of the view, and the Sole Sponsor concurs after due consideration and discussion with our senior management that, we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document. We incurred net current liabilities of US$0.2 million for the year ended December 31, 2012 primarily because of the payables for subcontracting and procurement expenses in connection with the development of our production facilities in Jiangning Science Park in Nanjing.

KEY FINANCIAL RATIOS

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

	As of December 31,			As of June 30,
	2012	**2013**	**2014**	**2015**
Current ratio(1)	1.0	1.3	1.5	1.8
Gearing ratio(2)	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 (%)(3)	66.9	63.7	63.0	65.4
Net profit margin (%)(4)	17.3	10.0	8.8	14.0
Effective tax rate (%)(5)	17.3	20.3	21.2	27.2
Return on equity (%)(6)	23.5	12.4	10.8	17.6
Return on total assets (%)(7)	14.4	7.5	7.0	12.4
EBITDA margin (%)(8)	28.2	20.6	18.6	25.2
Interest coverage(9)	66.3	23.3	20.1	N/A

Notes:

(1) Current ratio as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively, was calculated based on our total current assets as of the respective dates divided by our total current liabilities as of the same dates.

(2) Gearing ratio as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively, was calculated based on our total debts as of the respective dates divided by total equity as of the same dates.

(3) Gross profit margin for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively, was calculated based on our gross profit for the respective periods divided by our revenue for the same periods.

(4) Net profit margin for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively, was calculated based on our profit for the respective periods divided by our revenue for the same periods.

(5) Effective tax rate for the years ended December 31, 2012, 2013 2014 and the six months ended June 30, 2015, respectively, was calculated based on our income tax expenses for the respective periods divided by our profit before taxation for the same periods.

(6) Return on equity for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively, was calculated based on our profit for the respective periods divided by the average total equity for the same periods (sum of the opening and closing balances of our total equity for the respective periods and then divided by two) and multiplied by 100%. Our return on equity ratio for the six months ended June 30, 2015 is annualized by multiplying the ratio of 8.8% by two, for comparison with that for the years ended December 31, 2012, 2013 and 2014, respectively.

(7) Return on total assets for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively, was calculated based on our profit for the respective periods divided by the average total assets for the same periods (sum of the opening and closing balances of our total assets for the respective periods and then divided by two) and multiplied by 100%. Our return on total assets ratio for the six months ended June 30, 2015 is annualized by multiplying the ratio of 62% by two, for comparison with that for the years ended December 31, 2012, 2013 and 2014, respectively.

(8) EBITDA is the result of our profit before income tax adding back interest expenses, depreciation and amortization. EBITDA margin for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively, was calculated based on EBITDA divided by our revenue for the respective periods.

(9) Interest coverage for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively, was calculated based on our profit before interest and tax divided by interest expenses arising from interest-bearing borrowings for the respective periods.

The following is a brief analysis of the salient aspects of the above financial ratios:

- *Current ratio.* Our current ratio increased from 1.0 as of December 31, 2012 to 1.3 as of December 31, 2013, further to 1.5 as of December 31, 2014, and further to 1.8 as of June 30, 2015, primarily because our cash and cash equivalent increased and our total borrowings decreased.

- *Gearing ratio.* Our gearing ratio as of December 31, 2012, 2013 and 2014 and June 30, 2015 was 17.0%, 18.9%, 17.4% and 3.7%, respectively. The fluctuations of our gearing ratio during the Track Record Period were in line with our outstanding balance of borrowings from our Controlling Shareholder and other related parties, all of which had been repaid in August 2015.

- *Gross profit margin.* Please see the subsection headed "— Description of Certain Combined Income Statement Items" in this section for further discussion.

- *Net profit margin.* 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 attributable to 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 attributable to an increase in our overall gross profit margin.

- *Effective tax rate.* Please see the subsection headed "— Description of Certain Combined Income Statement Items" in this section for further discussion.

- *Return on equity.* Our return on equity ratio decreased from 23.5% for the year ended December 31, 2012 to 12.4% for the year ended December 31, 2013 and further to 10.8% for the year ended December 31, 2014, primarily due to the increases in reserves. Our return on equity ratio increased from 10.8% for the year ended December 31, 2014 to 17.6% for the six months ended June 30, 2015, primarily due to an increase in our net profit.

- *Return on total assets.* Our return on total assets ratio decreased from 14.4% for the year ended December 31, 2012 to 7.5% for the year ended December 31, 2013, primarily due to a decrease in our net profit. Our return on total assets further decreased to 7.0% for the year ended December 31, 2014, primarily due to an increase in our total assets. Our return on total assets increased from 7.0% for the year ended December 31, 2014 to 12.4% for the six months ended June 30, 2015, primarily due to an increase in our net profit.

- *EBITDA margin.* Our EBITDA margin decreased from 28.2% for the year ended December 31, 2012 to 20.6% for the year ended December 31, 2013, primarily attributable to a decrease in our overall gross profit margin from 2012 to 2013. Our EBITDA margin for the year ended December 31, 2014 further decreased to 18.6% for the year ended December 31, 2014, primarily attributable to an increase in our administrative expenses in 2014 as a result of increase in our equity-settled share option expenses. Our EBITDA margin increased from 18.6% for the year ended December 31, 2014 to 25.2% for the six months ended June 30, 2015, primarily due to an increase in our profit before tax.

- *Interest coverage.* Our interest coverage ratio decreased from 66.3 for the year ended December 31, 2012 to 23.3 for the year ended December 31, 2013, and further to 20.1 for the year ended December 31, 2014, primarily due to our increased interest expenses on entrust loans. We had nil interest-bearing borrowings as of June 30, 2015.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Foreign Exchange Risk

We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB, Euros, Japanese Yen, Hong Kong dollars, and British pounds. Foreign exchange risk arises from trade receivables, cash and cash equivalents, trade payables and borrowings in currencies other than U.S. dollars. We did not hedge against any fluctuation in foreign currency during the Track Record Period. Management may consider entering into currency hedging transactions to manage our exposure to fluctuations in exchange rates in the future. We have conducted a sensitivity analysis to determine our exposure to changes in foreign currency exchange rates. As of December 31, 2012, 2013 and 2014 and June 30, 2015, if U.S. dollars had weakened/strengthened by 5% against RMB with all other variables remain constant, our profit before tax (due to changes in the fair value of monetary assets and liabilities) for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 would have decreased/increased by US$0.2 million, US$0.1 million, US$0.4 million and US$0.6 million, respectively. Please see the subsection headed "— Recent Development and No Material Adverse Change" for further details.

Credit Risk

As of December 31, 2012, 2013 and 2014 and June 30, 2015, we had no significant concentration risk. The carrying amounts of cash and cash equivalents, and trade and notes receivables included in the Accountants' Report in Appendix I to this document represent our maximum exposure to credit risk in relation to our financial assets. The objective of our measures to manage credit risk is to control potential exposure to recoverability problems.

Certain of our sales are settled in cash by our customers on delivery of goods and services. Credit sales are made only to selected customers with good credit history. We have policies in place to ensure that trade receivables are followed up on a timely basis.

In respect of trade and notes receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments, and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. We grant credit limits or credit terms to certain customers in consideration of their payment history, business performance and market position. We have monitoring procedures in place to evaluate the performance of our customers, which include maintaining customer credit profiles and periodically assessing customer creditworthiness ranging from monthly to annually primarily based on their payment history and overall creditworthiness. In the event of credit deteriorations, we may request our customer to provide guarantees and/or collateral to secure their payment obligations and may reduce or cancel shipments that have already been ordered. During the Track Record Period, no incident of material credit deterioration occurred and we did not request any guarantee or collateral from our customers. In addition, we review the recoverable amount of each individual trade and bills receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, all cash and cash equivalents were placed in highly reputable and sizable banks and financial institutions without significant credit risk.

Liquidity Risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial investments and financial assets (e.g., trade receivables, other financial assets) and projected cash flows from operations. We maintain a balance between continuity of funding and flexibility through the use of interest-bearing loans and borrowings. Our management believes there is no significant liquidity risk, as we have sufficient monetary capital to fund our operations.

Capital Risk Management

With respect to capital management, our primary objectives are to safeguard our ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value. We manage our capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Consistent with others in life sciences research and application service and product industry, we monitor capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity. Total debt includes amounts due to the ultimate holding company and related parties. Total equity represents equity attributable to the owners of the parent plus non-controlling interests.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the [**REDACTED**] Rules are set out below to illustrate the effect of the [**REDACTED**] on the combined net tangible assets of our Group attributable to the equity owners of our Company as of June 30, 2015 as if the [**REDACTED**] had taken place on that date.

The unaudited pro forma adjusted net tangible assets have been prepared for illustrative purposes only and, because of their hypothetical nature, they may not give a true picture of the combined net tangible assets of our Group had the [**REDACTED**] been completed as of June 30, 2015 or of any future dates. The unaudited pro forma adjusted net tangible assets are prepared based on the audited combined net tangible assets of our Group attributable to the equity owners of our Company as of June 30, 2015 as set out in the Accountants' Report of our Company, the text of which is set out in Appendix II to this document, and adjusted as described below.

	Audited combined net tangible assets of our Group attributable to the equity owners of our Company as of June 30, 2015(1)	**Estimated net proceeds from the [REDACTED]**(2)	**Unaudited pro forma adjusted net tangible to the equity owners of our Company**	**Unaudited pro forma adjusted net tangible assets per Share**(3)	
	US$'000	*US$'000*	*US$'000*	*US$*	*HK$*
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	68,637	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	68,637	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The audited combined net tangible assets of our Group attributable to the equity owners of our Company as of June 30, 2015 are extracted from the Accountants' Report set out in Appendix I to this document, which is based on the audited combined net assets of our Group attributable to the equity owners of our Company as of June 30, 2015 of US$68,995,000 with an adjustment for the intangible assets as of June 30, 2015 of US$358,000.

(2) The estimated net proceeds from the [**REDACTED**] are based on the indicative [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**] per Share, respectively, after deduction of the [**REDACTED**] and other related expenses payable by our Company and takes no account of (i) any Shares which may fail to be issued upon the exercise of the [**REDACTED**] or (ii) any Shares which may be issued upon the exercise of any option which has been or may be granted under the Share Option Schemes or (iii) any Shares which may be granted and issued or repurchased by our Company pursuant to the General Mandate to [**REDACTED**] and General Mandate to Purchase Shares.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,600,000,000 Shares were in issue assuming that the [**REDACTED**] has been completed on June 30, 2015 but takes no account of any Shares which may fail to be issued upon the exercise of the [**REDACTED**] or of any Shares which may be issued upon the exercise of any option which have been or may be granted under the Share Option Schemes or any Shares which may be granted and issued or repurchased by our Company pursuant to the General Mandate to Issue Shares and the General Mandate to Purchase Shares.

(4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to June 30, 2015.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in U.S. dollars are converted into Hong Kong dollars at the rate of US$1.000 to HK$7.7522.

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.

DISTRIBUTABLE RESERVES

Our Company's distributable reserves consist of retained earnings, if any. As of June 30, 2015, we had distributable reserves of US$39.4 million, which are available for distribution to our equity shareholders.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE [REDACTED] RULES

Except as otherwise disclosed in this document, we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the [**REDACTED**] Rules.

RECENT DEVELOPMENT 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 have also recovered from the financial crisis in 2008. Recovering 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 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.

For the seven months ended July 31, 2015, we had incurred expenses in connected with the [**REDACTED**] (the "[**REDACTED**] Expenses") in the amount of US$1.7 million and expenses of equity-settled share option expenses in the amount of US$1.8 million 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**] Expenses 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, underwriting commissions and other expenses. The estimated [**REDACTED**] expenses (including underwriting 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$[**REDACTED**] has been or is expected to be reflected in our income statement. For the six months ended [**REDACTED**], we have incurred [**REDACTED**] expenses of approximately US$[**REDACTED**], which have already been reflected in our income statement, and approximately US$[**REDACTED**] is expected to incur after [**REDACTED**].