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 and ranked third in the global DNA synthesis service market in terms of revenue in 2014, with market share of 25.6% and 10.6%, respectively, according to the Frost & Sullivan Report. The gene synthesis service market is a subset of the global DNA synthesis service market. As gene synthesis is one of the fundamental techniques in synthetic biology and 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. 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. 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.

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 categories, 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 contract research services in three key categories, 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.

According to the Frost & Sullivan Report, there are three markets within the global life sciences research service and product market, namely, the global molecular biology service market, the global research-based protein- and antibody-related service and product market, and the global life sciences research reagent market. We provide services and products in each of these markets. All of these markets are closely related to synthetic biology research and application services and products. The global molecular biology service market is primarily involved in the synthesis, analysis and engineering of DNA, the fundamental materials on which synthetic biology is based. The global research-based protein- and antibody-related service and product market is primarily involved with the production of proteins and antibodies, which are another category of subject matter that synthetic biology studies and utilizes. The global life sciences research reagent market provides the research reagents used in synthetic biology research and applications.

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

We have made significant investments in developing and protecting our proprietary technologies for the production of our services and products. We have a series of patented or patent-pending proprietary technologies that are frequently used in our research and development of synthetic biology related services and products. Our OptimumGene™ gene design system optimizes gene sequences to achieve increased levels of production in subsequent protein expression using a software system. Our CloneEZ® cloning system provides a quick and efficient DNA cloning system including techniques and reagent kits. Our other self-developed core technologies include (i) protein A variants with desired properties used for antibody purification, (ii) compositions and methods for increasing protein half-life in a serum, which are valuable for biologics drug development, (iii) pullulanase variants with desired properties and the microbial strains that can secrete them, and (iv) methods and devices for rapid electrophoresis, staining, and membrane transferring of proteins. We have entered into certain in-licensing agreements of advanced technologies with international players that we believe would be complementary to or promote our existing business and on the basis of which we have further developed our service and product portfolio.

We believe the global presence of our life sciences research and application services and products is an important differentiating factor that sets us apart from our peers. Since our inception in 2002, we have grown from ground zero in New Jersey in the United States to a well-recognized life sciences research and application service and product provider. Currently, we centrally manage our entire business in Nanjing, China. GS China is our principal research and development base, and also where our major production facility is situated. GS USA is primarily responsible for sales and marketing functions targeting the North and South American markets. We also operate a facility for certain express gene synthesis and DNA sequencing service at GS USA. GS Japan conducts sales and marketing in the Japanese local market. Our Netherlands representative office acts as a communication channel with our customers in Europe.

We acquire market intelligence during the course of providing customer services, and analyze and predict customers' needs and market trends based on the acquired market intelligence. With market intelligence from such world-leading markets as the U.S. and Japan, we strategize our overall research and development plan and carry out specific research and development projects to better serve our customers. For the six months ended June 30, 2015, we had generated approximately US$21.6 million, US$8.4 million, US$6.0 million, US$2.7 million, and US$1.8 million from our sales to customers in North America, Europe, the PRC, Asia Pacific (excluding the PRC and Japan), and Japan, representing approximately 52.5%, 20.5%, 14.6%, 6.7%, and 4.5% of our total revenue, respectively.

We also attribute our success to our teams of well-trained sales and marketing specialists as well as to our around-the-clock customer and consultation services. As of June 30, 2015, nearly 90% of the members of our U.S. sales and marketing team have attained doctoral or master's degrees in life sciences-related disciplines. They are dedicated to understanding customers' needs and solving their research problems. Furthermore, we have established an interactive online quotation and ordering system. A significant number of our worldwide customers navigate directly to our websites at www.genscript.com and www.bestzyme.com and can place orders for most of our services and products 24 hours a day. For the years ended December 31, 2012, 2013, and 2014, and the six months ended June 30, 2015, the number of purchase orders we had received through our online quotation and ordering system represented approximately 57.0%, 38.0%, 39.0%, and 43.0% of the total number of purchase orders, respectively.

We have made outstanding contributions to life sciences research in both the international academic and commercial fields. In 2012, we were selected as the first pure commercial entity to participate in the Synthetic Yeast Genome Sc2.0 Project initiated and organized by Dr. Jef Boeke, who was then a scientist and professor at Johns Hopkins University School of Medicine. The ultimate goal of this large-scale project was to generate an ideal model organism, and to design a synthetic biological system and be eventually applied for the production of drugs, fuels, and other materials for the well-being of human society. In this project, we successfully completed the synthesis of DNA segments of a total length of 170 kb of a special yeast chromosome arm using our technology platform within three months. The progress of Sc2.0 Project has been reported and published in industry journals and magazines. As a major international collaborative project in synthetic biology, we being selected as the first pure commercial entity to participate is an example of our recognition and trusted position in the field of synthetic biology.

We also value corporate social responsibilities. Recognizing the security concerns associated with synthetic DNA, we implement self-regulation initiatives and play an active role in preventing the misuse of gene synthesis technology and in safeguarding biosecurity. In 2009, we cofounded the International Gene Synthesis Consortium ("IGSC") with four other major global gene synthesis providers. IGSC-member companies screen synthetic gene orders to identify pathogenic sequences and other potentially dangerous sequences. By screening the sequences of ordered genes, we and the other IGSC-member companies aim to ensure the proper utility of and to prevent the misuse of the gene synthesis technology.

We believe our life sciences research and application services and products have significant growth potential. According to the Frost & Sullivan Report, the spending on research and development worldwide has indicated an increasing general trend, led by the United States, which was estimated to have spent approximately US$410.9 billion on domestic 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. Among others, the growing demand for revolutionizing therapies for major diseases is a key growth driver. As population ages and life expectancy increases, there is a rising demand for therapies for major diseases dominant in senior population such as cancers and diabetes. Life sciences research and application services and products can help identify new practicable therapies. Please see the section headed "Industry Overview" for a detailed discussion on the growth drivers of the life sciences research and application service and product industry beginning on page 95 of the document.

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. Please see the section headed "Financial Information — Description of Certain Combined Income Statement Items — Revenue" for a discussion on our revenue growth, beginning on page 295 of this document.

OUR COMPETITIVE STRENGTHS

We provide differentiated life sciences research and application services and products to our customers based on our key competitive strengths set forth below:

We have achieved world market leadership in the global gene synthesis service market with recognized stature in synthetic biology, and we offer a broad and integrated life sciences research and application service and product portfolio.

We ranked first in the global gene synthesis service market and ranked third in the global DNA synthesis service market in terms of revenue in 2014 with market share of 25.6% and 10.6%, respectively, according to the Frost & Sullivan Report. The gene synthesis service market is a subset of the global DNA synthesis service market. Our global leadership in gene synthesis puts us in a favorable position to develop and offer synthetic biology services and products. In 2012, we were selected as the first pure commercial entity to participate in the Synthetic Yeast Genome Sc2.0 Project initiated and organized by Dr. Jef Boeke, who was then a scientist and professor at Johns Hopkins University School of Medicine. The ultimate goal of this large-scale project was to generate an ideal model organism, and to design a synthetic biological system to be eventually applied for the production of drugs, fuels, and other materials for the well-being of human society. In this project, we successfully completed the synthesis of DNA segments of a total length of 170 kb of a special yeast chromosome arm using our technology platform within three months. The progress of Sc2.0 project has been reported and published in industry journals and magazines. As a major international collaborative project in synthetic biology, we being selected as the first pure commercial entity to participate is an example of our recognition and trusted position in the field of synthetic biology.

Our broad and integrated life sciences research and application service and product portfolio allows us to address the needs of scientists and researchers from pharmaceutical and biotech companies, colleges and universities, research institutes, and government bodies (including government testing and diagnostic centers). For the six months ended June 30, 2015, our sales to such categories of customers generated approximately 57.9%, 25.7%, 13.1% and 1.6% of our total revenue, respectively. Under our three principal segments, namely, life sciences research services, life sciences research catalog products, and preclinical drug development services, we provide our customers with access to a comprehensive portfolio of over 4,000 services and products with a range of applications, additional complexity, and sophistication tailored for each customer's order as of June 30, 2015. Our full suite of services and products facilitates the performance of a wide range of life sciences related research workflows, in areas such as disease studies, drug discovery, agricultural and environmental research.

Our proven research and development competency enhances our ability to expand our addressable market and gain market share leading to incremental net sales and profits. We have recently expanded our product offerings to address the needs of the industrial enzymes market by launching our industrial synthetic biology product segment. This segment grew from the application and leverage over our technical expertise and experience from our principal business segments. Our technical expertise in gene synthesis facilitates the construction of non-pathogenic microbial strains which are used to produce high-quality industrial enzymes. Our current products under this segment can be directly utilized by industrial companies in the food industry in their production. We believe our growing life sciences research and application service and product portfolio integrates us with our customers' critical research and industrial processes and further differentiates our value proposition from that of our competitors.

We are a well-known and trusted brand underpinned by our high quality life sciences research and application services and products.

GenScript is a well-recognized and trusted brand in the life sciences industry in the world. As of June 30, 2015, we had over 2,510, 1,760, 430, 620, and 370 customers in North America, Europe, the PRC, Asia Pacific (excluding the PRC and Japan), and Japan, respectively, reaching over 100 countries. Many users of our services and products are well-known scientists and researchers in industry as well as in the academia. During each of the years ended December 31, 2012, 2013, 2014 and the six months ended June 30, 2015, we had offered our services and products to 19 of the top 20 pharmaceutical companies in terms of revenue in the world, according to the Frost & Sullivan Report.

We believe that our broad, integrated, and quality service and product portfolio and around-the-clock customer and consultation services have engendered customers' trust and confidence in our Company. As a landmark example of our achievements in better serving the needs of scientists and researchers from universities, we have been listed as a preferred contract supplier of life sciences products by a top university in Pennsylvania, United States, since 2010. 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 in the world. 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. In 2014, we won the CRO Leadership Awards awarded by *Life Sciences Leader* magazine in four categories: quality, productivity, innovation, and reliability. The awards were based on a survey of 10,000 pharmaceutical and biopharmaceutical executives measuring their perception of service suppliers based on services rendered. The customers surveyed selected our Company as among the leaders that ensure a high level of customer satisfaction. We believe that our trusted brand will continue to drive our business forward.

We maintain a strong sales and marketing team and operate an interactive online quotation and ordering platform to support our global sales.

We attribute our success to our teams of well-trained sales and marketing specialists, as well as around-the-clock customer and consultation services. As of June 30, 2015, nearly 90% of the members of our U.S. sales and marketing team have attained doctoral or master's degrees in life sciences-related disciplines. They are dedicated to understanding customers' needs and solving their research problems. On top of our strong sales and marketing team on the ground in the United States and the PRC, we have established an interactive online quotation and ordering system to maintain and expand our international market reach. A significant number of our customers navigate directly to our websites at www.genscript.com and www.bestzyme.com to browse online information about most of our services and products. To cater to the diverse and varying needs of customers, our system allows for specification and customization of each order through the option to choose features and components from an online menu. Our platform outlines almost all possible scenarios and allows standardization of our communication with clients to avoid mistakes. It also provides customers with fast quotation results. Our personal consultation service runs parallel to our online ordering system. We employ Ph.D.-level and master level technical account managers on shifts to understand customers' needs and help to solve their research problems around-the-clock.

We believe that our interactive online ordering system facilitates information and data transfer between customers and us to complete e-commerce with efficiency. Our information system allows

customers to trace information on order specifics, such as delivery status. The development of our IT platform has minimized our reliance on third-party commercial software, reduced our operating costs, and given us the flexibility to innovate and rapidly scale up our business. Owing to our stringent security management of commerce and data protection, we have gained a high degree of customer confidence in the measures taken by our Company. For the years ended December 31, 2012, 2013, and 2014, and the six months ended June 30, 2015, the number of purchase orders we had received through our online quotation and ordering system represented approximately 57.0%, 38.0%, 39.0%, and 43.0% of the total number of purchase orders, respectively.

We possess strong research and development capabilities, with a proven track record and a robust service and product pipeline.

Our research and development competency has successfully enabled us to attain our leading market position in gene synthesis. We are committed to understanding and anticipating market demand, improving our existing portfolio based on customers' specifications, and developing new life sciences research and application services and products. Each of our four business segments has its own research and development team. Together, our facility and laboratories housed over 120 research and development staff as of June 30, 2015. Over 13.0% of our research and development staff possesses doctoral degrees in life sciences-related disciplines.

Through our in-house research and development efforts, we have successfully developed life sciences research and application services and products into commercial production. We have launched and upgraded many services, such as Monoexpress™ antibody production and GenPlus™ gene synthesis services. Our products also include eStain® protein staining related products, eBlot® protein transfer related products, ExpressPlus PAGE gel, Monoaffinity Protein A resins, antibodies, and cytokines. We continue to seek to enhance the performance of our services and products and to develop our portfolio to meet customer demands. As of June 30, 2015, examples of our active research and development projects included (i) microbial knock-out and knock-in technology development, (ii) next-generation high-throughput gene synthesis technology development, and (iii) industrial microbial strain generation and process development. Please see the section headed "Business — Research and Development — Research and Development Pipeline Projects" on page 223 of this document for details.

We have made significant investments in proprietary technologies in order to support our growing life sciences research and application service and product portfolio. Our substantial investment in research and development has resulted in self-developed technologies, proprietary technical know-how, and new service and product lines. Our OptimumGene™ gene design system optimizes gene sequences to achieve increased levels of production in subsequent protein expression using a software system. Our CloneEZ® cloning system provides a quick and efficient DNA cloning system including techniques and reagent kits. Our other self-developed core technologies include (i) protein A variants with desired properties used for antibody purification, (ii) compositions and methods for increasing protein half-life in a serum, which are valuable for biologics drug development, (iii) pullulanase variants with desired properties and the microbial strains that can secrete them, and (iv) methods and devices for rapid staining, and membrane transferring of proteins. We have entered into certain in-licensing agreements of advanced technologies with international players that we believe would be complementary to or promote our existing business and on the basis of which we have further developed our service and product portfolio.

Our research and development efforts have also translated into a growing intellectual property portfolio. As of the Latest Practicable Date, we had registered a total of 19 patents and had submitted 9

patent applications that are material to our business in the United States and the PRC. Our key patents include patents in gene synthesis and synthetic biology, patents in drug development, and patents directed to our key products. In particular, in gene synthesis and synthetic biology areas, we have obtained U.S. patents directed to improvements in gene sequence optimization methods, optimized signal peptide coding sequences for enhanced expression and secretion of protein, and methods and compositions for sequence-independent DNA cloning, and we have also filed Chinese patent applications directed to a series of protein A mutants and methods of improving the expression of glucoamylase. In the drug development area, we have filed Chinese patent applications directed to methods of generating humanized antibodies or antigen-binding fragments and monoclonal antibody mutants and their applications. We have also obtained U.S. and Chinese patents directed to some of our catalog products. Please see the section headed "Statutory and General Information — 6. Further Information about our Business — B. Our Intellectual Property Rights" in Appendix V to this document on page V-12 for details.

Our research and development expenses were approximately US$5.5 million, US$6.1 million, US$5.6 million, and US$2.4 million for the three years ended December 31, 2012, 2013, and 2014 and the six months ended June 30, 2015, representing 10.4%, 10.1%, 8.0%, and 5.9% of our revenue, respectively. In the next five years, we intend to maintain levels of investment in research and development similar to those during the Track Record Period in exploring and developing new services and products to keep abreast of the new directions of the life sciences research and application service and product industries. We intend to continue to leverage our technology and research and development capabilities to broaden our life sciences research and application service and product portfolio as well as to develop novel and enhanced production technologies.

We have an experienced and professional management team supported by a strong talent base.

Our management team's clear vision and long-term commitment to facilitating life sciences research have been central to our successful track record. Our management team has been remarkably stable. We were jointly founded by Dr. Zhang, Dr. Wang, and Ms. Wang. They currently serve as our chief executive officer, non-executive Director, and chief operating officer, respectively. They have built our business organically from one business segment to four business segments in approximately 10 years. Dr. Zhang worked as an associate principal scientist at Schering-Plough from 1995 to 2002. He obtained a Doctor of Philosophy degree from Duke University in 1995. Dr. Wang was a senior principal scientist at Schering-Plough Research Institute from 1996 to 2003. He obtained a Doctor of Philosophy degree from Rutgers University in the United States in 1996. Ms. Wang was an environmental monitoring engineer at the Shenzhen Futian Environmental Protection Surveillance Station* (深圳市福田區環境保護監測站) from July 1993 to July 2000. She obtained a Master of Science degree from Wuhan University* (武漢大學) in August 1990. One of our executive directors, Mr. Meng, has over 25 years of experience in finance and accounting. He obtained his Bachelor of Engineering degree from Changsha Communications Institute* (長沙交通學院) (currently known as Changsha University of Science Technology* (長沙理工大學)) in July 1990. Our management team has led us in reaching a clear domestic and international leadership position in the global gene synthesis and DNA synthesis markets within the life sciences research and application service and product industries, with a proven track record of executing development plans, delivering stable revenue growth, and achieving market expansion.

By fostering a culture of technological innovation and business entrepreneurship, we have successfully pooled a strong talent base to support our business operations. As of June 30, 2015, approximately 7.6% of the total number of our employees possesses doctoral degrees in life

sciences-related disciplines. We have implemented a performance appraisal system to ensure that all employees with capabilities and potentials are recognized. We have also been able to attract a group of international experts, including scientists and professor with work experience at world-leading pharmaceutical companies and universities to constitute our advisory board and consultant team. We believe our corporate culture contributes to a highly motivated team with a favorable mix of complementary skills.

OUR STRATEGIES

Our objective is to continue to attain profitable growth, strengthen, and consolidate our leadership position in the life sciences research and application industries. To this end, we intend to implement the following key strategies.

Increase investment in research and development projects to expand our research and application service and product portfolio.

Our global leadership in gene synthesis puts us in a favorable position to develop synthetic biology services and products under our four segments.

(i) *Life sciences research services*: We intend to (a) maintain and extend our leadership position in gene synthesis through increasing our research and development force, developing in-house and in-licensing new technologies, and implementing novel instruments for the faster provision of gene synthesis services, (b) build upon our success in gene synthesis service and provide more diverse synthetic biology services and products, including developing novel genome-editing technology to complement our synthetic biology expertise for genome modification applications, and expanding the applications of synthetic biology technology in pathway assembly, microbial knock-out and knock-in, genome modification, and protein/antibody engineering for biologics drug development application, (c) develop cutting-edge technologies and improve production processes for industry cell line engineering and the antibody and protein production, and (d) invest in strengthening our technical capabilities in providing such services and products thereby enhancing our competitiveness in the life sciences research and application service and product markets. According to the Frost & Sullivan Report, the global DNA synthesis service market showed a stable historical growth, and with wider applications of gene synthesis technology and the rising demand for such technology in synthetic biology, the gene synthesis segment is expected to experience a significant growth. Our development strategies in the life sciences research service segment are in line with the industrial development trend. Our leadership position in gene synthesis puts us in a favorable position to build upon such success and develop more diverse synthetic biology applications.

(ii) *Life sciences research catalog products*: Our mission is to provide convenient and affordable life sciences research products. We intend to (a) expand our off-the-shelf products by leveraging the strength of our life sciences research service segment and build on our current growing product lines in protein expression and analysis, including precast gels, protein purification reagents, and recombinant proteins, and (b) invest in new product development to differentiate from other competitors by offering cutting-edge products. According to the Frost & Sullivan Report, the global life sciences research service and product market is expected to continue to grow primarily due to growing demand in the market. We believe our product

diversification strategies in the life sciences research catalog product segment will help us meet the growing demand in the market.

(iii) *Preclinical drug development services*: We are upgrading our capability in biologics drug discovery to keep abreast of the standards of global pharmaceutical community for target validation, lead identification and optimization, and candidate recommendation. We are also constantly acquiring cutting-edge technologies to strengthen our service platform. For example, in addition to humanization of rodent antibodies, we are pursuing technologies that allow us to generate human antibodies directly. In addition, we will continue to extend our platform to multi-targeting therapies with our single domain antibody technology. Furthermore, we are building comprehensive capability in cancer immunotherapy, including the construction of libraries of antibodies and cell lines, and the development of well-validated *in vitro* and *in vivo* assays. We believe that such immunotherapy has significant potential in clinical cancer therapeutics. According to the Frost & Sullivan Report, the global drug development service market, including the preclinical drug development services market, is expected to continue to grow, due to the rising emphasis placed on drug development and the technological advancement in this market. We believe our strategies to upgrade our technological capabilities and to maintain our competitive advantage over a number of cutting-edge technologies such as single domain antibody technology will put us in a favorable position to capture the growth opportunities in the drug development service market.

(iv) *Industrial synthetic biology products*: We intend to apply synthetic biology principles and techniques to modify and improve the industrial enzyme producing microorganisms, such that the microbes are able to produce industrial enzymes with a higher yield and/or better performance properties. We intend to continue our research and development on industrial enzymes applied in the food industry, as well as to expand into other fields of applications, such as the feed, pharmaceutical, and chemical industries. According to the Frost & Sullivan Report, the global industrial enzyme market has shown a steady rise in recent years, as facilitated by the development in synthetic biology. As a strong player in the development of synthetic biology applications, our strategies to improve industrial enzyme production and to expand into other fields of applications will help us gain an even better position in the global industrial enzyme market.

Please see the subsection headed "— Research and Development" beginning on page 221 of this document for details. We believe that we will be able to capture the anticipated growing market demand in relevant business segments and achieve sustainable development and growth in revenue of our business.

On December 11, 2015, our Company and China Resources Strategic Investment Company Limited ("**China Resources**"), which is a wholly owned subsidiary of China Resources (Holdings) Company Limited ("**CRH**"), entered into a legally binding framework strategic cooperation agreement (the "**Framework Agreement**") on an arm's length basis, in relation to our possible cooperation in our industrial synthetic biology products and antibody drugs businesses on normal commercial terms. CRH, together with its subsidiaries, is a diversified conglomerate in Hong Kong and the PRC with businesses in consumer products, including food and pharmaceutical industries. In compliance with the Guidance Letter HKEx-GL51-13 issued by the Stock Exchange and on condition of the completion of the [**REDACTED**], among other things, our Company and China Resources agreed to evaluate opportunities to cooperate in the research and development and sales of new industrial enzymes and new antibody drugs

in any fields of applications through all possible modes of cooperation to be negotiated by our Company and China Resources or its designated affiliated company within 12 months from the date of the Framework Agreement. We believe that the cooperative relationship, when implemented, will allow us to gain access to external expertise in the fields of industrial enzymes and antibody drugs, supplementing internal research efforts and resources, leveraging both parties' strengths, and enhancing our business prospects. Please see the section headed "Cornerstone Investor" for details on page 282 of this document.

Enhance production capacity to capitalize on the strong demand for our life sciences research and application services and products.

To meet the increasing demand for our life sciences research and application services and products, we intend to continue to invest in our existing production facilities for life sciences research services, life sciences research catalog products, and preclinical drug development services. We intend to upgrade our production equipment and raise the automation level in production systems in order to improve our overall productivity in gene synthesis, protein production, and antibody production. We also intend to upgrade some of our existing manufacturing facility into Good Laboratory Practice ("GLP") and Good Manufacturing Practice ("GMP") standards in order to provide value-added antibody and protein production services to meet the clinical development needs of our customers in the pharmaceutical industry. We also intend to build more laboratories and production facilities to accommodate the increasing scale of life sciences research services and preclinical drug development services.

To meet the increasing demand for our industrial synthetic biology products, we plan to expand our current laboratory-scale fermentation capacity to industry-scale fermentation capacity in-house. This expansion will accommodate our growing product portfolio for a wider range of industries such as the feed, pharmaceutical, and chemical industries.

Increase penetration into the overseas and PRC markets by expanding and strengthening our sales and marketing team.

To support our expansion, we intend to significantly increase the geographic coverage of our sales and marketing forces for all four business segments. We intend to recruit more experienced sales and marketing talents and provide them with more structured training on our services and products. In particular, in order to expand our PRC customer base of the industrial synthetic biology products, we intend to build a separate sales and marketing team due to the different profile of our customers of this segment compared to that of other business segments. We plan to build up our team of talents for providing interactive technical support to our PRC customers of industrial enzymes and further personalize our technical solutions to each customer in order to bolster our position in the campaign to capture market share. The sales and marketing team for our industrial synthetic biology product segment shall first target customers in the PRC market, and gradually expand to the North American and European markets.

To provide greater value to our customers, we aim to increase our direct selling effort. For the years ended December 31, 2012, 2013, 2014 and the six months ended June 30, 2015, our direct sales generated US$52.2 million, US$59.0 million, US$69.0 million and US$40.4 million, representing approximately 98.6%, 98.1%, 98.6% and 98.3% of our total revenue, respectively. For the same periods, our sales to distributors generated US$0.7 million, US$1.1 million, US$1.0 million and US$0.7 million, representing approximately 1.4%, 1.9%, 1.4% and 1.7% of our total revenue, respectively. We intend to increase our direct sales force to expand our addressable market and provide better services to our customers. We also

intend to enhance our active presence in trade shows, symposia, conventions, seminars, and other notable events in the PRC to promote and maintain our brand at the forefront in the industry. We are dedicated to offer new and continuously upgraded service and product portfolio to maintain our existing PRC customer base. We shall also target to establish new long-term relationships with both leading and budding scientists and researchers in the pharmaceutical and biotech companies by reinforcing our sales and marketing team and sales channels to better serve their needs and help to solve their research problems. We also intend to expand our sales coverage in the PRC and overseas markets to provide more efficient logistic support to our customers. Moreover, we plan to streamline our online quotation and ordering platform to boost our transaction efficiency and lower transaction costs, and strengthen our PRC online presence. We intend to integrate all online purchasing activities such that our PRC customers shall have an enhanced one-stop online purchasing experience. We believe that through implementing the aforementioned development steps, we can strengthen our market position and expand our sales network in overseas and the PRC markets. Additional features, such as sophisticated recommendation engines that can offer preferred services and products based on customer preferences, may also be introduced to allow upselling and cross-selling opportunities.

Pursue strategic acquisitions to complement organic growth.

We have built our business today from the organic growth of our operations. We intend to combine our organic growth of operations with the strategy of selectively making acquisitions in attractive segments of the industry to complement our existing operations, to align those acquisitions with our expansion strategies, and to increase our revenues and profits. There are significant acquisition opportunities in the life sciences research service and industrial synthetic biology product segments. Among these opportunities, we will focus on products and technologies that would complement our existing service and product portfolio. We will also consider opportunities outside our current portfolio if the growth prospects and profitability are sufficiently attractive.

Our key selection criterion is whether the acquisitions would strengthen our world market leadership in gene synthesis and in the overall field of synthetic biology. We will also select acquisition targets based on each candidate's respective market share, research and development capabilities, and reputation in the markets that we seek to enter or where we have not yet established a strong presence. We plan to leverage the strengths of potential targets to underline our existing market position or establish a presence in a new market. We also believe that our relationships with many industry participants and our knowledge of, and experience in, the life sciences research and application service and product industries will attract potential acquisition targets to work with us. We believe we will be able to identify attractive acquisition targets that complement our existing capabilities and businesses and allow us to continue to grow.

As of the Latest Practicable Date, we did not have any specific acquisition plans or targets and had not entered into any definitive agreements with any potential targets.

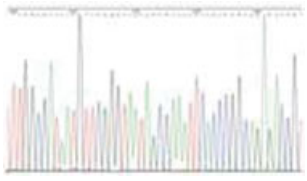
SERVICE AND PRODUCT PORTFOLIO

Our competitive advantages are based in the broad and integrated research and application service and product portfolio of four segments, namely, life sciences research services, life sciences research catalog products, preclinical drug development services, and industrial synthetic biology products. The table below sets forth the revenue generated from each of our four business segments during the Track Record Period.

	For the years ended December 31,						For the six months ended June 30,	
	2012		2013		2014		2015	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
	(US$ in thousands, except percentages)							
Life sciences research services	48,571	91.6	55,354	92.1	63,220	90.3	36,775	89.6
Life sciences research catalog products	1,793	3.4	1,527	2.5	2,044	2.9	1,181	2.9
Preclinical drug development services	2,626	5.0	3,223	5.4	4,382	6.3	2,641	6.4
Industrial synthetic biology products	–	–	–	–	348	0.5	453	1.1
TOTAL	**52,990**	**100.0**	**60,104**	**100.0**	**69,994**	**100.0**	**41,050**	**100.0**

Life Sciences Research Services

We provide our customers with life sciences research services under six key identifiable but interrelated categories, namely, gene synthesis, oligonucleotide synthesis, DNA sequencing, protein production, peptide synthesis, and antibody development. Our life sciences research services are certified by ISO 9001:2008. It assures our customers that we have a reliable quality management system in place and demonstrates our ability to meet customer expectations with stability and precision.

Key Service	Applications	Sample Picture
Gene synthesis	Synthesized gene products are used for functional research of genes and protein production for synthetic biology, life science research, and biologics drug discovery.	
Oligonucleotide synthesis	Synthesized oligonucleotide products are used as basic materials for PCR-based gene synthesis and for nucleic acid amplification, detection, and analysis.	
DNA sequencing	Services for identification and verification of DNA sequences, which are subsequently used for various life science applications.	

Key Service	Applications	Sample Picture
Protein production	Proteins produced are used for functional studies of proteins, such as *in vivo* and *in vitro* biochemical and immunological studies, and as antigens for antibody development.	
Peptide synthesis	Synthesized peptides are used for protein structural studies, protein-protein interactions studies, and as antigens for antibody development.	
Antibody development	Antibodies developed are used for immunology experiments and assays and preclinical antibody drug lead generation.	

We synthesize genes and oligonucleotides according to the sequences provided by our customers and we sequence DNA samples and output their sequence information as a report for our customers. We synthesize peptides according to the sequences provided by our customers, and provide protein expression and purification services to our customers. We also produce custom antibodies according to the needs and specifications of our customers. Oligonucleotide synthesis is the synthesis of relatively short single-stranded DNA sequences, which can be used as building blocks for gene synthesis, the synthesis of longer and double-stranded DNA sequences. The synthesized DNA molecules must then be subject to DNA sequencing in order to verify their sequences. DNA molecules with defined sequences and encoding proteins can be introduced into expression vectors, which can then be introduced into proper protein expression systems to produce proteins of the desired sequences. While proteins are produced this way, shorter peptides can be chemically synthesized. Purified short peptides may be used as antigens in the development of antibodies. Therefore, the six key categories of life sciences research services are interrelated.

Gene Synthesis

Gene synthesis is a process by which long, double-stranded DNA molecules with particular sequences are artificially made. The process usually involves the assembly of short DNA molecules by a series of enzymatic reactions, or via biological means.

Gene synthesis technology has advanced human's understanding of how DNA functions as the blueprint of life, and how to apply DNA for experimental, medical, and industrial purposes. It enables powerful solutions for molecular cloning, creating fusion proteins, or achieving sufficiently high protein expression levels. Commercialized high-throughput gene synthesis services have become more prevalent and powerful than traditional synthesis methods, owing to its low cost, high efficiency and reliability. Industries will increasingly rely upon gene synthesis to solve problems related to new antibody and protein drug development, environmental protection, and food supplies.

We offer customized gene synthesis services. By leveraging our technological advantages in designing and assembling segments of the desired final sequence, we can also synthesize long or complex sequences, such as sequences over 100 kb and highly GC-rich sequences. We deploy modern equipment for the rendering of our gene synthesis service and we utilize our self-developed gene synthesis technology platform. Distilled from years of research and development, we have developed proprietary technologies, such as GENE-ON-DEMAND® gene synthesis technology, GenPlus™ Next-Generation Platform for high-throughput gene synthesis, OptimumGene™ codon optimization technology, and CloneEZ® seamless cloning technology.

Oligonucleotide Synthesis

Oligonucleotide synthesis is a process by which short, single-stranded DNA molecules with particular sequences are chemically synthesized.

Oligonucleotides are widely used in most life sciences laboratories, and they are well-suited for various applications in molecular biology and medical research. Both DNA sequencing and DNA amplification require the application of oligonucleotides. High-quality oligonucleotide synthesis also provides the necessary building blocks for gene synthesis.

We use DNA synthesizers to synthesize oligonucleotides by adopting the solid-phase phosphoramidite method. This is currently a mature and mainstream oligonucleotide synthesis method. We are capable of synthesizing oligonucleotides using not only the basic DNA components, such as deoxynucleosides and ribonucleosides, but also chemically modified nucleosides, such as fluorescence-labeled deoxynucleosides.

DNA Sequencing

DNA sequencing is a method by which composition and sequence of DNA molecules are analyzed. It is a process to "read" sequence information of DNA.

DNA sequencing has a wide range of applications in life sciences research and medical research. It has enabled scientists to map the genomes of many organisms, including humans, and can be applied in medicine, forensics, and agriculture. It is widely used in the study of diseases and in the detection, diagnosis, and prognosis of diseases, and it provides a promising tool in the research of personalized medicine. For example, in medical research, DNA sequencing can be used to detect gene mutations or variants that are associated with certain diseases. DNA sequencing has been applied in forensics to identify a particular individual. In agriculture, the mapping and sequencing of the whole genome of plant species have been useful for the study of food plants.

We offer our customers high quality DNA sequencing services. Our DNA sequencing services are performed by our professionally trained staff, and our sequencing results are analyzed with modern bioinformatics tools.

Protein Production

Protein expression technology is also called recombinant protein technology, and refers to a process to obtain target proteins by using recombinant DNA technology to clone the gene sequence of a target protein into an expression plasmid and then express the target protein in a defined host cell system.

Recombinant proteins can be applied in various areas of research, such as diagnostic analysis, drug discovery and development, and protein functional and structural studies.

Our protein production service includes both expression and purification of the target protein. We are able to deliver high-quality recombinant proteins in four expression systems, namely, bacterial, insect, mammalian, and yeast cells. During the Track Record Period, we had successfully delivered more than 5,300 high-quality proteins. In particular, we had successfully delivered a variety of complex projects, including trans-membrane proteins, protein complex by co-expression, biologically active enzymes, cytokines, growth factors, envelope proteins, nuclear hormone receptors, and recombinant antibodies to our customers worldwide.

Peptide Synthesis

Peptide synthesis is the chemical production of peptides, which are organic compounds constituted by multiple amino acids that are linked together via peptide bonds.

Synthetic peptides are widely used in life sciences research. They can replace naturally produced peptides in many instances in both disease diagnosis and drug discovery. For example, certain modified synthetic peptides can be used as diagnostic tools.

We use liquid-phase and solid-phase synthesis methods to manufacture peptides. Through our proprietary FlexPeptide™ synthesis platform, we provide custom peptides consisting of both natural and modified residues with a capacity of 10,000 peptides per month. This integrated platform also facilitates us to secure a high synthesis success rate. We are capable of providing peptides from milligram to kilogram scale, peptides with comprehensive labeling and modification options, as well as customized peptide libraries for high-throughput screening.

Antibody Development

Antibody development is the process in which specific antibodies are obtained by immunizing animals with designed antigens.

Antibodies play a key role in the detection and studies of proteins using biochemical methods. They are used extensively as diagnostic tools in the medical field. Antibody-based immunoassays are the most commonly used corroborative diagnostic assays and are one of the fastest growing technologies for the analysis of biomolecules.

Since 2004, we have provided over 13,000 high-quality polyclonal and monoclonal antibodies to our customers worldwide. We have developed a range of technologies in relation to our antibody services through a combination of our in-house research and development efforts and advanced in-licensed technologies.

Life Sciences Research Catalog Products

Life sciences research catalog products are used by virtually all life sciences laboratories in their biomedical research and development. The table below sets forth the key products we offer under this segment.

Key Products	Applications	Sample Picture
Precast gels	Applicable in protein separation and detection.	
Antibodies	Applicable in immunology experiments and for protein detection and drug research and development.	
Recombinant proteins	Applicable as a life sciences research tool primarily used in biochemistry, structure biology, and immunology studies.	
Affinity resins	Applicable in protein purification and isolation.	

Precast Gels

Precast gels are commonly used for the electrophoretic separation of proteins, and the transfer of the separated proteins to other support media for further analysis.

Polyacrylamide gel electrophoresis (PAGE) has become a routine laboratory tool for protein separation, detection and analysis.

We offer our PAGE gels with large loading volume at a competitive price.

Antibodies

Research antibodies are most commonly used to identify and locate proteins and to examine protein expression levels and to quantify the proteins. Antibodies also play a part in many aspects of today's drug discovery and development. For example, using antibodies for specific detection of an interested biomolecule or pathway is the gold standard method in drug development.

Specific antibodies are usually produced by injecting an antigen into a mammal for antibody generation. With years of efforts in developing antibodies for researchers, our THE™ brand antibodies now is an established brand name representing quality on the market. THE™ Antibodies cover three major categories, namely, tag and cell marker antibodies, loading control antibodies, and assay antibodies. Our antibody catalog products, different from the custom antibody service offered under our life sciences research service segment, are pre-made and application-validated. The guaranteed lot-to-lot consistency and sensitivity minimizes validation time for our clients and makes their research results more reliable. The catalog antibodies are in standard packaging and are shipped in ready-to-use format.

Recombinant Proteins

Recombinant proteins are proteins generated from recombinant DNA, and include cytokines, growth factors, and enzymes. In many cases, recombinant human proteins have replaced the original animal-derived version used in medicine. A much larger number of recombinant proteins are used as reagents to generate antibodies and as tools for drug discovery in research laboratory.

Recombinant proteins are widely used as reagents in laboratory experiments and to generate antibody probes. Many recombinant proteins have also been made into drugs or diagnostic reagents. Purified recombinant proteins are also vital tools for drug discovery.

We offer a wide variety of recombinant proteins to researchers, including cytokines, growth factors, and enzymes. With our expertise and support, our customers of recombinant proteins advance their research and reach their goals. We offer a comprehensive catalog of recombinant cytokines with lot-to-lot consistency, high activity, and significantly low endotoxin levels. Our goal is to provide scientists with an increasing number of high quality recombinant proteins.

Affinity resins

Affinity resins are synthetic solid polymeric materials with various specific ligands attached on the surface that are used in affinity chromatography. Among various protein purification technologies, affinity chromatography is a very important and powerful method because it can offer high selectivity, high resolution, and high capacity for purifying target proteins.

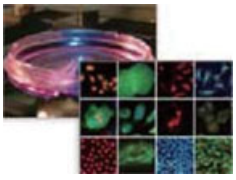
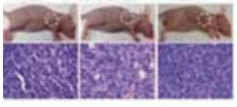
We provides a variety of simple-to-use affinity purification resins including Protein A, Protein G, Protein L, Ni-NTA/IDA, and GST binding resins for batch/gravity purification. Our resins are made with high lot-to-lot consistency for efficient and convenient separation of proteins and antibodies from crude sample for further applications.

Preclinical Drug Development Services

Preclinical drug development services cover the course of drug discovery from target identification through lead identification and optimization, to candidate recommendation. A target is a molecule or a pathway within the human system to which a drug is directed, such that the certain function of the molecule or pathway is inhibited (antagonized) or activated/enhanced (agonized). A lead is a molecule (a small chemical compound, a peptide, or a protein, including an antibody) that has defined pharmacological activity with the potential of being therapeutically useful. Our preclinical drug development services support the advances of various types of lead molecules, with specializations in proteins and antibodies.

In this segment, leveraging our technologies and know-how in life sciences research services, we provide our customers with project-based contract research services and a one-stop solution for their antibody drug discovery and development needs, from custom polyclonal and monoclonal antibody production to antibody drug development. Our one-stop antibody drug development service package starts with antigen production and antibody-producing cell line development and is followed by antibody sequencing, which provides the basis for antibody optimization. We employ a series of technologies to generate therapeutic antibody leads, to reduce immunogenicity of antibodies, and to give the antibodies the desired affinity to achieve their function. For example, we have in-licensed a special type of

transgenic mouse that allows for production of high-affinity and high-specificity antibodies. We also assess biological functions and activities of our customers' antibodies and antigens using both *in vitro* assay and screening and *in vivo* efficacy and safety study. We have developed expertise in such disease areas as inflammatory diseases, fibrosis, oncology, and metabolic diseases. For instance, we have delivered a cytokine monoclonal antibody project to our client for the purpose of the treatment of cancers and eye diseases. This project started from target protein production and lead generation, all the way to pharmacology evaluation after humanization. The table below sets forth the key services we offer under this segment.

Key Service	Applications	Sample Picture
Antibody and protein engineering	Generating biologics drug candidates with optimized efficacy, safety, and pharmacodynamic properties.	
In vitro pharmacology service	Assessing the efficacy and potency of lead molecules in molecule-based assays, such as effects on enzyme activity, and cell-based assays, such as effects on cell growth, cytokine synthesis, cell migration, and cell death.	
In vivo pharmacology service	Evaluating the efficacy, potency, and duration of lead molecules in live animals with artificially induced diseases mimicking human diseases.	

Antibody and Protein Engineering

Protein engineering is the design of proteins (including enzymes) with new or desirable properties and functions. It is based on the use of recombinant DNA technology and bioinformatics analysis to change amino acid sequences and optimize various biophysical or biochemical properties of proteins. When the protein being designed is an antibody, the service is called antibody engineering.

The purpose of protein engineering in the preclinical drug development service segment is to introduce certain pharmacological properties to an existing protein such as an antibody, an enzyme, a cytokine, a receptor, or a nuclear protein by replacing amino acids or peptides at specific positions of the protein, or combining two or more proteins or protein domains to form a new protein. The pharmacological properties that may be changed by protein engineering include, but are not limited to, enhanced affinity to drug targets, activity, effector function, stability or extended serum half-life of a therapeutic protein.

Protein engineering has wide applications in basic research and biologics drug development. Antibody engineering techniques have led to the development of antibodies specific for different kinds of

targets, the creation of novel antibody-based modalities, significant improvements in affinity for target antigens, and enhanced ability to engage immune functions. An important part of antibody engineering is the production of the antigen for which the engineered antibody is expected to have an improved affinity. Aided by our OptimumAntigen™ design tool, we are capable of designing and producing various high-quality antigens used in our antibody production.

As part of our preclinical drug development services, we provide certain featured services such as single-domain antibody development, antibody humanization, cell line engineering, biologics assay, anti-tumor drug screening, and primary and secondary tumor studies in model animals. According to the Frost & Sullivan Report, we are a well-recognized life sciences research and application service and product provider offering a fully customized camelid single domain antibody ("sdAb") service, providing our customers with a unique next-generation therapeutic antibody development platform with clear advantages over traditional monoclonal antibody approaches. Leveraging our experience and technologies relating to antibody and protein engineering, for instance, our proprietary antibody humanization technology platform, we are able to offer our customers optimized leads with reduced immunogenicity and that are tailored to their specifications based on the protein sequence of their target.

Since 2010, we have completed the development of more than 20 single-domain antibodies for both China and international customers including pharmaceutical and biotech companies. There are currently nearly 30 projects in progress.

In Vitro Pharmacology Service

In vitro pharmacology is the process of establishing *in vitro* models of human disease and assessing the efficacy of novel drug candidates using the established models.

In vitro pharmacology service provides analytical and bioanalytical services for drug lead discovery and lead optimization, and biomarkers detection in biopsy samples collected from animal studies. Such services include biochemical, biophysical, and cell-based assays of drug candidates.

Through our *in vitro* pharmacology service, the efficacy and potency of compounds or biomolecules can be established for further evaluation in live animals. Examples of biochemical analyzes routinely conducted include enzymatic assays, receptor binding assays, and qPCR. Examples of biophysical analyzes include Biacore™ surface plasmon resonance and Octet™ assays, which precisely detect the kinetics of molecular interactions such as ligand-receptor and antibody-antigen binding. The cell-based analytical service covers all major types of assays, including assays for cytokine synthesis, cell proliferation, cell death, and electrophysiology. In addition to the assays, we specialize in cell engineering. Using technologies such as CRISPR-Cas9, we provide cell lines whose genomes are precisely edited to generate phenotypic properties suitable for target validation and drug evaluation with definitive readouts.

In Vivo Pharmacology Service

In vivo pharmacology service uses a variety of animal models to evaluate compounds and biomolecules to provide proof-of-principle pharmacology, in particular, data on drug efficacy, drug mechanism, pharmacokinetics, and drug safety.

In vivo pharmacology provides valuable data for designing clinical studies of drug candidates.

We are able to generate a variety of disease models in-house. We collaborate with our customers in selecting appropriate disease models and post-model analyzes. Our disease specialties include oncology, fibrosis, and various inflammatory diseases such as arthritis, and colitis. Technologies we employ in our *in vivo* pharmacology service include *in vivo* imaging, immunohistochemistry, and many others. Our animal facility and animal handling are AAALAC-accredited and OLAW-assured.

In general, preclinical drug development service orders are placed by our customers on a project basis, and are tailor-made based on our customers' specific requirements and targets of the particular projects. Our scientists and/or researchers are assigned to our customers to render preclinical drug development services on time basis. The full charge for the services vary depending on our scientists' and researchers' qualifications, experiences and level of commitment required.

Industrial Synthetic Biology Products

The production of industrial synthetic biology products involves the utilization of microorganisms in the production of biological materials such as industrial enzymes to be used in the manufacture of a wide range of products, including food, beverages, chemicals, fuels, and pharmaceuticals, as well as in clean technologies employed for waste treatment and pollution control.

Enzymes are literally everywhere. Every plant, animal, human being, and microorganism on Earth produces them, and their purpose is to speed up biochemical reactions in an extremely efficient way, according to the Frost & Sullivan Report. Industrial enzymes are applicable to the food industry, such as the sugar and brewing industry and for primary food processing. They may also serve as biological detergents and be used in laundry businesses.

Growing from the leverage over our technical expertise and experience in gene synthesis and synthetic biology, we launched the industrial synthetic biology product segment in 2013. We have invested in the research and development of industrial synthetic biology products, in particular industrial enzymes, which led to the establishment of BSJ Nanjing in 2013. Since then, we had developed product lines for a number of enzymes in the past two years under our Bestzyme brand. For example, through multiple generations of improvements on our experimental products, we successfully created a series of industrial enzyme products to meet the wide demands and stringent requirements in the starch processing industry. Our customer can navigate directly to our website at www.bestzyme.com to browse online information about our industrial synthetic biology products. Currently, we maintain the design and laboratory-scale production of our industrial synthetic biology products in-house, and outsource the large-scale industrial production and formulation processes to third-party outsourced suppliers under our on-site technical supervision and according to our specifications. We plan to expand our laboratory-scale production to industry-scale production in-house and also to expand our industrial synthetic biology product lines into other areas of the food industry and the feed, pharmaceutical, and chemical industries.

Key Product	Application	Sample Picture
Industrial enzymes	Useful for speeding up biochemical reactions in many industries such as the food industry.	

CUSTOMERS

We have established a highly diversified customer base. As of June 30, 2015, we had over 2,510, 1,760, 430, 620, and 370 customers in North America, Europe, the PRC, Asia Pacific (excluding the PRC and Japan), and Japan, respectively, reaching over 100 countries. Many users of our services and products are leading scientists and researchers in the life sciences research industries from 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. During each of the years ended December 31, 2012, 2013, and 2014 and the six months ended June 30, 2015, we had offered our life sciences research and application services and products to 19 of the top 20 pharmaceutical companies in terms of revenue in the world, according to the Frost & Sullivan Report.

Under our industrial synthetic biology product segment, we primarily sell our industrial synthetic biology products to industrial companies in the food industry located in the PRC through independent third-party distributors. As a development strategy, we plan to further expand our customer base in respect of our existing products, and target new industrial companies in the feed, pharmaceutical, and chemical industries with an expanded product portfolio.

The table below sets forth a breakdown of the revenue according to various establishments for the periods indicated.

	For the years ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014		2015	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(US$ in thousands, except percentages)									
Pharmaceutical and biotech companies	29,927	56.5	34,106	56.7	37,650	53.8	18,527	55.3	23,787	57.9
Colleges and universities	13,900	26.2	15,667	26.1	18,821	26.9	9,184	27.4	10,562	25.7
Research institutes	7,504	14.2	8,462	14.1	11,491	16.4	5,034	15.0	5,374	13.1
Government bodies	914	1.7	728	1.2	1,043	1.5	478	1.4	640	1.6
Distributors	745	1.4	1,141	1.9	989	1.4	298	0.9	687	1.7
Total	**52,990**	**100.0**	**60,104**	**100.0**	**69,994**	**100.0**	**33,521**	**100.0**	**41,050**	**100.0**

During the Track Record Period, our five largest customers together accounted for approximately 7.1%, 8.2%, 9.3%, and 10.4% of our total revenue for the three years ended December 31, 2012, 2013, and 2014 and the six months ended June 30, 2015, respectively. As of June 30, 2015, our five largest customers had maintained a working relationship with us for over nine years on average. To the best of our knowledge, as of the Latest Practicable Date, we were not aware of any information or arrangement that would lead to termination of our relationships with any of our major customers. None of our Directors, their respective associates, or Shareholders who own 5% or more of the total issued Shares had an interest in any of our Group's five largest customers during the Track Record Period.

Direct Sales and Distribution

We primarily sell our life sciences research and application services and products through our own direct sales force to our customers worldwide, while we also sell our services and products through independent third-party distributors to expand our market presence and facilitate communication with end users. For the years ended December 31, 2012, 2013, 2014, and the six months ended June 30, 2015, our direct sales generated US$52.2 million, US$59.0 million, US$69.0 million, and US$40.4 million, representing approximately 98.6%, 98.1%, 98.6% and 98.3% of our total revenue, respectively. For the same periods, our sales to distributors generated US$0.7 million, US$1.1 million, US$1.0 million, and US$0.7 million, representing approximately 1.4%, 1.9%, 1.4% and 1.7% of our total revenue, respectively.

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

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

During the Track Record Period, we generated over half of our revenue from sales in North America, reaching approximately 52.5% of our total revenue for the six months ended June 30, 2015. According to the Frost & Sullivan Report, the life sciences research service and product market in North America grew at a CAGR of 4.4% from 2010 to 2014, and it is projected to continue to grow at a CAGR of 5.3% from 2015 to 2019. Whereas in the PRC, our revenue from sales in the PRC out of our total revenue grew from 10.2% for the year ended December 31, 2012 to 14.6% for the six months ended June 30, 2015. According to the Frost & Sullivan Report, the life sciences research service and product market in the PRC grew at a CAGR of 23.6% from 2010 to 2014, and it is projected to continue to grow at a CAGR of 17.8% from 2015 to 2019.

Direct Sales and Marketing

We attribute our success to our teams of well-trained sales and marketing specialists, as well as around-the-clock customer and consultation services. As of June 30, 2015, nearly 90% of the members of our U.S. sales and marketing team have attained doctoral or master's degrees in life sciences-related disciplines. They are dedicated to understanding customers' needs and helping to solve their research problems. We have also established an active online presence through our interactive online quotation and ordering system. A significant number of our worldwide customers navigate directly to our websites at www.genscript.com and www.bestzyme.com and can place orders for most of our life sciences research and application services and products 24 hours a day. We generally do not enter in long term agreements with our customers.

For the years ended December 31, 2012, 2013, and 2014, and the six months ended June 30, 2015, the number of purchase orders we had received through our online quotation and ordering system represented approximately 57.0%, 38.0%, 39.0%, and 43.0% of the total number of purchase orders, respectively. During the same period, the number of purchase orders we had received through our offline direct sales represented approximately 43.0%, 62.0%, 61.0%, and 57.0% of the total number of purchase orders, respectively.

As a landmark of our achievements in serving the needs of scientists and researchers from universities, 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 in the world. 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 conduct regular visits to our existing and potential key customers. From time to time, we advertise our life sciences research and application services and products on popular Internet search engines. In light of our specialized customer base, user referrals and word-of-mouth marketing of our technical excellence have been an effective means of acquiring new customers.

We conduct promotional activities in the form of volume discounts from time to time to increase sales. We launched a customer loyalty program to reward repeat purchases. We also actively attend trade shows, symposia, conventions, seminars, and other notable events to promote and maintain our brand at the forefront in the industry. We frequently conduct technical seminars at well-recognized academic institutes and pharmaceutical companies to promote our services and products.

Although our business is not generally seasonal, we typically experience an increase in our revenue growth rate during the fourth quarter prior to holiday vacations and a slight decrease in new business in the first quarter due to our customers' budgetary cycles and vacations during the year-end holiday period.

As advised by our PRC legal advisor, Fangda Partners, based on our confirmation and to its knowledge, the existing sales of life sciences research and application services and products by our PRC subsidiaries to state-owned institutions, including our customers from colleges and universities, research institutes, hospitals, and government testing centers and diagnostic centers in China, generally do not trigger the mandatory public tender requirement under the Bidding Law of the PRC* (中華人民共和國招標投標法) issued by the Standing Committee of the National People's Congress of the PRC on August 30, 1999.

Pricing Strategy

In pricing our life sciences research and application services and products, we take into consideration the market positioning of our services and products, prices of comparable products offered by our competitors, degree of saturation of the current market, market trends, and production costs.

In general, we adopt a uniform pricing policy for each of our business segments. Volume discounts may also be available. Owing to the nature of drug discovery processes and the trial-and-error approach of certain of our life sciences research services and preclinical drug development services, we have also adopted a full-time equivalent pricing mechanism and set our prices primarily based on the international market prevailing rate of our scientists assigned to the relevant customers under these two business segments. Under this full-time equivalent pricing mechanism, the assigned scientists exclusively serve the needs and attend to the research requests of the relevant customers on a full-time basis.

Under our three principal segments, namely, life sciences research services, life sciences research catalog products, and preclinical drug development services, we provide our customers with access to a comprehensive portfolio of over 4,000 services and products, of which our life sciences research service segment contributed approximately 89.6% of our total revenue for the six months ended June 30, 2015. Under this segment, certain prices of our services showed a downward trend. For instance, during the Track Record Period, the average selling price of our gene synthesis service decreased from US$0.38 to US$0.34 per base pair, representing a decrease of approximately 10.5%. We believe that such decrease was in line with market trend. According to the Frost & Sullivan Report, the price of gene synthesis are expected to remain stable in the future, with a slight downward trend primarily due to the decreasing costs of raw materials and advancement of production technology. Meanwhile, for instance, the prices of our peptide synthesis and protein production remained relatively stable during the Track Record Period. We do not anticipate any significant price fluctuation of any of our major services and products in the future. Our life sciences research and application services and products are not subject to price controls in China or overseas.

Payment Terms

Our terms of payment include prepayment, upfront payment, payment on delivery, and payment within 30 to 90 days upon delivery. We generally enter into prepayment agreements with certain of our customers from colleges, universities, and research institutes in China. We also occasionally enter into similar prepayment agreements with our customers in the United States and Europe. Pursuant to the prepayment agreements, some of our customers make a lump sum prepayment and pay for the products or services purchased at a later time. We deduct payments from the respective customers' designated prepayment accounts each time services and products are delivered. We do not require our customers to spend the full prepayment amount within a specified period. According to the Frost & Sullivan Report, some academic customers make advance payment to enjoy deeper discounts and save cost for frequent invoice settlement by deducting the amount from advance payments and increasing the efficiency of payment management.

Where our services or products are experimental in nature, we may also request an upfront payment covering the production costs of our services prior to commencement of production where the projects involve complex trial-and-error procedures and discovery research. Such terms of payment also apply depending on the credibility of certain customers and our business relationship with them. The remaining contract price is typically payable within 30 to 60 days upon delivery of our services or products. With

respect to customers from less-developed countries or regions, we generally request full upfront payment prior to delivery of services or products. We request payment on delivery in relation to most of our other services and products. We typically grant our customers a credit period ranging from 30 days to 60 days from the date of our invoice. A longer credit period of 90 days may also be available to certain reputable customers with whom we have established good business relationships.

Re-Performance of Services and Reproduction of Products

We produce or provide our life sciences research and application services and products in accordance with customers' specifications where applicable. We provide the majority of our services in accordance with customers' specifications, industry standards, or our own guaranteed specifications. For instance, where a customer of our gene synthesis and oligonucleotide synthesis services provides us with the sequences of the desired DNA products, we perform the services and deliver the end products with the exact sequences specified by such customer. In the event that we fail to meet the specifications, we will re-perform the relevant services at no additional cost to our customer.

For our services that are experimental in nature and inevitably involve trial and error, we generally set for goals and delivery criteria with our customers and faithfully record all of the data obtained and report such data and any results to our experimental services customers.

During the Track Record Period, we had not received any material customer complaints requesting for reproduction of products and re-performance of services. Moreover, during the same period, we had not incurred material additional costs resulting from the reproduction of products and re-performance of services.

Distribution

We leverage the established network of independent third-party distributors to expand the breadth and depth of our market presence and facilitate communication with end users. We believe that the use of distributors is generally in line with industry practice, according to the Frost & Sullivan Report. As of June 30, 2015, we had sold our services and products to over 30 international distributors located across North America, Europe, the PRC, Asia Pacific (excluding the PRC and Japan), and Japan.

As for the industrial synthetic biology product segment, it is still in its infancy, so we strive to enhance our market presence and position in this market by primarily leveraging the well-established network of our independent third-party distributors in our target markets. As of June 30, 2015, we had five distributors for the sales of our industrial synthetic biology products. In the future, we plan to further develop direct business relationships with certain end-users that prefer to have direct communication with us owing to the complexity of their projects or they require comprehensive technical and customer support services.

The following table sets forth the movements of our distributors as of December 31, 2012, 2013, and 2014 and the six months ended June 30, 2015, respectively.

	For the years ended December 31,			For the six months ended June 30,
	2012	2013	2014	2015
Distributors at the beginning of the period	13	24	30	31
Addition of new distributors	12	8	5	4
Termination of distributors *(note)*	1	2	4	1
Net increase (decrease) in distributors	11	6	1	3
Distributors at the end of the period	24	30	31	34

Note:

The termination was primarily due to (i) expiration of the distribution agreements, (ii) change of regional sales strategy, and (iii) unsatisfactory performance of distributors.

We select local distributors based on their business qualifications and marketing capabilities, such as distribution network coverage, quality, number of personnel, cash flow conditions, creditworthiness, logistics, and transport capabilities, and their capabilities in customer management. As of June 30, 2015, we had relationships with our five largest distributors for an average of six years. Our sales personnel generally conduct ongoing evaluations of each distributor's performance including their service quality and whether they are able to provide accurate service and product information to end customers. We evaluate and appraise the performance of our distributors and their compliance record with the terms and conditions under the distribution agreements. We monitor the sales activities of our independent third party distributors from time to time, including whether our distributors would be selling the services and products at very low prices. As of the Latest Practicable Date, we were not aware of any potential abuses or improper use of our name by our distributors which could adversely affect our reputation, business operation, and financial condition. During the Track Record Period, we had not relied on any single distributor for the distribution of our products.

We generally enter into written distribution agreements. We have a seller-buyer relationship with our distributors and revenue is recognized when the significant risks and rewards of ownership have been transferred to the distributors. We retain no ownership control over the products sold to our distributors, and all significant risks and rewards associated with the products are generally transferred to the distributors upon delivery to and acceptance by the distributors. The key terms of a typical distribution agreement include the following:

Term. The distribution agreements generally have a term of one year, which may be renewed upon negotiation, provided that the sales performance of the relevant distributors are satisfactory. The agreements may be terminated with 60 days' notice to the other party in writing.

Non-exclusivity. The distributor may distribute our services and products in a specified territory on a non-exclusive basis. The distributor shall not distribute our services and products outside the specified territory.

Pricing. We may provide suggested retail prices for our services and products. Our distributors retain the discretion to determine the retail prices with reference to local market conditions, competition, and customer demands in the regions where they operate. We may offer distributors a discount rate of 5% to 10% on our services depending on the technical complexity in each case and 15% to 30% on our services and products depending on the production cost and market position, based on prices available through direct sales. A minimum purchase amount is generally not applicable.

Payment terms. We typically grant a credit term of up to 30 days to our distributors from date of invoice.

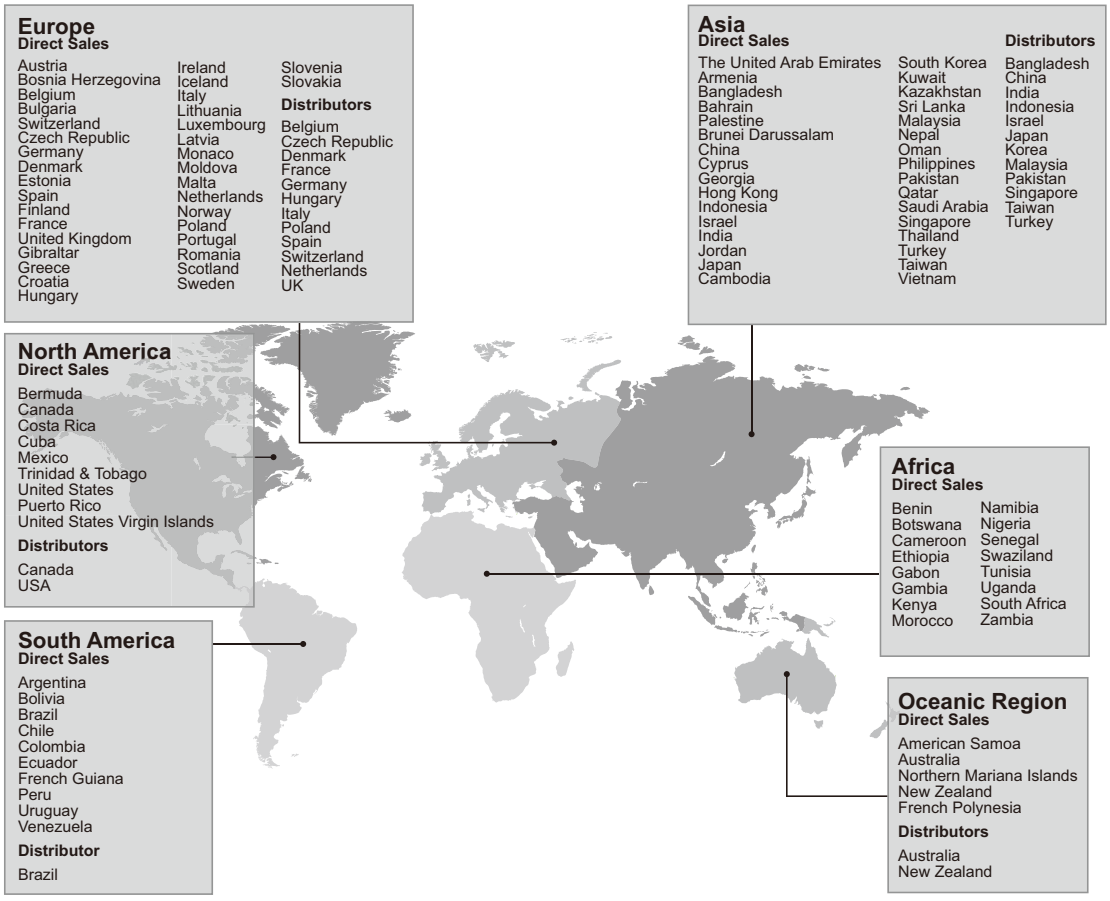
Delivery. Risk of loss or damage to any products will generally be passed to the distributor on delivery of products to the freight forwarder appointed by us at the shipping point.

Sales targets. We may require the distributors to achieve minimum sales targets. We may terminate the distribution agreements if our distributors fail to meet the sales targets.

Sales and marketing. Generally, the distributors shall maintain regular contacts with customers and undertake promotional activities.

Returns and exchanges of defective products. We generally do not allow product returns or exchanges and do not make obsolete stock arrangements with our distributors. When our services and products do not conform to the relevant specifications, usually, the distributors shall notify us in writing of such defect within 30 days from delivery. We shall replace such services and products if they are found to be defective at the time of delivery.

The map below illustrates the global presence of our life sciences research and application services and products through direct sales and distribution to our worldwide customers as of the Latest Practicable Date.



All of our distributors are independent third parties of our Company. None of our Directors owning more than 5% of the issued share capital of our Company, have any interest in any of our top five distributors. During the Track Record Period, sales to our distributors generated approximately US$0.7 million, US$1.1 million, US$1.0 million, and US$0.7 million, which approximately accounted for 1.4%, 1.9%, 1.4% and 1.7% of our total revenue for the years ended December 31, 2012, 2013, and 2014 and the six months ended June 30, 2015, respectively. During the same periods, sales to our five largest distributors generated US$733,000, US$996,000, US$880,000 and US$585,000, which approximately accounted for 1.4%, 1.7%, 1.3% and 1.4% of our total revenue, respectively. During the Track Record Period, we had not experienced any material request for product reproduction or service re-performance from our distributors.

SALES TO SANCTIONED COUNTRIES

The United States, the European Union, Australia, the United Nations Security Council and Hong Kong, collectively, have broad economic sanctions targeting the Sanctioned Countries. In addition, the United States and other jurisdictions have certain sanctions that target Sanctioned Persons regardless of whether they are located in Sanctioned Countries. For details on relevant sanctions laws, please see the section headed "Regulations — Descriptions of Sanctions Laws". During the Track Record Period, we

made certain sales of our products and services to customers in the following Sanctioned Countries: Belarus, Egypt, Iran, Iraq, Lebanon, Libya, Russia, Serbia and Ukraine. Our revenue derived from sales made to these Sanctioned Countries in aggregate amounted to approximately US$106,813.0, US$58,780.4, US$85,104.7 and US$43,251.0 for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively, accounting for approximately 0.20%, 0.10%, 0.12% and 0.10% of our revenue across the respective period.

During the Track Record Period, all of our sales activities involving the Sanctioned Countries were conducted on commercial terms in the ordinary course of our business. The counterparties to all our sales involving the Sanctioned Countries were Independent Third Parties. Our sales to customer in the Sanctioned Countries were made and fulfilled by GS China. All scientific or technical work for the fulfillment of the order was undertaken by GS China. None of the activities related to the supply of products and services to customers in the Sanctioned Countries were undertaken or facilitated through persons who are U.S. persons, Australian persons, E.U. nationals or E.U. residents. To our knowledge, none of the counterparties to our sales involving the Sanctioned Countries are specifically identified on the list of SDN maintained by OFAC or other restricted parties lists maintained by the E.U., Australia or UNSC. All of these sales activities do not involve industries or sectors that are currently subject to specific sectorial sanctions imposed by the U.S., E.U., Australia or UNSC.

As of the Latest Practicable Date, all of our sales to customers in Sanctioned Countries have been completed and we have received all sales sums. We have no present intention to undertake any future business or make any future sales to the Sanctioned Countries.

The following outlines the specific terms of our sales of products and services to customers in the Sanctioned Countries during the Track Record Period and up to the Latest Practicable Date:

Iran

For the year ended December 31, 2012, we had 22 sales transactions with customers in Iran, primarily for the provisions of gene synthesis service, with total sales of US$47,163.0. Among these sales transactions, a replacement product for one of the sales transactions was shipped by us to the customer in November 2013. This replacement shipment was made without charge to the customer in Iran and had a cash value of US$1,650.0. The revenue derived from our sales to customers in Iran during the year ended December 31, 2012 contributed to approximately 0.09% of our total revenue for the year ended December 31, 2012.

Belarus

In February 2015 and July 2015, we made sales of our gene synthesis service to two customers in Belarus, with sales amount of US$560.8 and US$544.6, respectively.

Egypt

For the year ended December 31, 2012, we had ten sales transactions with customers in Egypt for the provisions of gene synthesis and peptide synthesis services, with total sales amount of US$9,803.8. For the year ended December 31, 2013, we had 13 sales transactions with customers in Egypt for the provisions of gene synthesis, peptide synthesis and anti-body development and protein production services, with total sales amount of US$14,390.4. For the year ended December 31, 2014, we had 12 sales

transactions with customer in Egypt for the provisions of gene synthesis, peptide synthesis, customized animal model services, antibody development services and oligonucleotide synthesis services, with total sales amount of US$65,826.4. The revenue derived from our sales to customers in Egypt contributed to approximately 0.02%, 0.02% and 0.09% of our revenue for the years ended December 31, 2012, 2013 and 2014, respectively.

Iraq

For the year ended December 31, 2012, we had two sales transactions with customers in Iraq for the provisions of gene synthesis service and sales of reagent products, with total sales amount of US$3,440.2. For the year ended December 31, 2013, we had five sales transactions with customers in Iraq for the provisions of oligonucleotide synthesis service and sales of antibody-related products, with total sales amount of US$1,026.6. For the year ended December 31, 2014, we had four sales transactions with customers in Iraq, with total sales amount of US$2,859.8. In March 2015, we made one sale to a customer in Iraq for the provisions of DNA sequencing services with sales amount of US$915.0.

Lebanon

For the year ended December 31, 2012, we had three sales transactions with customers in Lebanon for the provisions of customized antibody development service, with total sales amount of US$3,940.1. For the year ended December 31, 2013, we had one sales transaction with a customer in Lebanon for the provision of customized antibody development service with sales amount of US$240.0. For the year ended December 31, 2014, we had three sales transactions with customers in Lebanon for the sales of reagent kits, the provision of gene synthesis and peptide synthesis services, with total sales amount of US$1,131.7. For the six months ended June 30, 2015, we had two sales transactions with customers in Lebanon for the sales of reagent kits and the provision of gene synthesis service, with total sales amount of US$673.2.

Libya

In May 2013, we made one sale of gene synthesis service to a customer in Libya with sales amount of US$317.1.

Russia

For the year ended December 31, 2012, we had five sales transactions with customers in Russia for the provisions of gene synthesis service, with total sales amount of US$40,458.7. For the year ended December 31, 2013, we had 16 sales transactions with customers in Russia, with total sales amount of US$40,792.0. The products and services supplied pursuant to these sales transactions included the provisions of gene synthesis, custom cloning and plasmid preparation services as well as sales of reagent products. For the year ended December 31, 2014, we had eight sales transactions with customers in Russia, with total sales amount of US$12,823.0. The services and products supplied pursuant to these sales transactions included the provisions of gene synthesis and antibody drug candidate activity testing services as well as sales of reagent kits. For the six months ended June 30, 2015, we had seven sales transactions with customers in Russia for the provisions of gene synthesis and plasmid preparation services, with total sales amount of US$39,390.3. The revenue from our sales in Russia accounted for 0.08%, 0.07%, 0.06% and 0.10% of our total revenue for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively.

Serbia

For the year ended December 31, 2012, we had one sales transaction with a customer in Serbia for the provisions of gene synthesis service, with sales amount of US$595.2. For the year ended December 31, 2013, we had one sales transaction with a customer in Serbia for the provisions of gene synthesis service, with sales amount of US$865.1. For the year ended December 31, 2014, we made three sales transactions with customers in Serbia for the provisions of gene synthesis and peptide synthesis services, with total sales amount of US$1,082.8. For the six months ended June 30, 2015, we made one sales transaction with a customer in Serbia for the provision of gene synthesis service, with sales amount of US$275.6.

Ukraine

For the year ended December 31, 2012, we had two sales transactions with customers in Ukraine for the provisions of peptide synthesis service, with total sales amount of US$1,411.9. For the year ended December 31, 2013, we made two sales transactions with customers in Ukraine for the provisions of gene synthesis service, with total sales amount of US$1,149.3. For the year ended December 31, 2014, we made five sales transactions with customers in Ukraine for the provisions of gene synthesis and sequencing services, with total sales amount of US$1,381.1. In July 2015, we made one sales transaction with a customer in Ukraine for the provisions of peptide synthesis service, with sales amount of US$891.5.

Sanction Risks

United States sanctions

On advice of our International Sanctions Legal Advisors, on August 25, 2015 (as supplemented by further information on October 30, 2015), we made a voluntary self-disclosure ("VSD") to OFAC because three U.S. dollar payments that we received from Iran after March 8, 2013 and one replacement shipment to a customer in Iran in November 2013 appeared to be violations of the U.S. sanctions. In the VSD, we provided OFAC with full details and relevant documents regarding those three payments and that shipment. In addition, we filed an interpretive guidance request with OFAC requesting OFAC's guidance as to whether U.S. dollar payments that we received in connection with our sales in Iran during the Track Record Period and before March 8, 2013 were lawful under the U.S. sanctions. We also included details about those payments in the VSD. On November 24, 2015, OFAC responded to the VSD with a Cautionary Letter representing a final enforcement response. In the Cautionary Letter, OFAC informed us that the three U.S. dollar payments that we received from Iran after March 8, 2013 and the single replacement shipment were apparent violations of the U.S. sanctions. However, OFAC indicated that it was not pursuing any civil monetary penalty against us. On November 30, 2015, OFAC also advised our International Sanctions Legal Advisors that, due to the resolution of the VSD through the Cautionary Letter, OFAC considered the underlying question in the interpretive guidance request to have been resolved through the Cautionary Letter and asked us to withdraw the interpretive guidance request from further OFAC consideration. On December 5, 2015, through our International Sanctions Legal Advisors, we withdrew the interpretive guidance request from further OFAC consideration. Accordingly, both we (as advised by our International Sanctions Legal Advisors) and OFAC now consider the possible legal issues raised through the VSD and the interpretive guidance request to be fully closed with the issuance of the Cautionary Letter and without the imposition of any civil monetary penalty.

Based on the above response from OFAC and after consulting with our International Sanctions Legal Advisors and taking into account their views, our Directors believe that the Relevant Persons are unlikely to face U.S. sanctions risk due to their transactions involving our Company.

European Union sanctions

During the Track Record Period, we have made sales to Belarus, Egypt, Iran, Iraq, Lebanon, Libya, Russia and Ukraine, which are subject to UN Security Council and European Union economic and trade sanctions. After consulting with our International Sanctions Legal Advisors and taking into account their views, our Directors believe there is low risk that our business with Sanctioned Countries during the Track Record Period would contravene the UNSC or EU sanctions laws for the following reasons: (i) to our knowledge, our contract counter-parties related to the Sanctioned Countries sales are not on the asset freezing lists of individuals and entities in the Sanctioned Countries; (ii) to our knowledge, the goods and services supplied by us to the customers in the Sanctioned Countries were not purchased for military purposes and could not be used for the development of weapons of mass destruction; (iii) the goods and services we provide to customers in Iran and Russia do not fall under any of the categories shown on the EU 'common military list' and the list of 'dual-use' items in relation to which the EU imposed export bans on Iran and against Russia; (iv) the goods and services we supplied to customers in Iran were not related to Iranian nuclear industry, uranium enrichment or the missiles program, the petrochemical industry or to telecommunications; (v) the goods and services supplied by us to customers in Russia were not related to deep water oil exploration or production, Arctic oil exploration or production, shale oil projects, drilling, well testing, logging and completion services, or in relation to specialized floating vessels; and (vi) the payment that we received for supplies of goods and services to customers in Iran were received by GS HK and that GS Cayman was not involved in the receipt or processing of those payment.

Based on the above and after consulting with our International Sanctions Legal Advisors and taking into account their views, our Directors believe that it is unlikely that we could be deemed to have violated UNSC or EU sanctions as a result of our past business activities in the Sanctioned Countries. Accordingly, we believe that the Relevant Persons are unlikely to face EU sanctions risk due to their transactions involving our Company.

Australia sanctions

During the Track Record Period, we have made sales to Iran, Libya, Russia and Ukraine, which are subject to Australia sanctions law. After consulting with our Australia legal advisors, Clayton Utz, and taking into account their views, our Directors believe there is low risk that our business with Sanctioned Countries during the Track Record Period would contravene Australia sanctions law for the following reasons:

- the transactions do not involve conduct which is proscribed by the Australian sanctions regimes detailed in the preceding section;

- the transactions do not involve any conduct, results of conduct, persons, corporations, aircraft or ships associated with Australia.

Based on the above and after consulting with our Australia legal advisors, Clayton Utz, and taking into account their views, our Directors believe that it is unlikely that we could be deemed to have violated Australia sanctions as a result of our past business activities in the Sanctioned Countries. Accordingly, our Directors believe that the Relevant Persons are unlikely to face Australia sanctions risk due to their transactions involving our Company.

United Nations sanctions

U.N. sanctions are binding on U.N. member states, the domestic laws of which will determine whether further action, such as domestic legislation, is needed to impose their requirements on private parties. Accordingly, the means of implementation, the interpretation and enforcement of U.N. sanctions may differ among U.N. member states, and we are subject not to U.N. resolutions but only to the laws of the PRC and other jurisdictions in which we do business. The risks related to these jurisdictions are discussed elsewhere in this document.

Hong Kong sanctions

After consulting with our International Sanctions Legal Advisors and taking into account their views, our Directors believe we would not be in violations of the U.N. sanctions under the relevant UNSC resolutions applicable in Hong Kong in connection with our activities in the Sanctioned Countries because: (i) our business activities do not involve sectors, industries or products subject to UNSC sanctions and; (ii) the counterparties to our business transactions in the Sanctioned Countries do not appear on the UNSC list of sanctioned persons. Given that our business activities in the Sanctioned Countries do not implicate current UNSC sanctions applicable in Hong Kong, our Directors believe that the Relevant Persons are unlikely to face Hong Kong sanctions risk due to their transactions involving our Company.

Our Directors' Views

On the basis of: (i) the fact that our revenue derived from our business operations in the countries subject to sanctions in aggregate only accounted for approximately 0.20%, 0.10%, 0.12% and 0.10% of our total revenue for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively; (ii) our consultation with our International Sanctions Legal Advisors and Australia legal advisors, Clayton Utz, and their views described above; and (iii) our undertakings to the Hong Kong Stock Exchange and the internal control measures that we have implemented to ring-fence our exposure to sanctions risk in relation to our future potential business activities in Sanctioned Countries, our Directors believe that our Company would be rendered suitable for [**REDACTED**] on the Hong Kong Stock Exchange.

Our Undertakings and Internal Control Procedures

We undertake to the Hong Kong Stock Exchange that (i) we will not use the [**REDACTED**] from the [**REDACTED**], as well as any other funds raised through the Hong Kong Stock Exchange, whether directly or indirectly, to finance or facilitate any projects or businesses in the Sanctioned Countries, (ii) we will not undertake any sanctionable transactions that would expose the Relevant Persons or us to risk of being sanctioned, and (iii) we will make timely disclosure on the Hong Kong Stock Exchange's website and our own website if we believe our business would put Relevant Persons or ourselves at risk of being sanctioned and in our annual reports or interim reports our efforts on monitoring our business

exposure to sanctions risks and our business intention relating to the Sanctioned Countries. If we breach any of these undertakings to the Hong Kong Stock Exchange after the [**REDACTED**], it is possible that the Hong Kong Stock Exchange may [**REDACTED**] our Shares.

We will continuously monitor and evaluate our business and take measures to comply with our undertakings to the Hong Kong Stock Exchange and to protect the interests of our Group and our Shareholders. As of the Latest Practicable Date, all of our sales transactions to customers in the Sanctioned Countries have been completed. We have no present intention to undertake any future business or make any future sales to the Sanctioned Countries or that would otherwise cause us or Relevant Persons to violate or become a target of sanctions laws of the United States, the European Union, Australia, the United Nations Security Council or Hong Kong.

The following internal control measures have been fully implemented as of the date of this document:

- We will monitor and regulate the use of the net [**REDACTED**] of the [**REDACTED**] as well as any other funds raised through the Hong Kong Stock Exchange, and ensure that we will not violate our undertakings to the Hong Kong Stock Exchange. In addition, we will deposit the [**REDACTED**] from the [**REDACTED**], as well as any other funds raised through the Hong Kong Stock Exchange, in a bank account separated from our other funds.

- We have established a Sanctions Risk Control Committee ("SRC Committee"), headed by our chief executive officer, with our chief operational officer, vice-president of finance, head of our legal department, head of our international business department ("IB Department") and head of our technical support department ("TS Department") as members.

- Our SRC Committee will be responsible for (i) effectively monitoring the activities that may be subject to economic sanctions; (ii) providing guidance on the compliance with the relevant policies and procedures in relation to economic sanctions; (iii) providing guidance on the compliance with contractual covenants including those made in connection with our [**REDACTED**] and [**REDACTED**] of [**REDACTED**] on the Hong Kong Stock Exchange; and (iv) ensuring the establishment of effective policies in relation to economic sanctions.

- The SRC Committee will ensure that the [**REDACTED**] from the [**REDACTED**] and other funds raised through the Hong Kong Stock Exchange would not be applied to businesses and other activities in the Sanctioned Countries, through internal control measures such as depositing the [**REDACTED**] from [**REDACTED**] and other funds raised through the Hong Kong Stock Exchange into a separate bank account, and shall ensure the adoption of separate books and records to record the deposit and expenditure of the relevant [**REDACTED**].

- The SRC Committee retains external international legal counsel with relevant expertise and experience in sanctions laws on an ongoing basis to periodically review our sanctions law matters and provide recommendations and advice as necessary. Based on the advice from the external international legal counsel, the SRC Committee will review and update our internal control policies and procedures with respect to the sanctions risks and will supervise their implementation.

- The sales of our Company are mainly conducted by our IB Department and TS Department. Regular trainings will be conducted by our SRC Committee to the team members of our IB Department and TS Department to ensure that they have the most recent knowledge on sanctions related issues.

- The head of IB Department and the head of TS Department monitors the commercial or other business activities of our Group which may cause us to be exposed to potential sanctions risks or breach of any relevant covenants and undertakings and evaluate whether we should engage in the relevant commercial or other business activities. They will prevent us from engaging in any commercial activities that may expose us to potential sanctions risks, including but not limited to the risk of being sanctioned, or breach of our contractual obligations to the [**REDACTED**] and undertakings made to the Hong Kong Stock Exchange.

- The head of IB Department and head of TS Department will report to the SRC Committee on any sanctions related risks on our Group's commercial or other business activities on a regular basis. The SRC Committee will hold meeting at least quarterly to discuss sanctions issues.

- The SRC Committee ensures that we will make timely disclosure on the Hong Kong Stock Exchange's website and our own website if we believe our business would put Relevant Persons or ourselves at risk of being sanctioned.

Our International Sanctions Legal Advisors have reviewed and evaluated these internal control measures and are of the views that these measures are adequate and effective for our Company to comply with our undertaking to the Hong Kong Stock Exchange.

Taking into account our International Sanctions Legal Advisors' views above, our Directors are of the views that these measures will provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to sanctions laws so as to protect the interest of our Shareholders and us. After undertaking relevant due diligence, and subject to the full implementation and enforcement of these measures, the Sponsor is of the view that these measures will provide a reasonably adequate and effective internal control framework to assist the Company in identifying and monitoring any material risk relating to sanctions laws.

SUPPLIERS, RAW MATERIALS, AND INVENTORY

Owing to our vast array of services and products, we procure a wide variety of raw materials for our business segments. For example, gene synthesis service uses various types of restriction endonuclease, oligonucleotide synthesis service uses nucleotide monomers, DNA sequencing service uses BigDye Terminator kit, protein production service uses culture media, peptide synthesis service uses amino acids, and antibody development service uses experimental animals such as rats and rabbits. Our life sciences research catalog product 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 used under our industrial synthetic biology product segment include maltose syrup, which is a common industrial carbon source used for fermentation of enzymes. For each of the three years ended December 31, 2012, 2013, and 2014 and the six months ended June 30, 2015, most of our raw materials accounted for less than 5% of the total costs of raw materials.

As of December 31, 2012, 2013, and 2014 and the six months ended June 30, 2015, we had a total of over 250, 280, 270 and 210 suppliers of different raw materials for our production, respectively, that are mostly located in China. We have maintained stable relationships with many of our key suppliers. Our relationship with our top five major suppliers remains over seven years on average. The raw materials required for the production of our services and products are generally readily available in the market through many suppliers. We generally retain at least two suppliers for a vast majority of our raw materials. During the Track Record Period, we had not experienced any material return of supplies due to quality defects or any significant delays or shortage of supply of raw materials. We expect to be able to maintain adequate sources of quality supplies in the future.

We carefully select our suppliers based on various factors, including their product quality, pricing, delivery, and overall services. We assess our suppliers based on their customer services, procurement process, inspection of raw materials, production process, packaging and delivery, and quality control management. We collect raw material samples and conduct sample trials to ensure that our suppliers' raw materials meet our stringent quality standards. We also request for documents such as licenses and permits and ascertain whether our suppliers have any competitive relationships with our Company.

We typically enter into one-year binding supply framework agreements with our key suppliers that are mostly located in China, which are renewed annually upon mutual agreement of the parties, whereby parties agree to pricing, method of placing orders, specifications of goods, undertakings in respect of the quality, payment terms, termination terms, and dispute resolution. We were generally not contractually committed to any specific minimum purchase quantity during the Track Record Period. Pursuant to the framework agreements, we place purchase orders from time to time with our suppliers. We perform an acceptance examination of raw materials to ensure that they meet our quality standards. We pay for our purchases of raw materials in cash or on credit. Credit periods granted to us by our suppliers generally range from 30 to 90 days. We review the performance of our suppliers on a semi-annual or annual basis. Our suppliers are generally not responsible for the defects of our 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, 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.

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

Our cost of sales directly affects our results of operations and profitability. The major components of our cost of sales include costs of raw materials and labor costs in relation to our production and sale of products and rendering of our services to customers. Please see the section headed "Financial Information — Factors Affecting Our Results of Operations and Financial Condition — Cost of Sales — Cost of Raw Materials" on page 291 of this document for details. We have adopted a number of measures

to mitigate the fluctuations in prices of our raw materials, including an annual price search and negotiation with suppliers on price of raw materials. We expected that, subject to general market conditions, we will be able to pass on part or all of any price increases in our raw materials to our customers.

None of our Directors, their respective associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company has any interest in any of our top five suppliers. To the best of our Directors' knowledge, all of our suppliers were Independent Third Parties during the Track Record Period.

PRODUCTION

Production Facilities

As of the Latest Practicable Date, we had three production facilities in operation in China and the United States. Our principal research and development base and production facility covers a site area of approximately 71,838.18 sq.m. in Jiangning Science Park located in Nanjing, China* (南京江寧科學園). As of the Latest Practicable Date, we had three five-story research and development and production buildings and two two-story animal housing buildings in Jiangning Science Park in Nanjing, which are AAALAC- and OLAW-accredited facilities. We leased our second production facility located in Pukou, Nanjing, which is used primarily for the production of peptides. We also leased and operated a facility for express gene synthesis and DNA sequencing service at GS US. As of June 30, 2015, we operated a total of 12 key production lines and employed more than 600 production personnel.

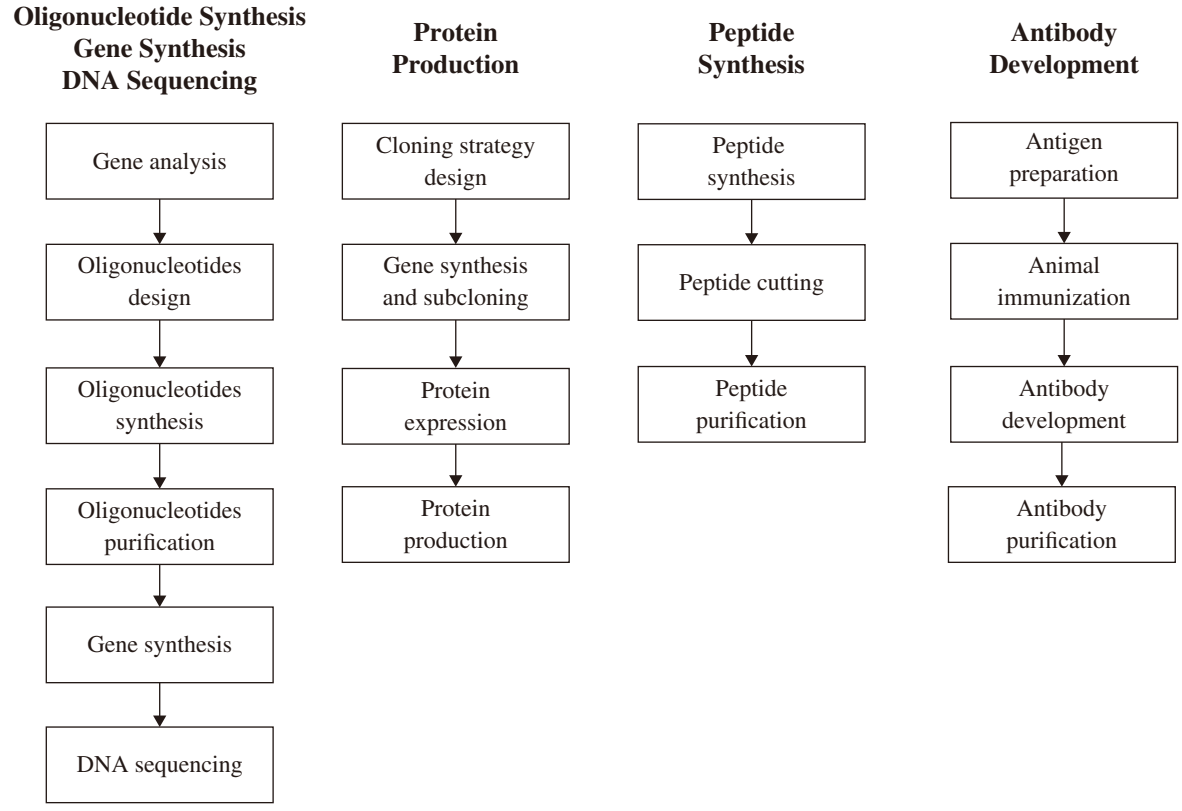
The services under our principal business segment, namely our life sciences research service segment, are certified by ISO 9001:2008. It assures our customers that we have a reliable quality management system in place and demonstrates our ability to meet customer expectations with high regularity and precision.

Production Process

The production processes used in the provision and production of our key life sciences research and application services and products are set forth below.

Life Sciences Research Services

The following flowchart illustrates the typical production processes for our key life sciences research services.



Oligonucleotide synthesis, Gene synthesis & DNA sequencing

Step		Specific Work	Approximate Time Required
1.	Gene analysis	• Analysis of the sequence of the gene specified in customer's order by our proprietary software	
2.	Oligonucleotide design	• Design of oligonucleotides by software	
3.	Oligonucleotide synthesis	• Synthesis of the designed oligonucleotides using DNA synthesizer	
4.	Oligonucleotide purification	• Purification of the synthesized oligonucleotides from crude products	Typically 1-2 days in total

Step	Specific Work	Approximate Time Required
5. Gene synthesis	• Assembly of synthesized oligonucleotides into gene fragments and then full-length genes	Typically 8-10 days in total
6. DNA sequencing	• Sanger sequencing or next-generation sequencing of positive clones to confirm their sequences	Typically 1 day

Protein production

Step	Specific Work	Approximate Time Required
1. Cloning strategy design	• Design of the strategy to optimize the gene encoding target protein and the expression construct	
2. Gene synthesis and subcloning	• Synthesis of the gene with the designed strategy and insertion of the synthesized gene into expression vector using restriction enzymes	
3. Protein expression	• Expression of the target gene in host cell and verification of the protein expressed	
4. Protein production	• Purification of the target protein from the medium or cells	Typically 2-4 months in total

Peptide synthesis

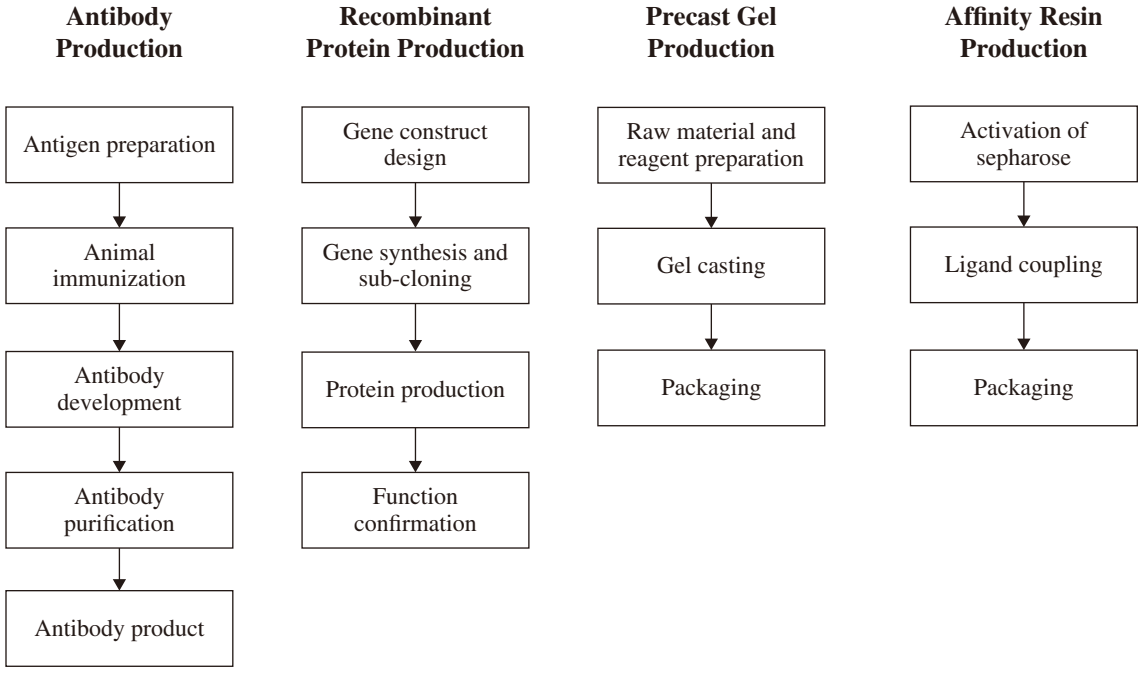
Step	Specific Work	Approximate Time Required
1. Peptide synthesis	• Synthesis of peptides using amino acids on solid support (resin)	
2. Peptide cutting	• Cleavage of the synthesized peptides from resin and removal of side-chain protecting groups	
3. Peptide purification	• Purification of synthesized peptides using chromatography technology	Typically 2-3 weeks in total

Antibody development

Step	Specific Work	Approximate Time Required
1. Antigen preparation	• Conjugation of peptide antigen with carrier protein or expression of protein antigen	Typically 4-6 months in total for monoclonal antibody development; 2-3 months in total for polyclonal antibody development
2. Animal immunization	• Immunization of experimental animals using the prepared antigen	
3. Antibody development	• Animal serum collection or antibody screening from spleen cells	
4. Antibody purification	• Purification of antibody using antigen affinity chromatography	

Life Sciences Research Catalog Products

The following flowchart illustrates the typical production process for our key life sciences research catalog products.



Antibody Production

Step	Specific Work	Approximate Time Required
1. Antigen preparation	• Conjugation of peptide antigen with carrier protein or expression of protein antigen	Typically 4-6 months in total for monoclonal antibody productions; 2-3 months in total for polyclonal antibody production
2. Animal immunization	• Immunization of experimental animal using the prepared antigen and adjuvant	
3. Antibody development	• Animal serum collection or antibody screening from spleen cells	
4. Antibody purification	• Purification of antibody using antigen affinity chromatography	

Recombinant Proteins Production

Step	Specific Work	Approximate Time Required
1. Gene construct design	• Design of expression gene construct with the aim to maximize the expression of the protein of interest	
2. Gene synthesis and sub-cloning	• Synthesis of the corresponding gene and cloning of the synthesized gene into an appropriate vector	
3. Protein production	• Expression of the protein of interest by the expression vector in an appropriate host cell and purification of the expressed protein	
4. Function confirmation	• Confirmation of expected function of expressed protein using appropriate assay	Typically 4-6 weeks in total

Precast Gel Production

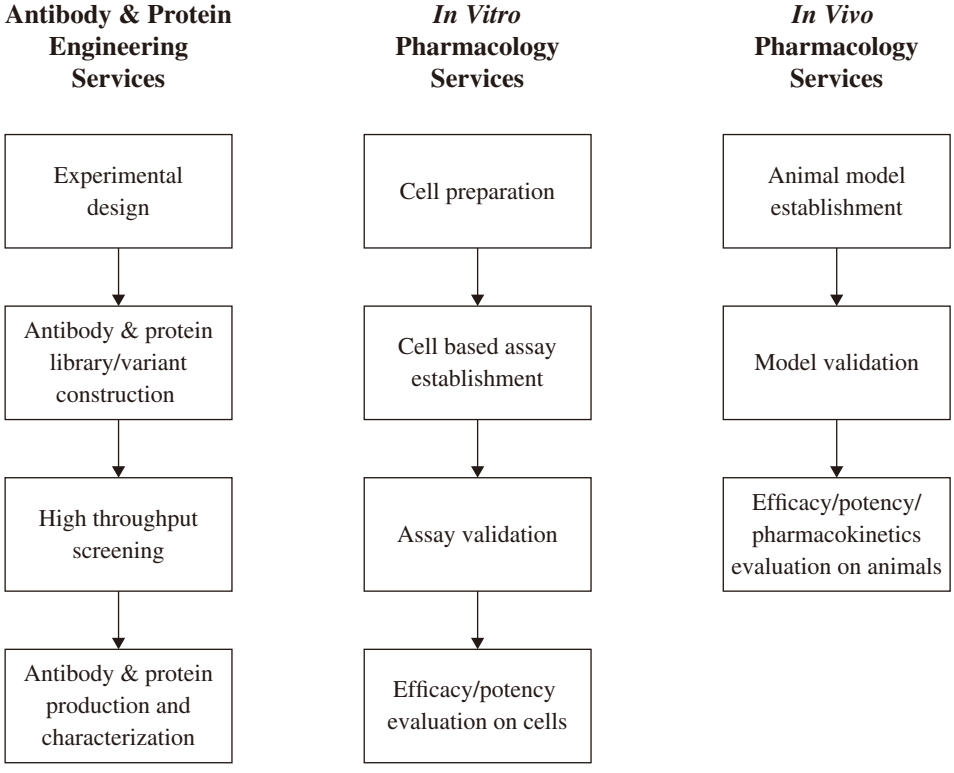
Step	Specific Work	Approximate Time Required
1. Raw material and reagent preparation	• Preparation for gel casting, which often includes preparation of gel reagents in accordance with the customer's specifications	
2. Gel casting	• Casting of the gel using gel cassette and the gel reagents	
3. Packaging	• Inspection and packaging of the wrapped and sealed gel before delivery	Typically 3-4 days in total

Affinity Resin Production

Step	Specific Work	Approximate Time Required
1. Activation of Sepharose	• Cleaning of Sepharose resin with salt and water, and activation of Sepharose resin by adding reaction reagents to Sepharose	
2. Ligand coupling	• Coupling of corresponding active substances with the activated Sepharose resin, such active substances including protein A (a proprietary recombinant protein) and other peptides	
3. Packaging	• Packaging of activated and ligand-coupled Sepharose resin before delivery.	Typically 2-3 days in total

Preclinical Drug Development Services

The following flowchart illustrates the typical production process for our key preclinical drug development services.



Antibody & Protein engineering

Step	Specific Work	Approximate Time Required
1. Experimental design	• Analysis of customer's requirements and design of experiments to modify the protein of interest	
2. Antibody and protein library/variant construction	• Construction of a phage display gene library of proteins or antibodies of interest	
3. High-throughput screening	• Affinity pull-down screening to isolate displayed protein or antibody from the library	
4. Antibody & protein production and characterization	• Production of protein/antibody clones and characterization of the desired properties/functions	Typically 4.5-6 months in total

In vitro pharmacology service

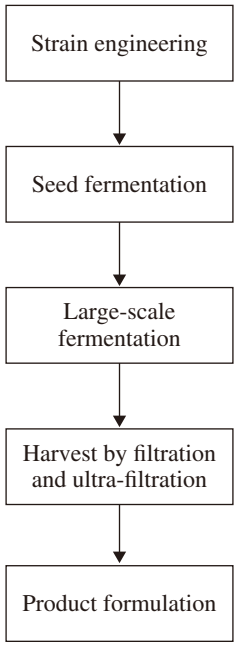
Step	Specific Work	Approximate Time Required
1. Cell preparation	• Preparation of appropriate cell lines and test drug compounds (or antibody drug candidates)	
2. Cell based assay establishment	• Establishment of the cell based assays, which often entails the culturing of cells, measurement of certain properties of the cells in accordance with predetermined parameters to assess whether the test molecules have the expected effect	
3. Assay validation	• Validation of the cell based assays with positive molecules known to have an anticipated effect	
4. Efficacy/potency evaluation on cells	• Evaluation of the efficacy/potency of the test molecules using the validated cell based assays	Typically 3-4 months in total

In vivo pharmacology service

Step		Specific Work	Approximate Time Required
1.	Animal model establishment	• Establishment of animal disease model by growing model animals and measuring certain properties of the animals in accordance with predetermined parameters to assess whether test molecules have the expected effect on the disease model	
2.	Model validation	• Validation of the animal model experiments with positive molecules known to have anticipated effects on the disease models	
3.	Efficacy/potency/ pharmacokinetics evaluation on animals	• Evaluation of the efficacy/potency/ pharmacokinetics of the test molecules using the validated animal model experiments	Typically 4.5-6 months in total

Industrial Synthetic Biology Products

The following flowchart illustrates the typical production process for our industrial synthetic biology products.



Step	Specific Work	Approximate Time Required
1. Strain engineering	• Creation of strain for industrial production of the enzyme or chemical	6-12 months
2. Seed fermentation	• Growing of industrial strain in 10L-1000L fermentors so as to provide enough cells (seeds) for large-scale fermentation*	Typically 2-6 days
3. Large-scale fermentation	• Production of the enzyme or chemical on an industrial scale by inoculation of enough seeds provided at step 2*	Typically 2-6 days
4. Harvest by filtration and ultrafiltration	• Purification of the produced enzyme or chemical using techniques such as filtration, ultrafiltration, or other purification methods*	Typically 1-2 days
5. Product formulation	• Formulation of the final product into concentrated extract, adding stabilizers and preservatives to a proper ratio*	Typically 1-2 days

*: Outsourced under our on-site technical supervision at the production facilities of our outsourced suppliers.

We require all production operators follow our standard operating procedures, and have stringent quality control steps at the end of, and in certain instances, along many or all of the steps of, each of our production processes. Only intermediate products that have passed in-process quality control points will be passed to the next production step, and only final products that have passed all quality control steps would be delivered to our customers. In providing our services, reports are generated and delivered to our customers only after satisfactory quality control results. Some of the quality control steps are automated or otherwise straightforward and take less time. Depending on the nature of the services and products and the customers' specifications, some quality control steps take longer time and involve assays specific to the services and products to be tested. For example, quality control of antibody products involves ELISA and/or Western blotting testing of the specificity of the antibodies produced, and quality control of recombinant protein products involves bioactivity testing of the anticipated activities and/or functions of the recombinant proteins produced. For further details of our quality management, please see the subsection headed "— Quality Control and Quality Assurance" on page 216 of this document.

OUTSOURCING ARRANGEMENT

While we substantially produce almost all services and products at our production facility, we outsource certain steps of production. Under the life sciences research service segment, we outsource certain testing services to independent third-party outsourced suppliers as a means of reducing production costs. Under the life sciences research catalog product segment, we primarily procure precast gel cassette from third-party outsourced suppliers. Under the preclinical drug development service segment, we outsource certain animal breeding, immunization and serum/cell collection to third-party outsourced suppliers as a means of reducing production cost and maintaining animal quality. Since our industrial synthetic biology product segment is still in its infancy, while we maintain the design and

laboratory-scale production within our own facility, we outsource the large industrial-scale production and formulation processes under our on-site technical supervision to third-party outsourced suppliers according to our specifications. We intend to gradually build up our in-house production capability for our industrial synthetic biology products as the key development strategy of this segment. Please see the subsection headed "— Future Expansion" on page 219 of this document for details.

We have adopted strict procedures to ensure that the production qualifications, production facilities, and production processes of our third-party outsourced suppliers comply with the relevant regulatory requirements and our internal guidelines. We select our third-party outsourced suppliers carefully by taking into account a number of factors, including their qualifications, relevant expertise, production capacity, geographic proximity to end-users, market reputation, track record, product quality, internal quality control system, reliability in meeting delivery schedules, and terms offered by such third-party outsourced suppliers. Before we enter into any contract with our third-party manufacturers, we interview potential candidates to ascertain their qualifications, production capacity, and industry experience. We also visit their production facilities to conduct on-site inspections. Our third-party outsourced suppliers are required to provide copies of their business licenses, permits, and approvals for our examination during our selection process. We accept the services from our outsourced suppliers only after we have tested and confirmed that such services meet our quality standards. As of June 30, 2015, we had engaged 15 outsourced suppliers, who are Independent Third Parties and most of them had established business relationships with us for more than three years. During the Track Record Period, there were no disputes with our key outsourced suppliers that had resulted in a material adverse effect for our business operations and financial condition.

We enter into purchase orders or written outsourcing agreements with our outsourced suppliers typically with a specified term. Agreements with outsourced suppliers generally set out terms, including product quality or service details, technical standards or methods, delivery terms, agreed price and payment, and product inspection and acceptance criteria. We are generally allowed to return any products that fail to meet our quality standards. Our outsourced suppliers procure raw materials themselves. The payments we make to our outsourced suppliers reflect service and products quality. Typically, outsourced suppliers request settlement of payment within 30 days from the date of invoice. Either party may terminate the agreements by serving notice to the other party in certain cases.

During the Track Record Period, we had not experienced any quality issues in respect of the services provided and products produced by our outsourced suppliers. For the years ended December 31, 2012, 2013, and 2014 and the six months ended June 30, 2015, we incurred outsourcing costs of US$42,214, US$79,911, US$816,207, and US$320,605, representing approximately 0.3%, 0.6%, 4.8%, and 3.9% of our total cost of production, respectively.

OEM ARRANGEMENT

We produce a substantial portion of our life sciences research and application services and products at our own production facilities, while we engage independent third-party OEM contractors in the PRC to expand and diversify our product offerings under the life sciences research catalog product segment. These products primarily include recombinant proteins, endotoxin assay products, and plasmid miniprep products. The products are produced in factories operated by our OEM contractors, and the final products are sold under our "GenScript" brand once the products pass our quality control inspection. As of December 31, 2012, 2013, and 2014 and the six months ended June 30, 2015, we had engaged five, seven, seven, and six OEM contractors, respectively, and most of them had established business relationships with us for more than three years.

We select our OEM contractors based on stringent criteria, including historical performance, production facilities, management competency, quality control, technical know-how, and financial status. In addition, all of our OEM contractors are subject to an annual evaluation since 2014, which includes an assessment on their product quality, price, and product delivery time.

Typically, we enter into master OEM agreements with our OEM contractors with a term of one year. Such agreements, together with the relevant orders placed with OEM contractors, generally set out terms, including product details, product inspection and acceptance criteria, agreed price and payment, and delivery terms. The payments we make to our OEM contractors reflect the relevant costs of production, including raw materials, labor, processing, and other production costs, as well as a fee in relation to the OEM services provided. Typically, OEM contractors request settlement of payment within 30 days from the date of invoice.

For the years ended December 31, 2012, 2013, 2014, and the six months ended June 30, 2015, purchases from our OEM contractors were approximately US$135,600, US$258,800, US$349,800, and US$88,180, representing approximately 1.1%, 1.8%, 2.0%, and 1.1% of our total purchases, respectively. For the years ended December 31, 2012, 2013, and 2014 and the six months ended June 30, 2015, purchases from our five largest OEM contractors accounted for approximately 100.0%, 96.2%, 94.1%, and 99.8%, respectively, of our total purchase from OEM contractors, and purchases from our largest OEM contractor accounted for approximately 66.2%, 41.1%, 44.8%, and 63.1%, respectively, of our total purchase from OEM contractors for the corresponding periods. Our Directors confirmed that none of our Directors, or their respective associates, or any Shareholder (who to the knowledge of the Directors) holding more than 5% of the issued Shares had any interests in any of these five largest OEM contractors throughout the Track Record Period.

As of the Latest Practicable Date, we had not encountered any material disruption to our business as a result of failure to obtain OEM-supplied products, and we had not experienced and do not envisage that we will experience any material difficulties in obtaining the required OEM products. Our continued use of OEM contractors is subject to certain risks. Please see the section headed "Risk Factors — Risks Relating to Our Business — We depend on OEM contractors to manufacture a portion of our products. Our brand image and business may be negatively affected by the performance of or disruption in supply of our OEM contractors" on page 59 of this document. As of the Latest Practicable Date, we were not aware of any violation by our OEM contractors of material laws and regulations applicable to them.

QUALITY CONTROL AND QUALITY ASSURANCE

We believe that an effective quality management system is critical to ensure the quality of our services and products and maintain our reputation and success. We seek to ensure that our services and products consistently meet high industry standards and requirements.

Under each of our business segments, we have dedicated in-process production personnel who carry out the stringent quality control steps subsequent to each production process. In addition, we have established a corporate-level quality assurance management team. As of June 30, 2015, we maintained a quality control and quality assurance team comprising of 53 employees with biology, chemistry, or related educational backgrounds. The team is led by management personnel experienced in the quality management field.

We undertake quality inspections and document our quality control procedures at different stages of our production process from the procurement of raw materials to the delivery of our services and products to our customers.

Raw Material Quality Control

We purchase raw materials only from approved suppliers. All approved suppliers are selected by our quality management department and procurement department, which conduct background checks on supplier candidates. Upon receiving satisfactory results of those checks, we collect raw material samples and conduct sample trials to ensure that our suppliers' raw materials meet our stringent quality standards. For each supply of raw materials, we request accompanying quality reports from our supplier, which usually contain various quantitative analyzes, such as the moisture content and purity in acetonitrile, a raw material for the production of oligonucleotides and peptides. We also perform our own inspection of raw materials in accordance with quality requirements requested by our client or by our internal standards. We also assess our suppliers by carrying out on-site audits or off-site assessments to ensure they comply with the relevant requirements.

Outsourced Services and Products Quality Control

While we substantially produce almost all services and products at our production facility, we outsource certain steps of production. We have adopted strict procedures to ensure that the production qualifications, production facilities, and production processes of our third-party outsourced suppliers comply with the relevant regulatory requirements and our internal guidelines. Please see the subsection headed "— Outsourcing Arrangement" for details of our quality control measures implemented on page 214 of this document.

Final Service and Product Quality Control

Our services and products are subject to sample inspection by the quality control group of the production department. Before we deliver our final services and products to customers, we inspect the documentation relating to the quality of the services and products, including laboratory control records, production process records, and other information that may impact service and product quality. Our authorized quality personnel review documents relating to our services and products prior to their release for sale.

The services under our principal business segment, namely, the life sciences research service segment, are certified by ISO 9001:2008, certifying that our quality management system meets the requirements of ISO 9001: 2008 by application. Such certification is subject to renewal every three years and we obtained our renewal in 2013.

PRODUCTION EQUIPMENT AND MAINTENANCE

We purchase production equipment from major suppliers from China and overseas. The table below sets forth a summary of the key production equipment we deploy under each of our business segments.

Segments	Key Production Equipment
Life Sciences Research Services	• Oligonucleotide synthesizer • Chromatography system • Flow cytometer • Thermal cycler • DNA analyzer
Life Sciences Research Catalog Products	• Akta Avant system • Ultracentrifuge • Automatic fermentation system • WAVE bioreactor
Preclinical Drug Development Services	• Bimolecular interaction analysis system • Liquid handler • High-throughput cellular screening system • IVIS imaging system • Flow cytometer
Industrial Synthetic Biology Products	• Fermentation system

As of June 30, 2015, we had an equipment maintenance team of 15 employees who perform routine maintenance on our production equipment to ensure proper functioning. Our equipment and technology department is responsible for executing our periodic maintenance. We replace or upgrade our production equipment and machinery after they have been utilized for a certain period of time (which depends on the specific type of equipment and machinery) according to our relevant internal policy and production plan. We own all of our production equipment, with respect to which we have obtained all required permits, licenses, and approvals that are material to our business operations. During the Track Record Period, we had not experienced any material failure in the operation of our equipment. Please see the subsection headed "— Permits, Licenses and Approvals" on page 226 of this document for further details.

The following table sets forth the designed annual production capacity, actual production volume, and utilization rates of our key services and products under the segments of life sciences research services, life sciences research catalog products, and preclinical drug development services for the

periods indicated. Utilization rate for industrial synthetic biology products is not calculated in the table below as the current production in-house remains at laboratory scale.

		For the years ended December 31,									For the six months ended June 30,		
		2012			2013			2014			2015		
Production line	Unit	Designed Annual Production Capacity[1]	Production Volume	Utilization Rate[2] (%)	Designed Annual Production Capacity[1]	Production Volume	Utilization Rate[2] (%)	Designed Annual Production Capacity[1]	Production Volume	Utilization Rate[2] (%)	Designed Annual Production Capacity[1]	Production Volume	Utilization Rate[2] (%)
Life Sciences Research Services	Number of orders	28,750	25,547	88.9	32,340	28,728	88.8	36,540	32,281	88.3	19,468	16,555	85.0
Life Sciences Research Catalog Products	Number of orders	14,000	11,944	85.3	14,000	11,474	82.0	14,500	12,860	88.7	7,250	6,172	85.1
Preclinical Drug Development Services	Number of orders	390	307	78.7[3]	505	416	82.4	621	519	83.6	328	299	91.2

Notes:

1. Production capacity relates to the designed annual production capacity of our production facilities in operation at the end of the period, which may not be a constant variable throughout the period. Our annual production capacity is generally calculated based on number of production personnel x designed production rate.

2. Utilization rate is calculated as the production volume for the relevant period as a percentage of the production capacity as adjusted for changes in production capacity as of each month-end and period length.

3. Under the preclinical drug development service, the utilization rate was relatively low for the year ended December 31, 2012 owing to the early development stage of this business segment in 2012.

FUTURE EXPANSION

We believe that demand for our services and products will continue to increase. According to the Frost & Sullivan Report, the spending on life sciences research and development worldwide has indicated an increasing general trend, led by the United States, which was estimated to have spent approximately US$410.9 billion on domestic research and development in 2014. Please see the section headed "Industry Overview" for a discussion on the key growth drivers of the life sciences research and application service and product industries, beginning on page 95 of this document.

Leveraging on our market leadership position, we believe we are well-positioned to capture the growth opportunities by (i) expanding research and application service and product portfolio, (ii) enhancing production capacity, (iii) expanding and strengthening sales and marketing team, and (iv) making strategic acquisitions.

Expanding Research and Application Service and Product Portfolio

- Developing novel genome-editing technology;

- Expanding the applications of synthetic biology technology in pathway assembly, microbial knock-out and knock-in, genome modification, and antibody engineering;

- Expanding our off-the-shelf product offerings in protein expression and analysis and investing in new product development;

- Upgrading our capability in biologics drug discovery, acquiring cutting-edge technologies to strengthen our service platform, pursuing generation of human antibodies directly, extending our platform to multi-targeting therapy, and building a comprehensive capability in cancer immunotherapy; and

- Expanding our research and development on industrial enzymes into other fields of applications such as the feed, pharmaceutical, and chemical industries.

Enhancing Production Capacity

- Upgrading our production equipment and raising the automation level in production systems;

- Enhancing our existing manufacturing facility into GLP and GMP standards;

- Building more laboratories and production facilities to accommodate the increasing scale of our services and products and our revenue. To expand the production capacity of our business segments, we intend to construct two additional production lines in respect of our life sciences research services and one additional production line in respect of each of our life sciences research catalog products, preclinical drug development services, and industrial synthetic biology products;

- Expanding our production capacity of our life sciences research services, life sciences research catalog products, and preclinical drug development services by approximately 20%, 30%, and 30%, respectively; and

- Expanding our fermentation capacity with respect to industrial synthetic biology products from laboratory-scale fermentation capacity to industrial-scale fermentation capacity in-house.

Expanding and Strengthening Sales and Marketing Team

- Increasing the geographic coverage of our sales and marketing forces;

- Recruiting more experienced sales and marketing talents and providing them with more structured training of our services and products;

- Building a separate sales and marketing team for the sales and marketing of our industrial synthetic biology products with an aim to target customers in the PRC market and gradually expanding to the North American and European markets;

- Increasing our direct sales force to expand our addressable market;

- Expanding our sales coverage in the PRC and overseas markets to provide more efficient logistic support to our customers; and

- Streamlining our online quotation and ordering platform.

Making Strategic Acquisitions

- Combining our organic growth of operations with the strategy of selectively making acquisitions in attractive segments of the industry.

We intend to apply approximately 30%, 30%, and 15% of our net [**REDACTED**] for expanding of our service and product portfolio, expanding production capacity, and expanding and strengthening sales and marketing team, respectively, between 2015 and 2018. In addition, we intend to apply approximately 15% for making strategic acquisitions. As of the Latest Practicable Date, we did not have any specific acquisition plans or targets and have not entered into any definitive agreements with any potential targets.

RESEARCH AND DEVELOPMENT

We believe research and development are critical to our future growth and our ability to remain competitive in each of our business segments. Each of our four business segments has its own dedicated research and development team. We maintained a total of over 120 research and development staff as of June 30, 2015. Over 13.0% of our research and development staff possess doctoral degrees in life sciences-related disciplines in biology, molecular biology, genetics, biological engineering, immunology, and other related areas. Most of them received their doctoral degrees from prestigious academic institutions overseas.

Our life sciences research service segment maintained a research and development team with 33 employees under its internal Biotechnology Research Institute as of June 30, 2015. The mission of the research and development team of this business segment is to upgrade our technology to improve the competitiveness and the quality of our services including all bio-reagents, such as oligonucleotides, genes, proteins, peptides, and antibodies. As many of the services of this segment are fundamental to biomedical research, a major goal of the life sciences research service research and development team is to increase efficiency, reduce cost, and increase throughput. The research and development team of the life sciences research service segment is also tasked with the development of new technologies so that the segment can offer new services to our customers. For example, in the context of synthetic biology technologies, the team developed a high-throughput gene synthesis technology in 2014 and combinatorial pathway assembly technologies in 2015. The team is also applying gene knock-in technology to produce premium antibody and protein products. In addition, the research and development team also provides technological support to the production team within the segment to solve problems encountered in the production process.

Our life sciences research catalog product segment maintained a research and development team with 28 employees as of June 30, 2015. The mission of the research and development team of this business segment is to develop life sciences research catalog products, primarily those commonly used in life sciences research in both academia and the industry. The team also cooperates with the life sciences research service segment in the development of reagents.

Our preclinical drug development service segment focuses its research efforts on expanding its service and production capacity in relation to biologic drug discovery. The research and development team was staffed with 15 employees as of June 30, 2015. The mission of the research and development team of this business segment is to upgrade our technology platform and to improve the quality of our drug discovery services and products, our production capacity, and the efficiency of our services. In addition, the team also collaborates with global pharmaceutical companies on certain project

developments and provides contract-based research services which are experimental in nature and involve complex trial-and-error procedures and discovery research. During the Track Record Period, we had gained substantial experience and identified some valuable drug leads, for example, therapeutic single domain antibody drug leads and innovative technologies that facilitate the drug discovery. One important goal of the research and development team in this segment is to improve our competitiveness by developing proprietary technologies. The team is working to build the intellectual property portfolio of these new technologies and products, which primarily target the biopharmaceutical market.

Our industrial synthetic biology product segment maintained a research and development team with approximately 46 employees under its internal Molecular Biology Research Institute as of June 30, 2015. The mission of the research and development team of this business segment is to design and develop new products and to optimize the production process. Our current research and development focus is on designing, developing, and optimizing new products in grain processing and starch processing, and our top priority is developing those industrial enzymes with high added value in the market. During the Track Record Period, we had developed and launched a series of industrial enzyme products. Our research and development team lends strong support to our product team in providing technical solutions and value-creating production plans to our customers.

The table below sets forth our major achievements in research and development activities during the Track Record Period.

Segment	Year	Research and Development Achievements
Life Sciences Research Services	2013	• We developed a high-affinity monoclonal antibody development technology platform to offer custom monoclonal antibody drug development services to our global customers.
Life Sciences Research Services	2013	• We established a comprehensive biosimilar development service platform including high-yielding stable cell line development, upstream and downstream process development and optimization, and bioanalytical method development and validation.
Life Sciences Research Services	2014	• We developed GenPlus™ next-generation gene synthesis technology and started to provide GenPlus™ high-throughput gene synthesis services.
Life Sciences Research Services	2014	• We established a CRISPR-Cas9-based genome editing technology platform and started to provide custom gene knock-out and knock-in services.
Life Sciences Research Services	2014	• We developed a full monoclonal antibody portfolio to deliver new services generating antibody fragments or full-length monoclonal antibody in appropriate hosts such as *E. coli*, yeast, insect, and mammalian cells.

Segment	Year	Research and Development Achievements
Life Sciences Research Services	2015	• We developed and are continuing to improve our combinatorial pathway assembly technology and are able to provide combinatorial assembly and truncation variant library services.
Preclinical Drug Development Services	2013	• We successfully developed our half-life extension technology for single domain antibody drugs.
Industrial Synthetic Biology Products	2014	• We have established capability of engineering enzyme-producing microbes and have developed industrial-leading composite glucosydase products (named HighDEX series), which have been launched.

Research and Development Pipeline Projects

We have a proven track record of developing and commercializing life sciences research and application services and products.

The table below sets forth a number of areas for ongoing research that we believe may have significant impact on our long-term success as of the Latest Practicable Date.

Segment	Research Project	Application	Status	Development Goal	Expected Launch Year/ Continuous Project
Life Sciences Research Services	Next-generation gene synthesis technology upgrade	Low cost large-scale gene synthesis	Service launched and ongoing upgrade	Shorten the turnaround time and reduce production cost	mid-2016
Life Sciences Research Services	Combinatorial pathway assembly technology	Synthetic biology, protein engineering, gene expression regulation	Service launched and ongoing upgrade	Establish a highly efficient and cost-effective, method for simultaneous assembly of multiple genetic elements	mid-2016

Segment	Research Project	Application	Status	Development Goal	Expected Launch Year/ Continuous Project
Life Sciences Research Services	Industry cell line development service	Biologics development	Ongoing	Develop high yielding industry cell line	Ongoing
Life Sciences Research Services	Codon optimization technology platform upgrade	Heterologous protein expression, gene expression regulation	Ongoing	Develop a newer version of codon optimization algorithm	January 2016
Industrial Synthetic Biology Products	Advanced Thermo/ acid-stable alpha-amylase	Starch processing industry	First generation product launched	Develop a market competitive product	mid-2016

Throughout our years of operation, we have always been encouraging our research and department teams to research and invent new technologies, and we have made efforts in identifying, acquiring, and in-licensing technologies. We believe that inward technology licensing from industry-leading international players can serve as a springboard for our further internal technological developments. It represents an important means for us to get access to external technology and help us maintain at the industry frontier. Integrating licensed technology into our own knowledge bases not only provides a learning opportunity of the cutting-edge technologies but also yields a positive effect on our subsequent innovation performance.

Our research and development expenses were approximately US$5.5 million, US$6.1 million, US$5.6 million, and US$2.4 million for the three years ended December 31, 2012, 2013, and 2014 and the six months ended June 30, 2015, representing 10.4%, 10.1%, 8.0%, and 5.9% of our revenue, respectively. In light of our research and development strategies, the amount of research and development expenses varies slightly with the number and scale of projects each year. Our research and development expenses grew from approximately US$5.5 million to US$6.1 million primarily due to the launch of the industrial synthetic biology product segment in 2013. We have invested in the research and development of industrial synthetic biology products, in particular industrial enzymes, which led to the establishment of BSJ Nanjing in 2013. In 2013, we increased research and development resources in gene synthesis, such as for the development of GenPlus™ next-generation gene synthesis technology. Since our presentation currency of our combined financial statements is USD while we incurred our research and development expenses mainly in RMB, we translated those research and development expenses incurred in RMB into USD when preparing our combined financial statements. As a result, the decrease in the percentage of revenue spent in research and development during the Track Record Period was also due to the depreciation of RMB against US dollar to a certain extent. In the next five years, through, among others, the internal resources and the proceeds of the [**REDACTED**], we intend to increase our levels of investment in research and development in exploring and developing new services and products to keep

abreast of the new directions of the life sciences research and application service and product industries. We intend to continue to leverage our technology and research and development capabilities to broaden our life sciences research and application service and product portfolio as well as to develop novel and enhanced production technologies. We intend to invest approximately 8% of our total revenue each year on exploring and developing new services and products to keep abreast of the new directions of life sciences research and application needs in the market.

INTELLECTUAL PROPERTY

We develop and use a number of proprietary methodologies, analytics, systems, technologies, and other intellectual property in the conduct of our business. As of the Latest Practicable Date, we had 17 registered trademarks, 3 pending trademark applications in the PRC and the United States, 19 registered patents, 9 pending patent applications, and three registered domain names in the PRC and the United States, which are material to our business. Please see the section headed "Statutory and General Information — 6. Further Information about Our Business — B. Our Intellectual Property Rights" in Appendix V to this document on page V-12 for further details of our material intellectual property rights.

The protection of our technologies, products, and processes is essential to our businesses. In order to protect our trade secrets and other proprietary know-how, we take the key measures, including (i) entering into standard employment contracts with confidentiality clauses that prohibit our employees from disclosing trade secrets, (ii) entering into confidentiality agreements with our employees, pursuant to which all intellectual properties developed by our employees during their course of employment with us and utilizing our Company's resources or in connection with their scope of work shall become our intellectual properties, (iii) using codes in our research and development materials to prevent disclosure of confidential information and granting access to research and development information only to a limited scope of employees, (iv) confidential filing of all research and development results and granting access to the entire research and development process of certain proprietary technologies only to a limited scope of employees, (v) keeping written records for the entirety of our research and development process, and (vi) pursuing legal proceedings and claims against infringement of our intellectual property rights.

We closely monitor industry developments and the new services, products and technologies of our competitors to identify potential infringement of our intellectual property rights. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights that had a material adverse effect on our business. We are, however, subject to risk in the protection of our intellectual property. Please see the section headed "Risk Factors — Risks Relating to Our Business — Any failure to protect our intellectual property rights could harm our business and competitive position" on page 46 of this document.

In addition to protecting our intellectual property, our success also depends on our ability to mitigate the risk that any of our products, services, or production infringe the intellectual property of others. We take the following key measures in avoiding patent infringement, including (i) identifying potential infringement issues at an early stage, (ii) conducting patent search related to our technology, (iii) reviewing competitor's services and products and understanding their rights, and (iv) in-licensing relevant technologies, which we believe would benefit our research and development activities. Save as otherwise disclosed in the subsection headed "— Legal Proceedings and Compliance" beginning on page 237 of this document, during the Track Record Period and up to the Latest Practicable Date, we were not aware of any material claims against us relating to our alleged infringement of intellectual property

owned by third parties. Please see the subsection headed "— Research and Development — Research and Development Pipeline Projects" on page 223 of this document for our in-licensed technologies.

PERMITS, LICENSES, AND APPROVALS

The life sciences research and application service and product industries are regulated in the PRC, and life sciences research and application service and product providers are required to obtain the requisite permits, licenses, and approvals from the relevant government authorities. Please see the section headed "Regulations" beginning on page 119 of this document for more details of all the material licenses, permits and approvals required for our business operations in the PRC.

Our Directors, as advised by our PRC legal advisor, Fangda Partners, and U.S. legal advisor, Dorsey & Whitney, respectively, confirm that up to the Latest Practicable Date, our PRC subsidiaries and subsidiaries in the United States have obtained all required permits, licenses, and approvals from the relevant government authorities that are material for our operations in the PRC and the United States, and all of such permits, licenses, and approvals are within their respective effective periods, except in relation to (i) the discharge of pollutants prior to obtaining pollutants discharge permits, and (ii) failure to obtain construction work commencement permit, inspection and acceptance on completion of construction, and building ownership certificate in relation to certain construction projects and buildings during the Track Record Period as disclosed in the section headed "Business — Historical Non-compliance Incidents" beginning on page 238 of this document. Our PRC subsidiaries and subsidiaries in United States had not experienced any material difficulty in renewing such permits, licenses, and approvals during the Track Record Period, and currently do not expect to have any material difficulty in renewing them when they expire, if applicable. We were also not penalized by the relevant government authorities for any material non-compliance in connection with our business operation.

The following table sets forth the key licenses, permits, and certificates relating to our business and operations, the issuing authority, and the expiry date.

Permit/Licence/Certificate	Issuing Authority	Issue Date	Expiry Date
Experimental Animal Use Permit (conventional condition: conventional grade (rabbit))* (實驗動物使用許可證) (普通環境：普通級(兔))	Jiangsu Province Science and Technology Bureau* (江蘇省科學技術廳)	December 10, 2012	December 9, 2017
Experimental Animal Use Permit (blocked condition: clean grade, SPF grade (rats and mice))* (實驗動物使用許可證) (屏障環境：清潔級、SPF級(大鼠、小鼠))	Jiangsu Province Science and Technology Bureau	December 10, 2012	December 9, 2017
ISO9001:2008 Certification for Quality Management System	SGS United Kingdom Ltd.	January 1, 2013 (effective date)	January 25, 2016

Permit/Licence/Certificate	Issuing Authority	Issue Date	Expiry Date
AAALAC Certification for the Animal Order and Experiment	Association for Assessment and Accreditation of Laboratory Animal Care International	March 12, 2013	March 12, 2016
OLAW Certification for the Animal Welfare Assurance	Office of Laboratory Animal Welfare of the National Institutes of Health of the United States	November 9, 2010	November 9, 2015
Radiation Safety Permit* (輻射安全許可證)	Nanjing Municipal Bureau of Environmental Protection* (南京市環境保護局)	July 10, 2014	August 3, 2019
Business Registration Certificate for the Production, Processing and Storage of Export Animals and Non-edible Animal Products* (出口動物及其非食用性動物產品生產、加工、存放企業註冊證)	Jiangsu Province Entry-Exit Inspection and Quarantine Bureau* (江蘇省出入境檢驗檢疫局)	N/A	June 30, 2018
The PRC Customs Declaration Registration Certificate* (中華人民共和國海關報關單位註冊登記證書)	Jinling Customs of the PRC * (中華人民共和國金陵海關)	N/A	N/A
Medical Waste Generator Registration Certificate	State of New Jersey, Department of Environmental Protection	August 1, 2012	N/A

AWARDS AND RECOGNITION

During the Track Record Period, we had received numerous awards and recognition in respect of the quality of our products, popularity of our brand, and our social contributions. The table below sets forth the major awards and recognition we have received since 2012.

Award Date	Award/Recognition	Awarding Institution/Authority
2012	2012 CRO Leadership Award — Productivity	*Life Science Leader* Magazine
	Recognition Certificate of High and New Technology Enterprises* (高新技術企業證書)	Jiangsu Province Science and Technology Bureau* (江蘇省科學技術廳) Jiangsu Province Finance Department* (江蘇省財政廳) the State Administration of Taxation of Jiangsu Province* (江蘇省國家税務局) Local Taxation Bureau of Jiangsu Province* (江蘇省地方税務局)

Award Date	Award/Recognition	Awarding Institution/Authority
2013	Top 10 CRO Enterprise with High Investment Value in China* (2013中國最具投資價值的十大CRO企業)	Pharmaceutical Industry Innovation Evaluation Committee* (醫藥行業創新力評價組委會)
	Recognition from One Foundation* (壹基金感謝函)	One Foundation
	Recognition Certificate of Advanced Technology Service Enterprises* (技術先進型服務企業證書)	Nanjing Municipal Science and Technology Committee* (南京市科學技術委員會) Nanjing Municipal Bureau of Commerce* (南京市商務局) Nanjing Municipal Finance Bureau* (南京市財政局) the State Administration of Taxation of Nanjing City of Jiangsu Province* (江蘇省南京市國家税務局) Local Taxation Bureau of Nanjing* (南京市地方税務局) Nanjing Municipal Commission of Development and Reform* (南京市發展和改革委員會)
2014	2014 CRO Leadership Awards — Quality, Reliability, Productivity and Innovation Awards	*Life Science Leader* Magazine
	High and New Technology Product Certification for Primer, Plasmid and Antibody* (高新技術產品認定證書(引物，質粒及抗體))	Jiangsu Province Science and Technology Bureau

COMPETITION

We face intense competition from other providers both in the PRC and overseas in the life sciences research and application service and product industries. In particular, the top five players in the global gene synthesis market segment dominate the market segment with a 74.2% market share in terms of revenue in 2014, according to the Frost & Sullivan Report. We compete based on service and product quality, industry reputation, technical capabilities, pricing, payment terms, delivery speed, and customer service. We face competition mainly from multinational corporations and, to a lesser extent, from PRC domestic companies.

Our core competitive edge is the provision of high-quality life sciences research and application services and products at affordable prices for daily research purposes, coupled with our commitment to technical excellence and customer satisfaction.

We believe that we are able to maintain our services' and products' competitiveness by leveraging our established position in the life sciences research and application service and product industries among overseas and domestic providers. We are also of the view that a wide product and service portfolio and quality assurance are critical to the continuing success of our business.

In terms of entry barriers, according to the Frost & Sullivan Report, the life sciences research and application service and product industries generally require (i) accumulation of professional know-how to increase efficiency of research experiments and decrease the time required for conducting the experiments, (ii) assembly of a sufficient quantity of talents to keep up with emerging new technologies, (iii) substantial capital investment to allow high-throughput processing and to achieve economies of scale, (iv) development of a widely and deeply expanded sales network to improve market presence and to capture a fragmented customer base, and (v) brand reputation that represents an integrated performance appraisal for hardware condition, know-how accumulation, and talent recruitment. Well-recognized suppliers are more popular for large-scale and technically demanding projects. Therefore, our Company, as an early entrant and large-scale participant in the industry that has gained experience and market reputation across the regions in which we operate, achieves a competitive advantage over new entrants.

Please see the section headed "Industry Overview" for details of the life sciences research and application service and product industries, including the size, market trends, and prospects, beginning on page 95 of this document.

INSURANCE

We maintain different types of insurance policies to cover our operations. We carry property insurance policies covering our inventory equipment and facilities that are material to our business operations, personal accident insurance for our full-time staff, and the compulsory environmental pollution liability insurance. We also maintain product liability, professional liability insurance as well as business property, commercial general liability and employees benefits liability for our laboratory operations in the United States. We believe that the coverage of the insurance obtained by us is adequate and consistent with the market practice in the PRC and the U.S. for our business and operations.

During the Track Record Period, we had not made, and had not been the subject of, any material insurance claims.

HUMAN RESOURCES

We believe that the long-term sustainable growth of our Company depends on the knowledge, experience, and development of our employees. We had 1,159, 1,133, 1,203, and 1,187 full-time employees as of December 31, 2012, 2013, and 2014 and the six months ended 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.D.s.

The table below sets forth a breakdown of our total number of full-time employees by function as of June 30, 2015.

Function	Number of employees	Percentage of total (%)
Production	619	52.1
Sales and marketing	174	14.7
Administration	188	15.8
Research and development	122	10.3
Management	84	7.1
Total	1,187	100.0

The following table sets forth the number of full-time employees by geographic location as of June 30, 2015.

Geographic location	Number of employees	Percentage of total (%)
The PRC	1,078	90.8
United States	99	8.4
Japan	4	0.3
Hong Kong	6	0.5
Total	1,187	100.0

The level of competition among employers in the PRC and overseas for skilled personnel is high. We believe that our remuneration package, brand recognition, and multinational presence are advantages that attract qualified candidates.

Our goal is to provide employees with an environment that encourages them to develop their career with us. During the Track Record Period, we had primarily adopted a direct recruitment policy that was aimed at attracting qualified employees. We had also recruited employees by referrals. We provide orientation and continuous on-the-job training to our employees. Our orientation process covers subjects such as corporate culture and policies, work ethics, major production processes, quality management, and occupational safety. Our on-the-job cross-training covers technical know-how of various business segments, environmental, health and safety management systems, and mandatory training required by applicable laws and regulations. We also provide training for managers and manager candidates.

The remuneration package of our employees includes a base salary, a bonus, and other cash subsidies. In general, we determine the remuneration package based on the qualifications, position, and performance of our employees. Pursuant to our annual review system, we appraise the performance of our employees and consider their eligibility for promotion. In respect of employees employed by our PRC subsidiaries, we are required to make contributions to social insurance fund, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund. We believe the remuneration package of our employees is competitive when compared with the prevailing market rates.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. During the Track Record Period, we had generally maintained a harmonious relationship with our employees. As of the Latest Practicable Date, no significant labor disputes that adversely affected or were likely to have an adverse effect on the operations of our business had occurred. Our Directors believe that our human resources have been improving both in terms of quantity and quality, and we have not experienced a high rate of turnover or attrition since our inception.

Our labor costs mainly include salaries, wages and social insurance 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. Although we have from time to time been involved in and may in the future be involved in certain labor disputes, we have not experienced any significant labor dispute that has adversely affected or is likely to have an adverse effect on our business operations.

OCCUPATIONAL HEALTH AND SAFETY MATTERS

We regard maintaining occupational health and safety of our employees as an important corporate social responsibility. We monitor and ensure the effective implementation of our health and safety measures in compliance with laws and regulations related to work safety. Our various occupational health and safety measures include (i) adopting protective measures at our production facilities, (ii) providing guidelines on proper operation procedures of equipment and instruments to all employees, (iii) inspecting our equipment and instruments regularly to identify and eliminate safety hazards, (iv) providing regular safety awareness training to our employees, and (v) maintaining a system of recording and handling accidents and implementation of relevant policies and health and work safety compliance record.

Our Directors confirm that our business operations are in compliance with applicable PRC laws, rules, and regulations with respect to occupational health and work safety in all material respects, except in relation to (i) failure to attend to "Occupational Health Three Simultaneities" procedures and "Safety Facilities Three Simultaneities" procedures in relation to certain construction projects, (ii) failure to file information of projects posing occupational disease and to conduct a testing of factors in connection with occupational disease and assessment on the current status of occupational disease, and (iii) failure to undertake the design examination and acceptance procedures of the fire prevention inspection in relation to a leased property during the Track Record Period as disclosed in the section headed "Business — Historical Non-compliance Incidents" beginning on page 238 of this document. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material penalties associated with any material violation of applicable laws or regulations in the PRC and had not experienced any material personal injury or fatality of our employees during the course of employment. We are subject to various laws and regulations in respect of occupational health and safety matters in the PRC. Please see the section headed "Regulations" on page 119 of this document for details.

PROPERTIES

PRC Properties

Land Use Rights

Owned land

As of the Latest Practicable Date, we held land use rights and had obtained land use right certificates for two parcels of land located in Nanjing with an aggregate site area of approximately 71,838.18 sq.m.

As advised by our PRC legal advisor, Fangda Partners, under the terms specified in the land use right certificates, and subject to the terms and conditions under the land use right grant contracts in relation to these parcels of land, we are entitled to legally occupy, use, transfer, lease, mortgage, or otherwise dispose of the rights to use these parcels of land in accordance with applicable PRC laws and regulations.

As of the Latest Practicable Date, we were also applying for the land use right certificate for one parcel of land located in Nanjing with a site area of approximately 60,762.4 sq.m. We entered into a contract for the grant of state-owned land use right* (《國有建設用地使用權出讓合同》) with Jiangning Branch of Nanjing Land and Resource Bureau* (南京市國土資源局江寧分局) on July 15, 2014, pursuant to which we had paid the full amount of consideration for the relevant land use right. As advised by our PRC legal advisor, Fangda Partners, the contract for the grant of land use right is valid, and the terms and conditions of it are binding on us and the relevant authority. Upon obtaining the land use right certificate for this parcel of land, we will be entitled to obtain the land use right of such parcel of land.

Buildings

Our headquarters is located at 28 Yongxi Road, Moling Jie Dao, Jiangning District, Nanjing, China* (中國南京市江寧區秣陵街道雍熙路28號). As of the Latest Practicable Date, we owned and leased nine buildings and premises in the PRC with an aggregate gross floor area of approximately 34,000 sq.m.

Owned buildings

As of the Latest Practicable Date, we owned seven buildings, with a total gross floor area of approximately 31,180.09 sq.m., we have obtained the relevant building ownership certificates for these seven buildings and the land use right certificates for the parcels of land on which such properties were built. We use these buildings primarily for our offices, research and production facilities, and warehouses. As advised by our PRC legal advisor, Fangda Partners, we possess legal ownership of the properties for which we hold valid title certificate, and we are entitled to occupy, use, benefit, and dispose of such properties in accordance with relevant land use right grant contracts and relevant PRC laws and regulations.

Leased premises

As of the Latest Practicable Date, we leased two premises, with a total gross floor area of approximately 2,800 sq.m. for our offices and research and development use.

In addition, as of the Latest Practicable Date, the lessor of one of our leased premises had not registered the lease agreement with the relevant competent government authority. Our PRC legal advisor, Fangda Partners, is of the view that the failure to register the lease agreement solely will not affect the validity of such lease agreement.

Overseas Properties

The United States

As of the Latest Practicable Date, we leased premises in a building with approximately 23,533 rentable square feet for our office and laboratory operations in the State of New Jersey in the United States.

Japan

As of the Latest Practicable Date, we leased premises in a building with approximately 82 sq.m. for office use in Tokyo, Japan.

ENVIRONMENTAL MATTERS

The production and sale of our life sciences research and application products and the provision of our services are subject to general environmental protection laws, rules, and regulations pertaining to, among other things, sewage disposal and disposal of hazardous substances, waste, and air pollutants. Please see the section headed "Regulations" on page 119 of this document for details of environmental laws and regulations applicable to our business operations.

During our daily operations, we assess our compliance with the applicable laws, rules, and regulations and identify any changes in government regulations and requirements through our environment, health, and safety management system in order to take timely and effective measures. Pollution control equipment has been installed at our production facilities to control water, waste, and air emissions. In order to reduce sewage discharge, we have installed a sewage treatment system to remove contaminants from wastewater and adjust the pH to a neutral range in our major operating facilities. The wastewater treatment process consists of precipitation and other pollutant removal procedures. Regarding air emission, we have a transverse ventilation system with activated carbon absorbers and fume hoods to deal with air pollutants produced during production and packaging of our products.

In addition, we ensure our safe business operations and prevent any production accidents through the development of a set of rules and regulations, organization of trainings for our employees, and close supervision on the safety conditions of our production. In particular, we have set up written procedures, systems, and regulations on how to use and dispose of hazardous and toxic substances. All hazardous and toxic substances are stored and disposed of separately with caution. We have engaged professional waste management firms to manage the disposal of hazardous solid wastes. We have also developed an environmental contingency plan to deal with emergencies.

During the Track Record Period, we had obtained all material permits and environmental approvals for our production facilities and had complied with applicable environmental laws and regulations in all material respects, except in relation to the discharge of pollutants prior to obtaining pollutants discharge permits and the discharge of waste gas beyond the permitted level during the Track Record Period as disclosed in the section headed "Business — Historical Non-compliance Incidents" beginning on page 238 of this document. The requirements of environmental protection imposed by relevant laws and regulations apply to all of our construction projects. We had implemented internal control measures and procedures in order to comply with such regulations by submitting applications and supporting documents and designing and constructing environmental protection facilities that meet the standards set out by the regulations. We have purchased the compulsory environmental pollution liability insurance. As of the Latest Practicable Date, we had not received any fines or penalties in relation to any breach of any applicable environmental laws and regulations that have materially adversely affected our operation.

For the years ended December 31, 2012, 2013, and 2014 and the six months ended June 30, 2015, our total cost of compliance with environmental protection laws and regulations was approximately US$25,000, US$112,000, US$107,500, and US$101,000, respectively. These costs did not include historical capital expenditures for property, plants, and equipment that may be attributable to

environmental compliance. We will devote more operating and financial resources to further environmental compliance whenever we are required by applicable laws and regulations in the future.

CORPORATE GOVERNANCE, INTERNAL CONTROLS, AND RISK MANAGEMENT

Our Directors are responsible for ensuring that our Company maintains sound and effective internal controls and for reviewing their effectiveness. We have adopted a series of internal control policies, procedures, and programs designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

- *Code of conduct*. Our employees' code of conduct sets out our values, acceptable criteria for decision making, and our ground rules for behavior. We have implemented mechanisms for our staff to whistleblow, carry out internal controls, file whistleblowing reports, or report on other misconduct, as well as a mechanism for making independent and fair investigations on reported matters and taking appropriate actions.

- *Anti-corruption compliance*. We are subject to the anti-corruption laws of the PRC, which prohibit companies and their intermediaries from making improper payments to public officials or other industry players for the purpose of obtaining or retaining business and/or other benefits, along with various other anti-corruption laws and regulations. Our corporate governance, internal control, and risk management measures are designed to ensure that we, our employees, and other parties with whom we have business relationships comply with applicable anti-corruption laws of the PRC and overseas jurisdictions. As part of our risk management and internal control measures, our Group has established the following internal policies against corruption and fraudulent activities.

  – We have established a set of internal regulations to prevent bribery and corrupt and fraudulent activities. We carry out our internal policy regarding avoidance of conflicts of interests and anti-fraudulent activities* (利益衝突回避及反舞弊制度), which provides that all of our employees are strictly prohibited from taking bribes and kickbacks during the course of their employment.

  – We also have implemented internal anti-corruption administrative rules* (反腐敗行為管理制度) applicable to all of our employees, as well as business partners, including agents, consultants, and distributors, which strictly prohibit (i) paying bribes to any government officials, any person whose activities are carried out on behalf of the government, and any private consultants employed at any governmental organization and state-owned enterprises to retain business opportunities and acquire any improper benefits; (ii) offering to pay kickbacks or pay any fees or offering any goods of value to business partners or any other personnel; and (iii) any business partners, distributors, or consultants from carrying out any such activities on behalf of us.

  – To avoid the occurrence of paying bribes, kickbacks or any other illegal payment, our financial department is responsible for (i) ensuring that all payments be made in accordance with applicable laws and regulations, (ii) inspecting the accuracy of all records and accounts, and (iii) checking that all submitted receipts for reimbursement can reflect the details of the payments, including the responsible personnel, detailed

explanations for the purpose of the receipts, and corresponding payment amount. In addition, our senior management shall monitor the effectiveness of our anti-corruption measures on a timely basis and implement any necessary supplemental control measures to prevent other types of improper and illegal payment. Further, our internal audit department shall also perform random auditing of our business and financial records to verify that receipts submitted by our employees are legitimate and eligible for reimbursement according to our internal rules.

– We have implemented procedures for handling complaints against our Directors, senior management, employees, distributors, and other business partners, as well as for conducting further internal investigations. Through our whistleblower hotline and emails, our internal audit department follows up on complaints (either with claimant identified or anonymously) relating to bribery, corruption, and fraudulent activities. As of the Latest Practicable Date, we had not received any material complaint relating to such activities.

– Before we commence business with our customers and suppliers, we may require certain suppliers and customers ("Business Partners") to sign a letter of trade in good faith* (誠信交易約定書) or agreements for similar purposes, which sets out, among other things, that (i) our Business Partner must undertake to prohibit its employees from providing cash, gifts, and other benefits in any form to our employees, (ii) we are entitled to terminate the relevant commercial contract with our Business Partner at default where bribery activities are identified and our Business Partner shall pay us damages, and (iii) our Business Partner shall immediately inform us if our employees are found to be conducting bribery activities.

– We emphasize the compliance requirement with anti-corruption laws and regulations at employee training sessions on a regular basis. In addition, we require our employees to undertake compliance with our internal anti-corruption administrative rules* (反腐敗行為管理制度) and our internal policy regarding avoidance of conflicts of interests and anti-fraudulent activities. Employees who violate any of the relevant internal policies and rules would be subject to penalties, including termination of employment.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, they had not engaged in, and were not aware of, any bribery, corruption, or fraudulent practice carried out by our Directors, employees, or distributors. Our Directors further confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had not been involved in any monetary or non-monetary bribery activities and had not been subject to any anti-corruption claims or investigations by the relevant authorities. As such, our Directors consider that our anti-corruption policies and procedures and relevant internal control measures have been sufficient and effective to ensure our compliance with the relevant anti-corruption laws and regulations, as well as to prevent the occurrence of bribery, corruption, or fraudulent practice by our Directors or employees.

- *Compliance with Hong Kong securities laws and regulations*. We have appointed Haitong International Capital Limited as our compliance advisor in effect from the date of [**REDACTED**] to advise us on ongoing compliance with the [**REDACTED**] and other applicable securities laws and regulations in Hong Kong. We have also appointed Ms. Wong Wai Ling (黃慧玲), our company secretary, who satisfies the requirements under Rule 3.28 of the [**REDACTED**], to advise our Company on the relevant requirements of the [**REDACTED**], as well as other applicable laws and regulations of Hong Kong.

- *Compliance with PRC laws and regulations*. We have discussed with and sought assistance from our PRC legal advisor, Fangda Partners, for the purpose of rectifying our historical non-compliances with PRC laws. We will continue to arrange various trainings to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management, and relevant employees on the latest PRC laws and regulations.

- *Internal control and risk management policies and procedures*. We have established a three-tier corporate structure in implementing our internal control and risk management policies and procedures.

  – Our Board and senior management oversee and manage the overall risks associated with our business operations.

  – We have established an audit committee comprised of three Independent Non-Executive Directors as part of our measures to improve corporate governance. The primary duty of the audit committee is to provide our Directors with an independent review of the effectiveness of the financial reporting process, internal controls, and risk management system of our Group. Our audit committee is chaired by Mr. Dai Zumian, who has more than 14 years of experience in finance and audit. Please see the section headed "Directors and Senior Management — Directors and Senior Management — Independent Non-executive Directors" on page 266 of this document for details.

  – Our internal audit department supervises the implementation of our risk management policy at the corporate level by bringing together each operating department, such as our financial and sales teams, to deliberate on risk issues among different functions. Our internal audit department consists of three dedicated employees and is headed by our internal audit manager, Ms. Hua Jingjing (華京京), who has accumulated over eight years of experience in establishing procedures for monitoring and reviewing risks, identifying and assessing risks, and verifying risks treatment and effectiveness in different industries. She is a qualified certified internal auditor. Prior to joining our Group in 2013, she worked as a senior internal control specialist in China Sunergy Co., Ltd.* (中電電氣(南京)光伏有限公司), a NASDAQ-listed manufacturer of solar cells and modules, from August 2009 to May 2013; and an auditor in Nanjing Branch of Deloitte Touche Tohmatsu Certified Public Accountants LLP from July 2007 to July 2009. She received a bachelor's degree in internal auditing from Nanjing Audit University* (南京審計學院) in June 2006. Other dedicated employees also received their bachelor's degrees in accounting and information management and information system and have accumulated over six years of relevant working experience. We believe that the composition of our internal control team is effective with the sufficient knowledge on auditing and relevant industry experience.

  – Our financial department reviews the financial risks on a regular basis, including recoverability of accounts receivables and subsequent settlement of the balance. For details of accounts receivables and turnover days, please refer to the section headed "Financial Information" on page 285 of this document.

Our risk management process starts by identifying the major risks associated with our corporate strategies, financial risks, operation risks, and legal risks. Based on the assessment of our risks in terms of their likelihood and potential impact, we would prioritize and pair each risk with a mitigation plan. We encourage an all-embracing culture of risk management that ensures all employees are aware of and responsible for managing risks. Each of our operating departments is responsible for identifying and analyzing risks associated with its respective function, maintaining a comprehensive risk register, preparing risk mitigation plans, measuring effectiveness of such risk mitigation plans, and reporting the status of risk management. Our internal audit department performs regular evaluation on the effectiveness of risk control measures taken by each operating department and issues an appraisal report which shall be submitted to our audit committee for approval.

We believe that the effectiveness and efficiency of our corporate management and internal control systems are critical to the success of our growing business. We will continuously assess and streamline our internal control mechanisms to ensure that the relevant procedures are adequate and effective.

LEGAL PROCEEDINGS AND COMPLIANCE

We are from time to time involved in certain legal proceedings arising in the ordinary course of our business, either as plaintiff, defendant, or a third party in litigation or arbitration proceedings. On September 15, 2011, we initiated legal proceedings against one of our competitors and one of our former employees in the United States, primarily due to their infringement of our intellectual property rights. On July 30, 2015, the court has entered a judgment in our favor in relation to our claims and the counter-claims initiated by the defendants. The court awarded us damages from the defendants in the amount of approximately US$10 million. On September 4, 2015, the defendants filed a notice of appeal to the court. On November 11, 2015, we and the relevant defendants entered into a settlement agreement to settle the dispute, among other things. Under the settlement agreement, instead of the full amount of damages awarded to us by the court, we agreed to accept a sum that we considered and negotiated primarily based on the amount of damages payable by the relevant defendants under the court order and that will represent a substantial gain of the Group for the year ending December 31, 2015. In September 2015, a competitor filed a civil complaint before the Intermediate People's Court of Suzhou City* (蘇州市中級人民法院) alleging that our production of gene synthesis services had infringed its patent registered at the State Intellectual Property Office of the People's Republic of China* (中華人民共和國國家知識產權局). We believe that such claims are ungrounded and lack strength and credibility. In connection with the Suzhou Lawsuit, we and the plaintiff agreed to settle the dispute under the same settlement agreement as abovementioned with respect to the US Lawsuit. As of the Latest Practicable Date, we were not aware of any current, pending, or threatened material litigation, arbitration proceedings, or administrative proceedings against us, any of our subsidiaries, or any of our Directors that could have a material adverse effect on our financial condition, results of operation, or reputation.

HISTORICAL NON-COMPLIANCE INCIDENTS

Set out below is a summary of certain incidents of our systemic non-compliance with applicable laws and regulations during the Track Record Period.

	Non-compliance incident and major causes	Legal consequences, potential maximum penalties and other financial liability	Rectification actions taken, potential future impact on our operations and financial conditions, and status as of the Latest Practicable Date	Enhanced internal control measures to prevent non-compliance
1.	According to the Environmental Protection Law of the PRC* (中華人民共和國環境保護法), entities shall discharge pollutants within the requirements of the pollutants discharge permit. Entities that fail to obtain the necessary pollutants discharge permit shall not discharge pollutants. During the periods from April 2014 to May 2015 and December 2010 to January 2015, respectively, GS China and Nanjing Jinsikang discharged pollutants prior to obtaining the relevant pollutants discharge permits. On December 20, 2013, GS China was fined by Nanjing Environmental Protection Bureau* (南京市環境保護局) in the amount of RMB37,000 for discharging waste gas, the odor concentration of which was beyond the permitted level, and was ordered to rectify the non-compliance incident. Such non-compliance incident was mainly caused by our designated staff's unintended and inadvertent oversight of the relevant PRC laws and regulations and their inadvertence for not actively communicating with the relevant authorities and applying for and obtaining the relevant permits.	Pursuant to the Measures of Jiangsu Province for the Administration of Pollutants Discharge License* (江蘇省排放水污染物許可證管理辦法), we may be ordered to seal the pollutant discharge outlets in the event that no rectification actions were carried out as requested and we might be required to pay the associated fees.	On February 14, 2014, GS China made payment of the fine. GS China had also rectified the non-compliance incident and had passed the environmental trial production and the environment protection completion acceptance. On May 22, 2015 and January 1, 2015, GS China and Nanjing Jinsikang obtained the Jiangsu Province Pollutants Discharge Permit* (江蘇省排放污染物許可證), respectively, and duly paid the pollutants discharge fees. On June 26, 2015, the Sole Sponsor, our PRC legal advisor, Fangda Partners, and the Sole Sponsor's PRC legal advisor, Junhe Law Offices, conducted an interview with Nanjing Jiangning District Environmental Protection Bureau* (南京市江寧區環境保護局) who provided an oral confirmation that (a) the bureau was aware of the fact that GS China had discharged pollutants prior to obtaining the pollutants discharge permit, and the bureau had not imposed any administrative penalties, (b) GS China had actively taken rectification measures pursuant to applicable laws and regulations, duly obtained the pollutant discharge permit, and duly paid the pollutants discharge fees, (c) in respect of discharging waste gas beyond the permitted level, GS China had duly paid the fines, completed the rectification, and passed the environmental trial production and the environment protection completion acceptance, and (d) the bureau does not intend to impose administrative penalties for such non-compliance incident.	• Our environment, health and safety department ("EHS") in charge of our compliance with environmental protection, occupational health and safety matters has prepared a checklist setting out all permits, certificates and approvals required for environmental protection, and instructed a designated personnel to ensure that relevant requirements have been fulfilled, including obtaining all necessary permits, certificates and approvals before we discharge any pollutants and discharge of our pollutants is in compliance with applicable environmental protection laws and regulations. • Our operations management department ("OMD") has collected such checklist from our EHS department for its review and is responsible for ensuring that our EHS department can effectively communicate with relevant authorities and obtain all necessary permits, certificates and approvals in a timely manner, and is responsible for maintaining a record of and renewing such permits, certificates and approvals. • Our legal department in charge of our overall legal compliance has set up internal legal compliance policies to ensure that our EHS department is in compliance with the relevant laws and regulations and that we have obtained the requisite permits, certificates and approvals for environmental protection in a timely manner. • Our internal audit department shall be responsible for performing audit over the performance of our EHS department in respect of the timeliness of application for, and completeness of our record of permits, certificates and approvals.

Non-compliance incident and major causes	Legal consequences, potential maximum penalties and other financial liability	Rectification actions taken, potential future impact on our operations and financial conditions, and status as of the Latest Practicable Date	Enhanced internal control measures to prevent non-compliance
		On July 6, 2015, the Sole Sponsor, our PRC legal advisor, Fangda Partners, and the Sole Sponsor's PRC legal advisor, Junhe Law Offices, conducted an interview with Nanjing High and New Technology Industrial Development Zone Environmental Protection Bureau* (南京市高新技術產業開發區環境保護局), who provided an oral confirmation that (a) the bureau was aware of the fact that Nanjing Jinsikang had discharged pollutants prior to obtaining the pollutants discharge permit, (b) Nanjing Jinsikang had actively taken rectification measures pursuant to applicable laws and regulations, duly obtained the pollutants discharge permit, and duly paid the pollutants discharge fees, and (c) the bureau does not intend to impose administrative penalties for such non-compliance incident. Our Directors, after taking into consideration various factors including the above interviews with the competent authorities and advice from our PRC legal advisor, Fangda Partners, are of the view that the likelihood that the relevant authorities will impose any administrative punishment or penalty on us is low. Accordingly, we had not made any provision for such non-compliance incidents. Our PRC legal advisor, Fangda Partners, has further advised us that Nanjing Jiangning District Environmental Protection Bureau and Nanjing High and New Technology Industrial Development Zone Environmental Protection Bureau are competent local authorities regulating environmental protection in their respective districts.	• We have discussed with and sought suggestions from our PRC legal adviser, Fangda Partners, for the purpose of preventing this type of non-compliance in the future. We will also consult our PRC legal adviser or other legal advisor, if necessary, to provide assistance in legal and compliance matters relating to the environmental protection. • We will engage third party inspectors from time to time to conduct periodic inspection of the level of emission, including waste gas, if necessary.

Non-compliance incident and major causes	Legal consequences, potential maximum penalties and other financial liability	Rectification actions taken, potential future impact on our operations and financial conditions, and status as of the Latest Practicable Date	Enhanced internal control measures to prevent non-compliance
2. According to the Interim Measures for Supervision and Administration of the "Three Simultaneities" for Occupational Health Construction Projects* (建設項目職業衛生"三同時"監督管理暫行辦法), occupational health facilities of a construction project that may likely cause occupational disease shall be designed, constructed and put into operation and use simultaneously with the main part of the construction project ("Occupational Health Three Simultaneities"). During the periods from March 2010 to August 2014 and September 2009 to August 2015, respectively, GS China and Nanjing Jinsikang did not attend to the Occupational Health Three Simultaneities procedures for the prevention and control of occupational disease during the construction of certain manufacturing facilities that may cause occupational disease. Such non-compliance incident was mainly caused by our designated staff's unintended and inadvertent oversight of the relevant PRC laws and regulations.	According to the Interim Measures for the Supervision and Administration of "Three Simultaneities" for Occupational Health Construction Projects, we may be issued a warning and ordered to rectify within a prescribed time. In case of failure to rectify within the prescribed time, we may be imposed a fine ranging from RMB100,000 to RMB500,000. Where the circumstances are serious, we may be ordered a discontinuation of the operation that poses an occupational disease, cessation of construction, or a shutdown of the production plant.	On August 28, 2014 and August 10, 2015, GS China and Nanjing Jinsikang had completed relevant assessments on the current status of occupational disease and the relevant assessments had been filed with the respective relevant authorities, respectively. On June 12, 2015 and August 11, 2015, GS China and Nanjing Jinsikang obtained separate written confirmations from Nanjing Jiangning District Administration of Work Safety* (南京市江寧區安全生產監督管理局) and Nanjing High and New Technology Industrial Development Zone Administration of Work Safety* (南京高新區安全生產監督管理局), confirming, in relation to GS China and Nanjing Jinsikang, that GS China and Nanjing Jinsikang (a) completed assessments on August 28, 2014 and August 10, 2015, and relevant assessments had been filed with the bureaus, respectively, and (b) completed the necessary rectifications and would not be ordered to cease operation or shut down owing to the failure to attend to the Occupational Health Three Simultaneities procedures. On July 9, 2015, GS China obtained a written confirmation from Nanjing Jiangning District Administration of Work Safety, confirming that during the Track Record Period, GS China was not subject to any administrative penalties due to any safety production accident or violations of any applicable laws. On July 15, 2015, Nanjing Jinsikang obtained a written confirmation from Nanjing High and New Technology Industrial Development Zone Administration of Work Safety, confirming that during the three preceding years of the date of confirmation, Nanjing Jinsikang had not experienced any material safety production accident and was not subject to any administrative penalties. Our Directors, after taking into consideration various factors, including the above written confirmations issued by the competent authorities and advice from our PRC legal advisor, Fangda Partners, are of the view that the likelihood that the relevant authorities will impose any administrative punishment or penalty on us is low. Accordingly, we had not made any provision for such non-compliance incidents. Our PRC legal advisor, Fangda Partners, has further advised us that Nanjing Jiangning District Administration of Work Safety and Nanjing High and New Technology Industrial Development Zone Administration of Work Safety are competent local authorities regulating the occupational health in their respective districts.	• Our EHS department has prepared a checklist setting out all permits, certificates, approvals, assessments and filings required for the prevention of occupational disease at our production facilities, and instructed a designated personnel to ensure that relevant requirements have been fulfilled, including obtaining and filing all necessary permits, certificates, approvals, assessments and filings in relation to the prevention and control of occupational disease and relevant assessments have been conducted. • Our OMD department has collected such checklist from our EHS department for its review and is responsible for ensuring that our EHS department can effectively communicate with relevant authorities to obtain all permits, certificates, approvals, submit filings and conduct relevant assessments required for the prevention and control of occupational disease in a timely manner and is responsible for maintaining a record of and renewing such permits, certificates, approvals, and submitting filings and assessments. • Our legal department in charge of our overall legal compliance has set up internal legal compliance policies to ensure that our EHS department is in compliance with the relevant laws and regulations for obtaining the requisite permits, certificates, approvals, and submitting filings and conducting relevant assessments for the prevention and control of occupational disease in a timely manner. • Our internal audit department shall be responsible for performing audit over the performance of our EHS department in respect of the timeliness of the application for, and maintaining a complete record of the permits, certificates, approvals, filings and assessments. • We have discussed with, and sought suggestions from, our PRC legal advisor, Fangda Partners, for the purpose of preventing this type of non-compliance in the future and will further consult our PRC legal advisor or other legal advisors to understand the relevant laws and regulations in relation to occupational health before the commencement of any construction or production activity for any new construction project if necessary.

Non-compliance incident and major causes	Legal consequences, potential maximum penalties and other financial liability	Rectification actions taken, potential future impact on our operations and financial conditions, and status as of the Latest Practicable Date	Enhanced internal control measures to prevent non-compliance
3. According to the Measures for the Supervision and Administration of the "Three Simultaneities" for the Safety Facilities of Construction Projects* (建設項目安全設施"三同時"監督管理辦法), and Regulations on the Safety Supervision of Construction Projects Involving Hazardous Chemicals* (危險化學品建設項目安全監督管理辦法), safety facilities of a construction project shall be designed, constructed and put into operation and use simultaneously with the main part of the construction project ("Safety Facilities Three Simultaneities"). During the periods from March 2010 to August 2013 and September 2009 to August 2015, respectively, GS China and Nanjing Jinsikang did not attend to the Safety Facilities Three Simultaneities procedures in respect of certain projects, including the project to construct facilities to produce 200 g of protein products, to create 60 stable cell lines, and to establish 50 drug libraries annually, and the project to construct facilities to produce 12 g of purified antibody products and to generate 100 animal experiment materials annually (excluding the hazardous chemicals storage warehouse project) of GS China, the laboratory innovation project of Nanjing Jinsikang and the hazardous chemicals storage warehouse project of GS China. Such non-compliance incidents were mainly caused by our designated staff's unintended and inadvertent oversight of the relevant PRC laws and regulations.	According to the Measures for the Supervision and Administration of the "Three Simultaneities" for the Safety Facilities of Construction Projects, Regulations on the Safety Supervision of Construction Projects Involving Hazardous Chemicals, and Work Safety Law of the PRC* (中華人民共和國安全生產法), we may be ordered to discontinue the construction process and make rectifications within the prescribed time limit. With respect to project involving hazardous chemicals, we may be fined an amount ranging from RMB500,000 to RMB1,000,000 if we fail to make rectifications within the prescribed time limit. With respect to other projects not involving hazardous chemicals, the fine would range from RMB5,000 to RMB30,000.	On August 25, 2013 and August 10, 2015, GS China and Nanjing Jinsikang had completed assessments on the current status of work safety, respectively, and such assessments had been filed with the respective relevant authorities. On June 12, 2015 and August 11, 2015, GS China and Nanjing Jinsikang obtained separate written confirmations from Nanjing Jiangning District Administration of Work Safety and Nanjing High and New Technology Industrial Development Zone Administration of Work Safety, confirming in relation to GS China and Nanjing Jinsikang, respectively, that GS China and Nanjing Jinsikang had (a) completed assessments on the current status of work safety on August 25, 2013 and on August 10, 2015, respectively, and filed relevant assessments with the bureaus, and (b) completed the necessary rectifications and would not be ordered to cease operation or shut down owing to the failure to attend to the Safety Facilities Three Simultaneities procedures. On July 9, 2015, GS China obtained a written confirmation from Nanjing Jiangning District Administration of Work Safety, confirming that during the Track Record Period, GS China was not subject to any administrative penalties due to any safety production accident or violations of any applicable laws. On July 15, 2015, Nanjing Jinsikang obtained a written confirmation from Nanjing High and New Technology Industrial Development Zone Administration of Work Safety, confirming that during the three preceding years of the date of confirmation, Nanjing Jinsikang had not experienced any material safety production accident and was not subject to any administrative penalties. Our Directors, after taking into consideration various factors, including the above written confirmations issued by the competent authorities and advice from our legal advisor, Fangda Partners, are of the view that the likelihood that the relevant authorities will impose any administrative punishment or penalty on us is low. Accordingly, we had not made any provision for this non-compliance incident. Our PRC legal advisor, Fangda Partners, has further advised us that Nanjing Jiangning District Administration of Work Safety and Nanjing High and New Technology Industrial Development Zone Administration of Work Safety are competent local authorities regulating work safety in their respective districts.	• Our EHS department has prepared a checklist setting out all permits, certificates, approvals and assessments required for the safety facilities of our construction projects, and instructed a designated personnel to ensure that relevant requirements have been fulfilled, including obtaining all necessary permits, certificates, approvals, filing of and assessments for the safety facilities of our construction projects. • Our OMD department has collected such checklist from our EHS department for its review and is responsible for ensuring that the EHS department can effectively communicate with the relevant authorities and obtain all necessary permits, certificates, approvals and file assessments required for work safety in a timely manner, and is responsible for maintaining a record of and renewing such permits, certificates and approvals. • Our legal department in charge of our overall legal compliance has set up internal legal compliance policies to ensure that our EHS department is in compliance with the relevant laws and regulations and that we have obtained the requisite permits, certificates and approvals, and conducting relevant assessments for the safety facilities of our construction projects in a timely manner. • Our internal audit department shall be responsible for performing audit of the performance of our EHS department in respect of the timeliness of the application for, and maintaining a record of the permits, certificates and approvals. • We have discussed with, and sought suggestions from, our PRC legal advisor, Fangda Partners, for the purpose of preventing this type of non-compliance in the future and will further consult our PRC legal advisor or other legal advisors to understand the relevant laws and regulations in relation to safety facilities before the commencement of any construction or production activity for any new construction project if necessary. • We will from time to time inspect and examine the safety facilities of our operation facilities. We will also ensure all of our employees possess the essential safety protection equipment to prevent safety related accident.

	Non-compliance incident and major causes	Legal consequences, potential maximum penalties and other financial liability	Rectification actions taken, potential future impact on our operations and financial conditions, and status as of the Latest Practicable Date	Enhanced internal control measures to prevent non-compliance
4.	According to the Construction Law of the PRC* (中華人民共和國建築法) and the Regulations on the Quality Administration of Construction Engineering* (建設工程質量管理條例), prior to commencing construction, the construction work commencement permit* (建築工程施工許可證) shall be obtained, and prior to commencing operation, inspection and acceptance on completion of construction* (竣工驗收) shall be obtained. GS China failed to obtain (i) the inspection and acceptance on completion of construction prior to commencing operation of the facilities constructed under the phase I of our construction projects in Nanjing ("Phase I Construction Project") during the period from December 2011 to July 2015 (from December 2011 to September 2015 for the warehouse), (ii) the construction work commencement permit prior to commencing the construction of the facilities under the phase II of our construction projects in Nanjing ("Phase II Construction Project") in September 2010, and (iii) the inspection and acceptance on completion of construction prior to commencing operation of the facilities constructed under Phase II Construction Project during the period from December 2012 to July 2015. Owing to the failure to obtain the above construction work commencement permit and inspection and acceptance on completion of construction which were prerequisites to obtaining the building ownership certificates, GS China failed to obtain the building ownership certificates for the buildings constructed under the Phase I and Phase II Construction Projects. Such non-compliance incident was mainly caused by our designated staff's unintended and inadvertent oversight of the relevant PRC laws and regulations.	According to the Construction Law of the PRC and the Regulations on the Quality Administration of Construction Engineering, our failure to obtain the construction work commencement permit for the Phase II Construction Project may lead to imposition of ratification orders, suspension of construction, and imposition of fines ranging from RMB51,068.2 to RMB102,136.3, representing 1% to 2% of the contract value of the Phase II Construction Project. In addition, our failure to obtain the inspection and acceptance on completion of construction for the Phase I and Phase II Construction Projects may lead to imposition of ratification orders, and imposition of fines ranging from RMB345,586.2 to RMB691,172.4, representing 2% to 4% of the contract value of the Phase I and Phase II Construction Projects.	On July 22, 2015, we had obtained the construction completion inspection and acceptance filing certificate for our Phase I and Phase II Construction Projects, except for one building used as our warehouse for the storage of reagents, production consumables and office supplies under the Phase I Construction Project. On July 31, 2015, we had obtained the building ownership certificates for the buildings under the Phase I and Phase II Construction Projects, except for our warehouse. On August 19, 2015, we obtained a written confirmation from Nanjing Jiangning District Construction and Engineering Bureau* (南京市江寧區建築工程局) confirming that (a) the Phase I and Phase II Construction Projects of GS China had been completed, and GS China had obtained relevant construction work commencement permit and inspection and acceptance on completion of construction, except for the warehouse, (b) the bureau was aware of the historical rectification actions taken by GS China to rectify the relevant non-compliances, (c) in respect of the warehouse, upon obtaining relevant inspection and acceptance from the relevant fire prevention authority, the application for the inspection and acceptance on completion of construction will be processed, and (d) the bureau does not plan to impose administrative penalties for such non-compliance incidents. On September 15, 2015 and September 17, 2015, we obtained the (a) construction completion inspection and acceptance filing certificate, and (b) the building ownership certificate for our warehouse, respectively. Our Directors, after taking into consideration various factors including the above confirmation issued by the competent authority and advice from our PRC advisor, Fangda Partners, are of the view that the likelihood that the relevant authority will impose any administrative punishment or penalty on us is low. Accordingly, we had not made any provision for this non-compliance incident. Our PRC legal advisor, Fangda Partners, has further advised us that Nanjing Jiangning District Construction and Engineering Bureau is the competent authority regulating construction in the district.	• Our civil engineering department in charge of quality management and inspection and acceptance on completion of construction works has prepared a checklist setting out all permits, certificates and approvals required for all construction works, and instructed a designated person or team of the specific construction project to ensure that relevant requirements have been fulfilled including construction works commencement permits have been obtained before the commencement of any construction works and the inspection and acceptance on completion of construction have been completed after the completion of any construction works. • Our OMD department has collected such checklist from the civil engineering department for record and is responsible for ensuring that the civil engineering department can effectively communicate with relevant authorities and obtain all permits, certificates and approvals required for all construction works in a timely manner and is responsible for maintaining a record of and renewing such permits, certificates and approvals. • Our legal department in charge of our overall legal compliance has set up internal legal compliance policies to ensure that civil engineering department is in compliance with the relevant laws and regulations for obtaining the requisite permits, certificates and approvals before commencing any construction or passing the inspection and acceptance on completion of construction in a timely manner. • Our internal audit department shall be responsible for performing audit over the whole process of our construction work and supervising the quality management procedures and the completion procedures of the inspection and acceptance on completion of construction. • We have discussed with, and sought suggestions from, our PRC legal advisor, Fangda Partners, for the purpose of preventing this kind of non-compliance in the future and will further consult our PRC legal advisor or other legal advisors to understand the relevant laws and regulations before the commencement of any construction or production activity for any new construction project if necessary.

	Non-compliance incident and major causes	Legal consequences, potential maximum penalties and other financial liability	Rectification actions taken, potential future impact on our operations and financial conditions, and status as of the Latest Practicable Date	Enhanced internal control measures to prevent non-compliance
5.	According to the PRC Laws on the Prevention of Occupational Diseases* (中華人民共和國職業病防治法), in respect of projects posing occupational disease, information of such projects shall be filed with relevant work safety supervision and administration bureau and a testing of factors in connection with occupational disease and an assessment on the current status shall be conducted. During the period from September 2009 to August 2015, Nanjing Jinsikang failed to file such information with the relevant authority and failed to conduct such testing and assessment. Such non-compliance incident was mainly caused by our designated staff's unintended and inadvertent oversight of the relevant PRC laws and regulations.	According to the PRC Laws on the Prevention of Occupational Diseases, we may be ordered to make rectifications within a prescribed period of time and receive a warning letter. If we fail to make rectifications as requested, we may be imposed a fine ranging from RMB50,000 to RMB100,000 for failing to file such information, and a fine ranging from RMB50,000 to RMB200,000 for failing to conduct such testing and assessment. Under serious circumstances, we may be ordered to cease production or shut down the manufacturing facilities.	On July 15, 2015, Nanjing Jinsikang obtained a written confirmation from Nanjing High and New Technology Industrial Development Zone Administration of Work Safety, confirming that during the three preceding years of the date of confirmation, Nanjing Jinsikang had not experienced any material safety production accident and was not subject to any administrative penalties. Nanjing Jinsikang had filed the regulated information with the relevant authority. On August 11, 2015, Nanjing Jinsikang received the letter issued by Nanjing High and New Technology Industrial Development Zone Administration of Work Safety acknowledging the receipt of the relevant application documents and information relating to projects posing occupational disease filed by Nanjing Jinsikang. In addition, Nanjing Jinsikang had conducted the testing of factors in connection with occupational disease and assessment on the current status of occupational disease in August 2015. On August 11, 2015, Nanjing Jinsikang obtained a written confirmation from Nanjing High and New Technology Industrial Development Zone Administration of Work Safety, confirming that Nanjing Jinsikang had completed the testing of factors and assessment of current status. During the Track Record Period and up to the Latest Practicable Date, our employees had not experienced any material occupational disease during the course of their employment. Our Directors, after taking into consideration various factors including the above written confirmation issued by the competent authority and advice from our legal advisor, Fangda Partners, are of the view that the likelihood that the relevant authority will impose any administrative punishment or penalty on us is low. Accordingly, we had not made any provision for this non-compliance incident. Our PRC legal advisor, Fangda Partners, has further advised us that Nanjing High and New Technology Industrial Development Zone Administration of Work Safety is the competent local authority regulating prevention and control of occupation disease in the district.	• Our EHS department has prepared a checklist setting out all assessments and testings required for the prevention of occupational disease in respect of our production facilities, and instructed a designated personnel to ensure that relevant requirements have been fulfilled • Our OMD department has collected such checklist from our EHS department for its review and is responsible for ensuring that our EHS department can effectively communicate with the relevant authorities to submit filings and conduct relevant assessment required for the prevention of occupational disease in a timely manner and is responsible for maintaining a record of such filings and assessments. • Our legal department in charge of our overall legal compliance has set up internal legal compliance policies to ensure that our EHS department is in compliance with the relevant laws and regulations for the prevention of occupational disease in a timely manner. • Our internal audit department shall be responsible for performing audit over the performance of our EHS department in respect of the timeliness of completing the relevant filings and assessments. • We have discussed with, and sought suggestions from, our PRC legal advisor, Fangda Partners, for the purpose of preventing this type of non-compliance in the future and will further consult our PRC legal advisor or other legal advisors to understand the relevant laws and regulations in relation to occupational health before the commencement of any construction or production activity for any new construction project if necessary.

Non-compliance incident and major causes	Legal consequences, potential maximum penalties and other financial liability	Rectification actions taken, potential future impact on our operations and financial conditions, and status as of the Latest Practicable Date	Enhanced internal control measures to prevent non-compliance
6. According to the Fire Prevention Law of the PRC* (中華人民共和國消防法), the design examination and acceptance procedures for the fire prevention inspection shall be undertaken prior to commencing operation of any production facilities. During the period from April 2010 till the Latest Practicable Date, Nanjing Jinsikang failed to undertake such design examination and acceptance procedures in respect of the leased property. Such non-compliance incident was mainly caused by our landlord's failure to renew the design examination and acceptance procedures for the fire prevention inspection when the use of the leased property was changed from office use to research and development and production use.	According to the Fire Prevention Law of the PRC, we may be imposed a fine ranging from RMB30,000 to RMB300,000 for our failure to complete the design examination and acceptance procedures for fire prevention inspection. In addition, we may be ordered a suspension of operation.	Nanjing Jinsikang had actively established and taken a series of rectification measures to ensure the fire safety of the leased property. For instance, we had established internal polices in respect of fire prevention applicable to our subsidiaries in Nanjing, setting forth comprehensive control measures to ensure that the fire prevention facilities or equipment have been properly installed, inspected or replaced at our production facilities. In respect of fire prevention measures in Nanjing Jinsikang, it is our policy to perform inspection on the fire prevention safety at regular intervals, provide our employees with fire prevention related training and educate them on relevant knowledge and skills. In addition, we organize fire drills at least each year. On August 5, 2015, the Sole Sponsor, our PRC legal advisor, Fangda Partners, and the Sole Sponsor's PRC legal advisor, Junhe Law Offices, conducted an interview with Nanjing High and New Technology Industrial Development Zone Fire Prevention Bureau* (南京市高新技術開發區消防大隊), who provided oral confirmation that (a) the bureau was aware of the fact that Nanjing Jinsikang failed to obtain the design examination and acceptance procedures regarding the fire prevention measures on a timely manner, (b) since the current scale of the research and production in Nanjing Jinsikang is relatively small, neither the research and production activities have had any adverse effect on the usage of other parts of the property, nor have they imposed any material risks to the usage of the entire property, (c) Nanjing Jinsikang had formulated corresponding policies and actively taken a series of rectification measures to safeguard the fire safety pursuant to relevant PRC laws and regulations, and (d) the bureau will not impose any administrative penalties for the failure of Nanjing Jinsikang to obtain such design examination and acceptance procedures. Our Directors, after taking into consideration various factors including the above interview with the competent authority and advice from our PRC legal advisor, are of the view that the likelihood that the relevant authority will impose any administrative punishment or penalty on us is low. Accordingly, we had not made any provision for this non-compliance incident. Our PRC legal advisor has further advised us that Nanjing High and New Technology Industrial Development Zone Fire Prevention Bureau is the competent local authority regulating fire prevention in the district.	• Our EHS department has prepared a checklist setting out all procedures required for fire prevention measures of our properties, and instructed a designated personnel to ensure that relevant requirements have been fulfilled in respect of fire prevention measures of our properties. • Our OMD department has collected such checklist from our EHS department for its review and is responsible for ensuring that our EHS department can effectively communicate with relevant authorities to conduct design examination and acceptance procedures required for fire prevention measures of our properties in a timely manner and is responsible for maintaining a record of such procedures undertaken. • Our legal department in charge of our overall legal compliance has set up internal legal compliance policies to ensure that our EHS department is in compliance with the relevant laws and regulations for fire prevention measures of our properties in a timely manner. • Our internal audit department shall be responsible for performing audit over the performance of our EHS department in respect of the timeliness of the procedures to be undertaken. • We have discussed with and sought suggestions from our PRC legal advisor, Fangda Partners, for the purpose of preventing this type of non-compliance in the future and will also consult our PRC legal advisor or other legal advisors to provide assistance on legal and compliance matters relating to any leased property if necessary.

Non-compliance incident and major causes	Legal consequences, potential maximum penalties and other financial liability	Rectification actions taken, potential future impact on our operations and financial conditions, and status as of the Latest Practicable Date	Enhanced internal control measures to prevent non-compliance
7. After ITSR Section 560.215 became effective on October 9, 2012, GS China, as an entity owned or controlled by a U.S. person, became subject to the jurisdiction of the ITSR. ITSR Section 560.206 prohibits the exportation, reexportation, sale or supply, directly or indirectly, to Iran or the Government of Iran, of goods, technology or services. On November 29, 2013, GS China shipped a replacement product to a customer in Iran pursuant to a sales transaction entered into by GS China during the year ended December 31, 2012. Such non-compliance incident was mainly caused by our designated staff's unintended and inadvertent oversight of relevant change in ITSR effective on October 9, 2012. For details of this sales transaction, please see the subsection headed " — Sales to Sanctioned Countries".	Under the relevant U.S. sanctions laws, a maximum criminal fine of up to US$1,000,000 and a maximum civil penalty of an amount based on the greater of twice the value of the underlying transaction and US$250,000 may potentially be imposed for each violation of the ITSR. Individuals may also face imprisonment for up to 20 years for criminal violations. As advised by our International Sanctions Legal Advisors, under the OFAC economic sanctions regime, possible criminal prosecutions and criminal fines are rare and only imposed when the violations are done to clearly and intentionally violate the law and typically only when the violations further nuclear, weapons or military programs of a sanctioned country or otherwise materially impairs U.S. national security. Maximum civil penalties are only imposed when the violation is done to clearly and intentionally violate the law and when there is no voluntary disclosure and no cooperation in any OFAC investigation of the matter.	On advice of our International Sanctions Legal Advisors, on August 25, 2015 (as supplemented by further information on October 30, 2015), we made a voluntary self-disclosure ("VSD") to OFAC because three U.S. dollar payments that we received from Iran after March 8, 2013 and one replacement shipment to a customer in Iran in November 2013 appeared to be violations of the U.S. sanctions. In the VSD, we provided OFAC with full details and relevant documents regarding those three payments and that shipment. In addition, we filed an interpretive guidance request with OFAC requesting OFAC's guidance as to whether U.S. dollar payments that we received in connection with our sales in Iran during the Track Record Period and before March 8, 2013 were lawful under the U.S. sanctions. We also included details about those payments in the VSD. On November 24, 2015, OFAC responded to the VSD with a Cautionary Letter representing a final enforcement response. In the Cautionary Letter, OFAC informed us that the three U.S. dollar payments that we received from Iran after March 8, 2013 and the single replacement shipment were apparent violations of the U.S. sanctions. However, OFAC indicated that it was not pursuing any civil monetary penalty against us. On November 30, 2015, OFAC also advised our International Sanctions Legal Advisors that, due to the resolution of the VSD through the Cautionary Letter, OFAC considered the underlying question in the interpretive guidance request to have been resolved through the Cautionary Letter and asked us to withdraw the interpretive guidance request from further OFAC consideration. On December 5, 2015, through our International Sanctions Legal Advisors, we withdrew the interpretive guidance request from further OFAC consideration. Accordingly, both we (as advised by our International Sanctions Legal Advisors) and OFAC now consider the possible legal issues raised through the VSD and the interpretive guidance request to be fully closed with the issuance of the Cautionary Letter and without the imposition of any civil monetary penalty.	We have established a Sanctions Risk Control Committee and relevant internal control procedures to continuously monitor and evaluate our sanctions risks and take measures to protect the interests of our Group and our Shareholders. For details of our internal control procedures, please see the subsection headed "— Sales to Sanctioned Countries — Our Undertakings and Internal Control Procedures".

	Non-compliance incident and major causes	Legal consequences, potential maximum penalties and other financial liability	Rectification actions taken, potential future impact on our operations and financial conditions, and status as of the Latest Practicable Date	Enhanced internal control measures to prevent non-compliance
8.	GS HK and GS International failed to comply with (i) section 111(1) of the Predecessor Companies Ordinance and/or section 610(1) of the Companies Ordinance and (ii) section 122 of the Predecessor Companies Ordinance and/or section 429 of the Companies Ordinance. Neither GS HK nor GS International convened any annual general meetings since their incorporation. In addition, GS HK and GS International failed to lay their respective audited financial statements at annual general meetings since their incorporation. The periods of non-compliance for GS HK and GS International were from September 21, 2012 to August 18, 2015 and December 7, 2013 to August 18, 2015, respectively. The omission was not willful, but due to the inadvertent oversight of our staff responsible for supervision on secretarial matters and financial statements preparation and the absence of timely and professional advice at the material time.	Under section 111(5) of the Predecessor Companies Ordinance and/or section 610(9) of the Companies Ordinance, failing to convene annual general meetings as required would result in the company and every responsible person of the company committing an offense, and each may be subject to a fine. The maximum penalty is a fine of HK$50,000. Under section 122 of the Predecessor Companies Ordinance and/or section 429 of the Companies Ordinance, a director of the company who fails to lay financial statements at the annual general meetings of the company would commit an offense and be liable to a fine. The maximum penalty is HK$300,000 and imprisonment for 12 months.	The audited accounts of the most recent 3 years were laid before the annual general meetings subsequently held. Our Group had also sought legal advice on whether relief can be obtained from the Court. As advised by Mr. Henry Cheng, our Predecessor Companies Ordinance non-compliance legal counsel, any application to the Court for relief would likely be dismissed. As advised by Mr. Henry Cheng, the prosecution in respect of the breach before 2012 is time barred by section 351A of the Predecessor Companies Ordinance. For the breaches in 2012, 2013, and 2014, as further advised by Mr. Henry Cheng, there is not a particularly high risk of prosecution. And in the event of a prosecution and conviction, the maximum penalties and imprisonment are unlikely to be imposed. The likely sentence would be a monetary fine in the range of several thousand to ten thousand Hong Kong dollars. We had not made provisions for the potential payment of the fine because the maximum amount of fine is relatively immaterial.	• We have formulated and adopted an internal control manual which includes the procedures for properly convening annual general meetings. • We will engage our Hong Kong legal advisor to provide advice on ongoing compliance with Hong Kong laws and regulations applicable to us.

	Non-compliance incident and major causes	Legal consequences, potential maximum penalties and other financial liability	Rectification actions taken, potential future impact on our operations and financial conditions, and status as of the Latest Practicable Date	Enhanced internal control measures to prevent non-compliance
9.	GS HK failed to inform the IRD of its respective chargeability to tax within the prescribed time limit of April 30, 2012 for the year of assessment 2011/2012 to the IRD under section 51(2)of the IRO and committed an offense in breach of section 51(2) of the IRO. The delay was not willful but due to the inadvertent oversight of the administrative staff responsible for filing profits tax returns.	According to section 82A of the IRO and in light of the published penalty policy of the IRD and the practice of the profits tax unit of the IRD, there could be imposition of penalty of an amount equating to 10% of the profits tax undercharged as a consequence of the failure to inform the IRD, that is, the maximum penalty to be charged on the Company is around HK$200,000. In any event, the amount of penalty, if any, to be imposed is at the discretion of the IRD.	No further actions need to be taken by GS HK since GS HK had informed the IRD of its chargeability to tax although outside the prescribed time limit. As advised by Mr. Godwin Ng, our tax legal counsel, in light of the fact that GS HK had voluntarily informed the IRD of its chargeability to tax, though not within the prescribed time limit, the chance of GS HK being subject to penalties at the maximum level under civil proceeding or otherwise is small. As advised by Mr. Godwin Ng, our tax legal counsel, GS International suffered a loss for the year of assessment 2011/2012, which is shown in the relevant financial statements; therefore, it had no profit chargeable to tax and has no duty to inform the IRD of its chargeability to tax for that year of assessment.	• We have formulated and adopted an internal control manual which includes the procedures for tax filings and recording to prevent late filing of profits tax return.
10.	GS HK and GS International failed to submit the profits tax returns for the years of assessment 2011/2012 (GS HK only) and 2012/2013 to the IRD within the prescribed time limit of April 4, 2014 under section 51(1) of the IRO and committed an offense in breach of section 51(1) of the IRO. The delay was not willful but due to the inadvertent oversight of the administrative staff responsible for filing profits tax returns.	According to section 80(2) of the IRO, the maximum penalty is a fine of HK$10,000 and a further fine of three times the amount of the tax undercharged.	GS HK was fined a penalty of HK$3,000 for late submission of profits tax return for the year of assessment 2011/2012. On October 16, 2014, GS HK duly paid the penalty imposed on it. GS HK and GS International were each fined a penalty of HK$1,200 for late submission of profits tax return for the year of assessment, 2012/2013. On October 16, 2014, GS HK had duly paid the penalty imposed on it. On December 19, 2014, GS International had duly paid the penalty imposed on it. As advised by Mr. Godwin Ng, our tax legal counsel, in light of the fact that GS HK and GS International have duly paid the penalties imposed on them by the IRD, GS HK and GS International will not be subject to any penalties for late submission of tax returns by them for the year of assessment 2012/2013 and by GS HK for the year of assessment 2011/2012. Accordingly, we had not made any provision for this non-compliance incident.	• We have formulated and adopted an internal control manual which includes the procedures for tax filings and recording to prevent late filing of profits tax return.

Based on the above, our Directors consider that none of the legal and compliance matters mentioned above will have any material adverse effect on our business operation and financial condition. Having considered the facts and circumstances leading to the non-compliance incidents as disclosed above, we have implemented the following specific internal control measures to avoid the future recurrence of such non-compliance incidents in addition to the series of internal control policies, procedures, and programs as disclosed in the section headed "— Corporate Governance, Internal Controls and Risk Management".

- **Training:** It is our policy to provide our Directors, senior management and employees with training, development program and/or update regarding the legal and regulatory requirements applicable to the business operation of our Group on a semi-annual basis which will be provided by our external legal counsel.

- **Internal Audit:** In June 2015, we formulated a written policy pursuant to which our internal audit department regularly monitors key controls and procedures in order to assure our management and Board of Directors that the internal control system is functioning as intended. It shall be responsible for performing audit over the performance of our operating department in respect of the timeliness of the application, and completeness of the recording of the permits, certificates and approvals.

- **Compliance with Applicable Laws and Regulations:** We have taken various measures to comply with applicable laws and regulations. For instance, we have established a system to enhance the accountability of each of our subsidiaries and the designated personnel in charge with regard to due compliance with applicable laws and regulations. In addition, we have discussed with and sought suggestions from our PRC legal advisor, Fangda Partners, for the purpose of preventing non-compliance of the same kind in the future and will also consult our PRC legal advisor or other legal advisors to provide assistance on legal and compliance matters to us.

  In April 2015, our legal department in charge of our overall legal compliance has formulated internal compliance policies to ensure that our operating departments are in compliance with the relevant laws and regulations for obtaining the requisite permits, certificates and approvals, and conducting relevant assessments for our operations in a timely manner. Our legal department is headed by Dr. Dong Nan (東楠), who is responsible for overseeing the legal affairs of the Group and ensuring that our operation is in compliance with relevant laws and regulations. Dr. Dong has accumulated over ten years of experience in handling legal affairs in relation to various matters, such as contract review, litigation, legal opinion review, certification application and intellectual property related issues. Dr. Dong passed the PRC bar examination* (中國法律職業資格考試) in 2004. Prior to joining our Group in 2011, she worked as a legal assistant in Shanghai Nuo Sheng Law office* (上海諾盛律師事務所) from December 2006 to September 2007; an intellectual property manager in Shanghai Allist Pharmaceuticals, Inc.* (上海艾力斯生物醫藥有限公司) from September 2007 to September 2008; and the head of legal department in Shanghai GenePharma Pharmaceuticals, Inc.* (上海吉瑪製藥技術有限公司) from October 2008 to October 2010. She obtained a Doctor of Philosophy degree in Biochemistry and Molecular Biology from Nankai University* (南開大學) in 2005. She joined our Group in 2011 as the vice head of our strategic department first and then became the head of our legal department in 2014. Dr. Dong worked in the strategic development department of our Group from 2011 to 2013. From 2014 onwards, she was transferred to the legal department, when she began to oversee certain legal affairs of our

Group in order to ensure that the operation of our Group is in compliance with relevant laws and regulations. From April 2015, Dr. Dong and the management team of our Company restructured the operation of our Company and centralized the management of all legal matters under the supervision of the legal department. Under the direction of Dr. Dong and with the advice of external legal advisors, we intensively communicated with the appropriate authorities to rectify non-compliance incidents in the past and have taken all necessary actions to rectify the non-compliance. Save for the non-compliance incidents as disclosed under the section headed "Business Historical Non-Compliance Incidents" from pages 238 to 247 of the document, we had not encountered further material non-compliance. Given the experience Dr. Dong has accumulated during the course of her employment as the head of the legal department and her education background and qualification in life sciences in addition to the advice of the external legal advisor as and when appropriate, our Directors believe that she is competent in understanding the technicalities in our business operation and handling the relevant compliance matters.

- **Measures Taken by Operating Department:** We have established a management system in respect of our various production permits, licenses and approvals in April 2015. Our different levels of operating departments have established measures in place to ensure that our operations are in compliance with applicable laws and regulations in various aspects. For instance, we have prepared comprehensive checklists setting out all necessary permits, certificates and approvals required for our business operations. We have also designated personnel to ensure that relevant requirements are fulfilled. In addition, our OMD department has collected checklists from our operating departments for its review and is responsible for ensuring that our operating departments can effectively communicate with relevant authorities and obtain all permits, certificates, approvals required for our operations in a timely manner and for maintaining a record of and renewing such permits, certificates and approvals.

  We have designated Ms. Luo Hui (羅惠), the head of our quality and operation management department and OMD department, to ensure the ongoing compliance of our operation with relevant laws and regulations from quality and operation management perspective. Ms. Luo has accumulated over ten years of experience in the quality management field. Prior to joining our Group in 2009, she worked as the quality control supervisor in Polifarma (Nanjing) Co., Ltd.* (寶利化(南京)製藥有限公司) from September 2008 to March 2009, and the quality assurance and quality control supervisor in Nanjing Ruinian Best Pharmaceutical Co., Ltd (南京瑞年百思特製藥有限公司) from May 2005 to August 2008. She obtained her bachelor's degree in biotechnology from Nanjing Agricultural University* (南京農業大學) in 2001.

  Our historical non-compliance incidents in relation to environment, health and safety were results of the unintended and inadvertent oversight of the PRC laws and regulations and not actively communicating with the appropriate authorities by the then responsible head of department, whose employment contract with us was terminated in May 2015. Ms. Luo Hui was a junior staff in the department when the historical non-compliance incidents first occurred and was not directly involved in such matters. Given (i) the current comprehensive internal control measures encompassing various major aspects of our daily operation, (ii) policies formulated specifically addressing environmental, health and work safety matters which had been enhanced and updated based on latest requirements of the relevant laws and regulations, (iii) advice from external legal advisors, (iv) Ms. Luo's over ten years of experience in the quality management field accumulated during the course of her employment,

(v) her familiarity with the business operation of our Group, and (vi) her sound compliance awareness gained from the rectification process of the past non-compliance incidents, our Directors believe that she is competent to handle compliance matters.

- **Internal Control Measures in respect of the Environmental, Health and Safety Matters:** Our EHS department has prepared a checklist setting out all permits, certificates, approvals, assessments, filings and testing required for the environmental protection, health and work safety, and instructed Mr. Xu Jian (徐堅), the head of our EHS department under the supervision of our quality and operation management department, to ensure that relevant requirements have been fulfilled and our on-going operation are in compliance with applicable environmental protection, health and work safety laws and regulations. Mr. Xu has accumulated over ten years of experience in managing environmental protection, health and work safety matters. Prior to joining our Group in 2015, Mr. Xu worked as an EHS specialist in Nanjing Bovon Power Tools Co., Ltd.* (南京搏峰電動工具有限公司) from February 2012 to May 2015; and an environmental safety coordinator in LG Chem (Nanjing) Information and Electronic Material Co., Ltd.* (LG化學(南京)資訊電子材料有限公司) from March 2005 to February 2012. He received a diploma in business administration from Open University of China* (中央廣播電視大學) in January 2011. In addition to the above internal control measures taken by our EHS department, we have adopted the following additional internal control measures in respect of the environmental, health and safety matters:

  - In January 2013, we established the Production Safety Committee (安全生產委員會) consisting of the chief executive officer, the vice president in charge of the work safety, the vice president in charge of the operation, the head of the logistic service center, the vice president of finance, the head of human resources and the head of the EHS department. The Production Safety Committee is responsible for supervising and monitoring compliance with applicable laws and regulations in relation to production safety, identifying safety issues in production processes, implementing appropriate accident prevention and control measures in production and business activities in order to avoid personal injury so as to ensure the safety of employees, and ensuring that smooth production and business activities could be carried out. To this end, the Production Safety Committee holds meetings on a regular basis to discuss recent material issues relating to production safety, the records of which shall be properly kept.

  - We also have designated specialized production safety management personnel, all of whom have obtained safety qualification permits (安全資格證書), who are responsible for daily management of our production work safety. In addition, we have one production safety management personnel for each of our operating departments.

  - In September 2013, we adopted written policy on appraisal of our production safety which is executed jointly by our EHS department and human resources department, according to which we shall perform regular evaluation on the execution of standard operating procedures, production standardization, safety training, rectification of potential flaws, accident management, occupational health, fire prevention and environmental protection. Subsequent to the initial formulation, we had from time to time enhanced and updated the policy continuously based on, among other things, (i) the latest requirements of the relevant laws and regulations, (ii) communication with the appropriate authorities regarding rectification measures to be undertaken immediately

becoming aware of the non-compliance incidents in relation to production safety, (iii) advices from external legal advisors, and (iv) our experience accumulated thereafter.

- We have also established an internal policy requiring all the employees to attend various safety training programs designed for different personnel on a regular basis and for no less than certain minimum hours. A proper attendance record for all training programs shall be maintained so that our Company could ensure that all the relevant personnel has received the training designed for them.

- We formulated an internal policy regarding the management of occupational health in September 2013. Subsequent to the initial formulation, we had from time to time enhanced and updated the policy continuously based on, among other things, (i) the latest requirements of the relevant laws and regulations, (ii) communication with the appropriate authorities regarding rectification measures to be undertaken immediately becoming aware of the non-compliance incidents in relation to occupational health management, (iii) advices from external legal advisors, and (iv) our experience accumulated thereafter. It is our policy that in respect of projects posing occupational disease, we shall file information of such projects with relevant authorities within 30 days since the inspection and acceptance on completion of such projects construction are completed. In addition, we shall perform periodic measurement on testing factors in connection with occupational disease and install automatic monitoring and alarming devices where needed. The testing report shall be properly kept and reported to the relevant authorities and our employees regularly. Furthermore, corresponding rectification measures shall be taken immediately once the testing factors in connection with the occupational disease have been detected to be inconsistent with applicable laws and regulations. As of the Latest Practicable Date, all non-compliance incidents as disclosed on pages 238 to 247 of this document in relation to occupation health had been rectified. Based on the foregoing, the supervision by the EHS department which is responsible for ensuring our on-going compliance with applicable health and work safety laws and regulations, along with the comprehensive internal control measures encompassing various major aspects of our daily operation, the Directors and Sole Sponsor are of the view that our current internal control measures are effective in preventing similar non-compliances going forward.

Views of the Directors and the Sole Sponsor

During the Sole Sponsor's due diligence process and having taken into account the following matters as confirmed by our Directors, nothing has come to the attention of the Sole Sponsor that would cause it to believe that our internal control is inadequate and insufficient under the Hong Kong [**REDACTED**] Rules to prevent the occurrence of the above non-compliance incidents in the future:

- having considered the reasons for each of the historical non-compliance incidents set out in the section headed "Historical Non-Compliance Incidents";

- having reviewed the enhanced internal control measures of our Group;

- having discussed with the senior management on the rectification actions, status as of the Latest Practicable Date, and progress of its implementation of the newly enhanced internal control measures to prevent recurrence of non-compliance incidents;

- having been given to understand that (i) our Group had established the internal control policies and put in place a number of internal control measures, including a system to enhance the accountability of each of our subsidiaries and the designated personnel in charge with regard to due compliance with applicable laws and regulations and a management system in respect of our various production permits, licenses and approvals, both at the headquarters level and subsidiary level, which are assumed to be fully implemented on an ongoing basis to rectify the deficiencies identified under the scope of the review. While the headquarters level refers to our Company functioning as the administrative head of the whole Group, the subsidiary level refers to key operating subsidiaries of our Group. Our internal control policies and measures aim at preventing the re-occurrence of the historical non-compliance incidents and involve and apply to all staff and personnel both at the headquarters level and the subsidiary level of our Group; (ii) the senior management was not aware of any further deficiency on the internal control systems, including any deficiencies in the business processes which are related to the historical non-compliance incidents, that would render the internal control measures inadequate and ineffective; and (iii) our Group believes that its internal control measures that are currently in place are adequate and effective;

- training session provided to all of our Directors by our Hong Kong legal advisor, Peter Yuen & Associates (in association with Fangda Partners) on August 24, 2015, on the ongoing obligations, duties and responsibilities of directors of publicly [**REDACTED**] companies under the Companies Ordinance, the SFO and the Hong Kong [**REDACTED**] Rules and the Directors are fully aware of their duties and responsibilities as directors of a [**REDACTED**] company in Hong Kong; and

- our Company's access to external professionals, such as the compliance advisor and legal advisors, to seek professional advice on legal and compliance guidance and any issues relating to rules, laws and regulations in the PRC and Hong Kong.

Our Directors and the Sole Sponsor are of the view that we have adequate and effective internal control procedures in place and in accordance with the requirements under the Hong Kong [**REDACTED**] Rules, and non-compliance incidents in the past will not affect the suitability of the Directors to act as directors of a [**REDACTED**] under Rules 3.08, 3.09, and 8.15 of the Hong Kong [**REDACTED**] Rules and/or the suitability for [**REDACTED**] of our Company under Rule 8.04 of the Hong Kong [**REDACTED**] Rules on the following basis:

- the occurrence of the non-compliance incidents was solely due to past inadvertent oversight or unfamiliarity with the relevant rules and regulations and did not involve dishonesty or fraud on the part on our Directors or impugn their integrity or competence. No legal action which may have any material impact on the Group's operations and financial conditions has been or is expected to be instituted by any relevant authorities;

- with the occurrence of these incidents, our Directors are minded and alert to any issues that might result in any non-compliance, and there are in place measures for preventing recurrence of non-compliance as disclosed above, and such measures are considered adequate and effective;

- upon the training sessions provided to our Directors, our Directors are fully aware of the requirements and obligations as directors of a [**REDACTED**] pursuant to the [**REDACTED**] Rules and have undertaken to observe and comply with all the relevant rules and regulations; and

- since the implementation of the enhanced internal control policies and measures and up to the Latest Practicable Date, our Directors confirmed that our Group had not been accused of any material breach of rules and regulations other than the non-compliant incidents as disclosed above.

Save as disclosed above, we have obtained and currently maintain all necessary permits and licenses that are material to our business operations, and, during the Track Record Period and up to the Latest Practicable Date, we have been in compliance with the applicable laws and regulations relating to our business operations in all material respects.