Tigermed

杭州泰格醫藥科技股份有限公司
Hangzhou Tigermed Consulting Co., Ltd.

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

Stock Code: 3347

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators and Joint Bookrunners

BofA SECURITIES　海通國際 HAITONG　CITIC SECURITIES　CICC 中金公司

Joint Global Coordinators and Joint Bookrunners

UBS　Jefferies

Joint Bookrunners (in alphabetical order)

招銀国际 CMB INTERNATIONAL　CREDIT SUISSE　FOSUN HANI 复星恒利　ICBC 工銀国际　东方证券 DFZQ 國際

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

HANGZHOU TIGERMED CONSULTING CO., LTD.
杭州泰格醫藥科技股份有限公司

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

Global Offering

Number of Offer Shares under the Global Offering	**107,065,100 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**5,888,600 H Shares (subject to reallocation)**
Number of International Offer Shares	**101,176,500 H Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**HK$100.00 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**RMB1.00 per H share**
Stock code	**3347**

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

A copy of this Prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this Prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Representatives (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, July 31, 2020 (Hong Kong time) and, in any event, not later than Thursday, August 6, 2020 (Hong Kong time). The Offer Price will be not more than HK$100.00 and is currently expected to be not less than HK$88.00 per Offer Share. If, for any reason, the Offer Price is not agreed by Thursday, August 6, 2020 (Hong Kong time) between the Joint Representatives (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate and with our consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this Prospectus (which is HK$88.00 to HK$100.00) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the website of our Company at www.tigermedgrp.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus.

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

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

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

July 28, 2020

Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from . . . . . 9:00 a.m. on Tuesday, July 28, 2020

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

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

(2) the designated website at **www.hkeipo.hk** . . . . . 11:30 a.m. on Friday, July 31, 2020

Application lists open[3] . . . . . 11:45 a.m. on Friday, July 31, 2020

Latest time for (a) lodging **WHITE** and **YELLOW** Application Forms, (b) completing payment for **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (c) giving **electronic application instructions** to HKSCC . . . . . 12:00 noon on Friday, July 31, 2020

Application lists close[3] . . . . . 12:00 noon on Friday, July 31, 2020

Expected Price Determination Date . . . . . Friday, July 31, 2020

(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares to be published on the websites of the Company and the Stock Exchange at **www.tigermedgrp.com** and **www.hkexnews.hk** on or before[4] . . . . . Thursday, August 6, 2020

(2) Results of allocations in the Hong Kong Public Offering to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares – Publication of Results" in this Prospectus from[4] . . . . . .Thursday, August 6, 2020

Dispatch of H Share certificates and e-Auto Refund payment instructions/refund checks on or before[4][5] . . . . . .Thursday, August 6, 2020

Dealings in the H Shares on the Stock Exchange expected to commence on[4] . . . . . .Friday, August 7, 2020

Notes:

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

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

(3) If there is a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, July 31, 2020, the application lists will not open and close on that day. See the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus.

(4) If there is a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong on Friday, July 31, 2020, then the day of (i) announcement of the results of allocations in the Hong Kong Public Offering; (ii) dispatch of H Share certificates and refund checks/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the H Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

(5) The H Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Friday, August 7, 2020, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade H Shares on the basis of publicly available allocation details or prior to the receipt of the H Share certificates or prior to the H Share certificates becoming valid do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, our Company will make an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This Prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

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

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

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

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

OUR MISSION

Our mission is to improve health by accelerating the development of innovative and effective treatments for patients everywhere.

OUR COMPANY

We are a leading China-based provider of comprehensive biopharmaceutical R&D services, with an expanding global presence. According to the Frost & Sullivan Report, we were the largest clinical CRO in China in terms of revenue in 2019 and the number of on-going clinical trials as of the end of 2019, with a market share of 8.4% in 2019. We were also the only China-based clinical CRO among the top 10 global clinical CROs, ranking ninth with a global market share of 0.8% in terms of revenue in 2019 according to the Frost & Sullivan Report. The A Shares of our Company have been listed on the ChiNext market of the Shenzhen Stock Exchange (stock code: 300347) since August 2012.

We offer (i) clinical trial solutions and (ii) clinical-related and laboratory services, primarily covering pre-clinical research to post-approval studies for drugs and medical devices. Our laboratory services and bioequivalence studies are offered through our HKSE-listed subsidiary Frontage Holdings. With our comprehensive and integrated service offerings, robust quality management, scientific expertise and extensive regulatory knowledge, we help our customers develop drugs and medical devices efficiently and expeditiously in an increasingly complex industry and regulatory environment. Our proven track record of quality and on-time delivery has enabled us to grow faster than the overall clinical CRO market in China in the Track Record Period, during which we participated in over 400 clinical trials. Headquartered in China, we also have 17 overseas operation sites across 12 countries and regions in the Asia-Pacific region, North America and Europe, catering to the growing demand of our Chinese customers expanding overseas, as well as multi-regional R&D projects sponsored by both Chinese and multinational customers.

Since our founding in 2004, we have established a comprehensive suite of biopharmaceutical R&D service offerings.

Through our clinical trial operations, we plan, initiate, manage and close clinical trials in an integrated manner for trial sponsors, namely biopharmaceutical and medical device companies. In addition, we also offer other core services that are directly related to the clinical trials. For example, our medical writing and translation services help our customers prepare reports and documentation in support of the regulatory filing in different markets around the world; our pharmacovigilance services help our customers monitor and address potential safety issues at the trial execution stage. We categorize our clinical trial operations and other core clinical services under our *clinical trial solutions* segment.

In addition, we provide other standalone, ancillary services to assist various clinical trial stakeholders, including trial sponsors, clinical research institutions and investigators, in connection with certain specific aspects of a clinical trial. For example, our data management and statistical analysis services help our customers gather, manage, validate and analyze clinical data generated from their clinical trials. We refer to these ancillary services that provide necessary support to a clinical trial as clinical-related services and categorize them under our *clinical-related and laboratory services* segment.

- *Clinical trial solutions*. We provide clinical trial operation services to help biopharmaceutical and medical device companies operate clinical trials for innovative drugs, generic drugs and medical devices. We also offer other core clinical services including medical writing, translation and pharmacovigilance services, which are directly associated with clinical trial operations.

- *Clinical-related and laboratory services*. We also offer various project participants including trial sponsors, clinical research institutions and investigators other ancillary services that provide the necessary support to clinical trial operations, including analytical services (e.g., data management and statistical analysis, and medical imaging), logistical and execution support services (e.g., site management), administrative assistance (e.g., patient recruitment), and consulting services (e.g., GMP consulting). In addition, we provide laboratory services that cover both pre-clinical and clinical development stages through our HKSE-listed subsidiary, Frontage Holdings.

We have a broad, high-quality and loyal customer base, including both Chinese and global biopharmaceutical companies, as well as small- to medium-sized biotechnology companies and medical device companies. By offering services in accordance with global standards, we have established long-term relationships with a number of global biopharmaceutical companies, helping them access the vast and growing Chinese market and support their global expansion. Through our services, a diversified and growing base of Chinese customers have successfully obtained approvals of a variety of milestone drugs in China, such as Jiangsu Hansoh Pharmaceuticals Group's Almonertinib. In 2019, we served all of the top 20 global pharmaceutical companies and the top ten Chinese pharmaceutical companies by revenues according to Frost & Sullivan. We achieved a 100% year-over-year customer retention rate for our top ten customers during the Track Record Period. The contracted future revenue for our services was approximately RMB5,300 million as of March 31, 2020. See also "Risk Factors – Risks Relating to Our Business and Industry – Our contracted future revenue might not be indicative of our future revenue, and we may not be able to realize all of the anticipated future revenue associated with our contracted future revenue without any material delay."

As biopharmaceutical R&D becomes increasingly globalized and China becomes an integral part of the global healthcare market, we have been a pioneer in global expansion among China-based clinical CROs. Setting out in China, we have now expanded our presence in the Asia-Pacific region, North America and Europe and accumulated extensive local regulatory know-how and expertise in the design, execution and management of complex multi-regional R&D projects. As of March 31, 2020, we operated 17 overseas operation sites and maintained a team of 719 professionals overseas. We have participated in a number of multi-regional clinical trials, offering compelling value propositions to both multinational customers conducting trials in China and Chinese customers engaging in R&D activities in overseas markets. Through Frontage Group, we also provide a variety of laboratory services throughout the biopharmaceutical R&D process primarily in the United States and China.

Leveraging our industry insights, scientific expertise and financial resources, we have made strategic acquisitions to diversify our service offerings and expand our global footprint. We have also made minority investments in innovative biotech and medical device start-ups to support their R&D efforts and promote innovation in Chinese and global biopharmaceutical industry. Our strategic acquisitions and investments help our customers and investees bring more innovative and effective drugs and medical devices to patients and address their unmet medical needs. Through such acquisitions and investments, we aim to solidify our market leadership and foster a flourishing ecosystem that contributes to the sustainable and long-term growth of the healthcare industry.

Led by our Chairman Dr. Ye and General Manager and Executive Director Ms. Cao, our visionary, stable and highly experienced management team has served our Group for over ten years on average, contributing to our consistently high-quality services and industry leadership. We have also attracted a large talent pool, which is the most valuable asset to support our future growth. Their technical expertise and therapeutic experience, combined with extensive know-how accumulated in managing complex R&D projects, provides us with a competitive edge against our competitors.

We achieved robust growth during the Track Record Period. Our total revenues increased from RMB1,682.5 million in 2017 to RMB2,299.5 million in 2018 and further to RMB2,803.3 million in 2019, representing a CAGR of 29.1%. Furthermore, our total revenues increased by 8.3% from RMB605.0 million in the three months ended March 31, 2019 to RMB655.0 million in the three months ended March 31, 2020. Our net profit increased from RMB394.2 million in 2017 to RMB655.2 million in 2018 and further to RMB974.9 million in 2019, representing a CAGR of 57.3%. Furthermore, our net profit increased by 30.3% from RMB201.9 million in the three months ended March 31, 2019 to RMB263.0 million in the three months ended March 31, 2020.

OUR STRENGTHS

We believe the following strengths differentiate us from our competitors:

- China's largest clinical CRO with comprehensive services and an expanding global footprint;
- Industry-leading quality standards and project delivery capabilities;
- Visionary and experienced management team supported by talented and dedicated employees;
- Broad, high-quality and loyal customer base; and
- Strong track record of strategic acquisitions and investments driving long-term growth.

OUR GROWTH STRATEGIES

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

- Strengthen and diversify our service offerings;
- Expand globally and increase capabilities in key markets;
- Invest in technology innovation and explore cross-industry collaborations;
- Deepen partnerships with existing customers and attract new customers; and
- Continue to attract, train and retain talents.

OUR SERVICES

We offer comprehensive and integrated (i) clinical trial solutions and (ii) clinical-related and laboratory services, primarily covering pre-clinical trials to post-approval studies for drugs and medical devices. Our clinical trial solutions encompass clinical trial operation services and other core clinical services directly associated with clinical trial operations such as medical writing and translation services, and pharmacovigilance services. Our clinical-related and laboratory services comprise ancillary services that provide the necessary support to clinical trial operations, including data management and statistical analysis, site management and patient recruitment, as well as laboratory services provided by our HKSE-listed subsidiary, Frontage Holdings. Our comprehensive service offerings enable us to provide our customers with effective and customized solutions to many of the most crucial aspects of the R&D process. Over the years, we have accumulated scientific expertise, regulatory knowledge and project management know-how across a broad range of therapeutic areas.

The following table sets forth a breakdown of our total revenue by business lines during the Track Record Period.

	For the year ended December 31,			As of March 31,	
	2017	2018	2019	2019	2020
				(unaudited)	
			(RMB in thousands)		
Clinical trial solutions	750,438	1,107,636	1,346,672	277,277	302,561
Clinical-related and laboratory services	932,066	1,191,898	1,456,637	327,707	352,410
Total	1,682,504	2,299,534	2,803,309	604,984	654,971

The following table sets forth a breakdown of our gross profit during the Track Record Period and its respective gross profit margin by segment.

	For the year ended December 31,						For the three months ended March 31,			
	2017		2018		2019		2019		2020	
							(unaudited)			
	Gross profit	*Gross profit margin %*	*Gross profit*	*Gross profit margin %*	*Gross profit*	*Gross profit margin %*	*Gross profit*	*Gross profit margin %*	*Gross profit*	*Gross profit margin %*
	(RMB in thousands, except for percentages)									
Clinical trial solutions	253,021	33.7	416,779	37.6	578,774	43.0	113,082	40.8	141,363	46.7
Clinical-related and laboratory services	459,731	49.3	564,556	47.4	713,126	49.0	155,953	47.6	147,373	41.8
Total	712,752	42.4	981,335	42.7	1,291,900	46.1	269,035	44.5	288,736	44.1

OUR FEE MODELS

Our service fee arrangement can be primarily divided into two models: (i) fee-for-service ("**FFS**") model and (ii) full-time-equivalent ("**FTE**") model. Under both fee models, we typically enter into a master service agreement with our customers and receive payments in accordance with a pre-agreed payment schedule pursuant to the master service agreement. Under the FFS approach, we receive payments in accordance with a payment schedule specified in the relevant contract or work order. Under the FTE approach, we designate employees for the projects at a fixed rate per FTE employee per period of time.

We primarily charge our customers on an FFS basis for the services we provide, which accounted for 97.6%, 97.7%, 98.0% and 97.3% of our revenue for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, respectively. Going forward, we expect our revenue will continue to be substantially derived under the FFS model. We generally determine the fee level for each project based on a number of factors including the scope of the services required, the estimated costs and expenses of the required services, the estimated amount of time to be allocated to the project, the prices charged by our competitors for similar services.

OUR CUSTOMERS

In 2019, we provided services to 1,898 customers worldwide, including all of the top 20 global pharmaceutical companies and the top ten Chinese pharmaceutical companies by revenues according to Frost & Sullivan. Out of our five largest customers in the three months ended March 31, 2020, two companies are headquartered in China, and three companies are headquartered in the United States.

We enjoy a high level of customer loyalty and have developed long-term relationships with many of our customers. We provided services to 1,570, 1,788, 1,898 and 1,232 customers in the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, respectively. During the Track Record Period, we achieved 100% year-over-year customer retention rate for our top ten customers. Our revenue generated from our top ten customers amounted to RMB506.3 million, RMB617.3 million, RMB875.7 million, RMB180.4 million and RMB206.4 million for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, respectively. In 2017, 2018, 2019 and the three months ended March 31, 2020, our top ten customers together accounted for 30.1%, 26.8%, 31.2% and 31.5% of our total revenue in each period.

The total revenue generated from our five largest customers increased from RMB325.2 million for the year ended December 31, 2017 to RMB405.8 million for the year ended December 31, 2018, and further to RMB573.7 million for the year ended December 31, 2019. In the three months ended March 31, 2019 and 2020, the total revenue generated from our five largest customers was RMB119.6 million and RMB139.2 million, respectively. In 2017, 2018, and 2019 and the three months ended March 31, 2020, our five largest customers together accounted for 19.3%, 17.7%, 20.5% and 21.3%, respectively, of our total revenue, and our largest customer accounted for 5.8%, 4.9%, 4.7% and 6.6%, respectively, of our total revenue. See "Risk Factors – Risks Relating to Our Business and Industry – The potential loss of key customers or any of our large contracts could materially and adversely affect our business, financial condition and results of operations." for more information.

OUR SUPPLIERS

We procure a variety of consumables and equipment, mainly for our clinical trial solutions and clinical related and laboratory services. Such supplies are generally available from various suppliers in quantities adequate to meet our needs. Our suppliers are primarily located in China or the United States, including those with local offices and operations in China. We have established stable relationships with many of our key suppliers. As of March 31, 2020, our five largest suppliers in the three months ended March 31, 2020 had less than one year to 13 years of relationship with us. Our suppliers also include subcontractors. See "– Our Subcontractors" for more information.

The total amount purchased from our five largest suppliers amounted to RMB101.3 million, RMB101.8 million, RMB65.9 million, RMB21.9 million and RMB13.3 million for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, respectively. In 2017, 2018, and 2019 and the three months ended March 31, 2020, the total amount purchased from our five largest suppliers together accounted for 19.0%, 14.5%, 9.0% and 9.8%, respectively, of our total procurement amount during such periods. See "Business – Our Suppliers" and "Business – Our Subcontractors" for more information.

OUR SUBCONTRACTORS

Due to specific requests from our customers, as well as business and compliance considerations, we outsource a portion of our projects to third parties from time to time, which is in line with industry norm, according to Frost & Sullivan. We refer to such third parties as our subcontractors. For example, certain steps in some of our projects require services we currently do not provide, hence we engage qualified subcontractors to perform such services. Moreover, as Chinese law requires that all clinical trials be conducted at hospitals, we subcontract the clinical trial execution of our projects to hospitals in China. In addition, we outsource certain information technology and data services to third parties.

For the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, we incurred RMB277.9 million, RMB352.8 million, RMB257.8 million, RMB76.9 million and RMB43.5 million, respectively, for subcontracted services. In 2017, 2018, 2019 and the three months ended March 31, 2020, the total amount of subcontracted services accounted for 28.9%, 27.0%, 17.0% and 11.9% of our total cost of services for the same periods. The total amount purchased from our five largest subcontractors amounted to RMB91.9 million, RMB88.7 million, RMB45.1 million, RMB21.7 million and RMB9.2 million in 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, respectively. In 2017, 2018, 2019 and the three months ended March 31, 2020, the total amount of subcontracted services from our five largest subcontractors accounted for 17.3%, 12.6%, 6.2% and 6.8% of our total procurement amount during such periods. Our largest subcontractor accounted for 8.9%, 6.8%, 1.8% and 1.7%, respectively, of the total procurement amount during such periods. See "Business – Our Subcontractors" for more information.

OUR STRATEGIC ACQUISITIONS AND INVESTMENTS

We have made strategic acquisitions to expand our service offerings and geographic presence. When identifying suitable targets, we focus on businesses with highly complementary offerings to ours or strong local presence that could support our global expansion plans. Specifically, we seek to acquire businesses in order to offer more comprehensive services to our customers and maximize our value propositions. For example, in July 2014, we acquired a controlling stake in Frontage Labs, a leading laboratory services provider which offers laboratory services in both China and the United States, which are complementary to our leading clinical CRO capabilities. Pursuant to a restructuring, Frontage Labs became a wholly-owned subsidiary of Frontage Holdings. Frontage Holdings' revenue and net profits have rapidly grown since our acquisition of Frontage Labs, and Frontage Holdings became listed on the Hong Kong Stock Exchange in 2019 (stock code: 01521). We also pursue strategic opportunities to expand our global footprint. For example, in 2015, we acquired a 98.14% equity interest in DreamCIS, a leading Korea-based clinical CRO. DreamCIS became listed on the Korean Securities Dealers Automated Quotations of the Korea Exchange in May 2020. For more details about our acquisitions of Frontage Labs and DreamCIS as well as our integration of such acquired businesses, please see "Business – Our Strategic Acquisitions and Investments – Strategic Acquisitions." During the Track Record Period and as of the Latest Practicable Date, we had not made any material acquisition of companies that directly competed with us. When selecting acquisition targets, we will consider various criteria including (i) the target's ability to achieve synergies with our business operations, (ii) its geographic locations, (iii) size and growth potential, (iv) size and quality of the target's existing customer base, (v) operating history and track record of growth, (vi) scientific and technical expertise and (vii) financial performance.

To foster a flourishing ecosystem around our integrated biopharmaceutical R&D platform, we have also built a diversified investment portfolio through selective investments in biopharmaceutical and medical device start-ups as well as other industry players, funding their innovative R&D efforts with a goal to forge long-term cooperative relationships and promote innovation in the global biopharmaceutical industry. As of the Latest Practicable Date, we were a strategic investor in 58 innovative companies and other companies in the healthcare industry. We also cooperate with leading investment funds as a limited partner to incubate promising biotech and medical device companies. When selecting investment targets of innovative start-ups, we will primarily seek suitable targets at early stages of their technology development, with varying investment amounts based on potential business collaborations on a case-by-case basis, taking into account their technologies, services and geographic coverage.

As of March 31, 2020, our Group had RMB2,581.7 million in financial assets at FVTPL and RMB65.0 million in interests in associates. Our financial assets at FVTPL as of March 31, 2020 consisted of listed equity securities of RMB231.1 million, unlisted equity investment of RMB958.2 million, unlisted fund investments of RMB1,348.9 million and structured deposits of RMB43.5 million. As of March 31, 2020, our interest in our investees ranged from 0.55% to 51.39%. While we hold a 51.39% majority interest as a limited partner in one of our investees, we do not exercise control, joint control, or have significant influence over that investee. Hence, the financial results of that investee is not consolidated into our financial statements.

We have adopted and implemented a comprehensive set of internal policies to carry out our acquisition and investment strategies. Prior to making any investments, our Strategy Development Committee will assess the proposal based on our investment focus, strategic plans, financial budget and funding resources, before the proposal is provided to our Directors and (if required) our shareholders for approval. In addition, we have established an Investment Committee consisting of members of our senior management, an external experienced legal consultant and an independent non-executive Director with financial expertise. The Investment Committee is primarily responsible for the preliminary approval of transactions and supervision of our investment department in its execution of our acquisition and investment transactions. In addition, the investment department is also in charge of managing our investment portfolio and analyzing the performances of our investee companies.

For more details about our strategic acquisitions and investments. Please see "Business – Our Strategic Acquisitions and Investments."

We plan to continue to make selective acquisitions and investments to drive our long-term growth. We currently plan to use (i) 40%, or approximately HK$3,861.1 million, of the net proceeds from the Global Offering to fund potential acquisitions of attractive overseas clinical CROs that are complementary to our existing businesses as part of our global expansion plan and (ii) 20%, or approximately HK$1,930.5 million, of the net proceeds from the Global Offering to foster our biopharmaceutical R&D ecosystem by making minority investments in companies with innovative business models and growth potential. As of the Latest Practicable Date, we had not identified any specific acquisition or investment target, or entered into any agreements, commitments or understandings with respect to any such transaction, except as disclosed in "Waivers from Strict Compliance with the Listing Rules – Waiver in respect of companies acquired/to be acquired after the Track Record Period." For details regarding our use of proceeds and criteria for acquisitions and investments, please see "Future Plans and Use of Proceeds."

In addition, our potential acquisitions and investments may involve substantial risks. For details, please see "Risk Factors – Risks Relating to Our Business and Industry – Our acquisitions may not be successful and we may fail to successfully integrate these acquisitions with our business." and "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to identify promising investees or realize our anticipated investment returns from our investments."

MARKETING AND BUSINESS DEVELOPMENT

Our marketing team is responsible for building brand awareness, identifying new customers and creating tangible business opportunities. We employ a variety of marketing activities to promote our brands and services, including online and offline marketing activities. We also publish and distribute industry updates, event information, commentaries and other content regularly on social media and through emails to showcase our scientific expertise and increase our brand awareness. As of March 31, 2020, our marketing team consisted of 13 employees mainly based in China. See "Business – Marketing and Business Development – Marketing and Branding" for more information.

Our business development team is responsible for acquiring and managing customer relationships and growing our businesses across all our service offerings. Our business development efforts focus on attracting both Chinese and global customers with our leading clinical trial solutions. In addition, we also promote site management and patient recruitment, data management and statistical analysis, and other clinical-related services and laboratory services, with a goal to provide our customers tailored and integrated support throughout their biopharmaceutical R&D process. Most of our business development activities are conducted by our professional teams based in China as well as through U.S. based employees of Frontage Group. As of March 31, 2020, our business development team consisted of 143 employees. See "Business – Marketing and Business Development – Business Development" for more information.

INTELLECTUAL PROPERTY

Intellectual property rights are important to our business. We develop and use a number of proprietary methodologies, analytics, systems, technologies, trade secrets, know-how and other intellectual property during the conduct of our business.

The protection of our customers' intellectual property is essential to our business, and has been one of our highest priorities since our inception. Our employees are bound by confidentiality obligations under their employment contracts and are prohibited from disclosing our intellectual property or that of our customers. We also periodically provide trainings on intellectual property protection to our employees. We apply encryption technologies to enhance security, and our working areas can only be accessed by authorized personnel. For further details, please see "Business – Intellectual Property."

OUR FACILITIES AND OFFICES

We are headquartered in Hangzhou, China. As of the Latest Practicable Date, we had 116 offices, laboratory and other facilities located in China and overseas countries such as the United States and Korea. We own five of these properties and lease the remaining 111 properties from third parties. For further details, please see "Business – Our Facilities and Offices" and "Business – Properties."

COMPETITION

The global market for clinical CROs is highly competitive, characterized with a number of large and established multinational CROs. The top ten global clinical CROs accounted for 64.9% of the total global clinical CRO market by revenue in 2019, according to the Frost & Sullivan Report. Among them, we are the only China-based clinical CRO. In China, the five largest clinical CROs by revenue accounted for 31.0% of the total clinical CRO market in 2019. We were the largest clinical CRO in China in terms of revenue in 2019 with a market share of 8.4% in 2019, according to Frost & Sullivan.

We face competition from a substantial number of large, established, multinational CROs that are able to provide a range of services to meet the demands of a large number of complex and challenging projects simultaneously. These companies include U.S.-based companies such as IQVIA Holdings, Parexel, Laboratory Corporation, Syneos Health, PPD and PRA Health, Ireland-based company ICON, and China-based companies such as Fountain-Med and WuXi AppTec. We also face competition from a substantial number of small-to medium-sized CROs, both multinational and locally based. For more details, please see "Business – Competition."

SUMMARY FINANCIAL INFORMATION

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

Summary of Consolidated Statements of Profit or Loss

	For the year ended December 31,			For the three months ended March 31,	
	2017	2018	2019	2019	2020
				(unaudited)	
	(RMB in thousands)				
Revenue	1,682,504	2,299,534	2,803,309	604,984	654,971
Cost of services	(969,752)	(1,318,199)	(1,511,409)	(335,949)	(366,235)
Gross profit	712,752	981,335	1,291,900	269,035	288,736
Other income	30,912	22,234	64,149	13,223	14,367
Other gains and losses, net	113,347	281,107	361,551	99,516	146,828
Impairment losses[(1)]	(23,825)	(53,105)	(21,186)	(96)	(4,994)
Selling and marketing expenses	(39,749)	(54,454)	(81,072)	(21,099)	(20,721)
Administrative expenses	(239,106)	(316,423)	(350,510)	(77,022)	(84,328)
Research and development expenses	(49,667)	(88,025)	(124,049)	(31,588)	(34,231)
Share of (losses)/profits of associates	(6,199)	9,598	(9,768)	(13,496)	(2,823)
Finance costs	(11,661)	(19,365)	(42,243)	(9,989)	(14,139)
Profit before tax	486,804	762,902	1,088,772	228,484	288,695
Income tax expense	(92,647)	(107,653)	(113,839)	(26,587)	(25,726)
Profit for the year/period	394,157	655,249	974,933	201,897	262,969
Profit for the year/period attributable to:					
Owners of the Company	344,977	576,886	841,247	191,437	263,377
Non-controlling interests	49,180	78,363	133,686	10,460	(408)

Note:

(1) We recognized impairment losses of goodwill of RMB10.0 million and RMB19.0 million in 2017 and 2018, respectively. We did not recognize impairment losses of goodwill in 2019 and the three months ended March 31, 2020. Our goodwill amounted to RMB1,049.0 million, RMB1,032.9 million, RMB1,157.8 million, RMB1,355.6 million as of December 31, 2017, 2018 and 2019 and March 31, 2020, respectively. Determining whether goodwill is impaired requires an estimate of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of value in use or fair value less costs of disposal. For details, see "Financial Information – Critical Accounting Policies and Estimates – Key Sources of Estimation Uncertainty – Impairment of Goodwill."

In the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, we recorded other gains and (losses), net, of RMB113.3 million, RMB281.1 million, RMB361.6 million, RMB99.5 million and RMB146.8 million, respectively, which had a material impact on our financial condition and results of operations during the Track Record Period. Our other gains and losses primarily consist of (i) change in fair value of financial assets at FVTPL, which represents the gains or losses arising from change in fair value of our equity investments and other financial assets at FVTPL; (ii) gain on disposal of financial assets at FVTPL which relates to the realized gains from the disposal of our financial assets at FVTPL; (iii) gain on disposal of associates which relates to the disposal of equity interest we held in our associates; and (iv) gain on disposal of subsidiaries which relates to the disposal of equity interest we held in our subsidiaries.

The following table sets forth a breakdown of our other gains and losses for the periods indicated.

	Year ended December 31,			For the three months ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
			(RMB in thousands)		
Net foreign exchange (loss)/gain	(7,159)	4,592	6,271	(1,716)	1,521
Loss on write-off of intangible assets	(150)	–	–	–	–
Gain/(loss) on disposal of property, plant and equipment	42	(406)	(385)	(134)	(14)
Change in fair value of financial assets at FVTPL	60,851	149,098	184,996	32,088	56,700
Fair value change of contingent consideration	11,237	–	–	–	1,015
Bargain purchase gain	–	4,926	–	–	–
Gain on disposal of subsidiaries	14,733	1,073	73,747	52,828	6,743
Gain on disposal of associates	7,309	3,551	20,850	559	70,011
Gain on disposal of financial assets at FVTPL	34,674	112,107	76,072	15,891	10,852
(Loss)/gain arising from derivative financial instruments	(8,190)	6,166	–	–	–
Total	113,347	281,107	361,551	99,516	146,828

For details of our other gains and losses, see "Financial Information – Description of Key Statement of Profit or Loss Items – Other Gains and Losses, Net."

In addition, in the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, we recorded other income of RMB30.9 million, RMB22.2 million, RMB64.1 million, RMB13.2 million and RMB14.4 million, respectively, which had a material impact on our financial condition and results of operations during the Track Record Period. Our other income primarily consisted of (i) interest income from bank deposits, (ii) interest income from structured deposits, (iii) government grants, and (iv) dividend income from financial assets at FVTPL in relation to our minority investments. For details of our other income, see "Financial Information – Description of Key Statement of Profit or Loss Items – Other Income."

As a result of potential impacts of the COVID-19 outbreak and the impracticality to forecast certain profit and loss items, such as fair value changes on financial assets at FVTPL, **we expect our net profit and/or gross profit for the year ending December 31, 2020 could be lower than that in the year ended December 31, 2019.** For further details, please see "– Recent Developments."

Summary of Consolidated Statements of Financial Position

	As of December 31,			As of March 31,
	2017	**2018**	**2019**	**2020**
	(RMB in thousands)			
Non-current assets	2,355,793	2,937,864	4,201,662	4,768,949
Current assets	1,377,281	1,648,740	3,366,314	3,469,466
Current liabilities	786,730	1,259,980	1,811,986	1,939,888
Net current assets	590,551	388,760	1,554,328	1,529,578
Total assets less current liabilities	2,946,344	3,326,624	5,755,990	6,298,527
Non-current liabilities	57,796	54,475	234,712	435,842
Net assets	2,888,548	3,272,149	5,521,278	5,862,685
Share capital	500,177	500,177	749,508	749,468
Treasury shares	–	(248,125)	(211,224)	(210,033)
Reserves	2,055,442	2,575,990	3,708,558	4,007,165
Non-controlling interests	332,929	444,107	1,274,436	1,316,085
Total equity	2,888,548	3,272,149	5,521,278	5,862,685

Summary of Consolidated Statements of Cash Flows

	Year ended December 31,			Three months ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
			(RMB in thousands)		
Net cash generated from operating activities	308,347	509,373	537,551	49,554	44,907
Net cash used in investing activities	(869,001)	(376,004)	(609,370)	(68,194)	(352,333)
Net cash generated from/(used in) financing activities	720,732	45,972	1,352,811	(6,233)	238,356
Net increase/(decrease) in cash and cash equivalents	160,078	179,341	1,280,992	(24,873)	(69,070)
Cash and cash equivalents at the beginning of the year/period	363,646	521,632	698,186	698,186	2,006,926
Effects of exchange rate changes	(2,092)	(2,787)	27,748	(827)	18,174
Cash and cash equivalents at the end of the year/period	521,632	698,186	2,006,926	672,486	1,956,030

KEY FINANCIAL RATIOS

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

	Year ended December 31,			Three months ended March 31,
	2017	**2018**	**2019**	**2020**
Profitability ratios				
Gross profit margin[(1)]	42.4%	42.7%	46.1%	44.1%
Net profit margin[(2)]	23.4%	28.5%	34.8%	40.1%
Return on equity[(3)]	16.5%	21.4%	23.8%	N/A

	As of December 31,			As of March 31,
	2017	2018	2019	2020
Liquidity ratio				
Current ratio[(4)]	1.75	1.31	1.86	1.79
Leverage ratio				
Gearing ratio[(5)]	0.10	0.19	0.16	0.19

Notes:

(1) Gross profit margin is calculated using gross profit divided by revenue and multiplied by 100%.

(2) Net profit margin is calculated using profit for the year/period divided by revenue and multiplied by 100%.

(3) Return on equity is calculated using profit for the year attributable to equity shareholders of our Company divided by the average of the opening and closing balances of equity attributable to shareholders of our Company in the relevant year and multiplied by 100%.

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

(5) Gearing ratio is calculated using interest-bearing borrowings from banks and other entities divided by total equity.

SUMMARY OF MATERIAL RISK FACTORS

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

- A reduction in customer demand for or spending on biopharmaceutical R&D services could have a material adverse effect on our business, financial condition, results of operations and prospects.
- If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.
- Any failure to comply with existing or future changes in laws, regulations or industry standards or any adverse actions taken by government authorities against us could negatively impact our reputation, business, financial condition, results of operations and prospects.
- Our failure to obtain or renew certain regulatory approvals, licenses, permits and certificates required for our business may materially and adversely affect our business, financial condition, results of operations and prospects.
- We may lose or fail to attract customers if our service quality does not meet customers' standards or if our services do not meet their evolving needs.
- The potential loss of key customers or any of our large contracts could materially and adversely affect our business, financial condition and results of operations.

- We have historically grown our business in part through a number of acquisitions and investments and will continue to make selective acquisitions and investments in the future. We may not be able to identify suitable targets and such acquisitions and investments may not be successful and we may fail to realize our anticipated returns from such transactions.
- Our business operations and financial performance have been adversely affected by the COVID-19 outbreak, may in the future continue to be affected by the COVID-19 outbreak, and may be affected by other natural disasters, epidemics and other unforeseeable catastrophes.
- Our success depends on our ability to attract, train, motivate and retain skilled research, technical and project management personnel in a cost-effective manner.
- If we are unable to retain, attract, recruit and train suitably qualified management personnel, our business may be materially and adversely affected.
- Fluctuations in our impairment loss of goodwill, change in fair value of financial assets at FVTPL, gain on disposal of financial assets at FVTPL, gain on disposal of subsidiaries and gain on disposal of associates have significantly affected and may continue to affect our financial condition and results of operations.
- Our contracted future revenue might not be indicative of our future revenue, and we may not be able to realize all of the anticipated future revenue associated with our contracted future revenue without any material delay.
- Changes in international trade or investment policies and barriers to trade or investment, the ongoing conflict and the emergence of a trade war between the U.S. and China may have an adverse effect on our business and expansion plans.
- We face increasing competition and our inability to compete effectively may result in downward pricing pressure and reduced demand for our services.

SPIN-OFF OF DREAMCIS

We acquired DreamCIS in September 2015 to spearhead our CRO business in Korea. We, through Hongkong Tigermed, acquired a majority equity interest in DreamCIS in September 2015 from Leenos Co., Ltd. and Won Joung Choi and as of the Latest Practicable Date, we held an 63.44% equity interest in DreamCIS.

DreamCIS completed its listing on the Korean Securities Dealers Automated Quotations of the Korea Exchange on May 22, 2020. We believe the listing of DreamCIS would provide DreamCIS with access to additional capital raising channels to improve its financial profile and business performance, enhance its market reputation, and support its future business development and expansion, which will in turn benefit us as a majority shareholder of DreamCIS. Following the completion of the spin-off, we remain as the majority shareholder of DreamCIS and continue to consolidate its accounts into our financial statements. See "Business – Spin-off of DreamCIS" for further details.

OUR SHAREHOLDERS

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Dr. Ye and Ms. Cao, our founding Shareholders, will directly hold approximately 20.7% and 6.7% of the issued share capital of the Company respectively, and as parties acting in concert, will have an aggregate interest of approximately 27.4% of the issued share capital of the Company. Accordingly, Dr. Ye and Ms. Cao will be our largest shareholders immediately after the Listing. For further details, please see the section headed "Relationship with Dr. Ye and Ms. Cao" in this Prospectus.

RECENT DEVELOPMENTS

Based on the monthly management accounts after March 31, 2020 that were available as of the Latest Practicable Date, both of our revenue and gross profit increased in those relevant subsequent months compared to the relevant period in 2019. Such management accounts were prepared under PRC GAAP, and have not been audited or reviewed by our Reporting Accountants and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review.

Notwithstanding the foregoing, **we expect that our net profit and/or gross profit for the year ending December 31, 2020 could be lower than that in the year ended December 31, 2019,** assuming (i) no positive other gains and (losses), net, primarily including changes in fair value of financial assets at FVTPL, gain on disposal of subsidiaries and associates, and gain on disposal of financial assets at FVTPL, for the nine months ending December 31, 2020 which contributed significantly to our profit for the year ended December 31, 2019; (ii) increases in cost of services (in particular direct labor costs) and operating expenses (in particular administrative expenses) as we plan to continue to expand our business operations as we are of the view that the COVID-19 outbreak and its impacts are temporary; and (iii) that the current COVID-19 situation may continue or even deteriorate on a worldwide basis in the short term, particularly in the United States, which is one of our major markets.

Save as otherwise disclosed in this Prospectus, our Directors confirm that, as of the date of this Prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group (including due to the COVID-19 outbreak) since March 31, 2020, the end of the period reported on in the Accountants' Report set out in Appendix I to this Prospectus.

COVID-19 Outbreak and Effects on Our Business

Background

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. COVID-19 was first discovered in the city of Wuhan, China and has since spread rapidly across the world. As of the Latest Practicable Date, mainland China, Hong Kong SAR, Taiwan and certain other regions and countries where we operate, including the United States, Korea, Canada, Malaysia, Singapore, India, Australia, Switzerland and Romania, have been affected by the COVID-19 outbreak and, in response, have imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus.

According to the Frost & Sullivan Report, the COVID-19 outbreak impacted the global healthcare industry in various ways. To varying degrees, it disrupted the normal operation of biopharmaceutical companies and hospitals due to a number of factors such as mandatory quarantine requirements, social distancing, and transportation and travel restrictions. On the other hand, COVID-19 outbreak has raised public awareness for disease control and healthcare management, and highlighted the significance of innovative drugs and medical devices. COVID-19 outbreak may also accelerate digitalization in the healthcare industry and generate additional market opportunities.

Impacts of the COVID-19 Outbreak on Our Operations

Due to the COVID-19 outbreak, certain of our ongoing biopharmaceutical R&D projects in China and overseas, including our clinical trial operations, site management and patient recruitment projects and laboratory services, have been adversely affected in a number of ways:

- Hospitals and other clinical sites in both China and overseas have devoted significant medical resources to patients infected with COVID-19, resulting in fewer medical staff and facility resources available to clinical trials and related functions and services.

- In both China and overseas, patient candidates have become less willing to participate in clinical trials out of concern for potential infection at clinical sites, which has presented challenges to patient recruitment.

- The COVID-19 outbreak had resulted in regulatory approval delays and increasing backlog of pending drug and medical device applications in China and overseas due to government-imposed lockdowns, work place closures and travel restrictions.

- To a lesser extent, reduced transportations and disruption to manufacturing and logistics networks in China and overseas has affected our customers' as well as suppliers' abilities to manufacture drug candidates and other supplies necessary for our clinical trials and laboratory testing. Nevertheless, as of the Latest Practicable Date, most of our suppliers had resumed normal operations.

- Moreover, as social and work gatherings were banned, mandatory quarantine requirements were imposed and public transportation was suspended in certain cities and countries where our offices and facilities are located, a portion of our employees have been working remotely and our operations in those regions have been interrupted to the extent onsite services of our employees were required.

In China, we primarily offer clinical trial solutions and clinical-related services including data management and statistical analysis and site management and patient recruitment services. Due to the COVID-19 outbreak which peaked in February 2020 in China, limited medical staff and facility resources were available for clinical trials and related functions and services as hospitals and other clinical sites had devoted significant resources to address the COVID-19 outbreak in China. In addition, patients became less willing to participate in clinical trials out of concern for potential infection at clinical sites, presenting challenges to our site management and patient recruitment services. Moreover, regulatory approval delays resulting from the COVID-19 situation temporarily delayed our medical registration and regulatory affairs services. Last but not least, the widespread lockdowns, closure of work places and travel bans across China during the COVID-19 outbreak resulted in temporary interruption of our onsite services in general. As the COVID-19 outbreak conditions began to improve from the beginning of March 2020 in China, we have mobilized internal resources and leveraged our project execution capabilities aiming to accelerate temporarily delayed projects in China with an effort to make up time lost to the COVID-19 outbreak. As of the Latest Practicable Date, most Chinese cities had eased or lifted domestic travel restrictions and resumed work and production and we had resumed normal operations in China according to the local government's guidelines. As of the Latest Practicable Date, we have notified all of our employees in China to work in our offices, our on-site facilities or at relevant clinical sites, as applicable, and all of our departments and business functions in China have resumed their respective work and operations.

The number of COVID-19 cases continues to rise in the United States as at the Latest Practicable Date, which negatively affected our customers' business and temporarily reduced their demand for our services. In addition, the COVID-19 situation in the United States has limited the capacity of our employees performing laboratory services to the extent onsite services of such professionals were required. Moreover, the COVID-19 outbreak has caused reduced transportation services and disruption to manufacturing and logistics networks in the United States, which have adversely affected our suppliers' and our customers' suppliers' abilities to manufacture drug candidates and other supplies necessary for our laboratory testings in the United States. We took steps to strengthen our remote working capabilities during the lockdowns in the United States. For example, we leveraged our technology infrastructure to facilitate a remote working environment and maintained regular communications with our customers and suppliers in the United States. As of the Latest Practicable Date, our facilities in the United States continue to operate at a reduced utilization rate and there is no clear indication on when their operations will normalize.

The COVID-19 outbreak has also affected other countries and regions, such as Korea and Europe, where we mainly provide clinical trial solutions and other clinical related services. During the Track Record Period and up to the Latest Practicable Date, no individual country or region outside of China and the United States where the Group conducts businesses locally has been affected by the COVID-19 outbreak to an extent that the business operations and financial conditions of our Group as a whole had been materially and adversely affected. In Korea where a majority of our overseas clinical research projects are conducted, the COVID-19 outbreak conditions have been continuously improving since the late March 2020, and we had resumed normal operations in Korea in accordance with local guidelines as of the Latest Practicable Date. For other countries and regions, we are closely monitoring and preparing for the recovery of the COVID-19 outbreak conditions in such countries and regions. As local conditions continue to stabilize and improve in overseas countries and regions outside the United States, we intend to work closely with our customers and business partners with an aim to accelerate our work in order to minimize the impact of the COVID-19 outbreak for our customers and for ourselves.

Nevertheless, based on the knowledge of our Directors, during the period from January 1, 2020 and up to the Latest Practicable Date, there had not been any cancellation of any of our ongoing projects, material issues with collection of customer receivables, or disputes with major customers as a result of the COVID-19 outbreak. Amid the COVID-19 outbreak, our revenue increased by 8.3% from RMB605.0 million in the three months ended March 31, 2019 to RMB655.0 million in the three months ended March 31, 2020, and our gross profit increased by 7.3% from RMB269.0 million to RMB288.7 million during the same period.

However, the unprecedented nature of the COVID-19 outbreak has presented significant challenges and uncertainties to the global economy and across industries, including healthcare. Therefore, the COVID-19 outbreak could cause material uncertainties on our future growth. There is no assurance that we would be able to maintain or increase our net profit for the year ending December 31, 2020 and beyond to the extent the COVID-19 outbreak continues to affect business operations and social activities in the markets where we operate. Specifically, our revenue growth may be adversely affected by disruptions to our project and customer acquisitions, delays or suspensions of our ongoing or future projects, and contract terminations or disputes with our existing or future customers. In the event that our revenue decreases in 2020, we, however, may not be able to proportionately reduce our costs and expenses as, among other reasons, we may choose to continue to maintain our existing employee base and compensation levels and incur other operating expenses in line with historical levels. Moreover, we could experience decreases in the fair value gains or incur fair value losses with respect to our interests in certain investees should their business performances and prospects, or the condition of general economy and financial markets, be negatively affected by the COVID-19 outbreak, which in turn would adversely affect our net profit for the year ending December 31, 2020 and beyond. For details, see "Risk Factors – Risks Relating to Our Business and Industry – Our business operations and financial performance have been adversely affected by the COVID-19 outbreak, may in the future continue to be affected by the COVID-19 outbreak, and may be affected by other natural disasters, epidemics and other unforeseeable catastrophes."

Based on the following assumptions, the Directors are of the view that we will remain financially viable for over 10 years, with the Company's cash and cash equivalents on hand as of March 31, 2020 and 10% of the expected net proceeds received from the Global Offering: (i) the Global Offering is priced at HK$88.00, the low end of the offer price range, and the over-allotment option is not exercised; (ii) annual revenue in 2020 and beyond remains at 50% of actual revenue in 2019; (iii) all annual costs and expenses in 2020 and beyond remain at 80% of actual costs and expenses in 2019, except for direct project-related costs and selling and marketing expenses which will remain at 50% of those in 2019; (iv) same level of annual capital expenditure as incurred in 2019; (v) no liquidation of any investments; (vi) no interest income on our existing cash balance; and (vii) repayment of all existing liabilities and borrowings.

Our Remedial Measures

We have employed various measures to mitigate the impact of the COVID-19 outbreak on our ongoing R&D projects, customer relationships and procurement of supplies. These remedial measures include leveraging technologies to facilitate virtual clinical trial execution, online site monitoring, and dispatch of clinical trial drugs through express delivery in compliance with applicable laws and regulations. In addition, we have devoted extra human resources and leverage virtual, cloud-based technologies to accelerate the execution of delayed projects while ensuring high-quality services.

We have also implemented various protection policies for our employees to work remotely and onsite with protective masks and sanitization supplies, which have enabled us to carry out business after the government imposed lockdowns with minimized disruption. In line with government guidelines, we require employees who recently traveled within certain geographies during to self-quarantine in their homes for 14 days. We plan to continue to these countermeasures and may implement additional measures in the future to ease the impact of COVID-19 on our business in China and overseas. We have closely tracked the health status of our employees and had not received reports of any confirmed cases of COVID-19 as of the Latest Practicable Date.

However, as the COVID-19 outbreak continues to evolve and affect other parts of the world where we conduct clinical research projects and where our multinational customers are based, it is currently difficult to predict whether we may experience any material decline in customer orders and/or loss of customers in the future, and whether our existing and future projects may be materially disrupted or delayed due to the COVID-19 outbreak. The extent to which the COVID-19 outbreak may continue to adversely impact our business, prospects and results of operations will depend on the further spread of the virus and the success of the containment efforts that are under way across the countries in which we operate, which are highly uncertain and cannot be reasonably estimated at this point in time. For details, please refer to "Risk Factors – Risks Relating to Our Business and Industry – Our business operations and financial performance have been adversely affected by the COVID-19 outbreak, and may in the future continue to be affected by the COVID-19 outbreak, and may be affected by other natural disasters, epidemics and other unforeseeable catastrophes."

U.S.-China Trade Disputes

In December 2019, the U.S. and China reached a partial trade deal, under which the U.S. agreed to cancel some new tariffs and reduce rates for certain other duties in exchange for China to purchase more U.S. agricultural products and to make changes in the intellectual property and technology fields. In light of the current situation and the nature of the CRO industry, the U.S.-China trade disputes have not had any material adverse impact on the CRO industry or our business operations in the Track Record Period and up to the Latest Practicable Date, and our Directors are not aware of any on-going trade-related disputes between the United States and China which may adversely affect our business in the future. We cannot guarantee, however, that the U.S.-China trade war will not escalate in a way that may result in a material adverse effect on our results of operations in the long term. For example, our potential acquisitions and investments in the United States may be affected by heightened regulatory requirements or scrutiny if the current U.S.-China disputes continue to escalate. Moreover, although there is currently no U.S. law on personal privacy that would restrict the transfer of clinical trial and patient information across borders, including to or from China, so long as the relevant institutional review board has not imposed restrictions as part of a privacy protocol for the clinical trial, we cannot guarantee that our future U.S. projects and investments will not be affected by additional regulatory restrictions and scrutiny imposed by the U.S. regulators as the U.S.-China disputes escalate. Furthermore, there is no guarantee that China will not impose any additional U.S.-specific restrictions on top of its existing restrictions on transfer of scientific data and human genetic resources overseas. For details, see "Regulatory Overview – Principal Laws and Regulations Relating to Our Business in the PRC – the whole process of clinical research (for both pre-clinical studies and clinical studies) – Human genetic resources." Please refer to "Risk Factors – Risks Relating to Our Business and Industry – Changes in international trade or investment policies and barriers to trade or investment, the ongoing conflict and the emergence of a trade war between the U.S. and China may have an adverse effect on our business and expansion plans."

USE OF PROCEEDS

The net proceeds from the Global Offering which the Company will receive, after deducting the underwriting commissions, the discretionary incentive fee (assuming the full payment of the discretionary incentive fee) and the estimated expenses in relation to the Global Offering (assuming the Over-allotment Option is not exercised), will be approximately HK$9,652.6 million, assuming an Offer Price of HK$94.00 (being the mid-point of the Offer Price Range).

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

Allocation of the estimated net proceeds	Proposed main purposes
15%, or approximately HK$1,447.9 million	Organically expand and enhance our service offerings and capabilities across clinical trial solutions services and clinical-related services to meet the rising demands for our services in overseas markets.
40%, or approximately HK$3,861.1 million	Fund potential acquisitions of attractive overseas clinical CROs that are complementary to our existing businesses as part of our global expansion plan.
20%, or approximately HK$1,930.5 million	Foster our biopharmaceutical R&D ecosystem by making minority investments in companies with innovative business models and growth potential, such as biotech companies, healthcare IT companies, hospitals, medical device and diagnostic research companies.
10%, or approximately HK$965.3 million	Repay certain of our outstanding borrowings as of May 31, 2020.
5%, or approximately HK$482.6 million	Develop advanced technologies to enhance the quality and efficiency of our comprehensive service offerings, such as cloud-based virtual clinical trial platforms and laboratory automation, medical data platforms and site management capabilities, through recruiting qualified technical and scientific professionals and undertaking specific R&D projects.
10%, or approximately HK$965.3 million	Working capital and general corporate purposes.

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

DIVIDENDS

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

	For the year ended December 31,		
	2017	2018	2019
	(in RMB thousands)		
Final dividend proposed of RMB0.20, RMB0.35 and RMB0.278 per ordinary share in respect of the years ended December 31, 2017, 2018 and 2019	100,035	174,638	208,069

On April 15, 2020, our Directors approved our plan to distribute a cash dividend of RMB208.1 million (tax included) to the holders of our A Shares. Such plan was further approved by holders of our A Shares at our 2019 annual general meeting held on May 12, 2020. We paid this dividend in May 2020 with our available cash resources. Our remaining accumulated undistributed profits before the Global Offering would be shared among our existing and new Shareholders.

We currently do not have any dividend policy. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and applicable law. Our Shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board. In addition, our Board may from time to time authorize such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. Although the calculation of our distributable profits is in accordance with PRC GAAP or IFRS, whichever is lower, we do not expect such difference between distributable profits calculated under PRC GAAP and IFRS to be material or have any substantive impact on any dividend to be declared. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

LISTING EXPENSES

Our listing expenses mainly comprise underwriting fees and commissions and professional fees paid to legal, accounting and other advisors for their services rendered in relation to the Listing and the Global Offering. Assuming full payment of the discretionary incentive fee, the estimated total listing expenses (based on the mid-point of the Offer Price

Range and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately RMB371.7 million, accounting for approximately 4.1% of our gross proceeds. An estimated amount of RMB9.0 million of our listing expenses, accounting for approximately 0.1% of our gross proceeds, is expected to be expensed through the statement of profit or loss and the remaining amount of RMB362.7 million is expected to be recognized directly as a deduction from equity upon the Listing.

GLOBAL OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 107,065,100 new H Shares are issued pursuant to the Global Offering; and (ii) the Over-allotment Option is not exercised.

	Based on an Offer Price of HK$88.00	**Based on an Offer Price of HK$100.00**
Market capitalization of our H Shares[(1)]	HK$9,422 million	HK$10,707 million
Unaudited pro forma adjusted net tangible asset per Share[(2)]	HK$14.56	HK$16.01

Notes:

(1) The calculation of market capitalization is based on 107,065,100 H shares expected to be in issue immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

(2) The unaudited pro forma adjusted net tangible asset per Share as at March 31, 2020 is calculated after making the adjustments referred to in "Appendix II – Unaudited Pro Forma Financial Information".

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

"A Shares"	ordinary shares issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi and are listed for trading on the Shenzhen Stock Exchange
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Applications Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix V to this Prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beijing BMD"	Beijing Medical Development Co., Ltd (北醫仁智(北京)醫學科技發展有限公司), a limited liability company established under the laws of the PRC on August 31, 2011, and a wholly-owned subsidiary of our Company
"Board" or "Board of Directors"	the Board of Directors of our Company
"business day"	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CFIUS"	Committee on Foreign Investment in the United States
"China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this Prospectus, Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", "Issuer" or "Tigermed"	Hangzhou Tigermed Consulting Co., Ltd. (杭州泰格醫藥科技股份有限公司), whose predecessor was named Hangzhou Tigermed Limited (杭州泰格醫藥科技有限公司) and was incorporated in the PRC in December 2004. On November 4, 2010, upon approval by the Ministry of Commerce, Hangzhou Tigermed Limited was converted into a joint-stock company and was renamed Hangzhou Tigermed Consulting Co., Ltd. (杭州泰格醫藥科技股份有限公司)
"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time, which was lately amended on October 26, 2018 to take effective on the same date
"Concert Agreement"	the concert agreement dated June 9, 2010 entered into by and between Dr. Ye and Ms. Cao
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules

"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Di'an Diagnostics"	Di'an Diagnostics Group Co., Ltd. (迪安診斷技術集團股份有限公司), a limited liability company established under the laws of the PRC on September 5, 2001, which is listed on the Shenzhen Stock Exchange (stock code: 300244) and an independent third party
"Director(s)"	director(s) of our Company
"Dr. Ye"	Dr. Ye Xiaoping (葉小平), Chairman of the Board and an Executive Director of our Company
"DreamCIS"	DreamCIS INC., a joint stock company incorporated under the laws of Korea on April 27, 2000, which is listed on the Korean Securities Dealers Automated Quotations of the Korea Exchange (stock code: A223250) and a subsidiary of the Company, in which we held 63.44% equity interest as of the Latest Practicable Date
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得税法), as amended, supplemented or otherwise modified from time to time
"Exchange Participant(s)"	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"Fantastic Bioimaging"	Fantastic Bioimaging Co., Ltd. (杭州英放生物科技有限公司), a limited liability company established under the laws of the PRC on January 4, 2013, and a subsidiary of the Company, in which we held 67.5% equity interest as of the Latest Practicable Date
"Frontage Group"	Frontage Holdings and its subsidiaries

"Frontage Holdings"	Frontage Holdings Corporation, a company incorporated under the laws of the Cayman Islands with limited liability on April 16, 2018, which is listed on the Hong Kong Stock Exchange (stock code: 1521) and a subsidiary of the Company, in which we held 50.82% issued equity interest as of the Latest Practicable Date
"Frontage Labs"	Frontage Laboratories, Inc., a company incorporated under the laws of Pennsylvania, United States on April 21, 2004 and a subsidiary of the Company, in which we held 50.82% equity interest as of the Latest Practicable Date
"Frontage Shanghai"	Frontage Laboratories (Shanghai) Co., Ltd. (方達醫藥技術(上海)有限公司), a company established in the PRC on August 2, 2005 and a subsidiary of the Company, in which we held 50.82% equity interest as of the Latest Practicable Date
"Frontage Suzhou"	Frontage Laboratories (Suzhou) Co, Ltd., a company established in the PRC on January 7, 2014, and an associate of the Company, in which we held approximately 38.12% equity interest (on a look through basis) as of the Latest Practicable Date
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Frost & Sullivan Report"	a report prepared by Frost & Sullivan on the pharmaceutical outsourcing study
"FVTPL"	fair value through profit or loss
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"Group", "our Group", "we" or "us"	our Company and its subsidiaries, and their respective predecessors

"H Share Registrar"	Tricor Investor Services Limited
"H Shares"	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
"Hangzhou Combak Hospital"	Hangzhou Combak Hospital Co., Ltd. (杭州康柏醫院有限公司), a limited liability company established under the laws of the PRC on September 5, 2017, and an associate of the Company, in which we held 39.10% equity interest as of the Latest Practicable Date
"Hangzhou Simo"	Hangzhou Simo Co., Ltd. (杭州思默醫藥科技有限公司), a limited liability company established under the laws of the PRC on May 27, 2011, and a wholly-owned subsidiary of our Company
"Hangzhou Talent MedConsulting Co., Ltd."	Hangzhou Talent MedConsulting Co., Ltd. (杭州泰蘭醫藥科技有限公司), a limited liability company established under the laws of the PRC on August 1, 2013, and a subsidiary of the Company, in which we held approximately 85% equity interest as of the Latest Practicable Date
"Hangzhou Tigermed Limited"	Hangzhou Tigermed Limited (杭州泰格醫藥科技有限公司), a limited liability company established under the laws of the PRC on December 15, 2004, which is the predecessor of our Company
"HK$", "HKD" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the **IPO App** or the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified in the **IPO App** or on the designated website at **www.hkeipo.hk**
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited

"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hongkong Tigermed"	Hongkong Tigermed Co., Limited (香港泰格醫藥科技有限公司), a company established under the laws of Hong Kong on September 14, 2011 and a wholly-owned subsidiary of our Company
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Offer Shares"	the 5,888,600 H Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this Prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to reallocation as described in the section headed "Structure of the Global Offering" in this Prospectus) at the Offer Price (plus brokerage, SFC transaction levies and Hong Kong Stock Exchange trading fees), on and subject to the terms and conditions described in this Prospectus and on the Application Forms as further described in the section headed "Structure of the Global Offering – Hong Kong Public Offering" in this Prospectus
"Hong Kong Stock Exchange", "HKSE" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting – Hong Kong Underwriters" in this Prospectus

"Hong Kong Underwriting Agreement"	the underwriting agreement dated July 27, 2020 relating to the Hong Kong Public Offering and entered into by our Company, Merrill Lynch (Asia Pacific) Limited, Merrill Lynch Far East Limited, Haitong International Securities Company Limited, Haitong International Capital Limited, CLSA Limited, CLSA Capital Markets Limited, China International Capital Corporation Hong Kong Securities Limited and the Hong Kong Underwriters
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"independent third party(ies)"	party(ies) who are not connected within the meaning of the Hong Kong Listing Rules, so far as our Directors are aware after having made reasonable enquiries
"innovation center"	an open platform of our Company for employees to propose new service solutions to address customers' unique needs, give feedback and suggestions on business management and develop and employ new technologies
"IntelliPV"	Hangzhou Tigermed-IntelliPV Co., Ltd (杭州泰格益坦醫藥科技有限公司), a limited liability company established under the laws of the PRC on October 11, 2013, and a wholly-owned subsidiary of our Company
"International Offer Shares"	the 101,176,500 Shares initially offered by our Company for subscription pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in the section headed "Structure of the Global Offering" in this Prospectus)

"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S, and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering" in this Prospectus
"International Underwriters"	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around July 31, 2020 by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in the section headed "Underwriting – International Offering" in this Prospectus
"IPO"	initial public offering
"IPO App"	the mobile application for **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricoglobal.com/IPOApp**
"Jiaxing Tigermed"	Jiaxing Tigermed Data Management Co., Ltd. (嘉興泰格數據管理有限公司), a limited liability company established under the laws of the PRC on April 2, 2010, and a wholly-owned subsidiary of our Company
"Joint Bookrunners"	Merrill Lynch (Asia Pacific) Limited, Haitong International Securities Company Limited, CLSA Limited, China International Capital Corporation Hong Kong Securities Limited, UBS AG Hong Kong Branch, Jefferies Hong Kong Limited, CMB International Capital Limited, Credit Suisse (Hong Kong) Limited, Fosun Hani Securities Limited, ICBC International Capital Limited and Orient Securities (Hong Kong) Limited

"Joint Global Coordinators"	Merrill Lynch (Asia Pacific) Limited, Haitong International Securities Company Limited, CLSA Limited, China International Capital Corporation Hong Kong Securities Limited, UBS AG Hong Kong Branch and Jefferies Hong Kong Limited
"Joint Representatives"	Merrill Lynch (Asia Pacific) Limited, Haitong International Securities Company Limited, CLSA Limited and China International Capital Corporation Hong Kong Securities Limited
"Joint Sponsors"	Merrill Lynch Far East Limited, Haitong International Capital Limited, CLSA Capital Markets Limited and China International Capital Corporation Hong Kong Securities Limited
"Jyton"	Taizhou Tigermed-Jyton Medical Tech. Co. Ltd. (泰州泰格捷通醫藥科技有限公司), formerly known as Taizhou Jyton Tairui Medical Tech. Co. Ltd. (泰州捷通泰瑞醫藥科技有限公司), a limited liability company established under the laws of the PRC on December 18, 2014, and a wholly-owned subsidiary of our Company
"Korea"	the Republic of Korea
"Latest Practicable Date"	July 18, 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus prior to its publication
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or around August 7, 2020, on which our H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC

"MacroStat"	MacroStat (China) Clinical Research Co., Ltd. (美斯達(上海)醫藥開發有限公司), a limited liability company established under the laws of the PRC on November 16, 2005, and a wholly-owned subsidiary of our Company
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Mandatory Provisions"	the "Mandatory Provisions for Articles of Association of Companies to be Listed Overseas" (《到境外上市公司章程必備條款》), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council (國務院證券委員會) and the former State Commission for Restructuring the Economic Systems (國家經濟體制改革委員會) on September 29, 1994
"Ministry of Finance" or "MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Ms. Cao"	Ms. Cao Xiaochun (曹曉春), an Executive Director and General Manager of our Company.
"MSD"	Merek & Co., Inc. or Merek Sharp & Dohme, a global pharmaceutical company headquartered in Kenilworth, New Jersey, the United States
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NMPA"	China National Medical Products Administration (國家藥品監督管理局), successor to the China Food and Drug Administration (國家食品藥品監督管理總局)
"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)

"Offer Price"	the final price per Offer Share in HK dollars (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in the section headed "Structure of the Global Offering – Pricing of the Global Offering" in this Prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 16,059,700 additional H Shares at the Offer Price to cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering" in this Prospectus
"PRC GAAP"	the PRC Accounting Standards and Accounting Regulations for Business Enterprises (《中國企業會計準則》) promulgated by the MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
"PRC government" or "State"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities
"PRC Legal Advisor"	Jia Yuan Law Offices
"Price Determination Agreement"	the agreement to be entered into by the Joint Representatives (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date to record the Offer Price

"Price Determination Date"	the date, expected to be on or around July 31, 2020 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Representatives (on behalf of the Hong Kong Underwriters) and our Company may agree, but in any event no later than August 6, 2020
"Prospectus"	this Prospectus being issued in connection with the Hong Kong Public Offering
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"QIB" or "Qualified Institutional Buyer"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Restricted Share Scheme"	the restricted share scheme adopted and approved by our Company on April 10, 2019, the principal terms of which are set out in the section headed "Statutory and General Information – 2. Further Information about Our Business – D. Restricted Share Scheme" in Appendix VI to this Prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Romania Opera"	Romania Opera Contract Research Organization S.R.L., a limited liability company incorporated under the laws of the Romania on July 20, 2015, and a subsidiary of the Company, in which we held 51.17% equity interest as of the Latest Practicable Date
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"Sanofi"	Sanofi, a global biopharmaceutical company focused on human health, headquartered in Paris, France
"Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Securities Law"	the Securities Law of the People's Republic of China (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Share Purchase Scheme"	the employee share purchase scheme adopted and approved by our Company in November 2018 (as amended in March 2019), the principal terms of which are set out in the section headed "Statutory and General Information – 2. Further Information about Our Business – C. Share Purchase Scheme" in Appendix VI to this Prospectus
"Shanghai Shengtong"	Shanghai Shengtong International Logistics Co., Ltd (上海晟通國際物流有限公司), a company established in the PRC on September 18, 2007 and formerly a subsidiary of our Company
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》), promulgated by the State Council on August 4, 1994, as amended from time to time
"Stabilizing Manager"	Merrill Lynch (Asia Pacific) Limited (through its affiliates)
"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Supervisor(s)"	member(s) of our Board of Supervisors
"Supervisory Committee"	the supervisory committee of our Company

"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
"Teddy Clinical Research Laboratory"	Teddy Clinical Research Laboratory (Shanghai) Limited (上海觀合醫藥科技有限公司), a limited liability company established under the laws of the PRC on March 3, 2016, and a joint venture formed by Di'an Diagnostics and our Company, in which we held 36.67% equity interest as of the Latest Practicable Date
"Tigermed Institute"	Tigermed Institute (泰格學院), the Company's recruiting and training program in collaboration with 20 universities in China to provide college students with hands-on training in clinical trial operations
"Tigermed Switzerland"	Tigermed Swiss AG, a limited company incorporated under the laws of Switzerland on December 12, 2017, and a wholly-owned subsidiary of our Company
"Track Record Period"	the three years ended December 31, 2019 and the three months ended March 31, 2020
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. FDA" or "FDA"	the U.S. Food & Drug Administration of the U.S. Department of Health and Human Services
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "U.S. dollar(s)"	United States dollar(s), the lawful currency of the United States
"VAT"	value-added tax

"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS

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

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

"absorption"	within the context of drug metabolism, the process by which drug compounds and other molecules move across cells and tissues such as the gastrointestinal tract into the circulatory system
"ADME"	Absorption, Distribution, Metabolism and Excretion, the analysis of the body's processes of altering, utilizing and eliminating ingested and administered drugs and xenobiotics
"agrochemicals"	chemicals developed for use in agriculture, including pesticides and fertilizers
"API"	Active Pharmaceutical Ingredient, the component of a drug product that is intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease, or to affect the structure or any function of the body
"bioanalytical"	the analytical and quantitative chemistry of certain compounds in biological systems covering the quantitative measurement of xenobiotics, which are drugs and their metabolites, and biological molecules in unnatural locations or concentrations, and biotics, which are macromolecules, proteins, DNA, large molecule drugs, metabolites, in biological systems
"bioequivalence"	the absence of a significant difference in the rate and extent to which the active ingredient or active moiety in pharmaceutical equivalents or pharmaceutical alternatives becomes available at the site of drug action when administered at the same molar dose under similar conditions in an appropriately designed study

"bioequivalence studies"	studies to assess the expected *in vivo* equivalence of two preparations of a drug. If two products are said to be bioequivalent, it means that there is an absence of a significant difference in the rate and extent to which the active ingredient or active moiety in products becomes available at the site of drug action when administered at the same molar dose under similar conditions in an appropriately designed study
"biologics"	a drug that is composed of any virus, therapeutic serum, toxin, antitoxin, vaccine, blood, blood component or derivative, allergenic product, protein or analogous product or arsphenamine or derivative of arsphenamine (or any other trivalent organic arsenic compound) applicable to the prevention, treatment or cure of diseases or conditions of human beings
"BLA"	Biologics License Application, an application in the United States for permission to introduce a biologic product into U.S. inter-state commerce
"CDISC"	Clinical Data Interchange Standards Consortium, a standards developing organization dealing with medical research data, to enable information system interoperability to improve medical research and related areas of healthcare
"CDMO"	Contract Development Manufacturing Organization, a company that mainly provides CMC and manufacturing services in the pharmaceutical industry
"central laboratory"	a laboratory facility used for testing samples from studies conducted at multiple sites
"chemistry, manufacturing and controls" or "CMC"	Chemistry, Manufacturing and Controls, an important and detailed section detailing the characteristics of a therapeutic and its manufacturing and quality testing process in a dossier used to support clinical studies and marketing applications
"CFDA"	China Food and Drug Administration, currently known as NMPA
"clinical trial"	an experiment done in clinical research

"CMO"	Contract Manufacturing Organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive drug manufacturing services
"contracted future revenue"	represents, at a particular point in time, future revenue from services not yet completed or performed under all signed contracts in effect at that time. Once work begins on a project, revenue is recognized over the duration of the project. Contracted future revenue is assessed by reference to signed contracts (where a customer has agreed to pay for certain services at a certain price) and by reference to the percentage of work completed in relation to such contract
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
"CRA"	Clinical Research Associate, a professional responsible for activities related to medical research, particularly clinical trials
"CRC"	Clinical Research Coordinators, a person responsible for conducting clinical trials using good clinical practice under the guidance of a principal investigator
"CRO"	Contract Research Organization, a company focused on providing R&D services to companies in the pharmaceutical and agrochemical markets
"CTM"	Clinical Trial Material, the drug product to be tested in clinical trials
"customer retention rate"	for a given period is calculated as the number of customers in the prior period that remain as our customers in the current period, divided by the number of all customers in such prior period
"DEA"	the Drug Enforcement Administration of the United States
"distribution"	in the context of DMPK, the process by which molecules are transported throughout the body

"DMPK"	Drug Metabolism and Pharmacokinetics, studies designed to determine the absorption and distribution of an administered drug, the rate at which a drug takes effect, the duration a drug maintains its effects and what happens to the drug after being metabolized by the body
"EDC"	electronic data capture, a system of capturing and managing clinical trial data on a digital platform to replace traditional paper-based data capture
"endocrinology"	the branch of physiology and medicine concerned with endocrine glands and hormones
"FDA"	the Food and Drugs Administration of the United States
"FFS"	fee-for-service, a payment model whereby services are unbundled and paid for separately
"FSP"	Functional Service Provision, a scalable team of resources to meet immediate or longer-term resourcing needs through on-site or remote full-time employees
"FTE"	full-time-equivalent, a unit that indicates the workload of employees or companies on a full-time basis
"GLP"	Good Laboratory Practice, a quality system of management controls for research laboratories and organizations to try to ensure the uniformity, consistency, reliability, reproducibility, quality and integrity of chemical and pharmaceuticals non-clinical safety tests
"GMP"	Good Manufacturing Practice, a quality system imposed on pharmaceutical firms to ensure that products produced meet specific requirements for identity, strength, quality and purity, and enforced by public agencies, for example the FDA
"HBV"	hepatitis B virus, which can cause chronic infection and puts people at high risk of death from cirrhosis and liver cancer
"hepatitis"	an inflammation of the liver tissue

"hematology"	the branch of medicine concerned with the study of the cause, prognosis, treatment, and prevention of diseases related to blood
"HIV"	human immunodeficiency virus, which attacks cells that help the body fight infection, making a person more vulnerable to other infections and diseases and spreading by contact with certain bodily fluids of an infected person
"IIT"	investigator-initiated trial, clinical studies initiated and managed by non-pharmaceutical company researchers, such as individual investigators, institutions, collaborative study groups or cooperative groups
"ICH"	International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use, a project that brings together the regulatory authorities of Europe, Japan, China and the United States and experts from the pharmaceutical industry in these regions for the purpose of reducing or eliminating the need to duplicate the testing carried out during the research and development of new medicines by recommending ways to achieve greater harmonization in the interpretation and application of technical guidelines and requirements for product registration
"*in vitro*"	"in glass" in Latin, studies *in vitro* are conducted outside of a living organism in a laboratory environment using test tubes, petri dishes, etc. using components of an organism that have been isolated from their usual biological surroundings, such as microorganisms, cells or biological molecules
"*in vivo*"	"within the living" in Latin, studies *in vivo* are those in which the effects of various biological entities are tested on whole, living organisms as opposed to a partial or dead organism, or those done *in vitro*
"IND"	Investigational New Drug, an application submitted to the U.S. FDA or NMPA to seek permission or no objection to ship unapproved, experimental drug or biologic agents across jurisdictions (usually to clinical investigators) for use in clinical studies before a marketing application for the drug has been approved

"mass balance study"	a study aimed at understanding how drugs are absorbed, metabolized, and excreted after dosing
"metabolism"	the chemical processes that occur within a living organism in order to maintain life, comprising catabolism (breakdown of large molecules into components) and anabolism (the synthesis of smaller molecules into larger ones with specific structures, characteristics and purposes)
"metability"	a substance formed in or necessary for metabolism. A "metabolite" is a compound formed from the drug's original components through metabolism
"Metabolites in Safety Testing (MIST)"	metabolites in Safety Testing is testing on the identification and characterization of drug metabolites whose nonclinical toxicity needs to be evaluated. The safety of drug metabolites may need to be determined in nonclinical studies because the metabolites are identified only in humans or are present at disproportionately higher levels in humans than in other animal species used during standard nonclinical toxicology testing. The U.S. FDA released a revised guidance on the testing of small molecule non biologic drug metabolites in 2020
"method development"	a continuous process hat progresses in parallel with the evolution of the drug product, with a set of experimental conditions designed to create a good analysis of a particular sample
"MRCT"	multi-regional clinical trial, clinical trials conducted across multiple regions of the world
"NDA"	New Drug Application, the formal application to the FDA or NMPA proposing approval of a new pharmaceutical product for sale and marketing
"NIS"	non-interventional study, a type of observational study where the medicinal products are prescribed in the usual manner in accordance with the terms of the marketing authorization

"NMPA"	National Medical Products Administration (formerly known as China Food and Drug Administration), the authority responsible for approving drug and biologic products in China
"oncology"	the study and treatment of tumors
"pathogen"	a bacterium, virus, or other microorganism that can cause disease
"pharmacodynamics" or "PD"	the branch of pharmacology concerned with the effect of a means drug on the body
"pharmacokinetics" or "PK"	the branch of pharmacology concerned with the movement of drugs within the body
"pharmacology"	the branch of medicine concerned with the uses, effects, and modes of action of drugs
"pharmacovigilance"	the practice of monitoring the effects of medical drugs after they have been licensed for use, especially in order to identify and evaluate previously unreported adverse reactions
"pre-clinical"	a stage preceding a clinical stage
"principal investigator"	a person who directs a laboratory study, research project or clinical trial
"R&D"	research and development
"radiolabeling"	a technique where drugs and biologics are bound to radionuclides (radioactive isotopes of elements) Radiolabeled drugs are able to be traced in the body allowing for an understanding of their ADME

"SAE"	serious adverse event, any adverse drug event (experience) occurring at any dose that in the opinion of either the investigator or sponsor results in death, is life-threatening, requires inpatient hospitalization or causes prolongation of existing hospitalization, results in persistent or significant disability/incapacity or substantial disruption of the ability to conduct normal life functions, may have caused a congenital anomaly/birth defect, or requires intervention to prevent the foregoing outcomes, according to the regulations of FDA
"SMO"	Site Management Organization, an organization that provides clinical trial related services to a CRO, a pharmaceutical company, a biotechnology company, a medical device company or a clinical site
"SOP"	standard operational practice, a procedure specific to companies' operation which is necessary to complete tasks in accordance with industry regulations, provincial laws or internal standards
"sponsor"	a biopharmaceutical company or research institute that funds, organizes and undertakes an R&D project for a drug or medical device product
"patient recruitment"	the enrollment of healthy participants and patients in clinical trials
"validation"	a process that involves performing laboratory tests to verify that a particular instrument program, or measurement technique is working properly and is capable of being relied upon

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

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

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our major customers, suppliers and subcontractors;
- future developments, trends and conditions in the industries and markets in which we operate or plan to operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- the effects of the on-going COVID-19 crisis;
- our ability to maintain the market leading positions;
- the actions and developments of our competitors;
- our ability to effectively contain costs and optimize pricing;
- the ability of third parties to perform in accordance with contractual terms and specifications;

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

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

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

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

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

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

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

A reduction in customer demand for or spending on biopharmaceutical R&D services could have a material adverse effect on our business, financial condition, results of operations and prospects.

The success of our business depends primarily on the number and size of service contracts with our customers, who are mostly biopharmaceutical and medical device companies. Over the past several years, we have benefited from increasing demand for our services from our customers because of the continued growth of the global pharmaceutical market, increasing research and development budgets of our customers, and a greater degree of outsourcing by our customers. There can be no assurance that these industries will continue to grow at the rates we expect. Any slowing or reversal of any of these trends could have a significant adverse effect on the demand for our services. Furthermore, if investments in pharmaceutical industries were to decrease, the demand for outsourced biopharmaceutical R&D services from companies in such industries may also decrease.

In addition to the foregoing industry trends, our customers' willingness and ability to utilize our services are also subject to, among other things, their own financial performance, changes in their available resources, their capacity to acquire in-house discovery, testing, development or commercial manufacturing, their spending priorities, their budgetary policies and practices, their ability to comply with laws applicable to them, and their need to develop new pharmaceutical products, which, in turn, is dependent upon a number of factors, including their competitors' discovery, testing, development and commercial manufacturing initiatives,

anticipated market updates and clinical and reimbursement scenarios for specific products and therapeutic areas. In addition, consolidation in the industries in which our customers operate may have an impact on such spending as our customers integrate acquired operations, including their R&D departments and their budgets. If our customers reduce their spending on our services because of any of these or other factors, our business, financial condition, results of operations and prospects would be materially and adversely affected.

If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.

Our business has grown substantially in recent years, and we expect to continue growing our business in the future. In addition, as we continue to diversify our service offerings and enhance our global presence, we will need to continuously enhance and upgrade our services and technology, optimize our branding, sales and marketing efforts, and expand, train and manage our employees. All these efforts will require significant managerial, financial and human resources. We cannot assure you that we will be able to effectively manage our growth, that our current technology, infrastructure and operational capabilities will be adequate and successful to support our expanding operations, or that our strategies and new business initiatives will be executed successfully. If we are not able to manage our growth or execute our strategies effectively, our expansion may not be successful and our business, financial condition and results of operations may be materially and adversely affected.

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

Government agencies and industry regulatory bodies around the world impose strict rules, regulations or industry standards on how customers develop, test, study and manufacture drugs, medical devices, and biologics and how CROs and other third parties acting on customers' behalf perform such regulated services. Given the wide range of services we perform for our customers and our diverse geographic coverage, we are subject to and must comply with various applicable legal and regulatory requirements.

Regulatory authorities, including the FDA and the NMPA, may conduct scheduled or unscheduled periodic inspections of our facilities and services to monitor our compliance with applicable rules and regulations and industry standards. Any adverse findings by such regulatory authorities, or other regulatory or legal noncompliance, could precipitate immediate and severe action against us, including, among others, inspectional findings of non-compliance, warning or untitled letters, product recalls, discontinuation or suspension of studies, material required modifications to studies, corrective actions, revocation or limitations to approvals, registrations, licenses, permits, assurances, or certificates, restrictions on operations, adverse public statements or alerts, fines, injunctions and civil and criminal penalties. Any adverse findings, critical observations, or other regulatory or legal noncompliance could also have significant consequences for our customers, which may result

in claims by our customers or other commercial consequences to us. Further, regulatory authorities may from time to time change their legal and regulatory requirements. Therefore, our existing compliance procedures may not be adequate for new legal and regulatory requirements and we may need to incur additional compliance costs and become exposed to negative findings of relevant governmental authorities. Should any of the foregoing occur, it would also cause serious damage to our reputation and have a material adverse impact on our business, financial condition and results of operations. In addition, any action against us for violating the relevant regulations or industry standards, even if successfully defended or settled, could cause us to incur significant expenses, divert management's attention from the operation of our business and adversely affect our reputation, business, financial condition and results of operations.

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

We are required to obtain and maintain numerous approvals, licenses, assurances, accreditations, permits, registrations and certificates from relevant authorities to operate our business. See "Business – Certificates, Permits and Licenses." Any failure by us or our business partners to obtain approvals, registrations, licenses, assurances, accreditations, permits and certificates necessary for our operations or to comply with the terms, conditions, and requirements thereunder, may result in enforcement actions against us, including suspension or termination of licenses, approvals, assurances, accreditations, permits, registrations, and certificates, orders issued by the relevant regulatory authorities causing operations to cease, fines and other penalties, and may include corrective measures requiring capital expenditure or remedial actions. In the event that such enforcement action is taken, our business operations could be materially and adversely disrupted.

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

Furthermore, if the interpretation or implementation of existing laws and regulations changes or new regulations come into effect requiring us to obtain any additional approvals, permits, licenses, registrations, assurances, accreditations or certificates that were previously not required to operate our existing businesses, facilities or any planned future business or facilities, we cannot assure you that we will successfully obtain such approvals, permits, licenses, registrations, assurances, accreditations or certificates. Our failure to obtain the additional approvals, permits, licenses or certificates may restrict our ability to conduct our business, which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

We may lose or fail to attract customers if our service quality does not meet customers' standards or if our services do not meet their evolving needs.

We cannot assure you that we will always be able to deliver the quality of services that meets our customers' standards and evolving needs. In addition, we cannot assure you that we will be able to pass all customer audits and inspections. See "– We may not be able to continue to serve our customers if we fail to meet their audits and inspections." If our customers determine that their expenditures on our services do not generate the expected results, they may allocate a portion or all of their budgets to our competitors, and reduce or terminate their business with us. Therefore, we cannot assure you that customers that have utilized our services in the past will continue to spend at similar levels, or that they will continue to use our services at all in the future. We may not be able to replace customers which decrease or cease their purchase of our services with new customers that spend at similar levels or more on our services. As a result, we may suffer from a loss of customers and may fail to attract new customers, and our ability to maintain and/or grow our revenues will be materially and adversely affected.

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

For the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, our revenues generated from our top five customers accounted for 19.3%, 17.7%, 20.5% and 21.3% of our total revenues, respectively. We cannot assure you that we will be able to maintain long-term relationships with our key customers. Our service agreements typically have a term ranging from one to five years. Generally our customers have the right to terminate a service agreement or project-based service contract or a work order under the service agreement without cause by giving written notice of 30 to 60 days. Our customers may delay, terminate or reduce the scope of contracts for our services for a variety of reasons beyond our control, including:

- decisions to forego or terminate a particular project;
- lack of available financing, budget limits or changing priorities;
- actions by regulatory authorities against us or our customers, or changes to regulatory requirements;
- failure to satisfy applicable safety requirements or efficacy criteria;
- adverse or unexpected data results or failure to pass customer audits;
- decisions to shift business to competitors or carry out the work in-house;
- release of a drug by any competitor of our customer that is sufficiently similar to our customers' drug;
- mergers of our customers that render our services unnecessary; and

- force majeure events, such as the COVID-19 outbreak in early 2020, that cause project delays.

Our contracts may be terminated, delayed or altered in the normal course of business. Losses or delays of multiple contracts or a large contract or a significant reduction in our key customers' spending on our services could adversely affect our business, financial condition and results of operations. See "Business – Our Customers."

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

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. As of the Latest Practicable Date, mainland China, Hong Kong SAR, Taiwan and certain other regions and countries where we operate, including the United States, Korea, Canada, Malaysia, Singapore, India, Australia, Switzerland and Romania, have been affected by the COVID-19 outbreak and, in response, have imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus.

Due to the COVID-19 outbreak, certain of our ongoing biopharmaceutical R&D projects in China and overseas, including our clinical trial operations, site management and patient recruitment projects and laboratory services, have been adversely affected in a number of ways. Hospitals and other clinical sites in both China and overseas have devoted significant medical resources to patients infected with COVID-19, resulting in fewer medical staff and facility resources available for clinical trials and related functions and services. In both China and overseas, patient candidates have become less willing to participate in clinical trials out of concern about potential infection at clinical sites, which has presented challenges to patient recruitment. The COVID-19 outbreak had also resulted in regulatory approval delays and increasing backlog of pending drug and medical device applications in China and overseas due to government-imposed lockdowns, work place closures and travel restrictions. To a lesser extent, reduced transportations and disruption to manufacturing and logistics networks in China and overseas has affected our customers' as well as suppliers' abilities to manufacture drug candidates and other supplies necessary for our clinical trials and laboratory testing. Moreover, as social and work gatherings were banned, mandatory quarantine requirements were imposed and public transportation was suspended in certain cities and countries where our offices and facilities are located, a portion of our employees have been working remotely and our operations in those regions have been interrupted to the extent onsite services of our employees were required.

As a result of the COVID-19 outbreak and related precautionary measures, our revenues may be adversely affected, and if we fail to adopt cost-cutting measures, our gross profit margin and net profit margin may also be severely affected. Furthermore, we may in the future experience additional disruptions that could materially and adversely impact our projects, business, financial condition and results of operations, including:

- delays or difficulties in enrolling patients and healthy volunteers in our clinical trials;
- a decline in customer orders and/or loss of customers;
- increased rates of patients and healthy volunteers withdrawing from our clinical trials following enrollment as a result of contracting COVID-19, being forced to quarantine, or not accepting home health visits;
- delays or difficulties in clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff;
- diversion of healthcare resources away from the conduct of clinical trials, including the diversion of hospitals serving as our clinical trial sites and hospital staff supporting the conduct of our clinical trials;
- interruption of key clinical trial activities, such as clinical trial data monitoring, due to travel restrictions or interruption of clinical trial subject visits and study procedures (particularly any procedures that may be deemed non-essential), which may impact the integrity of subject data and clinical study endpoints;
- interruption or delays in the operations of the government authorities regulating the development and commercialization of drugs and medical devices, which may impact approval timelines;
- interruption of, or delays in receiving, supplies of our product candidates due to staffing shortages, production slowdowns or stoppages and disruptions in logistics and delivery systems; and
- limitations on employee resources that would otherwise be devoted to our clinical trials and other R&D projects, including because of sickness of employees or their families, the desire of employees to avoid contact with large groups of people, an increased reliance on working from home or mass transit disruptions.

To the extent the COVID-19 outbreak adversely affects our business and operations, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section, such as those relating to our ability to attract and retain customers, our ability collect payments from our existing and future customers, our ability to recruit healthy volunteers and patients for our clinical trials and our ability to conduct R&D projects with high quality and timely delivery.

The extent to which the COVID-19 outbreak may impact our business will depend on future developments, which are highly uncertain and unpredictable, such as the ultimate geographic spread of the disease, the duration of the outbreak, the effectiveness of travel restrictions and other measures to contain the outbreak and its impact, such as social distancing and quarantines or lock-downs and business closures in China, the United States and other

countries where we and our customers operate. For more information on the impact of COVID-19 outbreak on our business, see "Summary – Recent Developments – COVID-19 Outbreak and Effects on Our Business."

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

Our success depends on our ability to attract, train, motivate and retain skilled research, technical and project management personnel in a cost-effective manner.

Along with our continued expansion, we have established an experienced talent pool with strong project management and R&D capabilities. Skilled and talented personnel help us keep pace with the latest developments in R&D technologies and methodologies in the pharmaceutical and medical device industries, and are therefore critical to our success. Our business operations also rely on personnel possessing highly technical skills for our project management, quality control, compliance, safety and health, information technology and marketing. In order to develop and retain our talent, we provide continuous training programs to our employees through various symposiums, forums and lectures. We also offer employee share incentive programs to our key employees and thus provide them with an opportunity to share in the growth of our business.

We intend to continue to attract and retain skilled personnel. However, as there is a limited supply of qualified personnel with the necessary experience and expertise, and such talent is highly sought after by pharmaceutical companies, medical device companies, CROs and research institutions, we have to provide competitive compensation and benefits packages to attract and retain talent. We cannot assure you that we will always be able to hire and retain the requisite number of qualified personnel to keep pace with our anticipated growth while maintaining consistent service quality. Our direct labor costs accounted for 25.7%, 26.3%, 27.5% and 34.9% of our revenue for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, respectively. We expect our expenses to recruit and retain talent will continue to increase along with the growth of the CRO market in China and around the world. If there is a significant increase, our business, financial condition and results of operations may be adversely affected. In addition, we may not always be successful in training our professionals to quickly adapt to technological advances, evolving standards and changing customer needs, and the quality of our services may therefore be severely affected. Any failure to attract, train or retain skilled personnel may materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

If we are unable to retain, attract, recruit and train suitably qualified management personnel, our business may be materially and adversely affected.

Our Directors and our senior management have been instrumental in achieving our growth during the Track Record Period. In particular, the industry experience, management expertise and contributions of our Directors and our senior management, including Dr. Ye (our founder, Chairman of the Board and Director) and Ms. Cao (our co-founder, General Manager and Director), are crucial to our success. Their relevant details are set out in the section headed "Directors, Supervisors and Senior Management." If we lose the services of any of our Directors or our senior management, we may not be able to replace them with suitable and qualified candidates and may incur additional expense to recruit and train new personnel, which could disrupt our business and growth.

Furthermore, as we expect to continue to expand our operations and develop new services and products, we will need to continue attracting and retaining experienced management personnel. Competition for skilled and experienced management personnel is intense, and the availability of suitable and qualified candidates is limited. We may be unable to attract or retain the management personnel required to achieve our business objectives and failure or delay in doing so could materially and adversely impact our competitiveness, business, financial condition and results of operation.

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

As of March 31, 2020, the contracted future revenue for our services was approximately RMB5,300 million, which represents, at such particular point in time, future revenue from services not yet completed or performed under all signed contracts (that may be terminated by a customer at any time). This figure was based on the assumption that the relevant contracts will be performed in accordance with their terms without early termination by our customers. Any modification, termination or suspension of these contracts by our customers, especially with regard to any one or more sizeable contracts, may have a substantial and immediate effect on the contracted future revenue. To the extent projects are delayed due to various factors such as delays in schedule, government policies beyond our control and natural disasters or other unanticipated catastrophic events, including the COVID-19 outbreak, the timing of our revenue recognition, which is conditional upon our delivery of services pursuant to the terms of our customer contracts and work orders, would also be affected. Specifically, the amount of our contracted future revenue may decrease and the timing of our revenue recognition associated with such contracted future revenue may be delayed. The contracted future revenue only reflects an estimate of the remaining consideration we are entitled to receive under the executed service contracts. We cannot guarantee that such estimate is accurate. The extent to which our contracted future revenue will generate revenue depends on many factors, including modifications and terminations to our existing service contracts. You should not rely on the contracted future revenue or consider it as a reliable indicator of our future revenue. Moreover, there is no standardized accounting practice for calculating contracted future revenue and

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

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

The global pharmaceutical CRO market is highly competitive. We face competition in several areas, including price, quality of services, breadth and flexibility of services, capacity, timeliness of delivery of services, compliance with regulatory standards and customer relationships.

We compete with a significant number of large, established, multinational CROs that are capable of providing a wide range of services to meet the demands of numerous complex and challenging projects simultaneously, from drug discovery to commercial release. There are also a significant number of international and domestic, small to medium-sized CROs that compete for market share. We expect increased competition as additional companies enter our market. In addition, we compete with the in-house development teams of our customers. See "Industry Overview – Competitive Landscape in the Clinical CRO Market" for more information. Other CROs may have greater financial, research and other resources, more competitive pricing, more extensive technical capabilities, greater sales and marketing efforts, longer track records and greater name recognition. Other CROs may improve their service quality, introduce new services at lower prices or with improved performance characteristics or adapt more quickly to new or emerging technologies, market developments or changes in customer demand and requirements, any of which could reduce the demand for our services or reduce our revenues. Furthermore, increased competition could create pricing pressure on our services, which could reduce our revenue and profitability. In addition, should the CRO business become more commoditized in the future, we may face increasing downward pricing pressure from our customers. There is no assurance that we will be able to compete effectively with existing competitors or new competitors or that the increased levels of competition will not adversely affect our business, financial condition and results of operations.

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

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect the financial and economic conditions in the jurisdictions in which we operate, as well as our overseas expansion, our financial condition and results of operations. The U.S. administration under President Donald J. Trump has advocated greater restrictions on international trade generally and significant increases on tariffs on certain goods imported into the U.S., particularly from China, and has taken steps toward restricting trade in certain goods. For example, in 2018, the United States announced three finalized tariffs that applied

exclusively to products imported from China, totaling approximately US$250 billion, and in May 2019, the U.S. increased the rate of certain tariffs previously levied on Chinese products from 10% to 25%. In addition, in August 2019, President Donald J. Trump threatened to impose additional tariffs on remaining Chinese products, totaling approximately US$300 billion. Although on January 15, 2020, the U.S. and China signed an agreement on the phase one trade deal, under which both parties made certain concessions and agreed not to proceed with additional tariffs against one another, the 25% tariffs on US$250 billion of Chinese imports are still in place. Moreover, there have been accusations from the United States and certain other countries regarding the PRC's handling of the COVID-19 outbreak, as well as concerns regarding the PRC's proposal to impose national security laws in Hong Kong. These accusations and concerns, along with threats to impose new tariffs or sanctions on China, have resulted in increased tensions in China's international relations. If the tensions between China and the U.S. worsen or if the U.S. or other countries start imposing restrictions on outsourcing pharmaceutical technology or research activities to China, our CRO business will be adversely affected. In addition, our potential acquisitions and investments in the United States may be affected by heightened regulatory requirements or scrutiny if the current U.S.-China disputes continue to escalate. Moreover, although there is currently no U.S. law on personal privacy that would restrict the transfer of clinical trial and patient information across borders, including to or from China, so long as the relevant institutional review board has not imposed restrictions as part of a privacy protocol for the clinical trial, we cannot guarantee that our future U.S. projects and investments will not be affected by additional regulatory restrictions and scrutiny imposed by the U.S. regulators as the U.S.-China disputes escalate. Furthermore, there is no guarantee that China will not impose any additional U.S.-specific restrictions on top of its existing restrictions on transfer of scientific data and human genetic resources overseas. For details, see "Regulatory Overview – Principal Laws and Regulations Relating to Our Business in the PRC – the whole process of clinical research (for both pre-clinical studies and clinical studies) – Human genetic resources".

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

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

We intend to continue to expand our services. Over the past few years, we have established new services in pharmacovigilance, EDC, imaging CRO and other areas. We are also constantly evaluating potential areas where future business opportunities may arise. To

develop and market our new services successfully, we must accurately assess and meet customer needs, make significant capital expenditures, optimize our service processes to predict and control costs, hire, train and retain the necessary personnel, obtain required regulatory clearances or approvals, increase customer awareness and acceptance of our services, provide services of a high quality and in a timely manner, price our services competitively, compete effectively with other CROs and effectively integrate customer feedback into our business planning and improvement. If we fail to effectively develop new services and create demand for them, our future business, including our results of operations, financial condition, cash flows and prospects, could be materially and adversely affected.

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

Numerous government authorities have adopted various healthcare reforms and may undertake, or are in the process of undertaking, efforts to control growing healthcare costs through legislation, regulation and voluntary agreements with healthcare providers and pharmaceutical companies, including many of our customers. For example, in March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively, the Affordable Care Act, was signed into law in the U.S. The Affordable Care Act introduced significant new requirements for the healthcare and health insurance industries, imposed new taxes and fees on pharmaceutical companies and imposed additional health policy reforms. It has taken, and continues to take, a significant amount of time for the full effects of these policies to become clear. The policies of the present administration of the U.S. government towards various aspects of these reforms represent significant uncertainty for the pharmaceutical industry. In China, while government policies toward the pharmaceutical industry are expected to remain stable and the government is expected to remain committed to increasing innovation as well as overall healthcare spending in line with the "Healthy China 2030" goals set by the State Council, we cannot guarantee that this will continue to be the case. In addition, we may be affected by ongoing or future policy reforms in other overseas markets such as Korea, Taiwan and Europe. For details, see "Regulatory Overview – Ongoing Regulatory Reforms." We are uncertain as to the full effects of ongoing reforms and any subsequent healthcare policies on the pharmaceutical industry and their consequences for our business and are unable to predict what legislative proposals, if any, will be adopted in the future. Any of these may affect the demand for our services and adversely affect our business, financial condition and results of operations.

Providing biopharmaceutical R&D services exposes us to product liability risks and other potential liabilities.

In providing our biopharmaceutical R&D services, we face a range of potential liabilities. We typically undertake to defend, indemnify and hold our customers harmless from and against any liabilities and damages resulting from any third party claims, demands, suits or proceedings to the extent arising out of or relating to our negligence, willful misconduct, unlawful activities or material breach of the long-term service agreement or project-based

service contract or a work order under the long-term service agreement. In particular, we may face product liability risks if the pharmaceuticals or medical devices we help to develop, test or distribute are subject to product liability claims. Our liability is not always capped under our service agreements and in certain cases, the product liability cap is not applicable for claims relating to personal injuries or death.

We provide services in various stages of the R&D process of drugs and medical devices that are intended ultimately to be used in humans, either in clinical trials or as marketed products. If any of these drugs or medical devices harms people due to our negligence, willful misconduct, unlawful activities or material breach, we may be subject to litigation and may be required to pay damages. Damages awarded in a product liability action could be substantial and could have a material and adverse impact on our reputation, business, financial condition, results of operations and prospects. Although we currently maintain professional liability insurance and public liability insurance, our insurance coverage may be inadequate or may become unavailable on terms acceptable to us.

Overseas markets where our services are and may in the future be provided and where the relevant drug and medical device candidates are located or may be sold, in particular in developed markets including the United States, Korea and Europe, may have similar or more onerous pharmaceutical product regulatory regimes, as well as more litigious environments that may further expose us to the risk of product liability claims. Even if we are able to successfully defend ourselves against any such product liability claims, doing so may require significant financial resources and the time and attention of our management.

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

Our fee income from services may not be sufficient to cover the associated expenses. In pricing our service contracts, we take into consideration the market positioning of our services, prices of comparable services offered by our competitors, likelihood of success of the contracted projects, market trends, complexities of the services required, costs and expenses of our services and the timeline of the contracted projects. However, our evaluation of these factors may be inaccurate or incorrect. If we underprice our contracts or experience cost overruns, we would incur losses from our contracts, and our business, financial condition, results of operations, cash flows and prospects would be adversely affected.

In addition, under some of our project-based contracts or work orders, we recognize revenue upon completion of milestones, either in the form of pre-set steps, delivery and acceptance of the study results and/or other deliverables or critical points in the drug development or commercialization process. For more information, please see "Business – Our Fee Models." As a result, if we fail to deliver services in a timely manner in accordance with the relevant contractual requirements, if we incur cost overruns or if we price these contracts below our costs because of competitive pressures, we could be subject to significant costs or liability and our reputation could be harmed.

Even if we are able to deliver services as required in the contracts and recognize the related revenue, we are still exposed to the risks of early termination of contracts or delay in payment due to factors such as unsatisfactory research results or material adverse changes in the market including the COVID-19 outbreak, which could have an adverse effect on our business, financial condition, results of operations, cash flows and prospects. Furthermore, if our customers' drug candidates fail to pass the requisite steps or proceed through development, regulatory approval or commercialization, our services would be cut short and we would not be able to fully realize the value of our service contracts.

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

We generally grant our customers credit terms of 30 to 90 days. As of December 31, 2017, 2018 and 2019 and March 31, 2020, our trade, bills and other receivables were RMB299.5 million, RMB382.7 million, RMB490.4 million and RMB510.7 million, respectively. We recorded loss allowance for trade, bills and other receivables of RMB38.7 million, RMB60.2 million, RMB63.9 million and RMB63.4 million in the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, respectively. If any of our customers' cash flow, working capital, financial condition or results of operations deteriorates, it may be unable, or it may otherwise be unwilling, to pay trade receivables owed to us promptly or at all. Moreover, we are also subject to risks arising from our contract assets, which relate to our contractual rights to receive consideration for work completed but not yet billed to our customers. As of December 31, 2017, 2018 and 2019 and March 31, 2020, our contract assets were RMB468.6 million, RMB533.8 million, RMB756.0 million and RMB842.6 million, respectively. In the event that our customer service contracts or work orders are terminated earlier by our customers or that we fail to fulfill our delivery obligations upon the contractual milestones, we may not be able to bill our customers for amounts represented by all or any of the contract assets in a timely manner, if at all. As a result, our customers may not pay us in accordance with the terms of the agreed payment schedule. Any substantial default or delay of a customer's payment obligations may materially and adversely affect our working capital, financial condition and results of operations.

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

Our service agreements generally provide that a customer can terminate the agreement or any work order under the agreement without cause by giving prior written notice. Most of our project-based service contracts also allow customers to unilaterally terminate the contract without cause by giving prior written notice. If a customer terminates a work order or project-based service contract without cause, typically we are only entitled to receive service fees earned up to the date of termination, costs already incurred or irrevocably committed and, in some cases, a limited amount of penalty. For more information, please see "Business – Our Customers." Therefore, cancelation or modification of any material work order or project-based service contract could materially and adversely affect our business, financial condition, results of operations and prospects.

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

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

In providing our services, we may fail to perform our contractual obligations to our customers.

Customers may bring claims against us for breach of our contractual obligations. The services we provide are complex and often time-sensitive. We may make material mistakes, including in managing and conducting a project, or in preserving, processing or analyzing customer data, that could negatively impact or obviate the usefulness of results of the project or cause the results of the project to be reported improperly. In such an event, we could be subject to significant costs of reperforming the project and liability to customers for any failure to meet contractually agreed standards, which could have an adverse impact on our reputation in addition to the additional costs incurred.

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

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

Patient dropouts may be higher than anticipated. A patient or healthy volunteer who drops out at any point in certain weeks of the trial is considered a "failure to respond" in results of the clinical trial. In general, the fewer patients or healthy volunteer who complete each trial, the higher the positive response rate for the group of remaining treated patients or healthy volunteer in such trial needs to be in order to demonstrate statistical significance. Therefore, a higher than anticipated dropout rate lowers the chance of proving statistical significance, which could adversely affect clinical trial results.

Our clinical trials involve interactions with patients and healthy volunteers, which exposes us to potential liabilities for personal injury or wrongful death.

Our clinical trial operations involve direct interactions among our employees, staff of our hospital subcontractors and patients and healthy volunteers at the relevant clinical sites. As a part of our clinical trial operations, we employ trained healthcare professionals who work with physicians, nurses or other staff of hospitals to conduct the protocol and testing on individual patients and healthy volunteers, which may involve administration of the investigational drug, drawing of blood and other medical procedures required under the relevant protocol. Any personal injury to, or death of, a person participating in a clinical trial caused by medical malpractice or negligence of such professionals may subject us to liabilities and have a material adverse effect on our reputation, business, results of operations, and financial condition.

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

We procure technical equipment and consumables and other goods and services necessary for our operations. In the event of significant price increases for such supplies, we may have to pass the increased costs to our customers. However, we cannot assure you that we will be able to raise the prices of our services and products sufficiently to cover increased costs. As a result, any significant price increase for our raw materials may have an adverse effect on our profitability.

We also outsource certain aspects of our services to subcontractors. For details of our subcontracting arrangements, please see the section headed "Business – Our Subcontractors." In order to meet the increasing demand arising out of our growth in business, we will be required to increase our outsourcing of the abovementioned services. However, as we grow, our existing partners may not be able to meet our increasing demand, and we may need to find additional subcontractors. There is no assurance that we will always be able to secure subcontractors who provide services at the specification, quantity and high quality levels that we demand or be able to negotiate acceptable prices and terms of services with subcontractors.

We believe that we have long and stable relationships with our existing third-party suppliers and subcontractors. However, we cannot assure you that we will be able to secure a stable supply of our supplies and high-quality outsourced services. Generally, the master

supply agreements which we enter into with our suppliers and the master service agreements which we enter into with our subcontractors are valid for one to three years. Our suppliers or subcontractors may reduce or cease their supply and outsourced services to us at any time in the future. In addition, we cannot assure you that our suppliers and subcontractors have obtained and will be able to renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations, and failure to do so by them may lead to interruption in their business operations, which in turn may result in a shortage of products and services supplied to us. If the supply of raw materials and the outsourced services are interrupted, our production processes would be delayed. If any such event occurs, our operations and financial position may be adversely affected.

Illegal actions, misconduct or any failure by our suppliers or subcontractors to provide satisfactory products or services could materially and adversely affect our business, reputation, financial condition and results of operations. In addition, we may be unable to receive sufficient compensation from our suppliers and subcontractors for the losses caused by them.

Our reputation and operations may be harmed by illegal actions or unsatisfactory performance by suppliers and subcontractors that are outside of our control. Some of our major customers and suppliers have been subject to regulatory penalties, administrative actions and legal proceedings in the past. We cannot guarantee that our customers and suppliers' future compliance with laws, and we may be subject to claims arising from their non-compliance.

Separately, failure of our hospital partners, who act as our subcontractors in connection with our clinical research projects, to conduct the clinical trials under their contractual commitments could delay our scheduled clinical trials, and failure of our suppliers to ensure the high quality of their goods and services could interrupt our operations, both of which could result in claims against us. In the event that we become subject to claims caused by actions taken by our hospital partners, suppliers or subcontractors, we may attempt to seek compensation from the relevant suppliers or subcontractors. However, such compensation may be limited. If no claim can be asserted against a supplier or subcontractor, or amounts that we claim cannot be fully recovered from the supplier or subcontractor, we may have to bear such losses and compensation at our own cost. This could have a material and adverse effect on our business, financial condition and results of operations.

Our acquisitions may not be successful and we may fail to successfully integrate these acquisitions with our business.

Historically, we have grown our business in part through acquisitions to expand our service offerings and geographic presence. We will continue to grow through such acquisitions. The success of our acquisition strategy is uncertain and depends upon, among other things, our ability to identify suitable targets, to assess the value, strengths, weaknesses, liabilities and potential profitability of such targets, the availability of sufficient financial or operational resources to fund such acquisitions and to negotiate acceptable purchase terms.

We have made strategic acquisitions and will continue to acquire new businesses to complement our service offerings and expand our global footprint. We devote significant resources to the restructuring and integration of our operations in order to achieve the anticipated synergies and benefits of acquisitions. Such integration of our acquired businesses may expose us to certain risks, such as the anticipated and unforeseen costs, expenses and liabilities (including latent or potential liabilities that relate to the time prior to our acquisition), difficulties in integrating the acquired businesses in a timely and cost-effective manner or maintaining standard control policies and procedures across our businesses, difficulties in establishing effective management information and financial control systems, and unforeseen legal, regulatory, contractual or other issues.

With respect to acquisitions of international companies, we may not be able to overcome differences in international regulations, business practices, language or customs. If we fail to successfully integrate recent and potential future acquisitions, or restructure our businesses, there may be an adverse effect on our business, financial condition and results of operations. Furthermore, we may fail to realize anticipated returns from our future acquisitions, business restructurings and integrations and may incur significant acquisition-related charges to earnings and dilution to our shareholders.

We plan to continue to make selective acquisitions in the future. We currently plan to use 40%, or approximately HK$3,861.1 million, of the net proceeds from the Global Offering to fund potential acquisitions of overseas CRO and related businesses. As of the Latest Practicable Date, we had not identified any specific acquisition target, or entered into any agreements, commitments or understandings with respect to any such transaction, except as disclosed in "Waivers from Strict Compliance with the Listing Rules – Waiver in respect of companies acquired/to be acquired after the Track Record Period." For details regarding our use of proceeds and criteria for acquisitions, please see "Future Plans and Use of Proceeds."

We may not be able to identify promising investees or realize our anticipated investment returns from our investments.

From time to time, we may make strategic investments in selected targets. However, even if we spend significant time and resources, we may not be able to identify promising investees. As a result, our financial condition may be adversely affected. In 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, our fair value gain on financial assets at FVTPL was RMB60.9 million, RMB149.1 million, RMB185.0 million, RMB32.1 million and RMB56.7 million, respectively. If the fair value of our investments were to fluctuate or decline, our results of operations may be materially and adversely affected. As we mark-to-market the fair value of certain of our investments on a periodic basis, the fair value of our financial assets at FVTPL, especially our investments in publicly-traded companies, may be negatively affected by such fluctuations. If any downward fluctuations were to continue, the fair value of our financial assets at FVTPL may be negatively affected in our subsequent quarterly reviews. As a result, we face risks relating to our equity investments in our investees.

Given that some of our investees are emerging companies that are still in the development stages, investments in such companies are inherently risky. These companies may also have

relatively short operating histories and are in need of a significant amount of capital to grow their business and to gain traction in the industry. Moreover, they may not have sufficient financial resources to meet their financial obligations, particularly during economic slowdowns. Our investments at early stages of a company's development are therefore speculative and entail a number of risks. Accordingly, we may fail to realize our anticipated returns on investments in such investees, and may even experience a total loss on such investments. Furthermore, the due diligence process that we undertake in connection with investments in our investees may not reveal all facts that may be relevant in connection with an investment and may not guarantee that our investments would be successful.

We also have limited influence over the management and operations of our investees when we acquire minority interests in such companies. We are subject to the risk that the majority shareholders or the management of our investees may act in a manner that does not serve our interests. General operational risks, such as inadequate or failed internal controls of our investees, may also expose our investments to risks. Furthermore, our investees may fail to abide by their agreements with us, for which we may have limited or no recourse. If any of the foregoing were to occur, our business, reputation, financial condition and results of operations could be materially and adversely affected.

In addition, our investments in our investees are generally illiquid. Our ability to realize our anticipated investment returns will depend on the investee's ability to complete a domestic or overseas initial public offering or trade sale, which in turn relies on, among other things, the business and financial performance of our investees. If any of our investees were to go bankrupt, such investee's debts would first be paid off to its creditors and any remaining assets would be divided among the shareholders. We cannot assure you that there would be any remaining assets for the shareholders after the repayment of debts and we could lose all the resources and expenses we contributed to such entity. Any such event could materially and adversely affect our business, financial condition and results of operations.

We plan to continue to make selective investments in the future. We currently plan to use 20%, or approximately HK$1,930.5 million, of the net proceeds from the Global Offering to fund minority investments in the healthcare industry. As of the Latest Practicable Date, we had not identified any material investment target, or entered into any agreements, commitments or understandings with respect to any such transaction, except as disclosed in "Waivers from Strict Compliance with the Listing Rules – Waiver in respect of companies acquired/to be acquired after the Track Record Period." For details regarding our use of proceeds and criteria for acquisitions and investments, please see "Future Plans and Use of Proceeds."

Our financial assets at FVTPL through profit or loss are subject to uncertainties in accounting estimates. Fluctuations in the changes in fair value of our financial assets at FVTPL would affect our financial results.

In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on historical experience and

other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. See Note 5 to the Accountants' Report in Appendix I to this Prospectus. As such, we believe that our financial assets at FVTPL are subject to the uncertainties of accounting estimates and therefore warrant particular attention.

For investments with no quoted market prices in an active market, their fair values are estimated by using valuation techniques. These techniques include net asset value of underlying investments and discounted cash flows. Valuation techniques are certified by independent and recognized business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on the specific data. However, some inputs, such as the probability of redemption of preference shares, require management estimates and assumptions, which are reviewed periodically and adjusted if necessary. Should any of the estimates and assumptions be changed, it may lead to a change in the fair value of the financial assets. The carrying amounts of financial assets at FVTPL at December 31, 2017, 2018 and 2019 and March 31, 2020 were RMB966.2 million, RMB1,482.1 million, RMB2,319.3 million and RMB2,581.7 million, respectively. If the fair value of our financial assets at FVTPL were to fluctuate or decline, our business, financial condition and results of operations could be materially adversely affected.

For financial reporting purposes, we categorize fair value measurements of financial assets and liabilities into level 1, level 2 or level 3, based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement. As of December 31, 2017, 2018 and 2019 and March 31, 2020, we had RMB76.0 million, RMB1.0 million, RMB68.8 million and RMB43.5 million of level 2 financial assets, respectively. As of December 31, 2017, 2018 and 2019 and March 31, 2020, we had RMB4.2 million, nil, nil and nil of level 2 financial liabilities, respectively. Compared to level 1 financial assets, level 2 financial assets are not quoted in an active market, and we use valuation techniques to estimate the fair value of these assets. When estimating fair value using these valuation techniques, we consider observable inputs and market data, such as foreign exchange rates. Changes in these factors will affect the estimated fair value of our level 2 financial assets and therefore these assets will face uncertainty in accounting estimation. As of December 31, 2017, 2018 and 2019 and March 31, 2020, we had RMB876.6 million, RMB1,468.5 million, RMB2,115.5 million and RMB2,307.1 million of level 3 financial assets, respectively. For level 3 financial assets, we primarily adopt valuation techniques such as the net asset value of the underlying investments. It is possible that future accounting standards and fair value estimation that we require to adopt may differ from the current accounting treatment that we apply to our financial statements and may result in significant changes to our results, disclosures and reporting systems. Such changes could adversely affect the trends and comparability of our financial results.

The fair value of our financial assets at FVTPL, including listed equity securities, unlisted equity investments, unlisted fund investments, structured deposits (representing the wealth management products we purchased from commercial banks for cash management purposes) and derivative financial instruments, are subject to changes beyond our control. In the years

ended December 31, 2017, 2018, and 2019 and the three months ended March 31, 2019 and 2020, we recorded positive changes in fair value of financial assets at FVTPL in the amount of RMB60.9 million, RMB149.1 million, RMB185.0 million, RMB32.1 million and RMB56.7 million, respectively. In addition, we recorded loss arising from derivative financial instruments of RMB8.2 million in 2017 and gain arising from derivative financial instruments of RMB6.2 million in 2018, which represented the fair value changes of the derivative contracts we entered into. There is no guarantee that the changes in fair value of our financial assets at FVTPL will continue to be positive, and our financial results may be materially affected by fluctuations in the changes in fair value of financial assets at FVTPL.

Fluctuations in our gain on disposal of financial assets at FVTPL, gain on disposal of subsidiaries and gain on disposal of associates would affect our financial results.

In the years ended December 31, 2017, 2018, and 2019 and the three months ended March 31, 2019 and 2020, we recorded gains on disposal of financial assets at FVTPL of RMB34.7 million, RMB112.1 million, RMB76.1 million, RMB15.9 million and RMB10.9 million, respectively. For details, please see Note 9 of the Accountants' Report set out in Appendix I to this Prospectus. During the same periods, we recognized gains on disposal of subsidiaries of RMB14.7 million, RMB1.1 million, RMB73.7 million, RMB52.8 million and RMB6.7 million, respectively, and gains on disposal of associates of RMB7.3 million, RMB3.6 million, RMB20.9 million, RMB0.6 million and RMB70.0 million, respectively. There is also no guarantee that we will continue to make gains on disposal of financial assets at FVTPL, subsidiaries or associates in the future, and our financial results may be materially affected.

We are exposed to risks associated with the fact that some of our subsidiaries are listed.

Our subsidiary Frontage Holdings (stock code: 1521) completed its listing on the Main Board of the Hong Kong Stock Exchange on May 30, 2019, and our subsidiary DreamCIS completed its listing on the Korean Securities Dealers Automated Quotations of the Korea Exchange on May 22, 2020. See "Business – Spin-off of DreamCIS." We will continue to be the majority shareholder of Frontage Holdings and DreamCIS and consolidate their financial statements following the spin-offs but our shareholding in each of Frontage Holdings and DreamCIS has been diluted. The spin-offs may also subject us to a number of risks, including increased expenses to be incurred in connection with operating each of Frontage Holdings and DreamCIS as a separate publicly listed company, as well as corporate governance risks under the Corporate Governance Code set out in Appendix 14 to the Listing Rules and the Financial Investment Services and Capital Markets Act of Korea, which may undermine our control over Frontage Holdings and DreamCIS. All of these factors could materially and adversely affect our business, results of operations or financial condition.

Impairment of goodwill and other intangible assets could materially and adversely affect our financial condition and results of operations.

Goodwill represented 16.5% of our total assets as of March 31, 2020. We review our goodwill before the end of the reporting period. We recognized impairment losses of goodwill of RMB10.0 million and RMB19.0 million in 2017 and 2018, respectively. We did not

recognize impairment losses of goodwill in 2019 and the three months ended March 31, 2020. Determining whether goodwill is impaired requires an estimate of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of value in use or fair value less costs of disposal. For details, see "Financial Information – Critical Accounting Policies and Estimates – Key Sources of Estimation Uncertainty – Impairment of Goodwill." Impairment of some or all of the remaining goodwill on our consolidated statements of financial position could have a material adverse effect on our profitability. In addition, other intangible assets collectively represented 1.0% of our total assets as of March 31, 2020. An impairment of goodwill or other intangible assets could have a material adverse effect on our financial condition and results of operations. For more information on our good will and other intangible assets, see the section headed "Financial Information."

We are subject to risks inherent in international operations.

We have operations in 12 overseas countries and regions with 17 operation sites across the Asia-Pacific region, North America and Europe. We intend to continue to expand our presence internationally. Our success in providing services internationally and competing in international markets is subject to our ability to manage various risks and difficulties, including:

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

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

Our future international investments may be adversely affected by regulatory or governmental scrutiny in the relevant countries.

We invest in a number of companies in the healthcare industries worldwide. Such investments may be subject to stringent regulatory or governmental scrutiny imposed by relevant jurisdictions. For example, according to the interim regulations issued by U.S.

Department of the Treasury on October 10, 2018, which implements certain provisions of the Foreign Investment Risk Review Modernization Act of 2018 (the "**FIRRMA interim regulations**"), the CFIUS is authorized to conduct a pilot program, expanding CFIUS jurisdiction over non-controlling foreign investments in certain U.S. businesses that utilize "critical technologies" in activity within or aimed at any of 27 designated industry sectors ("**Pilot Program Industries**"), which includes "Research and Development in Biotechnology." This pilot program may require mandatory declarations from both controlling and non-controlling investments in these sectors. Certain of our investments in the United States may be subject to the mandatory declaration and review process under the FIRRMA interim regulations if and to the extent that a target business utilizes "critical technologies" in activity within or aimed at a Pilot Program Industry and that such target business designs, tests, manufactures, fabricates or develops a critical technology as defined under the FIRRMA interim regulations. This may increase the uncertainty and transaction costs of our future investments in and acquisitions of U.S. biotechnology businesses and therefore adversely affect the implementation of our future merger and acquisition activities and investment strategies in respect of U.S. biotechnology assets and businesses.

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

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

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

Negative publicity may adversely affect our reputation, business, financial condition and prospects.

Any negative publicity concerning us, our affiliates or subsidiaries, even if untrue, could adversely affect our reputation and business prospects, which could damage our brand image or have a material adverse effect on our business, results of operations and financial condition.

In particular, given our specialized customer base, customer referrals and word-of-mouth marketing have contributed significantly to our ability to acquire customers. Damage to our reputation could be difficult, expensive and time-consuming to restore and could make potential or existing customers reluctant to select us for new engagements, resulting in a loss of business and could adversely affect our recruitment and retention efforts. Damage to our reputation could also reduce the value and effectiveness of our brand name and could reduce investor confidence in us, adversely affecting the price of our Shares.

Upgrading the information systems that support our operations and evolving the technology platform for our services pose risks to our business.

Continued efficient operation of our business requires that we implement standardized global business processes and evolve our information systems to enable this implementation. We continue to undertake significant programs to optimize business processes with respect to our services. Our inability to effectively manage such implementation and adapt to new processes designed into these new or upgraded systems in a timely and cost-effective manner may result in disruption to our business and negatively affect our business, financial condition and results of operations.

We have entered into agreements with certain vendors to provide systems development and integration services that develop or license to us IT platforms for programs to optimize our business processes. If such vendors fail to perform as required or if there are substantial delays in developing, implementing or updating such IT platforms, the delivery of our services to our customers may be negatively impaired, and we may have to make substantial further investments, internally or with third parties, to achieve our objectives.

Our operations are dependent on a number of factors that may not materialize as we anticipate, including obtaining adequate technology-enabled services, creating IT-enabled services that our customers will find desirable and implementing our business model with respect to these services. Any IT related failure or increased IT expenditures may negatively impact our business, financial condition and results of operations.

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

Under most of our service agreements and project-based service contracts, we have agreed to indemnify our customers for intellectual property infringement claims arising out of any infringement by us of a third party's intellectual property. Our liability is usually capped under the service contract or work order except for losses arising from breach of confidentiality obligations or from our gross negligence or willful misconduct. As a result, if any aspect of a deliverable to a customer that we create infringes a third party's intellectual property rights due to our gross negligence or willful misconduct, and particularly if such deliverable ultimately becomes a commercially successful product, we could be exposed to substantial liability. Any material intellectual property infringement claim, if raised against us, could have a material adverse impact on our reputation, business, financial condition and results of operations.

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

Our success depends on the protection of our customers' and our own intellectual property. Due to the nature of our services, we typically have access to a significant amount of intellectual property owned by our customers. Our customers typically retain ownership of all intellectual property associated with their projects, including the intellectual property provided to us and the intellectual property arising from the services we provide, except for intellectual property created or developed in connection with the provision of our services that is derivative of our own intellectual property or that relates to manufacturing processes developed at our expense.

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

If we are unable to maintain the confidentiality of our trade secrets and those of our customers, our reputation, business and competitive position may be harmed.

In addition to the protection afforded by our registered intellectual property, we rely upon unpatented trade secret protection, unpatented know-how and continuing technological innovation to develop and maintain our competitive position. However, trade secrets and know-how can be difficult to protect. We also seek to protect our and our customers' proprietary technologies and processes, in part, by entering into confidentiality agreements with parties that have access to them, such as our employees and certain other third parties. Although we have entered into confidentiality agreements with our customers as well as third-party service providers, we cannot guarantee that these third-party service providers with access to our and our customers' trade secrets or proprietary technologies will abide by the terms of our confidentiality agreement. Furthermore, we may not be able to prevent the unauthorized disclosure or use of our and the customers' technical know-how or other trade secrets by the parties to these agreements, however, despite the existence generally of confidentiality agreements and other contractual restrictions. If any of our employees and certain other third parties who are parties to these agreements breaches or violates the terms of any of these agreements or otherwise discloses our or the customers' proprietary information, we may not have adequate remedies for any such breach or violation, and we could lose our or the customers' trade secrets as a result, which could materially and adversely affect our business and competitive position. Enforcing a claim that a third party illegally disclosed or misappropriated our trade secrets, including through intellectual property litigation or other proceedings, is difficult, expensive and time consuming, and the outcome is unpredictable.

Managing medical and other data of the patients and healthy volunteers enrolled in our clinical trials exposes us to the risk of noncompliance with data protection and data transfer laws and regulations.

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

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

During the Track Record Period, we have benefited from government incentives. For the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, we recorded under other income RMB12.8 million, RMB10.6 million, RMB18.8 million, RMB0.7 million and RMB3.8 million, respectively, of government grants. For more details on government grants recognized in our profit or loss, please see Note 8 to the Accountants' Report in Appendix I to this Prospectus. We also enjoyed preferential tax treatment during the Track Record Period. For the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, we enjoyed a tax concession of RMB37.0 million, RMB57.9 million, RMB57.9 million, RMB9.2 million and RMB13.0 million, respectively. Our eligibility to receive these government incentives requires that we continue to qualify for them. The incentives are provided to us at the discretion of the central government or relevant local government authorities, which could determine at any time to eliminate or reduce these incentives, generally with prospective effect. Since our receipt of the government incentives is subject to periodic time lags and inconsistent government practice, as long as we continue to receive these financial incentives, our net income in a particular period

may be higher or lower relative to other periods depending on the potential changes in these financial incentives in addition to any business or operational factors that we may otherwise experience. The discontinuation of government incentives currently available to us could have a material adverse effect on our financial condition, results of operations, cash flows and prospects.

We are uncertain about the recoverability of our deferred tax assets, which may affect our financial position in the future.

As of December 31, 2017, 2018 and 2019 and March 31, 2020, our deferred tax assets amounted to RMB21.7 million, RMB19.2 million, RMB91.5 million and RMB77.6 million which primarily consisted of impairment allowance and stock compensation. For details of the movement of our deferred tax assets during the Track Record Period, please see Note 25 to the Accountants' Report in Appendix I to this Prospectus.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profits nor the accounting profit. As such, this requires significant judgment on the tax treatment of certain transactions and also assessment of the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. In this context, we cannot guarantee the recoverability or predict the movement of our deferred tax assets and to what extent they may affect our financial position in the future.

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

We maintain public liability insurance covering property loss, physical injuries or medical expenses involving third parties that occur on our premises; employer's liability insurance generally covering work-related death or injury of employees; professional liability insurance covering claims involving our customers or other third parties due to negligence in connection with our business operations; medical insurance and critical illness insurance covering unforeseen medical costs of our employees. We do not maintain key-man life insurance for any member of our senior management, or business interruption insurance.

Our insurance coverage may be insufficient to cover all claims for product liability or damage to our assets, plant and equipment or employee injuries. Any liability or damage to, or caused by, our assets or our personnel beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources.

Our business is subject to seasonal fluctuations.

We have experienced, and expect to continue to experience, seasonal fluctuations in our results of operations. Historically, we have experienced some decreased demand for our services in certain periods due to holiday periods in China and certain overseas markets such as the United States. As a result of these seasonal fluctuations, comparisons of revenue and our results of operations between different periods within a single financial year are not necessarily meaningful, nor can these comparisons be relied upon as indicators of our future performance. Should there be a significant reduction in demand for our services in any particular period of any year, our business, financial condition and results of operations may be adversely affected.

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

We may from time to time be involved in contractual disputes or legal and administrative proceedings and claims arising out of the ordinary course of business or pursuant to governmental or regulatory enforcement activity.

While we do not believe that any existing legal proceeding against us will have a material adverse effect on our business, financial condition and results of operations, any existing or future legal proceeding might result in substantial costs and divert management's attention and resources. Furthermore, any litigation, legal disputes, claims or administrative proceedings that are initially not material may escalate and become material to us due to a variety of factors, such as changes in the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. Laws, regulations and legal actions could also have significant regulatory consequences and result in regulatory enforcement actions.

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

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

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

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

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

We are subject to the anti-bribery laws of the jurisdictions in which we operate, particularly the U.S. and China. In the U.S., the Foreign Corrupt Practices Act of 1977 generally prohibits a company from making improper payments, directly or indirectly, to foreign officials for the purpose of obtaining or retaining business. Further, in the U.S., the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA Patriot Act), prohibits money laundering and any activities that could facilitate money laundering. In China, the Anti-Unfair Competition Law, and provisions of the Criminal Code, prohibit giving and receiving money or property (which includes cash, proprietary interests and items of value) to obtain an undue benefit. Further, in China, Anti-Money Laundering Law of the People's Republic of China (中華人民共和國反洗錢法), promulgated by the Standing Committee of the National People's Congress on October 31, 2006 and effective on January 1, 2007, prohibits money laundering. In addition, many of our customers require us to follow strict anti-bribery and anti-money laundering policies as part of doing business with us. Our

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

We may not be able to obtain additional capital that we need in a timely manner or on acceptable terms.

In order to further expand our presence, develop new services, undertake desirable acquisitions and remain competitive, we may require additional capital. We expect to satisfy such capital commitments using part of the net proceeds from the Global Offering, cash from operations and bank facilities available to us. Financing may be unavailable in amounts or on terms acceptable to us. Our ability to obtain additional capital is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows, general market conditions for capital-raising activities by CROs, and economic, political and other conditions in China, the U.S. and other jurisdictions where we operate. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants restricting our operations or our ability to make acquisitions or pay dividends. Any failure to raise sufficient additional capital to meet our capital requirements may materially and adversely affect our business, financial condition and results of operations.

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

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

Animal testing may be opposed by special interest groups and expose us to potential liabilities and other issues, including disruption to our facilities by protesters and damage to our reputation.

Some of our services utilize animals in the testing of the safety and efficacy of drugs and agrochemicals. Acts of vandalism and other acts by animal rights activists, who object to the use of animals for such purposes, including protests at or near our facilities or offices, could have an adverse effect on our operations or reputation.

Animal research at our facilities must be conducted in compliance with applicable laws and regulations in the jurisdictions in which those activities are conducted. Our animal testing facilities hold certain assurances and certifications, as well as an accreditation, from governmental authorities and a third-party accrediting organization for the conduct of certain animal studies. If an enforcement agency determines that our equipment, facilities, laboratories or processes do not comply with applicable standards, it may issue an inspection report documenting the deficiencies and setting deadlines for any required corrective actions. For non-compliance, government agencies may take action against us that may include fines or confiscation of research animals. Any such non-compliance with legal, regulatory or third-party accreditation requirements may also result in the limitation, termination, suspension or revocation of any licenses, permits, authorizations, assurances, certificates or accreditations necessary for the conduct of our business. Any determination of non-compliance, report or other action by an enforcement agency could adversely affect our business, financial condition and results of operations.

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

Natural disasters or other unanticipated catastrophic events that affect any of our facilities, including power interruptions, water shortages, storms, tornadoes, fires, earthquakes, terrorist attacks or wars, could significantly impair our ability to operate our business. Our facilities and certain equipment located in these facilities would be difficult to immediately replace in any such event and could require substantial replacement lead time and cost. The occurrence of any such event could materially and adversely affect our business, financial condition and results of operations.

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

Incidents, accidents or injuries at our facilities or in connection with our services may subject us to liabilities and negatively impact our reputation. We may also face damages or delays that could impact the delivery of our services to our clients and we could be held liable for costs related to such incidents. We maintain insurance of the types and in the amounts that we believe are commercially reasonable and that are available to businesses in our industry, but there can be no assurance that we will be able to recover all or any of the losses we suffer. Our business, financial condition and results of operations could be harmed to the extent claims and associated expenses resulting from incidents, accidents or injuries exceed our insurance recoveries.

Disruptions in the capital markets and unfavorable general economic conditions could negatively affect our business, financial condition and results of operations.

Unfavorable economic conditions, including any increased volatility in the capital markets and diminished expectations for the global economy may harm our business. Disruption in the credit and capital markets that could have negative effects on our business may be difficult to predict or anticipate, including the ability of our customers, vendors, contractors and financing sources to meet their contractual obligations. For example, if our customers have difficulty obtaining necessary financing, they may reduce the size or number of projects that they outsource to us or fail to make timely payments to us, which could have a negative impact on our business, financial condition and results of operations.

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

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect the financial and economic conditions in the jurisdictions in which we operate, as well as our overseas expansion, our financial condition and results of operations. The U.S. administration under President Donald J. Trump has advocated greater restrictions on international trade generally and significant increases on tariffs on certain goods imported into the U.S., particularly from China, and has taken steps toward restricting trade in certain goods. For example, in 2018, the United States announced three finalized tariffs that applied exclusively to products imported from China, totaling approximately US$250 billion, and in May 2019, the U.S. increased the rate of certain tariffs previously levied on Chinese products from 10% to 25%. In addition, in August 2019, President Donald J. Trump threatened to impose additional tariffs on remaining Chinese products, totaling approximately US$300 billion. Although on January 15, 2020, the U.S. and China signed an agreement on the phase one trade deal, under which both parties made certain concessions and agreed not to proceed with additional tariffs against one another, the 25% tariffs on US$250 billion of Chinese imports are still in place. The trade tension between China and the United States continues and could intensify in the future, and the U.S. government could adopt a more drastic trade policy against China.

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

Uncertainty relating to the LIBOR calculation process and potential phasing out of LIBOR in the future may adversely affect our financial condition.

On July 27, 2017, the U.K. Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. The U.K. Financial Conduct Authority has indicated that it expects that the current panel banks will voluntarily sustain LIBOR until the end of 2021, but they may cease to do so sooner. It is unknown whether any banks will continue to voluntarily submit rates for the calculation of LIBOR after 2021 or whether LIBOR will continue to be published by its administrator based on these submissions or on any other basis. At this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or any other reforms to LIBOR that may be enacted in the United Kingdom or elsewhere. It is impossible to predict what rate or rates may become accepted alternatives to LIBOR and it is impossible to predict the effect of any such alternatives on the value of LIBOR-based securities. We are exposed to cash flow interest rate risk in relation to the fluctuation of LIBOR rates. Our variable rate borrowings were RMB35.2 million, RMB21.7 million, RMB352.3 million and RMB357.2 million as of December 31, 2017, 2018 and 2019 and March 31, 2020, respectively. Discontinuation of LIBOR and uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may result in higher interest rate and adversely affect our financial condition.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

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

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

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

The investment activities of foreign investors in the PRC are subject to certain regulations regarding the industry participated and imposed of additional verification procedures by certain authorities. The Special Management Measures (Negative List) for the Access of Foreign Investment (2019) (《外商投資准入特別管理措施(負面清單)(2019年版)》, the "**Negative List**") issued by the NDRC and MOFCOM, which set out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity and senior management, and the industries that are prohibited for foreign investment. The Negative List covers 13 industries, and any field not covered by the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. As of the Latest Practicable Date, our Group's main business in China does not fall within the Negative List. However, certain industries are specifically prohibited for foreign investment, such as the development and application of technologies for diagnosis and treatment of human stem cells and genes, which may restrict us from entering into these industries afterwards. Also, as the Negative List could be updated in the future, there can be no assurance that the PRC government will not change its policies in a manner that would render part of our business in China within the Negative List. If we cannot obtain approval from relevant approval authorities to engage in a business in China which becomes prohibited or restricted for foreign investors, we may be forced to sell or restructure our business which has become restricted or prohibited for foreign investment. If we are forced to adjust our corporate structure or business line as a result of changes in government policy on foreign investment, our business, financial condition and results of operations may be adversely affected.

We face foreign exchange risk, and fluctuations in exchange rates could have a material adverse effect on our financial condition and results of operations.

Changes in exchange rates have in the past, and could in the future continue to, materially and adversely affect our financial condition and results of operations. We recorded a net foreign exchange gain of RMB4.6 million, RMB6.3 million and RMB1.5 million, respectively, in 2018, 2019 and the three months ended March 31, 2020, while we recorded a net foreign exchange loss of RMB7.2 million and RMB1.7 million, respectively in 2017 and the three months ended March 31, 2019. Our foreign currency exposure is mainly with respect to U.S. dollars. During the Track Record Period, 36.0% of our revenue was denominated in U.S. dollars. However, a significant portion of cost of services and operating costs and expenses are denominated in Renminbi. As a result, our margins are pressured when the Renminbi appreciates against the U.S. dollar, and we may not be able to price our service contracts, in particular those with our U.S. customers, in currencies other than the U.S. dollar. Fluctuations in exchange rates between the Renminbi and the U.S. dollar and other currencies may be affected by, among other things, changes in China's political and economic conditions, as well as international economic and political developments. The value of the Renminbi has been under pressure of appreciation in recent years. Due to international pressures on the PRC to allow more flexible exchange rates for the Renminbi and the economic situation and financial market developments in the PRC and abroad, the PRC government has decided to proceed

further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility. While we have entered into several foreign exchange forward contracts with banks to manage our foreign currency exposure, the effectiveness and future availability of these arrangements may be limited, and we may not be able to successfully manage our exposure to currency risks.

Increases in labor costs in China may adversely affect our business and our profitability.

China's economy has experienced increases in labor costs in recent years. As China's economy continues to grow, the average wages in China are also expected to grow. The average salary of our employees has also increased in recent years. For the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, our total staff costs amounted to RMB616.5 million, RMB855.7 million, RMB1,119.3 million, RMB275.1 million and RMB325.8 million, accounted for 36.6%, 37.2%, 39.9%, 45.5% and 49.7% of our total revenues, respectively. We expect that our staff costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on the increased staff costs to our customers by raising the price of our services, our profit margin may shrink and our results of operations may be materially and adversely affected.

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

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have limited precedential value. In late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing general economic matters. The overall effect of legislation over the past three decades has significantly increased the protections afforded to various forms of foreign investment in China. However, China has not developed a fully-integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. Furthermore, as some of these laws and regulations are relatively new, and because of the limited volume of published court decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations may involve uncertainties and may not be as consistent or predictable as those in other jurisdictions.

On December 23, 2019, the Civil Code of the People's Republic of China (Draft) (中華人民共和國民法典(草案)), was submitted to the 15th meeting of the Standing Committee of the 13th National People's Congress for deliberation, and will be submitted to the 3rd meeting of the 13th National People's Congress for deliberation in 2020. As a declaration of civil rights, the Civil Code of the People's Republic of China (Draft) (中華人民共和國民法典(草案)) is the legal basis for the protection of civil rights, and will have substantial influence on the PRC legal system.

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

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

Pursuant to the PRC Labor Contract Law (中華人民共和國勞動合同法), or the Labor Contract Law, that took effect in January 2008, its implementation rules that took effect in September 2008 and its amendment that took effect in July 2013, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. Due to lack of detailed interpretative rules and broad discretion of the local competent authorities, it is uncertain as to how the Labor Contract Law and its implementation rules will affect our current employment policies and practices. Our employment policies and practices may violate the Labor Contract Law or its implementation rules, and we may thus be subject to related penalties, fines or legal fees. Compliance with the Labor Contract Law and its implementation rules may increase our operating expenses, in particular our personnel expenses. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the PRC Labor Contract Law and its implementation rules may also limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. On October 28, 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law (中華人民共和國社會保險法), or the Social Insurance Law, which became effective on July 1, 2011 and was amended on December 29, 2018 and took effect on the same date. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance

premiums for such employees. Recently, the PRC government enhanced its measures relating to social insurance collection, which may lead to stricter enforcement. Our social insurance policies and practices may violate the relevant laws and regulations, and we may thus be subject to related penalties, fines or legal fees. Compliance with the Social Insurance Law and its implementation rules may increase our operating expenses, in particular our personnel expenses. Pursuant to the Regulations on Management of Housing Provident Fund (住房公積金管理條例) promulgated by the State Council on April 1999 and took effect on the same date, which was amended, supplemented or otherwise modified from time to time and was lately amended on March 24, 2019 to take effective on the same date, employers must open housing provident fund account and pay housing provident fund for its employees. If an employer fails to go through the formalities or does not pay the full amount as scheduled, the relevant administration department shall order it to make rectification or make up the payment within the prescribed time limit. If an employing entity fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund account for its employees within the prescribed period, a fine shall be imposed. If an employer fails to make the payment and deposit of the housing provident fund within a prescribed time limit, an application may be made to the people's court for compulsory enforcement.

Our Company and some of our PRC subsidiaries have in the past failed to make full contributions to social security insurance and housing provident fund for some of our employees in accordance with the relevant PRC laws and regulations. Our PRC Legal Advisor has advised us that, pursuant to relevant PRC laws and regulations, the under-contribution of social insurance within a prescribed period may subject us to a daily overdue charge of 0.05% of the delayed payment amount. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount. Our PRC Legal Advisor has further advised us that, pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. For details, see "Business – Legal Matters – Legal Compliance – Failure to Make Full Contributions to Social Insurance and Housing Provident Funds."

During the Track Record Period, our Company and some of our PRC subsidiaries engaged third-party human resources agencies to pay social insurance premium and housing provident funds for certain of our employees. Pursuant to the agreements entered into between such third-party human resources agencies and our Company or our relevant PRC subsidiaries, the third-party human resources agencies have the obligation to pay social insurance premium and housing provident funds for our relevant employees. As of the Latest Practicable Date, neither our Company nor our PRC subsidiaries had received any administrative penalty or labor arbitration application from employees for its agency arrangement with third-party human resources agencies. These third-party human resources agencies have confirmed in writing that they have paid such contributions according to our agreements with them. However, if such human resource agencies fail to pay the social insurance premium or housing provident funds

for and on behalf of our employees as required by applicable PRC laws and regulations, we may be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social insurance and housing provident funds as an employer or be ordered to rectify. This in turn may adversely affect our financial condition and results of operations. For details, see "Business – Legal Matters – Legal Compliance – Use of Third-party Agencies to Pay Social Insurance Premium and Housing Provident Funds."

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

We may face challenges by third parties or government authorities with respect to title defects relating to some of our leased properties in China, and incur additional expenses if we are forced to relocate due such title defects.

As of the Latest Practicable Date, among the 81 properties we leased in China, seven of them had title defects. The total gross floor area of these defective properties, which are used as offices, is approximately 1,040.2 sq.m., representing 2.53% of our total GFA for leased properties. The existence of title defects is mainly due to the failure of those lessors to provide either property ownership certificates or relevant construction permits regarding their legal right to lease such properties. See "Business – Properties" We cannot assure you that the landlord of these properties have the right to lease the relevant property to us. As advised by our PRC Legal Advisor, we may not be able to continue to use such property if the ownership of the property we have leased and/or the validity of such lease is challenged by third parties. In such a scenario we will have to relocate to other premises, which could result in additional costs. Should disputes arise due to title encumbrances to such properties or government action, we may encounter difficulties in continuing to lease such properties and may be required to relocate in the future.

As advised by our PRC Legal Advisor, the lessors of all of these properties with title defects have provided us with commitment letters to compensate us for any loss due to title defects. Such title defects relate to properties used as offices for which alternative premises are available. As a result, the lack of certain certificates and approvals will not have a material adverse effect on our financial conditions or results of operations as a whole.

As of the Latest Practicable Date, we were not aware of any challenge made by any third party or government authority on the titles of any of these leased properties that might affect our current occupation. We cannot assure you that in the future, we may not encounter such challenges. In addition, in the event of relocation, we may incur additional costs, which could adversely affect our daily operation and cause an impact on our financial condition.

We may face penalties for the non-registration of our lease agreements in China.

As of the Latest Practicable Date, the lease agreements with respect to 80 properties we lease in the PRC for our business operations had not been registered and filed with the relevant PRC government authorities. As advised by our PRC Legal Advisor, failure to register such lease agreements with the relevant PRC government authorities does not affect the validity and enforceability of the relevant lease agreements but the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so with the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. During the Track Record Period and as of the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant PRC government authorities. For details, see "Business – Properties – PRC Properties."

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

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or action that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. For example, under the Individual Income Tax Law of the People's Republic of China (the "**IIT Law**") (《中華人民共和國個人所得税法》), which was amended on June 30, 2011 and came into effect on September 1, 2011, foreign nationals who have domiciles in the PRC, or have no domicile in China but have resided in the PRC for one year or more, would be subject to PRC individual income tax at progressive rates on their income gained within or outside the PRC. Recently, the Standing Committee of NPC have approved the amendment of the IIT Law, which became effective on January 1, 2019. Under the amended IIT law, foreign nationals have no domicile in China but have resided in the PRC for a total of 183 days or more in a tax year, would be subject to PRC individual income tax on their income gained within or outside the PRC. Should such rule be strictly enforced, our ability to attract and retain highly skilled foreign scientists and research technicians to work in China may be materially affected, which may in turn have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects. Further adjustments or changes to PRC tax laws are regulations, together with any uncertainty resulting therefrom, could also have an adverse effect on our business, financial condition and results of operations.

We may be restricted from transferring our scientific data abroad.

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

Investors may experience difficulties in effecting service of legal process and enforcing judgments against us and our Directors, Supervisors and management.

We are a company incorporated under the laws of the PRC and a majority of our assets and subsidiaries are located in the PRC. The majority of our Directors, Supervisors and senior management reside within the PRC. The assets of these Directors, Supervisors and senior management also may be located within the PRC. As a result, it may not be possible to effect service of process upon most of our Directors, Supervisors and senior management outside the PRC. Moreover, the PRC does not have treaties providing for reciprocal recognition and enforcement of court judgments in the United States, the United Kingdom, Japan or most other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, in the PRC or Hong Kong, recognition and enforcement of court judgments from the jurisdictions mentioned above may be difficult or impossible. On July 14, 2006, the Supreme People's Court of Mainland and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》). Under this arrangement, where any designated People's Court of the PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of PRC or Hong Kong court for recognition and enforcement of the judgment.

Although this arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the arrangement remain uncertain. Although we will be subject to the Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong upon the listing of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong do not have the force of law in Hong Kong.

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

On October 21, 2005, the SAFE issued the Circular Regarding Certain Administrative Measures on Financing and Round-trip Investment by PRC Residents through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 75, which became effective on November 1, 2005.

On July 4, 2014, SAFE Circular 75 was superseded by the Circular Regarding Certain Administrative Measures on Offshore Investing and Financing and Round-trip Investment by PRC Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, issued by SAFE. SAFE Circular 37 requires PRC residents, including both legal and natural persons, to register with the local SAFE branch before making capital contribution to any company outside of China (an "offshore SPV") with onshore or offshore assets and equity interests legally owned by PRC residents. In addition, any PRC resident who is the shareholder of an offshore SPV is required to update its SAFE registration with the local SAFE branch with respect to that offshore SPV in connection with change of basic information of the offshore SPV, such as its company name, business term, shareholding by PRC resident, merger, division and, with respect to the PRC resident, in case of any increase or decrease of capital in the offshore SPV, or transfer of shares or swap of shares by the PRC resident. Failure to comply with the required SAFE registration or update requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of such offshore SPV, including increasing the registered capital of, making payment of dividends and other distributions to, and the receipt of capital inflows from, the offshore SPV. Failure to comply with SAFE Circular 37 by relevant PRC resident may also subject such resident to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions. Furthermore, in the event of noncompliance of SAFE Circular 37, the PRC subsidiary of such offshore SPV may be subject to restrictions on settlement of capital in foreign exchange or distribution of the dividend to its shareholder.

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

There remains uncertainty as to the interpretation and implementation of the latest SAFE rules at practice level. We are committed to complying with and to ensuring that our shareholders who are subject to the regulations will comply with the relevant SAFE rules and regulations, however, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be able to compel them to comply with SAFE Circular 37 or other related regulations. We cannot assure you that the SAFE or its local branches will not release explicit requirements or interpret the relevant PRC Laws and regulations otherwise. Failure by any such shareholders to comply with SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

Restrictions on the remittance of Renminbi into and out of the PRC and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

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

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of China.

Failure to comply with PRC regulations and laws in relation to employee share scheme may subject the PRC plan participants or us to fines and other legal or administration sanctions.

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

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

Holders of our H Shares may be subject to PRC income tax obligations.

Under the Current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under the ITT Law and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui Zi [1994] No. 020) issued by the MOF and SAT on May 13, 1994, the income gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempted from individual income tax for the time being. In addition, under the ITT Law and its implementation regulations, non-PRC resident individual holders of H shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H shares. However, pursuant to Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals

from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax.

As of the Latest Practicable Date, no aforesaid provisions have expressly provided that whether individual income tax shall be levied from non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individual holders on gains from the sale of H shares. For more information, see "Appendix III – Taxation and Foreign Exchange – The PRC Taxation."

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

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

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

During the Track Record Period, we generated a certain portion of our revenue from companies headquartered in foreign markets. Our business is therefore subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in those foreign countries and regions. As a result, China's political relationships with those foreign countries and regions may affect the demand for our services and our ability to serve foreign customers or joint venture customers set up by foreign companies. There can be no assurance that such customers will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the

relevant foreign countries or regions. Any tensions and political concerns between China and the relevant foreign countries or regions may cause a decline in the demand for our services and adversely affect our business, financial condition, results of operations, cash flows and prospects.

RISKS RELATING TO THE GLOBAL OFFERING

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

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

An active trading market for our H Shares may not develop or be sustained.

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

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

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

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

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

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

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

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

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

Immediately upon the completion of the Global Offering, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, Dr. Ye and Ms. Cao, our founding Shareholders and as parties acting in concert, will collectively control approximately 27.4% of the voting power at our general meetings. Dr. Ye and Ms. Cao will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. Dr. Ye and Ms. Cao may not act in the best interests of our minority Shareholders. In addition, without the approval of Dr. Ye and Ms. Cao, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our H Shares.

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

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

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

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from us and our other PRC operating subsidiaries. Under PRC law and the constitutional documents of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory capital reserve funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. The calculation of our distributable profits under PRC GAAP differs in many aspects from the calculation under IFRS. In addition, as stipulated by our Articles, distributable profits are recognized as our net profit determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to

make. As a result, our Company and our PRC operating subsidiaries may not be able to pay a dividend in a given year if our Company or our PRC operating subsidiaries do not have distributable profits as determined under PRC GAAP even if they have profits as determined under IFRS. During the Track Record Period, no dividend has been paid or declared by us. See "Financial Information – Dividends" for further details of our dividend policy.

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

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

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

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

Facts, forecasts and statistics in this Prospectus relating to the PRC and global economy and healthcare industry in China and overseas markets are obtained from various sources including official government publications that we believe are reliable. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Joint Global Coordinators nor our or their respective affiliates or advisors have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this Prospectus relating

to the PRC and global economy and the healthcare industry in China and overseas markets may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

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

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

In preparation for the Global Offering, we have applied for waivers from strict compliance with the relevant provisions of the Listing Rules as set out below.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

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

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

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

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

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

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

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

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

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

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARIES

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

(a) a member of The Hong Kong Institute of Chartered Secretaries;

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

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

In assessing the "relevant experience," the Hong Kong Stock Exchange will consider the individual's:

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

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

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

(iv) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Gao Jun (高峻) ("**Mr. Gao**") as one of the joint company secretaries. Mr. Gao has extensive experience in corporate governance matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Kwan Sau In ("**Ms. Kwan**"), an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Mr. Gao for an initial period of three years from the Listing Date to enable Mr. Gao to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Ms. Kwan will work closely with Mr. Gao to jointly discharge the duties and responsibilities as company secretary and assist Mr. Gao to acquire the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Mr. Gao will also be assisted by (a) Compliance Advisor of our Company, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisors of our Company, on matters concerning our Company's ongoing compliance with the Listing Rules and the applicable laws and regulations. In addition, Mr. Gao will endeavour to attend relevant trainings and familiarize himself with the Listing Rules and duties required for a company secretary of a PRC issuer listed on the Hong Kong Stock Exchange.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that we engage Ms. Kwan, who possesses all the requisite qualifications required under Rule 3.28 of the Listing Rules, to assist Mr. Gao in discharging his duties as a joint company secretary and in gaining the "relevant experience" as required under Note 2 to Rule 3.28 of the Listing Rules.

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

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

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

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

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rule 10.04 and consent under Paragraph 5(2) of Appendix 6 to the Listing Rules to permit H Shares in the International Offering to be placed to certain existing minority Shareholders who (i) hold less than 5% in the issued share capital of our Company prior to the completion of the Global Offering; and (ii) are not and will not become (upon the completion of the Global Offering) core connected persons of our Company or the close associates of any such core connected person (together, the "**Existing Minority Shareholders**"):

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

(ii) each Existing Minority Shareholder is not, and will not be, a core connected person of our Company or any close associate of any such core connected person immediately prior to or following the Global Offering;

(iii) none of the Existing Minority Shareholders have the right to appoint any Directors and/or have any other special rights;

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

(v) each of our Company, the Joint Bookrunners and the Joint Sponsors (based on their discussions with and confirmations form our Company and the Joint Bookrunners) will confirm to the Stock Exchange in writing that no preferential treatment has been, nor will be, given to the Existing Minority Shareholders by virtue of their relationship with our Company in any allocation in the International Offering.

Allocation to the Existing Minority Shareholders and/or their close associates will not be disclosed in the allotment results announcement of our Company as our Company believes that it would be unduly burdensome for us to disclose such information given that (i) there is no requirement to disclose interests under the PRC laws unless such person is an owner of more than 5% of that class of equity securities, the directors, supervisors or senior management of our Company or top 10 Shareholders of our Company, and (ii) The Hong Kong Securities Clearing Company Limited, as trustee, holds shares on behalf of investors in Hong Kong and overseas pursuant to the rules and limits of Shenzhen-Hong Kong Stock Connect and our Company is unable to identify Shareholders who hold A Shares through the Shenzhen-Hong Kong Stock Connect.

WAIVER IN RESPECT OF COMPANIES ACQUIRED/TO BE ACQUIRED AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the accountants' report to be included in a listing document must include the statements of profit or loss and other comprehensive income and the statements of financial position of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document (the "**Target Historical Financial Information**").

Pursuant to guidance letter HKEX-GL32-12 issued by the Hong Kong Stock Exchange ("**GL32-12**"), acquisitions of business include acquisitions of associates and any equity interest in another company. Pursuant to GL32-12, the Hong Kong Stock Exchange may consider granting a waiver of the requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules on a case-by-case basis, and having regard to all relevant facts and circumstances. The Hong Kong Stock Exchange will ordinarily grant a waiver in relation to acquisitions of equity securities in the ordinary and usual course of business subject to the following conditions: (i) the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) of each acquisition are all less than 5% by reference to the most recent financial year of the applicant's trading record period, (ii) the applicant is neither able to exercise any control, nor has any significant influence, over the underlying company or business; and (iii) the listing document should include the reasons for the acquisitions and a confirmation that the counterparties and the ultimate beneficial owners of the counterparties are independent third parties of the applicant and its connected persons.

In addition, the Hong Kong Stock Exchange will ordinarily grant a waiver in relation to acquisitions of a business or subsidiary subject to the following conditions: (i) the percentage ratio (as defined under Rule 14.04(9) of the Listing Rules) of the acquired or to be acquired business or subsidiary are all less than 5% by reference to the most recent financial year of the applicant's trading record period; (ii) the historical financial information of the acquired or to be acquired business or subsidiary is not available or would be unduly burdensome to obtain or prepare; and (iii) the listing document should include at least the information that would be required for a disclosable transaction under Chapter 14 of the Listing Rules on each acquisition.

Pursuant to paragraph 3.15 of GL56-13, if an applicant has acquired or intends to acquire a company or business since the latest audited (or advanced draft) accounts have been made up, such financial information can be omitted in the application proof if the applicant's track record period covers the acquisition, and the complete financial information must be included in a subsequent proof as soon as practicable. As the track record period in the final prospectus will include the three years ended December 31, 2019 and the three months ended March 31, 2020, for the purpose of the waiver application, only acquisitions expected to be completed after March 31, 2020 are included.

Background to the acquisitions

During the Track Record Period, our Group had made strategic acquisitions in a large number of companies both in the PRC and overseas (the "**TRP Acquisitions**") in the ordinary and usual course of business in line with our strategic objectives as disclosed in the section headed "Business – Our Strategic Acquisitions and Investments" in this Prospectus. The target companies of the TRP Acquisitions are generally members of the broader "ecosystem" related to our Group's core business, and provide products, services and/or resources that we believe can help to expand product and service offerings to our Group's customers, or have the ability to help our Group enter a new market. As disclosed in the section headed "History, Development and Corporate Structure – Certain Acquisitions of our Group" in this Prospectus, we had not carried out any major acquisitions as defined under the Listing Rules during our Track Record Period. As none of the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) of each of the TRP Acquisitions is 25% or above by reference to the most recent financial year of the Track Record Period, no separate financial statement disclosure has been made in this Prospectus. We plan to continue to invest in businesses that are part of our Group's ecosystem and complementary to our business and growth strategies.

Since March 31, 2020 (being the date to which our latest audited accounts have been made up as at the date of the final prospectus) and up to the Latest Practicable Date, our Group has already made and proposed to make a number of investments (the "**Investments**"), details of which are set out below.

No.	Target company	(Expected) Consideration	(Expected) Consideration Settlement Date	(Expected) Date of completion of the investment	(Expected) Percentage of shareholding/ equity interest acquired/to be acquired since March 31, 2020 and up to the Latest Practicable Date	Principal business
1	Company A	RMB100,000,000	December 2020	May 29, 2020	10.64%	Contract manufacturing organization
2	Company B	USD800,000 (approximately RMB5,653,120)	August 2020	August 2020	0.18%	Developer in biopharmaceutics
3	Company C	USD800,000 (approximately RMB5,653,120)	July 2020	July 2020	2.38%	Developer in specialty healthcare products with a focus on biosurgical adhesives
4	Company D	RMB50,000,000	To be agreed upon	August 2020	2.64%	Developer in biopharmaceutics
5	Company E	RMB10,000,000	March 18, 2020	August 2020	4.55%	High-tech company in intelligent surgical technology, equipment and clinical methods research
6	Company F	RMB6,000,000	July 2020	July 2020	8.57%	Developer of medical biotechnological products
7	Company G	RMB10,000,000	September 2020	September 2020	7.51%	Developer of minimally invasive surgical instruments
8	Company H	RMB15,000,000	August 2020	August 2020	5.00%	Diagnostic technology
9	Company I	RMB5,000,000	March 30, 2020	April 15, 2020	3.92%	Developer of biopsy products and services based on proprietary multiomics technology

No.	Target company	(Expected) Consideration	(Expected) Consideration Settlement Date	(Expected) Date of completion of the investment	(Expected) Percentage of shareholding/ equity interest acquired/to be acquired since March 31, 2020 and up to the Latest Practicable Date	Principal business
10	Company J	RMB6,000,000	April 21, 2020	April 8, 2020	5.00%	Clinical study services for medical products
11	Company K	RMB7,000,000	March 24, 2020	April 1, 2020	8.11%	Developer of medical devices
12	Company L	RMB35,000,000	July 2, 2020	July 2020	1.54%	Drug development company
13	Company M	RMB10,000,000	May 8, 2020	April 28, 2020	2.86%	Medical technology and biotechnology
14	Company N	USD26,000,000 (approximately RMB183,726,400)	To be agreed upon	July 2, 2020	100%	Chemistry clinical research organization
15	Company O	RMB20,000,000	To be agreed upon	To be agreed upon	2.59%	Drug development company
16	Company P	RMB10,000,000	To be agreed upon	To be agreed upon	2.50%	Drug development company
17	Company Q	USD1,500,000 (approximately RMB10,599,600)	To be agreed upon	To be agreed upon	3.62%	Medical technology and biotechnology
18	Company R	RMB15,000,000	June 22, 2020	July 2020	13.04%	Developer of cancer detection and diagnosis technology
19	Company S	USD2,857,100 (approximately RMB20,189,411)	To be agreed upon	July 2020	0.3174%	Chronic disease management and intelligent medical platform
20	Company T	RMB10,000,000	To be agreed upon	To be agreed upon	9.09%	Allergen testing
21	Company U	RMB15,000,000	To be agreed upon	To be agreed upon	5.00%	Drug development company
22	Company V	RMB20,000,000	To be agreed upon	To be agreed upon	4.00%	Contract development manufacture organization focusing on biologic drugs

The consideration for each of the above investments was/will be determined by arm's length negotiation based on the target company's business development and prospect. Each of the above investments has been/will be settled in cash, with no guarantee or security given or required. Save as disclosed above with respect to investments of Company A, J, N, P and Q, for which consideration is or is expected to be settled after date of completion, there have been no arrangements for payment on a deferred basis. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, all of the target companies set out above and their ultimate beneficial owners are third parties independent from our Group and our connected persons.

The reasons for the Investments are to further expand the broader "ecosystem" related to our core business so that our Group could create strategic synergy and provide products, services and/or resources that we believe can help to efficiently expand product and service offerings to our Group's customers, or have the ability to help our Group enter into a new market.

Conditions to the waiver granted by the Hong Kong Stock Exchange

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in respect of the Investments on the following grounds:

1. Ordinary and usual course of business

As disclosed in this Prospectus, our Group has historically made strategic investments to expand our service offerings and geographic presence. We have also been making equity investments in related business verticals with a view to broaden our ecosystem and synergies with business partners. Our Company conducted over 70 investments during the three years ended December 31, 2019 and up to the Latest Practicable Date.

The making of equity investments of this nature is therefore part of the ordinary and usual course of business of our Group. Consistent with the accounting treatment of the TRP Investments, the Investments (other than Company N set out above) will be classified as investments of financial assets carried at fair value through profit or loss and will not be consolidated into our Group's financial statements. Changes in the fair value will be included in profit or loss in the period in which they arise. Upon disposal, the difference between the net sale proceeds and the carrying amount is also included in the statements of profit or loss and other comprehensive income as "Other income/(expense)".

2. The percentage ratios of the Investments individually or in aggregate, are all less than 5% by reference to the most recent financial year of our Company's Track Record Period

Based on the financial information of the target companies available to us, as compared to that of our Company for the year ended December 31, 2019, being the most recent financial year of the Track Record Period (and with respect to the asset ratio, the three-months period ended March 31, 2020), each of the assets ratio, revenue ratio, profits ratio, consideration ratio and equity capital ratio (if applicable) pursuant to Rule 14.07 of the Listing Rules in relation to the Investments is, individually or in aggregate, below 5%.

Accordingly, our Company considers that the Investments, individually and in aggregate, are immaterial and does not expect them to have any material effect on the business, financial condition or operations of our Group. As such, an exemption from compliance with the requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules would not prejudice the interests of the investing public.

3. Our Company is not able to exercise any control, nor has any significant influence, over most of the target companies and it would be unduly burdensome to prepare their audited financial information

Our Company only holds a minority equity interest in each of the target companies (other than Company N set out above), has minority shareholder rights which are proportionate to its shareholding interests in the target companies (other than Company N set out above), does not control the respective boards of directors of the target companies (other than Company N set out above) and therefore, is not able to exercise any control, nor have any significant influence, any of the target companies (other than Company N set out above). This is expected to remain the case for any subsequent investments of additional interests in the target companies (other than Company N set out above) or other subsequent investments. Given that our Group is not able to exercise any control, or have any significant influence, over each of the target companies (other than Company N set out above), our Company is not able to compel or it is not reasonably practicable to request the target companies (other than Company N set out above) to cooperate with the audit work in order for our Company to comply with the relevant requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules. In respect of Company N set out above, as the proposed acquisition was completed in July 2020, it is not reasonably practicable to complete the audit work before the Latest Practicable Date. Given the number of target companies and the immateriality of the target companies (individually and in aggregate) to the business, financial condition or operations of our Group, it would also be unduly burdensome and would require considerable time and resources for our Company and our reporting accountants to prepare the necessary information and supporting documents for the purpose of disclosure of their audited financial information in this Prospectus.

4. Alternative disclosure in this Prospectus

We have provided in this section alternative information in connection with the Investments. Such information includes, where applicable, those which would be required for a disclosable transaction under Chapter 14 of the Listing Rules including, for example, reasons for the investments and a confirmation that the counterparties and the ultimate beneficial owners of the counterparties are independent third parties of our Company and our connected persons. For the avoidance of doubt, the names of the target companies that are the subject of the Investments are not disclosed in the waiver application or this Prospectus because (i) we do not have consent from the target companies for such disclosure and (ii) given the competitive nature of the industry in which we operate, it is commercially sensitive for our Company to disclose the identity of such companies that we acquire an interest as such disclosure may allow our competitors to anticipate our plans of business growth.

Our Company will not use any proceeds from the Global Offering to fund such investments.

DISCLOSURE REQUIREMENTS WITH RESPECT TO CHANGES IN SHARE CAPITAL

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of paragraph 26 of Part A of Appendix 1 to the Listing Rules in respect of disclosing the particulars of any alternations in the capital of any member of our Group within the two years immediately preceding the issue of this Prospectus.

We have identified 28 subsidiaries that we consider are material to our operations and/or contributed significantly to our financial performance during the Track Record Period, namely, MacroStat, Jiaxing Tigermed, Hangzhou Simo, Hongkong Tigermed, Hangzhou Tigermed Equity Investment Partnership (杭州泰格股權投資合夥企業(有限合夥)), Jyton, TG SKY Investment Ltd., Luohe Yukang Investment Center Partnership (漯河煜康投資中心(有限合夥)), Shihezishi Taiyu Equity Investment Partnership (石河子市泰譽股權投資合夥企業(有限合夥)), Frontage Holdings, Frontage Labs, Tigermed-BDM Inc., Beijing Canny Consulting Inc. (北京康利華諮詢服務有限公司), DreamCIS, Bright Sky Resources Investment Ltd, Beijing Jyton and Kannel Medical Tech. Co., Ltd. (北京捷通康諾醫藥科技有限公司), Croley Martell Holdings, Inc., Beijing Medical Development (Suzhou) Co., Ltd (仁智(蘇州)醫學研究有限公司), Frontage Shanghai, Shanghai Tigermed Co Ltd (上海泰格醫藥科技有限公司), Shanghai Shengtong International Logistics Co., Ltd (上海晟通國際物流有限公司), Beijing BMD, Concord Biosciences, LLC, Shanghai Frontage Biotech Co. Ltd. (上海方達生物技術有限公司), Beijing Yaxincheng Medical InfoTech Co., Ltd. (北京雅信誠醫學信息科技有限公司), Frontage Suzhou, RMI Laboratories, LLC, BRI Biopharmaceutical Research Inc. (collectively, the "**Principal Subsidiaries**"). For further details, please see the sections headed "Appendix I – Accountants' Report – Notes to Historical Financial Information – 18. Investments in Subsidiaries" and "Appendix VI – Statutory and General Information – D. Further Information about Our Principal Subsidiaries" in this Prospectus. Globally, we have more than 60 subsidiaries cross 10 different jurisdictions. It would be unduly burdensome for us to disclose

particulars of any alterations in the capital of all our subsidiaries, which would not be material or meaningful to investors. By way of illustration, for the financial year ended December 31, 2019, the aggregate revenue of the Company and the Principal Subsidiaries in respect of which the relevant information is disclosed represents approximately 95.56% of our total revenue. Accordingly, the remaining subsidiaries in our Group are relatively insignificant to the overall results of our Group.

WAIVER IN RESPECT OF PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) of the Listing Rules provides that there must be an open market in the securities for which listing is sought. It normally means that the minimum public float of a listed issuer must at all times be at least 25% of the issuer's total issued share capital. Rule 8.08(1)(b) of the Listing Rules provides that where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total number of issued shares, having an expected market capitalisation at the time of listing of not less than HK$125,000,000.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.08(1) of the Listing Rules to reduce the minimum public float of our Company to the higher of (a) 12.5% and (b) such percentage of H Shares to be held by the public immediately after completion of the Global Offering, as increased by the H Shares to be issued upon any exercise of the Over-allotment Option, of the enlarged issued share capital of the Company, subject to the following:

(a) our Company will disclose such lower percentage of the public float in this Prospectus;

(b) announce the percentage of H Shares held by the public immediately after the completion of the Global Offering (before any exercise of the Over-allotment Option) and upon any exercise of the Over-allotment Option such that the public will be informed of the minimum public float requirement applicable to the Company; and

(c) confirm the sufficiency of public float in successive annual reports after its listing.

Our Company will implement appropriate measures and mechanisms to ensure continual maintenance of a 12.5% public float of H Shares (or such higher percentage upon the completion of any exercise of the Over-allotment Option). In the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, the Directors will take appropriate steps to ensure the minimum percentage of public float prescribed by the Stock Exchange is complied with.

WAIVER IN RESPECT OF CLAWBACK MECHANISM

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, in the event that the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is oversubscribed, the alternative clawback mechanism on the following basis shall be applied, following the closing of the application lists:

(a) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 14 times or more but less than 48 times of the total number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 8,565,300 Offer Shares, representing approximately 8.0% of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

(b) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 48 times or more but less than 96 times of the total number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 11,777,200 Offer Shares, representing approximately 11.0% of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and

(c) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 96 times or more of the total number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 23,019,000 Offer Shares, representing approximately 21.5% of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be corresponding reduced in a manner as the Joint Global Coordinators deem appropriate.

For further details, please see the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation" in this Prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

CSRC APPROVAL

The CSRC issued an approval letter on June 22, 2020 for the Global Offering and our application to list the H Shares on the Stock Exchange. In granting such approval, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this Prospectus or in the Application Forms. No other approvals are required to be obtained for the listing of the H Shares on the Stock Exchange.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This Prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 5,888,600 Offer Shares and the International Offering of initially 101,176,500 Offer Shares (subject, in each case, to reallocation on the basis as set out in the section headed "Structure of the Global Offering" in this Prospectus). For applicants under the Hong Kong Public Offering, this Prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this Prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

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

OFFER SHARES FULLY UNDERWRITTEN

The listing of our H Shares on the Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price on or before the Price Determination Date. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around July 31, 2020, subject to the Offer Price being agreed. The International Offering will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement to be entered into.

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

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

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

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this Prospectus.

OVER-ALLOTMENT OPTION AND STABILIZATION

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

RESTRICTIONS ON OFFER AND SALE OF H SHARES

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

No action has been taken to permit a public offering of the H Shares in any jurisdiction other than Hong Kong, or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or

invitation. The distribution of this Prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the U.S.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the H Shares to be listed on the Stock Exchange pursuant to this Prospectus has been refused before the expiration of three weeks from the date of the closing of the Global Offering or such longer period not exceeding six weeks as may, within the said three weeks, be notified to us by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this Prospectus shall, whenever made, be void.

COMMENCEMENT OF DEALINGS IN THE H SHARES

Dealings in the H Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, August 7, 2020. Except for the A Shares that have been listed on the ChiNext market of the Shenzhen Stock Exchange and our pending application to the Stock Exchange for the listing of, and permission to deal in, the H Shares, no part of our share or debt securities is listed on or dealt in on the Stock Exchange or any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

H SHARE REGISTER AND STAMP DUTY

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

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

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

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

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

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

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

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

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposing of, and/or dealing in the H Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, or the exercise of any rights in relation to, the H Shares.

EXCHANGE RATE CONVERSION

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

RMB0.90337 to HK$1.00 (being the prevailing exchange rate set by the People's Bank of China on the Latest Practicable Date); and

RMB6.9912 to US$1.00 (being the noon buying rate in the City of New York for cable transfers as certified by the Federal Reserve Bank of New York on the Latest Practicable Date).

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

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

ROUNDING

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

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. Ye Xiaoping (葉小平) *Chairman*	Flat 201, No. 296, Alley 415 Long Dong Da Dao Pudong New District Shanghai, China	Chinese
Ms. Cao Xiaochun (曹曉春)	Flat 101, Unit 3, Block 12 De Jia Estate West, Xihu District Hangzhou, China	Chinese
Ms. Yin Zhuan	8th Floor, No. 232 Liang Jing Road Pudong New District Shanghai, China	American
Independent non-executive Directors		
Mr. Zheng Bijun (鄭碧筠)	1365 Gordon Ave West Vancouver BC V7T1R3 Canada	Chinese
Dr. Yang Bo (楊波)	Flat 102, Unit 3, Block 9 Xinghe Apartment Xiacheng District Hangzhou, China	Chinese
Mr. Liu Kai Yu Kenneth (廖啟宇)	Flat C, 16/F, Block 13 Braemar Hill Mansions North Point Hong Kong	British

SUPERVISORS

Mr. Zhang Binghui (張炳輝) *Chairman*	Building 7, Zone 2, Meteor Garden Huilongguan, Changping District Beijing, China	Chinese
Ms. Chen Zhimin (陳智敏)	1-1103 Hongsong Court, Green Garden Xihu District Hangzhou, China	Chinese
Mr. Wu Baolin (吳寶林) *Employee Supervisor*	Flat 102, No. 14 Seasons Residences Jintong Road, Guyiyuan Road South Jiading District Shanghai, China	Chinese

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

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Merrill Lynch Far East Limited** 55/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	Haitong International Capital Limited 8/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	CLSA Capital Markets Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Global Coordinators	**Merrill Lynch (Asia Pacific) Limited** 55/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Jefferies Hong Kong Limited
Suite 2201, 22/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Joint Bookrunners

Merrill Lynch (Asia Pacific) Limited
55/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

CLSA Capital Markets Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Jefferies Hong Kong Limited
Suite 2201, 22/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

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

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Fosun Hani Securities Limited
Suite 2101 – 05, 21/F, Champion Tower
3 Garden Road
Central
Hong Kong

ICBC International Capital Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

Orient Securities (Hong Kong) Limited
2701, 27/F, Wing On House
71 Des Voeux Road Central
Hong Kong

Joint Representatives	**Merrill Lynch (Asia Pacific) Limited** 55/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong **Haitong International Securities Company Limited** 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong **CLSA Capital Markets Limited** 18/F, One Pacific Place 88 Queensway Hong Kong **China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Legal Advisors to our Company	*As to Hong Kong and United States laws* **Davis Polk & Wardwell** 18/F, The Hong Kong Club Building 3A Chater Road Hong Kong *As to PRC law* **Jia Yuan Law Offices** Room 2703, Harbour Ring Plaza No. 18, Xi Zang Rd.(M), Huangpu District Shanghai 200001 China
Legal Advisors to the Joint Sponsors and Underwriters	*As to Hong Kong and United States laws* **Freshfields Bruckhaus Deringer** 55th Floor, One Island East Taikoo Place, Quarry Bay Hong Kong

	As to PRC law **Zhong Lun Law Firm** Level 10 & 11, Two IFC No. 8 Century Avenue, Pudong New Area Shanghai 200120 PRC
Reporting Accountants and Independent Auditor	**BDO Limited** 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai PRC
Compliance Advisor	**Somerley Capital Limited** 20th Floor, China Building 29 Queen's Road Central Hong Kong
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered office	Fl. 15, Dongguan Plaza No. 618 Jiangnan Avenue Binjiang District Hangzhou, 310053, China
Headquarters and Principal Place of Business in the PRC	Fl. 15, Dongguan Plaza No. 618 Jiangnan Avenue Binjiang District Hangzhou, 310053, China
Principal Place of Business in Hong Kong	Fl. 40, Sunlight Tower No. 248 Queen's Road East Wan Chai Hong Kong
Company's website	**www.tigermedgrp.com** *(information contained in this website does not form part of this Prospectus)*
Joint company secretaries	**Mr. Gao Jun (高峻)** Fl. 15, Dongguan Plaza No. 618 Jiangnan Avenue Binjiang District Hangzhou, 310053, China **Ms. Kwan Sau In (關秀妍)** *(ACIS, ACS)* Fl. 40, Sunlight Tower No. 248 Queen's Road East Wan Chai Hong Kong
Authorized Representatives	**Dr. Ye Xiaoping (葉小平)** Flat 201, No. 296, Alley 415 Long Dong Da Dao Pudong New District Shanghai, China **Mr. Gao Jun (高峻)** Fl. 15, Dongguan Plaza No. 618 Jiangnan Avenue Binjiang District Hangzhou, 310053, China

Strategy Development Committee	Dr. Ye Xiaoping (葉小平) *(Chairman)* Dr. Yang Bo (楊波) Mr. Zheng Bijun (鄭碧筠)
Remuneration and Evaluation Committee	Mr. Zheng Bijun (鄭碧筠) *(Chairman)* Mr. Liu Kai Yu Kenneth (廖啟宇) Ms. Cao Xiaochun (曹曉春)
Audit Committee	Mr. Liu Kai Yu Kenneth (廖啟宇) *(Chairman)* Mr. Zheng Bijun (鄭碧筠) Dr. Yang Bo (楊波)
Nomination Committee	Dr. Yang Bo (楊波) *(Chairman)* Ms. Yin Zhuan Mr. Liu Kai Yu Kenneth (廖啟宇)
H Share Registrar	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Principal Banks	Bank of China Hangzhou Binjiang Sub-branch 3806 Jiangnan Avenue Binjiang District Hangzhou, Zhejiang Province China China Merchants Bank Hangzhou Fengqi Sub-branch 329 Moganshan Road Hangzhou, Zhejiang Province China Industrial and Commercial Bank of China Hangzhou Kaiyuan Sub-branch 1st Floor, Gongyuan Building Xihu District Hangzhou, Zhejiang Province China

The information and statistics set out in this section and other sections of this Prospectus were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. In addition, we engaged Frost & Sullivan in preparing the Frost & Sullivan Report, an independent industry report in respect of the Global Offering. We believe that the sources of the information in this section and other sections of this Prospectus are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official and non-official sources has not been independently verified by the Joint Global Coordinators, Joint Sponsors, Joint Bookrunners, any of the Underwriters, any of their respective directors and advisors, or any other persons or parties involved in the Global Offering (other than Frost and Sullivan), and no representation is given as to its accuracy. Accordingly, the information from official and non-official sources contained herein may not be accurate and should not be unduly relied upon. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Frost & Sullivan Report that would qualify, contradict or have a material impact on the information in this section.

SOURCE OF INFORMATION

In connection with the Global Offering, we have commissioned Frost & Sullivan, an independent third party, to conduct research and analysis of, and to produce a report on the pharmaceutical outsourcing market. The Frost & Sullivan Report has been prepared by Frost & Sullivan independent of our influence. We have agreed to pay Frost & Sullivan a fee of RMB550,000 for the preparation of the report which we consider in line with market rates. Except as otherwise noted, all data and forecasts in this section are derived from the Frost & Sullivan Report. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information disclosed in this section. Frost & Sullivan's independent research was undertaken primarily through secondary research which primarily involved analyzing data from various publicly available data. In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has made the following key assumptions: (i) the economies of the United States and China are likely to maintain a steady rate of growth in the next decade, (ii) the key growth drivers mentioned in this section are likely to drive the growth of the global pharmaceutical market and the pharmaceutical outsourcing industry market from 2019 to 2024 and (iii) there is no force majeure or industry regulation that affects any of such markets dramatically or fundamentally. For the avoidance of doubt, impacts of COVID-19 have been taken into account when compiling information in the Frost & Sullivan Report. In this section, Frost & Sullivan present historical market information for five years (i.e. from 2015 to 2019) which is a longer period compared to the three-year Track Record Period and is a more accurate reflection of the trends affecting our markets.

OUR MARKETS

We provide clinical trial solutions and clinical-related and laboratory services to help pharmaceutical and biotech companies design, execute and manage their R&D projects, reduce their operational risks, and accelerate the development of safe and effective drugs and medical devices. The following diagram illustrates the relationship between our service offerings and our markets.

Markets in Which our Group Operates	Our Group's Business Units
Global and China Pharmaceutical CRO Market	• Clinical Trial Operation (Excluding medical device clinical research) • Clinical-related and Laboratory Services (Excluding CMC) • Other Services
Global and China CMC Market	CMC
China Medical Device CRO Market	Medical Device Clinical Research

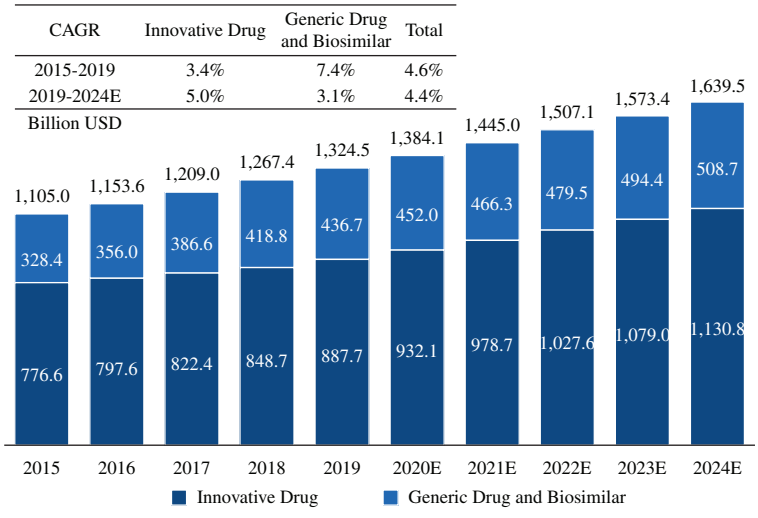
Source: Frost & Sullivan Report

OVERVIEW OF THE GLOBAL AND CHINA PHARMACEUTICAL MARKET

The Global Pharmaceutical Market

Driven by surging demand for healthcare products and increasing investment in healthcare industries, the size of the global pharmaceutical market increased from approximately US$1,105.0 billion in 2015 to US$1,324.5 billion in 2019 and is estimated to reach US$1,639.5 billion in 2024, at a CAGR of 4.4% from 2019 to 2024. The global pharmaceutical market primarily consists of (i) the innovative drug market and (ii) the generic drug and biosimilar market. Globally, the innovative drug market is significantly larger than the generic drug market in terms of revenue, accounting for 67.0% of the total global pharmaceutical market in 2019, and is expected to continue to grow at a CAGR of 5.0% from 2019 to 2024. The innovative drug market is expected to grow faster than generic drug and biosimilar market globally, primarily due to the increasing R&D expenditure and emerging new therapies.

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



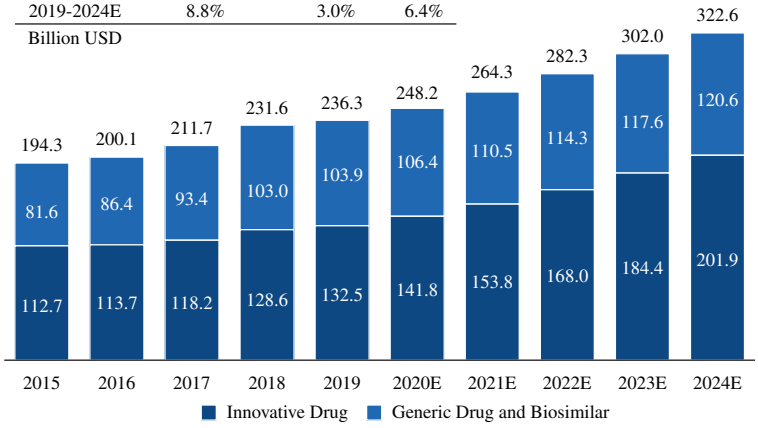
Source: Frost & Sullivan Report

China's Pharmaceutical Market

China is the second largest pharmaceutical market in the world, after the United States. The size of China's pharmaceutical market increased from approximately US$194.3 billion in 2015 to US$236.3 billion in 2019, and is expected to further grow to US$322.6 billion in 2024, at a CAGR of 6.4% from 2019 to 2024. The growth is mainly driven by (i) an aging population, increasing prevalence of chronic diseases and growing healthcare awareness, (ii) increasing disposable income, healthcare expenditure and improving insurance coverage, (iii) technology advancement and (iv) favorable government policies aimed at developing high-quality healthcare products to provide more advanced and effective treatment options.

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

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

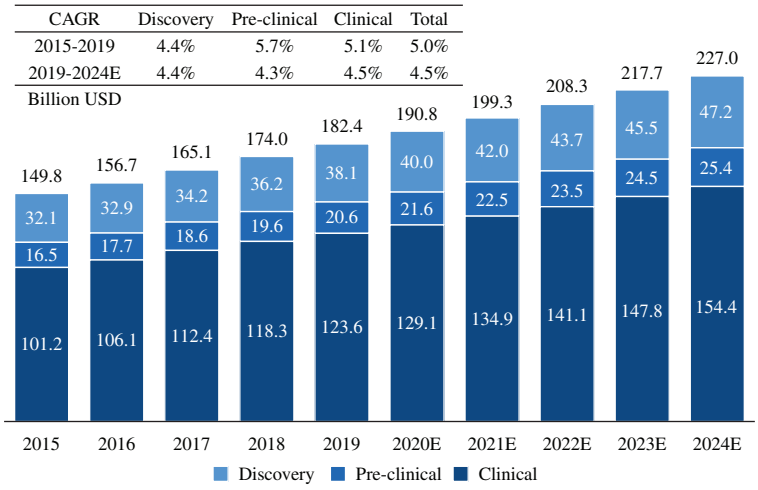


Source: Frost & Sullivan Report

R&D Expenditure in the Global and China Pharmaceutical Markets

Total R&D expenditure in the global pharmaceutical industry increased from approximately US$149.8 billion in 2015 to US$182.4 billion in 2019, and is expected to reach US$227.0 billion in 2024, at a CAGR of 4.5% from 2019 to 2024. Expenditure on clinical development represents the largest segment of global pharmaceutical R&D expenditure. In 2019, R&D expenditure represented 13.8% of the total size of the global pharmaceutical market, with R&D expenditure in the clinical development stage accounting for 67.8% of the total R&D expenditure.

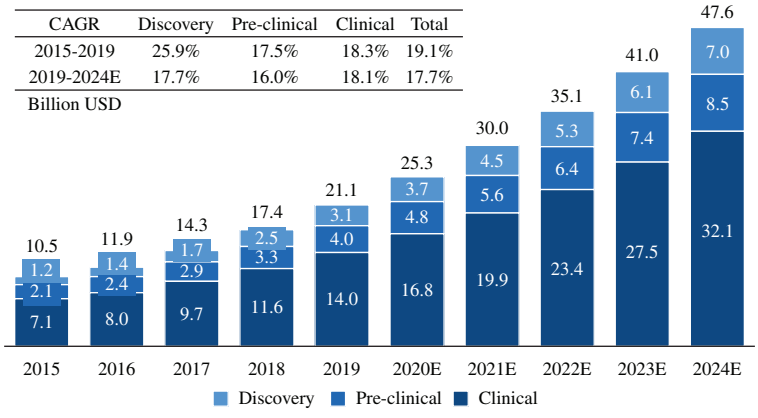
Global R&D Expenditure and Breakdown by Discovery, Pre-clinical and Clinical, 2015-2024E



Source: Frost & Sullivan Report

R&D expenditure in China's pharmaceutical industry increased significantly from approximately US$10.5 billion in 2015 to US$21.1 billion in 2019 and is expected to grow to US$47.6 billion in 2024, at a CAGR of 17.7% from 2019 to 2024. This rapid growth is largely driven by (i) favorable government policies stimulating innovation, (ii) improvement in R&D capability of Chinese pharmaceutical companies, (iii) increasing number of foreign companies introducing innovative drugs to the Chinese market and (iv) active financing activities supporting biotechnology companies' R&D activities. The increasing R&D expenditure and enhanced innovation capability have driven the R&D focus from generic drugs to innovative drugs and is expected to further drive to a first-in-class R&D focus in China in the future.

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



Source: Frost & Sullivan Report

THE PHARMACEUTICAL R&D PROCESS

The pharmaceutical R&D process involves the discovery of drug candidates and the subsequent testing of drug candidates to demonstrate their safety and efficacy in order to obtain regulatory approval and enter the market. It also includes post-approval studies to further assess the safety and efficacy of drugs. The process is generally costly, complex, risky and time-consuming. The entire process generally consists of four stages, namely (i) discovery, (ii) pre-clinical, (iii) clinical and registration including phases I to IV clinical trials and (iv) manufacturing.

Discovery Stage

The discovery stage focuses on identifying potentially promising candidates for further research and development, including target identification, target validation, lead generation and lead optimization.

Pre-clinical Stage

In the pre-clinical stage, the new drug candidate is tested *in vitro* and *in vivo* (usually in animals) to assess, validate and optimize the potential use in humans subsequently. In general, the purpose is to (i) study how the living organism absorbs, distributes, metabolites and excretes the new drug candidate after the administration, (ii) conduct safety and toxicology assessment and (iii) examine potential efficacy. Successful new drug candidates will proceed to file the IND applications with relevant regulators to obtain permission to commence clinical trials.

Clinical and Registration Stage

After obtaining the IND approval, the new drug candidate can proceed with clinical stage development, which involves the testing of the drug candidate's safety and efficacy in humans. This stage involves the most important, yet most complex and time-consuming part of the entire pharmaceutical R&D process. The average success rate for a pharmaceutical R&D project to move from IND application to obtaining marketing approval is 9.6%.

The clinical stage generally consists of Phase I-III clinical trials. In Phase I trials, the new drug candidate is primarily tested on its safety profile (generally on healthy volunteers) when administered into human bodies. In Phase II, the efficacy of the new drug candidate on patients will be exploratorily assessed. A new drug candidate will move on to Phase III trials following satisfactory results from previous trials, where the primary focus is to confirm its efficacy on a large cohort of patient groups.

NDA or BLA will be submitted to the relevant regulators for sales and marketing permission if the new drug candidate possesses a satisfactory safety profile and demonstrates efficacy through Phase I-III clinical trials. After obtaining marketing permission, the drug may be subject to Phase IV clinical trials to further assess its safety profile on a larger population.

Manufacturing Stage

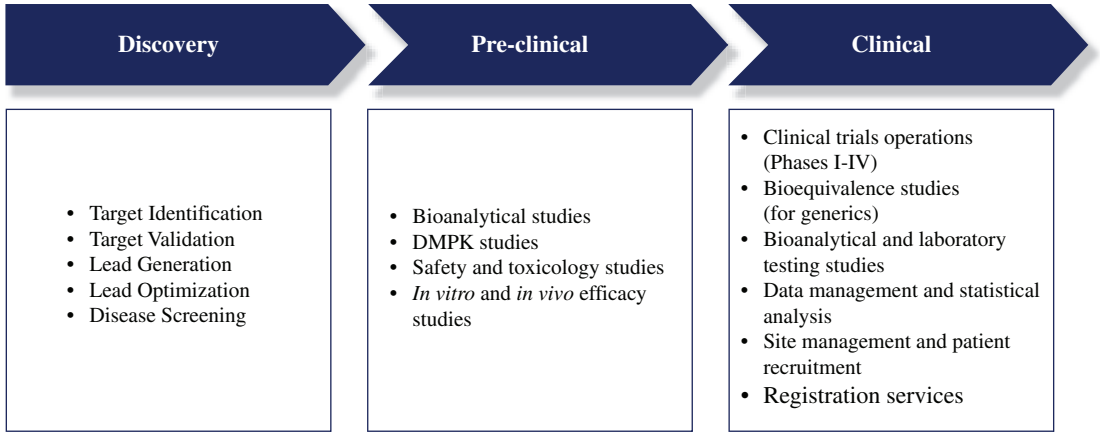
Manufacturing in the pharmaceutical R&D process is comprised of early stage manufacturing, taking place in the pre-clinical and clinical stage, and commercialization manufacturing. Early stage manufacturing mainly consists of chemistry, manufacturing and controls ("**CMC**") services, including the development of the drug formulation, analysis, and small-scale GMP manufacturing in support of pre-clinical and clinical trials. Commercialization manufacturing generally includes execution of the large-scale production process of a new drug after it is approved for commercialization.

PHARMACEUTICAL R&D OUTSOURCING SERVICES

The complex, risky, time-consuming and expensive nature of the pharmaceutical R&D process creates a significant demand for pharmaceutical R&D outsourcing services. Such services are provided by two types of pharmaceutical R&D outsourcing service providers, namely CROs and CDMOs. CROs support pharmaceutical companies with various R&D services covering the discovery, pre-clinical, and clinical and registration stages, while CDMOs mainly engage in CMC services in the manufacturing stage.

The Pharmaceutical CRO Market

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



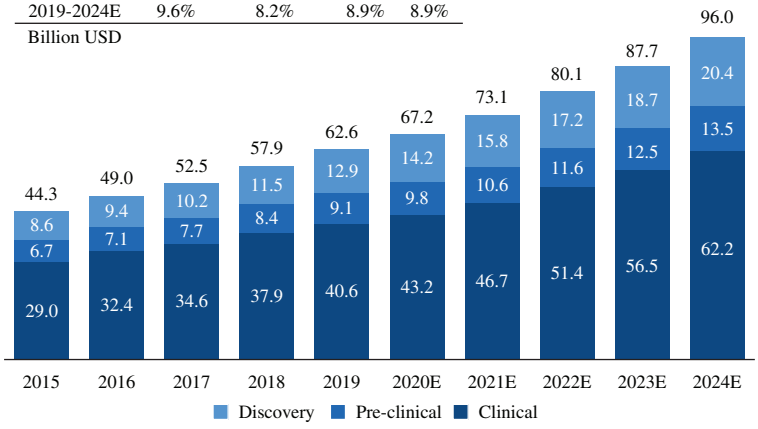
Source: Frost & Sullivan Report

Pharmaceutical companies rely on CROs with strong project management and scientific expertise, a specialized and experienced talent pool, innovative technologies and extensive regulatory experience to manage complex projects to reduce R&D risks and costs, and accelerate the development of safe and effective drugs. The clinical CRO market represents the largest portion of the pharmaceutical CRO market, accounting for 64.9% of the total global pharmaceutical CRO market in 2019.

Global Pharmaceutical CRO Market and Breakdown by Discovery, Pre-clinical, and Clinical, 2015-2024E

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

Billion USD



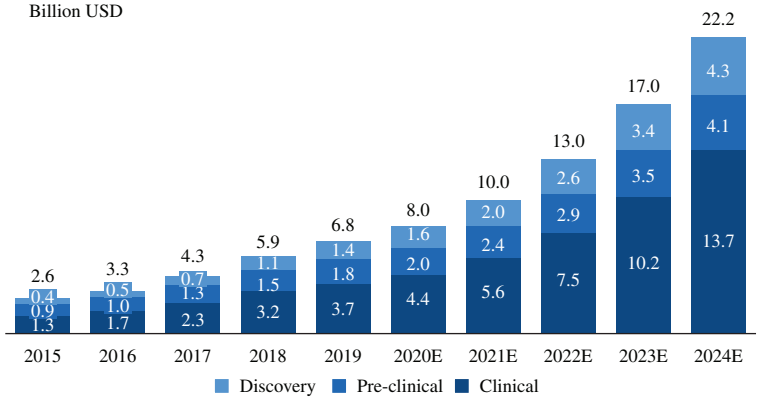
Source: Frost & Sullivan Report

China's clinical CRO market accounted for 54.4% of total pharmaceutical CRO market in China in 2019, and is expected to grow faster than the overall pharmaceutical CRO market from 2019 to 2024.

China Pharmaceutical CRO Market and Breakdown by Discovery, Pre-clinical, and Clinical, 2015-2024E

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

Billion USD



Source: Frost & Sullivan Report

The growth of the global and China pharmaceutical CRO market is mainly driven by the following factors.

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

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

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

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

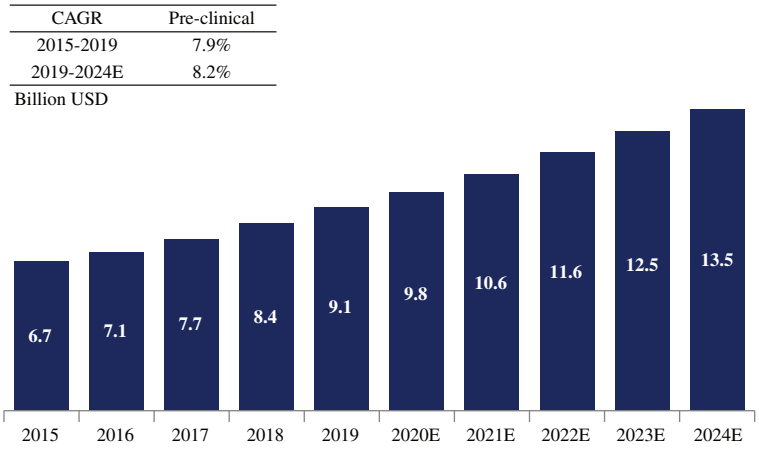
- *Favorable government policies in China.* In an effort to promote pharmaceutical innovation, China has undertaken a reform of its regulatory review and approval system that covers the entire value chain of China's pharmaceutical market, from clinical trials, regulatory submission, manufacturing to medical insurance coverage. The reform has led to more business opportunities for CROs specialized in innovative drug development. As part of the reform, China has issued a variety of favorable government policies to encourage the development of the pharmaceutical CRO market, such as the 13th Five-Year Plan for International Outsourcing Service Industry Development (《國際服務外包產業發展"十三五"規劃》) published in 2017, which strives to optimize the structure of pharmaceutical and biotechnology R&D outsourcing services and improve the overall service quality. Specifically, pursuant to the Opinions of the State Council General Office on Carrying out Conformance Evaluation of the Quality and Efficacy of Generic Drugs (《關於開展仿製藥質量和療效一致性評價的意見》) and the Notice by the General Office of the State Council of Issuing the Pilot Program of the Centralized Procurement and Use

of Drugs Organized by the State (《國務院辦公廳關於印發國家組織藥品集中採購和使用試點方案的通知》), drugs passed the consistency evaluation can be selected for procurement by the government in a centralized manner, which will promote the development of bioequivalence services. Moreover, the ongoing reforms on drug registration will promote the development on clinical trial operation, drug registration and other pharmaceutical R&D services.

THE PRE-CLINICAL CRO MARKET

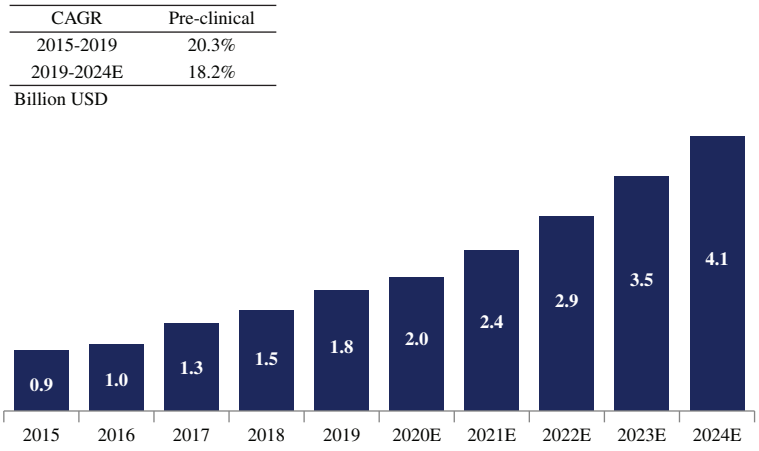
The pre-clinical CRO market is primarily comprised of laboratory services, mainly including DMPK, safety and toxicology, bioanalytical and *in vitro* and *in vivo* efficacy studies. The following chart illustrates the market size of both global and China's pre-clinical CRO markets for the periods presented.

Global Pre-clinical Pharmaceutical CRO Market, 2015-2024E



Source: Frost & Sullivan Report

China Pre-clinical Pharmaceutical CRO Market, 2015-2024E



Source: Frost & Sullivan Report

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

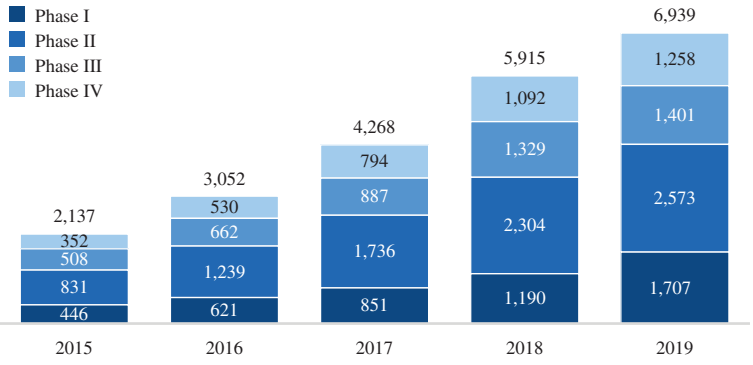
- *Improving capital efficiency.* Pre-clinical CRO service providers help biopharmaceutical companies, in particular small-and medium-sized players, improve capital efficiency by allowing them to focus on their core scientific R&D strengths and avoiding risky and significant capital investments in laboratories and equipment.

- *Increasing R&D interests in fields requiring advanced and specialized laboratory technologies*. As new technologies and treatment methods constantly evolve, biopharmaceutical companies have demonstrated growing interest in expanding into emerging areas such as biologics and cell and gene therapies where advanced and specialized laboratory technologies are essential during the pre-clinical R&D stage.

THE CLINICAL CRO MARKET

The clinical CRO market mainly consists of (i) clinical trial operations, (ii) data management and statistical analysis and (iii) site management and patient recruitment services. As the number of clinical trials continued to grow globally from 2,137 in 2015 to 6,939 in 2019, the size of the global clinical CRO market increased from approximately US$29.0 billion in 2015 to US$40.6 billion in 2019 and is expected to grow to US$62.2 billion in 2024, representing a CAGR of 8.9% from 2019 to 2024.

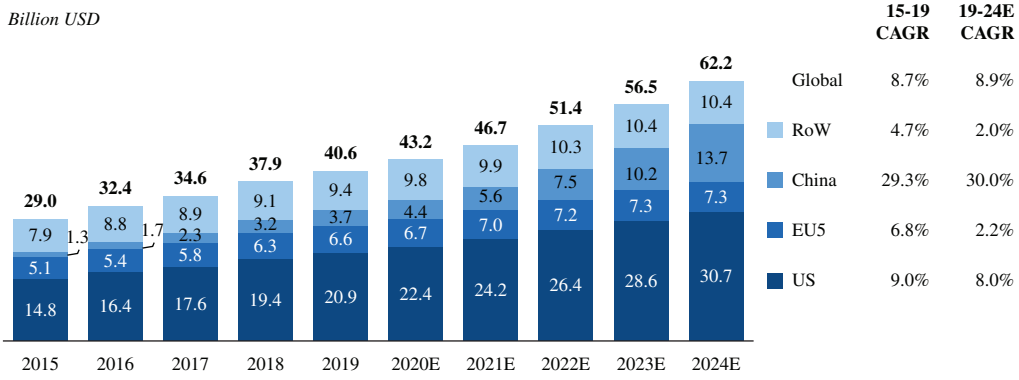
Number of Clinical Trials in Each Phase by Year, Global, 2015-2019



Source: Frost & Sullivan Report

The size of the clinical CRO market in the United States increased from US$14.8 billion in 2015 to US$20.9 billion in 2019 and is expected to grow to US$30.7 billion in 2024, representing a CAGR of 8.0% from 2019 to 2024. The size of the clinical CRO market in the United Kingdom, France, Germany, Spain and Italy combined increased from US$5.1 billion in 2015 to US$6.6 billion in 2019, and is expected to grow to US$7.3 billion in 2024, representing a CAGR of 2.2%. The clinical CRO market in China remains in a relatively early stage when compared with the clinical CRO market in the United States. The clinical CRO market in China grew rapidly from US$1.3 billion in 2015 to US$3.7 billion in 2019 and is expected to reach US$13.7 billion in 2024, at a CAGR of 30.0% from 2019 to 2024.

Breakdown of Global Clinical CRO Market by Region, 2015-2024E



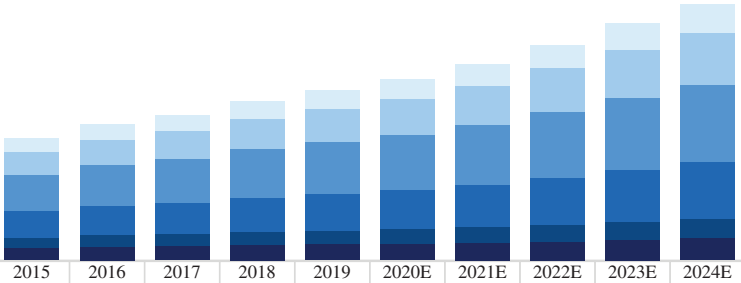
EU5 includes the regions of UK, France, Germany, Spain and Italy
RoW=Rest of the World.

Source: Frost & Sullivan Report

Global Clinical CRO Market Breakdown by Clinical Trial Phase, 2015-2024E

CAGR	Phase I	Phase II	Phase III	Phase IV	Bioequivalence	Others	Total
2015-2019	8.0%	9.8%	9.2%	8.9%	6.9%	7.0%	8.7%
2019-2024E	9.2%	9.5%	9.3%	9.1%	6.8%	7.0%	8.9%

Billion USD



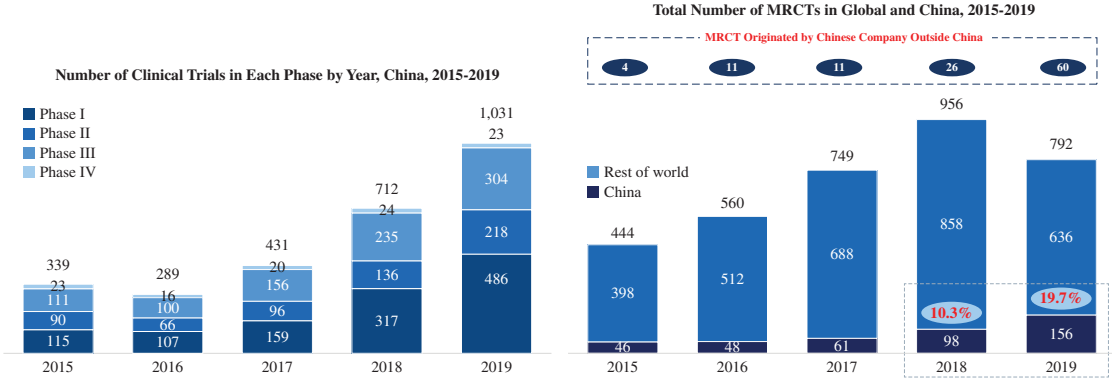
	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Phase I	3.3	3.6	3.8	4.2	4.5	4.8	5.2	5.7	6.3	7.0
Phase II	5.5	6.2	6.7	7.4	8.0	8.6	9.3	10.3	11.4	12.6
Phase III	8.7	9.7	10.4	11.5	12.3	13.2	14.3	15.8	17.4	19.2
Phase IV	6.3	7.0	7.5	8.2	8.8	9.4	10.2	11.2	12.3	13.6
Bioequivalence	2.5	2.7	2.9	3.1	3.3	3.5	3.7	4.0	4.3	4.6
Others	2.8	3.2	3.3	3.6	3.7	3.8	4.1	4.4	4.8	5.2
Total	29.0	32.4	34.6	37.9	40.6	43.2	46.7	51.4	56.5	62.2

Source: Frost & Sullivan Report

Note: Others include non-registrational research, clinical informatization, registration consulting, logistics service, etc.

In China, the number of clinical trials increased from 339 in 2015 to 1,031 in 2019. As pharmaceutical R&D continues to globalize and China becomes an integral part of the global pharmaceutical R&D industry, the number of MRCTs conducted in China also increased. Since China joined the ICH in 2017, an organization that aims to unify the technical and regulatory requirements of different countries for pharmaceuticals development and registration, China has been updating and conforming its regulations governing the clinical development of pharmaceuticals to those of the developed markets. In particular, the clinical data generated overseas can be used as supplementary data to support registration application in China. On the other hand, there is a growing trend for multinational pharmaceutical companies to conduct MRCTs with clinical sites in China to support their registration application to NMPA.

As a result, China has attracted an increasing number of global biopharmaceutical companies to conduct MRCTs in China for the purposes of (i) accelerating the clinical development process by leveraging clinical data generated locally and globally, (ii) accessing China's large patient pool and (iii) enjoying China's lower cost base. More domestic companies also initiated MRCTs with an effort to commercialize their drug candidates globally. Consequently, the number of MRCTs in China increased significantly from 46 in 2015 (accounting for 10.4% of the total number of global MRCTs and 13.6% of the total number of clinical trials conducted in China) to 156 in 2019 (accounting for 19.7% of the total number of global MRCTs and 15.1% of the total number of clinical trials conducted in China). Moreover, the number of MRCTs originated by Chinese companies increased significantly from 4 in 2015 to 60 in 2019.



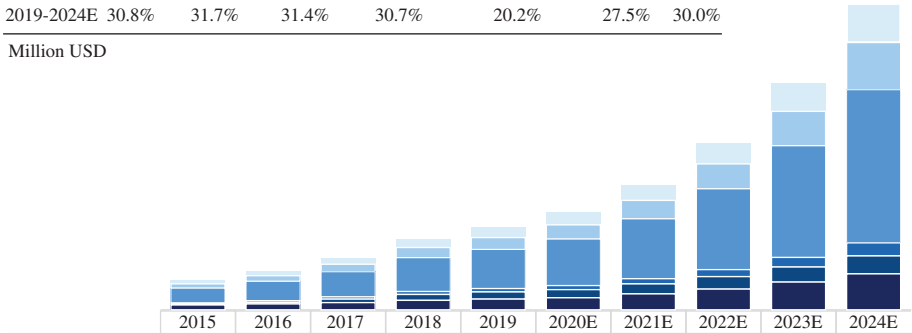
Source: Frost & Sullivan Report

Note:

(1) The temporary decline of the number of clinical trials in China in 2016 was due to a large number of withdrawn clinical trials as a result of heightened trial inspection imposed by the CFDA in July 2015. As the clinical trial inspection resulted in improvement in clinical trial quality, the number of clinical trials continued to increase in 2017 and 2018.

China Clinical CRO Market and Breakdown by Clinical Trial Phase, 2015-2024E

CAGR	Phase I	Phase II	Phase III	Phase IV	Bioequivalence	Others	Total
2015-2019	30.1%	28.4%	27.4%	26.1%	85.0%	22.1%	29.3%
2019-2024E	30.8%	31.7%	31.4%	30.7%	20.2%	27.5%	30.0%



Million USD	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Phase I	158.7	209.5	283.9	391.8	455.2	541.7	696.1	936.3	1,282.7	1,744.4
Phase II	196.4	253.4	337.0	458.3	533.9	638.0	829.4	1,119.7	1,542.9	2,113.8
Phase III	663.2	865.5	1,125.1	1,511.0	1,748.2	2,080.4	2,677.5	3,614.6	4,988.1	6,858.6
Phase IV	60.8	77.8	101.2	133.6	153.6	182.5	233.9	313.9	430.1	584.9
Bioequivalence	27.4	68.5	156.2	263.9	320.9	364.8	447.4	559.8	674.5	804.0
Others	214.2	260.5	319.7	421.3	476.8	563.6	710.7	925.0	1,239.8	1,607.6
Total	1,320.7	1,735.1	2,323.1	3,179.8	3,688.6	4,371.0	5,594.9	7,469.2	10,158.1	13,713.4

Source: Frost & Sullivan Report

Note: Others include non-registrational research, clinical informatization, registration consulting, logistics service, etc.

In addition to the growth drivers for the overall pharmaceutical CRO market, the growth of China's clinical CRO market is mainly driven by the following factors.

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

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

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

- *Opportunities arising from numerous expirations of biologics patents*. The patents of several milestone innovative drugs have expired or are about to expire in the near future, such as Humira, Herceptin and Truvada. The expirations of these patents are likely to drive additional R&D investments in the development of innovative drugs,

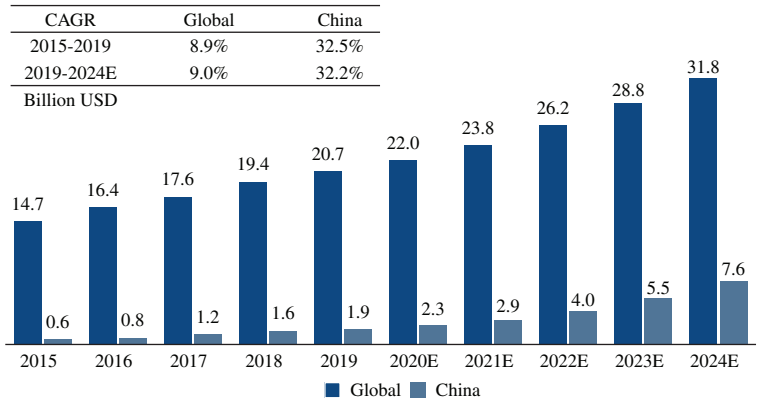
which in turn is expected to generate increasing demands for services provided by clinical CROs. In addition, the expirations of existing patents are expected to bring more business opportunities in the generic drug and biosimilar market in China.

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

Clinical Trial Operations

Clinical trial operations are considered as the backbone of clinical CRO services. Clinical trial operations mainly consist of clinical plan and protocol design, site selection and initiation, project management, clinical trial monitoring, medical writing and translation and regulatory affairs, which usually take place locally. Clinical trial operations represent the largest segment of the clinical CRO market, accounting for 51.0% of global clinical CRO market in 2019. The following chart illustrates the growth of the global and China-based clinical trial operations market.

Global and China Clinical Trial Operation Market, 2015-2024E



Source: Frost & Sullivan Report

In addition to the growth drivers for the clinical CRO market, the growth of the clinical trial operation market is mainly driven by the following factors.

- *Time and cost saving for project management*. A highly specialized and experienced clinical research team is critical to conduct clinical trials efficiently, which is expected to significantly save the customer's time and costs.

- *Enhanced data quality*. Well-organized clinical trials with dedicated trial monitoring produce high-quality clinical data. By participating in each step and aspect of clinical trials, clinical trial operators are well-positioned to gain data insights into clinical trials to improve the efficiency and results of their services.

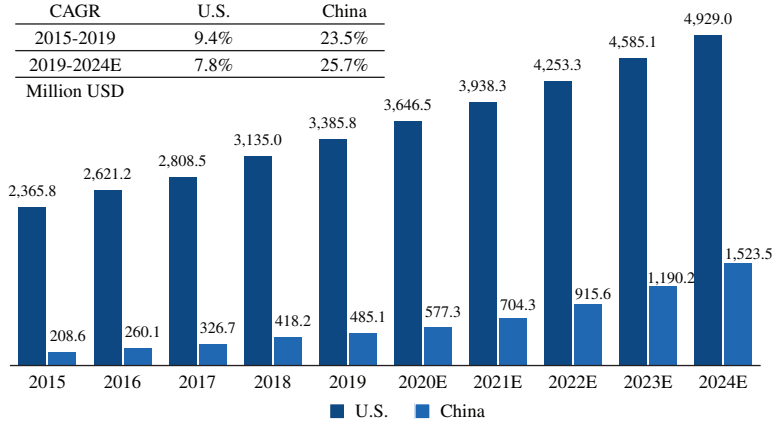
Data Management and Statistical Analysis

Data management and statistical analysis generally consists of (i) data management services, which mainly include clinical data capture, clinical database design, clinical data entry and storage, medical programming, and clinical data validation, output, transfer and archive and (ii) statistical analysis services, which mainly include formulation of the statistical analysis plans, conducting the actual statistical analysis, and the composition of statistical analysis reports.

Data management and statistical analysis offered by clinical CROs helps pharmaceutical companies to improve the quality and efficiency of their data management and statistical analysis work in relation to complex clinical development projects. Such services play a crucial role across the clinical development stage as the CRO gathers, manages, validates and analyzes vast data generated from clinical trial operations to submit to the regulator for market approvals. It is required to be operated under a stringent regulatory regime to ensure data integrity throughout the process.

Clinical CROs usually provide data management and statistical analysis offshore to serve outsourcing demand for such services primarily from the United States. The size of the data management and statistical analysis market in the United States increased from approximately US$2,365.8 million in 2015 to US$3,385.8 million in 2019 and is expected to further grow to US$4,929.0 million in 2024, representing a CAGR of 7.8% from 2019 to 2024. Given China's large talent pool in statistics and biosciences and relatively competitive labor costs, CROs in China are well-positioned to provide data management and statistical analysis services.

Data Management and Statistical Analysis Market in U.S., and China, 2015-2024E



Source: Frost & Sullivan Report

Common qualifications required for data management and statistical analysis include possession of solid data, programming and statistical capabilities, necessary medical and clinical knowledge and a strong understanding of the relevant regulatory requirements. Clinical CROs are able to source data management and statistical analysis projects globally and have them executed by a more centralized team specialized in such work. With a large and growing talent pool specialized in data management and statistical analysis, together with increasing domestic demands, China is expected to gradually gain more global market share.

The growth of the data management and statistical analysis market is mainly driven by the following factors.

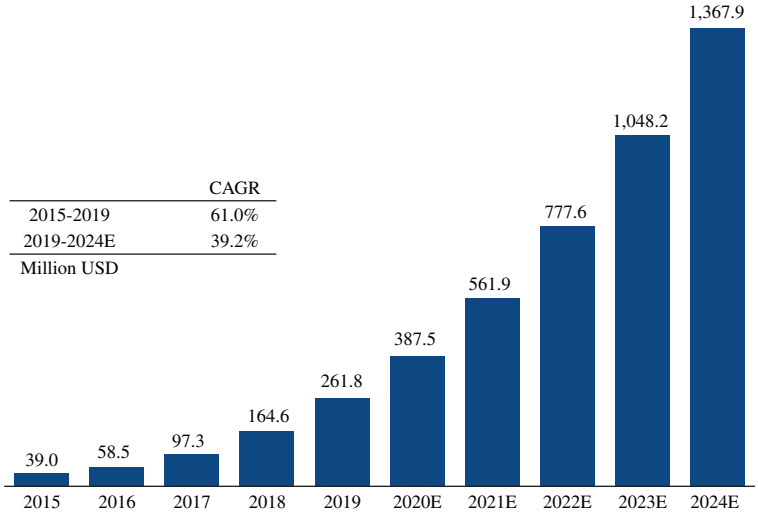
- *Increasing complexity of clinical trials.* More complex clinical trial design and the application of a variety of advanced technology in clinical development stimulate a high demand for advanced data management and statistical analysis at scale. Scalable data management infrastructure is required for large-scale MRCTs and more advanced statistical tools are needed for clinical trials with innovative end-point designs.

- *Emerging data ecosystem and digital transformation.* Leading clinical CROs have been investing in cloud-based data ecosystem to better manage clinical trial data, which offers greater data modularity and the potential use of data collected from multiple clinical trials. Through innovative digital tools, biopharmaceutical companies are able to capitalize on their clinical data to conduct advanced data analytics and optimize future R&D decisions.

Site Management and Patient Recruitment

Site management, usually referred to as SMOs, and patient recruitment services support biopharmaceutical companies as well as research institutions with a wide range of services including recruitment of healthy volunteers and patients to participate in clinical trials, and particularly in China, the execution of clinical trials and management of trial-related documentation and data on behalf of clinical research institutions.

China SMO Market, 2015-2024E



Source: Frost & Sullivan Report

The growth of China's SMO market is particularly attributable to the following factors.

- *Shortage of clinical research physicians and professionals.* The execution of a clinical trial involves a lengthy and technical process with considerable workload. In China, clinical trial institutions are mainly hospitals. Hospitals in China generally dedicate most of their resources to out-patient and residency duties, and physicians and nurses who work at hospitals have limited capacity to manage clinical trials conducted at their hospitals. This generates demands for professional SMOs who provide experienced personnel (known as Clinical Research Coordinators, or "**CRC**s") to support physicians and nurses with the execution and administration of clinical trials.

- *Reform in clinical trial management and more stringent quality requirement for clinical sites.* Since the publication of *Norms on Management of Pharmaceutical Clinical Trial Institution* (《藥物臨床試驗機構管理規定》) in 2019, China has planned to switch from a qualification accreditation system to a registration-based system in managing clinical trials. Qualified hospitals that were previously not licensed to conduct clinical trials are expected to be able to register under the proposed new regime to conduct clinical trials. SMOs provide these hospitals with clinical research capacity and capability by offering comprehensive CRC resources and researcher training services. Also, as the quality control scheme on site management becomes more stringent, SMOs are expected to benefit from this growing demand by helping hospitals improve quality control and compliance under the GCP framework.

The growth of the patient recruitment services market in China is particularly attributable to the following factors.

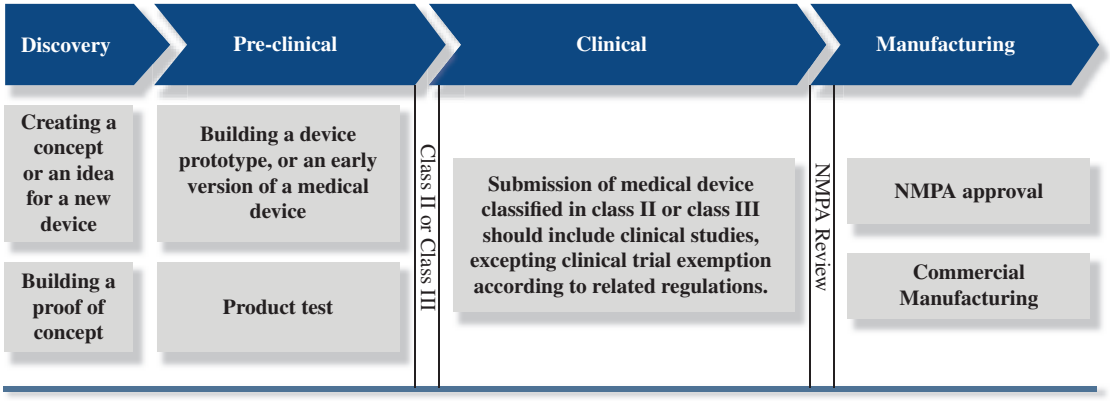
- *Large, economically friendly but scattered patient pool.* China has a relatively large patient pool for a comprehensive spectrum of diseases. The cost per patient for clinical trials in China is also lower compared with many developed countries. However, patients in China are scattered across the country. This creates rising demand for patient recruitment service providers with extensive networks who can help biopharmaceutical companies to screen, identify, locate and recruit patients across the country.

- *Increasing competition for patient recruitment.* As the number of clinical trials in China rapidly grows, competition for patient recruitment for clinical trials intensifies for the same or similar group of patients. To ensure a timely and cost-effective patient recruitment process, many biopharmaceutical companies choose to turn into third-party patient recruitment service providers to accelerate the patient recruitment process in a cost-effective manner.

CHINA'S MEDICAL DEVICE CRO MARKET

A medical device is a device intended to be used by human beings for medical purposes, which is generally classified into three classes based on risk levels. In general, Class I devices have a low risk to the patients and/or user, and they do not present an unreasonable risk of illness or injury (e.g., elastic bandages). Class II devices generally have a moderate risk (e.g., infusion pumps). Class III devices have a high risk and are usually implanted into human bodies for direct support for human life (e.g., pacemakers).

The medical device R&D process includes discovery, pre-clinical, clinical and manufacturing stages. Class II and Class III medical devices are required to undergo clinical trials to obtain NMPA approval. They may also be required to undergo post-approval studies to further assess its safety profile on a larger patient base. The following diagram illustrates the typical medical device development process.



Source: Frost & Sullivan Report

Outsourcing services for medical devices provided by CROs include (i) early device development and product design, (ii) clinical trials, (iii) regulatory approval (e.g., product tests and regulatory consulting) and (iv) post-market support.

The size of the medical device CRO market in China increased from US$189.6 million in 2015 to US$311.9 million in 2019 and is expected to grow to US$879.9 million in 2024, representing a CAGR of 23.5% from 2019 to 2024. The expected significant growth of the medical device CRO market in China from 2019 to 2024 is attributable to the following factors.

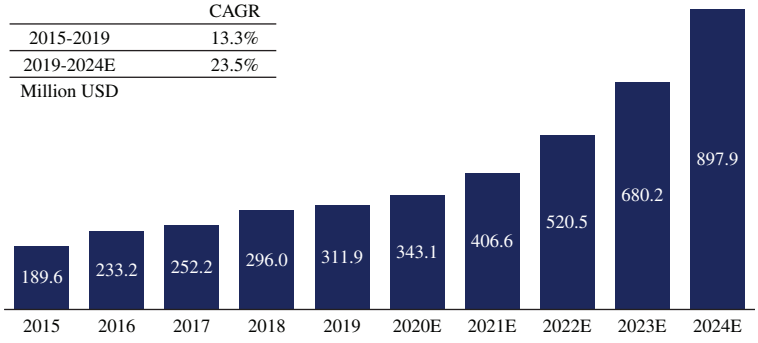
- *Rapid growth of medical device market in China*. The size of the medical device market in China increased from RMB308.0 billion in 2015 to RMB623.5 billion in 2019 and is expected to further grow to RMB1,229.5 billion in 2024, representing a CAGR of 14.6% from 2019 to 2024. The rapid growth in the medical device market in China offers more business opportunities to medical device CROs in China.

- *Favorable government policies*. China has issued a variety of favorable government policies to promote and encourage domestic biotech innovation. Specifically, in the field of medical device, the Chinese government has published a series of policies, such as the Procedure for Prioritized Review and Approval of Medical Devices (《醫療器械優先審批程序》) to accelerate the development process of medical

devices. The government also reduced taxes for R&D expenses in the Notice on Raising the Proportion of Weighted Pre-tax Deduction of Research and Development Expenses (《關於提高研究開發費用稅前加計扣除比例的通知》) to further encourage companies to increase investment in R&D. Additionally, the government published Guidelines for Pharmaceutical Industry Development Planning (《醫藥工業發展規劃指南》) to promote the development of medical device outsourcing service market and CRO services.

- *Technology advancement and specialized talents*. Colleges and institutions have become more focused on cultivating talents in medical device research and development, which in turn will bring more specialized talents to medical device CROs. With sufficient manpower and advanced know-hows, medical device CROs are expected to become a preferred choice for medical device companies to manage the costs and risks of their R&D projects.

China Medical Device CRO Market, 2015-2024E

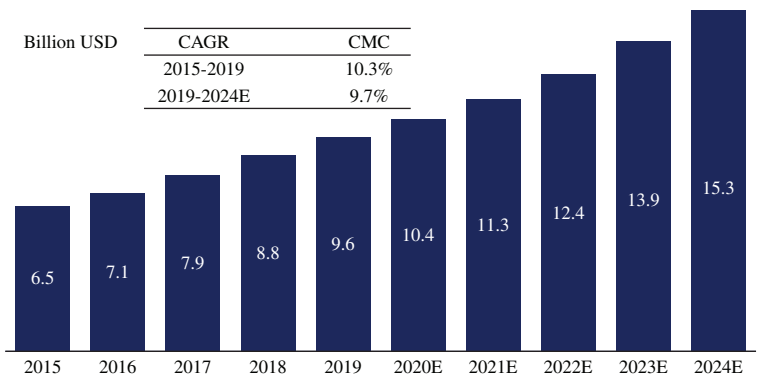


Source: Frost & Sullivan Report

THE CDMO MARKET

During the pre-clinical and clinical stage, CDMOs mainly provide CMC services. Due to the continuing growth of the healthcare industry in recent years, the global CMC market grew from approximately US$6.5 billion in 2015 to US$9.6 billion in 2019, and is expected to further grow to US$15.3 billion in 2024, at a CAGR of 9.7% from 2019 to 2024.

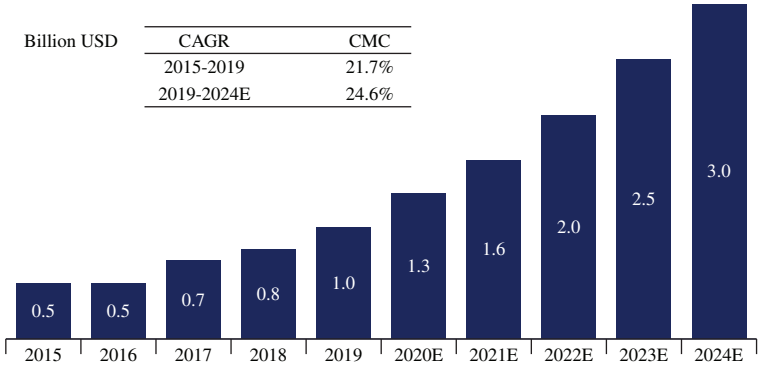
Global CMC Market, 2015-2024E



Source: Frost & Sullivan Report

Compared with the global CMC market, the CMC market in China is still in a relatively early stage and has experienced rapid growth in the past five years.

China CMC Market, 2015-2024E



Source: Frost & Sullivan Report

COMPETITIVE LANDSCAPE IN THE CLINICAL CRO MARKET

The global market for clinical CROs is highly competitive, characterized by a number of large and established multinational CROs. The top ten global clinical CROs accounted for 64.9% of the total global clinical CRO market by revenue in 2019. We were the ninth largest clinical CRO globally and the only China-based clinical CRO among the top 10 global clinical CROs with a global market share of 0.8% in terms of revenue in 2019, according to the Frost & Sullivan Report.

We were the largest clinical CRO in China in terms of revenue in 2019 with a market share of 8.4% in 2019. We also ranked No.1 in terms of the number of on-going clinical trials as of the end of 2019 among all China-based CROs.

The table below sets forth the top five clinical CROs in terms of China-based clinical-related revenue in 2019, collectively accounting for 31.0% of the total China clinical CRO market by revenue in 2019.

Ranking	Company	Geographic footprint	Major Clinical-related Businesses	Total clinical-related China-based Revenue[1] in 2019	Market Share in China's Clinical CRO market	Major non-clinical businesses	Ranking in global clinical CRO market	Market share in global clinical CRO market
				(US$ Million)	*(%)*			*(%)*
1	Tigermed	China and 12 countries and regions in the Asia-Pacific, North America and Europe	Clinical trials and related services (including clinical trial operations, data management and statistical analysis, site management and patient recruitment and other related services).	311.4	8.4%	Laboratory services (DMPK, safety and toxicology, bioanalytical and CMC) and other services	9	0.8
2	Multinational Company A	81 countries and regions in North America, South America, Europe, Africa, Middle East and Asia-Pacific	Project management and clinical trial monitoring (including protocol design and clinical site monitoring), and clinical trial support service (including data management and statistical analysis, and site management organization).	284.5	7.7%	Technology platforms, real world evidence, analytics and consulting and information offerings	1	14.3

Ranking	Company	Geographic footprint	Major Clinical-related Businesses	Total clinical-related China-based Revenue[(1)] in 2019	Market Share in China's Clinical CRO market	Major non-clinical businesses	Ranking in global clinical CRO market	Market share in global clinical CRO market
				(US$ Million)	*(%)*			*(%)*
3	Multinational Company B	51 countries and regions in North America, South America, Europe, Asia Pacific, Africa and Middle East	Clinical research services (including clinical trials management and biostatistics, data management and clinical pharmacology, and patient recruitment services).	222.2	6.0%	Regulatory and access consulting, medical communications (including expert identification, etc.) and drug safety services	7	5.9
4	Multinational Company C	Approximately 100 countries and regions in North America, South America, Europe, Middle East and Asia-Pacific	Clinical development services (including study design and modeling, patient recruitment, trial logistics, clinical trial monitoring, data management and statistical analysis, and regulatory services).	172.6	4.7%	Diagnostic and laboratory services	2	11.3

Ranking	Company	Geographic footprint	Major Clinical-related Businesses	Total clinical-related China-based Revenue[(1)] in 2019	Market Share in China's Clinical CRO market	Major non-clinical businesses	Ranking in global clinical CRO market	Market share in global clinical CRO market
				(US$ Million)	*(%)*			*(%)*
5	Local Company D	Approximately 30 countries and regions in Asia, North America, South America, Europe and Middle East	Site management, clinical trial operations	153.8	4.2%	Drug discovery, laboratory services and commercial manufacturing	11	0.4
Top Five Total				1,144.5	31.0%			
Total				3,688.6	100%			

Notes:

(1) Exchange Rate 1USD = 6.9098RMB

Source: Frost & Sullivan Report

The table below sets forth the top ten clinical CROs globally in terms of clinical-related revenue in 2019, collectively accounting for 64.9% of the total global clinical CRO market by revenue in the same year.

Ranking	Company	Geographic Footprint	Major Clinical-related Business	Total clinical-related revenue[(1)] in 2019	Market share in global clinical CRO market	Major non-clinical Business
				(US$ Million)	*(%)*	
1	Multinational Company A	81 countries and regions in North America, South America, Europe, Africa, Middle East and Asia-Pacific	Project management and clinical trial monitoring (including protocol design and clinical site monitoring), and clinical trial support services (including data management and statistical analysis, and site management organization).	5,788.0	14.3	Technology platforms, real world evidence, analytics and consulting and information offerings
2	Multinational Company C	Approximately 100 countries and regions in North America, South America, Europe, Middle East and Asia-Pacific	Clinical development services (including study design and modeling, patient recruitment, trial logistics, clinical trial monitoring, data management and statistical analysis, and regulatory services).	4,578.1	11.3	Diagnostic and laboratory services

Ranking	Company	Geographic Footprint	Major Clinical-related Business	Total clinical-related revenue[(1)] in 2019	Market share in global clinical CRO market	Major non-clinical Business
				(US$ Million)	*(%)*	
3	Multinational Company E	Over 110 countries and regions in Asia-Pacific, Europe, North America, South America, Middle East and Africa	Clinical development services (including full service global studies and clinical data management, etc.)	3,421.6	8.4	Drug safety, pharmacovigilance, medical writing, advertising and medical communications
4	Multinational Company F	Over 100 countries and regions in North America, South America, Asia-Pacific, Europe, Middle East and Africa	Clinical development services (including clinical trial management, pre- and post-approval, data management, and site and patient access services, etc.)	3,100.0	7.6	Bioanalytical, biomarker, vaccine testing services, regulatory affairs, medical writing, pharmacovigilance and DMPK

Ranking	Company	Geographic Footprint	Major Clinical-related Business	Total clinical-related revenue[(1)] in 2019	Market share in global clinical CRO market	Major non-clinical Business
				(US$ Million)	*(%)*	
5	Multinational Company G	Approximately 90 countries and regions in North America, South America, Europe, Asia-Pacific and Africa	Clinical development services (including protocol design, clinical trial management, data management, medical and safety reviews and statistical analysis, etc.)	2,813.0	6.9	Real world evidence research and pharmacology tests (including bioanalysis, biomarker and flow cytometry assay, etc.)
6	Multinational Company H	40 countries and regions in North America, Europe and Asia-Pacific	Clinical development services (including all phases of clinical development, data management, pre- and post-approval and site and patient access services, etc.)	2,805.8	6.9	Bioanalytical, biomarker laboratory services, real world evidence services (strategy, late phase research, regulatory issues) and central laboratory services

Ranking	Company	Geographic Footprint	Major Clinical-related Business	Total clinical-related revenue[1] in 2019	Market share in global clinical CRO market	Major non-clinical Business
				(US$ Million)	*(%)*	
7	Multinational Company B	51 countries and regions in North America, South America, Europe, Asia-Pacific, Africa and Middle East	Clinical research services (including clinical trial management and biostatistics, data management and clinical pharmacology, and patient recruitment services).	2,379.3	5.9	Regulatory and access consulting, medical communications (including expert identification, etc.) and drug safety services
8	Multinational Company I	37 countries and regions in North America, South America, Europe, Asia, Middle East and Africa	Clinical development services (including study design and planning, clinical trial management, patient recruitment, clinical monitoring, risk-based monitoring, biometrics and data management etc.)	861.0	2.1	Regulatory affairs, pharmacovigilance and laboratory services, etc.

Ranking	Company	Geographic Footprint	Major Clinical-related Business	Total clinical-related revenue[(1)] in 2019	Market share in global clinical CRO market	Major non-clinical Business
				(US$ Million)	*(%)*	
9	Tigermed	China and 12 countries and regions in the Asia-Pacific, North America and Europe	Clinical trials and related services (including clinical trial operations, data management and statistical analysis, site management and patient recruitment and other related services).	311.4	0.8	Laboratory services (DMPK, safety and toxicology, bioanalytical and CMC) and other services
10	Multinational Company J	58 countries and regions in North America, South America, Europe, the Asia-Pacific and Africa	Clinical development services and clinical related services (including data management, biostatistics etc.)	286.2	0.7	Central/regional laboratory services and regulatory affairs
Top Ten Total				26,344.4	64.9	
Total				40,597.8	100.0	

Notes

(1) Exchange Rate 1USD = 6.9098RMB

Source: Frost & Sullivan Report

We face competition from a number of large, established, multinational and local CROs that are able to provide a range of services to meet the demands of a large number of complex and challenging projects simultaneously. These CROs may have greater financial, research and other resources, more competitive pricing, more extensive technical capabilities, greater sales and marketing efforts, longer track records and greater brand recognition. In addition, they may improve their service quality, introduce new services at lower prices or with improved performance characteristics or adapt more quickly to new or emerging technologies, market developments or changes in customer demand and requirements, any of which could reduce the demand for our services or reduce our revenues. See "Risk Factors – Risks Relating to Our Business and Industry – We face increasing competition and our inability to compete effectively may result in downward pricing pressure and reduced demand for our services."

Nevertheless, we believe that we will be able to distinguish ourselves and maintain the competitiveness of our services in the CRO market primarily through, among other things, (i) our leadership in China's clinical CRO market with comprehensive services, including SMO, medical device CRO and data management and statistical analysis services, and an expanding global footprint, and (ii) our industry-leading quality standards and project delivery capabilities. See "Business – Our Strengths."

Entry Barriers

- *Specialized and experienced talent pool*. Clinical CRO capabilities are built on the strength of people. Compared to new entrants, established clinical CROs with a large specialized and experienced talent pool command stronger capabilities in providing R&D services that require specialized expertise and extensive project experience, both of which could only be acquired through hands-on field work and hence not readily achievable by making large capital investments during a short time span.

- *Broad therapeutic expertise*. Established clinical CROs are able to accumulate broad therapeutic expertise from their extensive project experiences, which in turn could help them optimize future projects. As clinical development now involves more advanced science and innovative design, new entrants may find it challenging to manage clinical development projects in therapeutic areas where they have limited prior exposure.

- *Project* manag*ement capabilities*. As clinical development becomes more complex, the ability to manage complicated and large-scale clinical trials is crucial. Established clinical CROs learn from their past project experience, leverage their know-how and improve their project management efficacy and cost control capability, which gives them advantages over new entrants.

- *Understanding of regulatory environment*. Clinical development is subject to significant local regulations. In emerging markets such as China, a deep understanding and command of know-how of evolving regulatory affairs is viewed as a differentiating factor between large and established CROs and new entrants. Regulatory environment is subject to constant changes. For details, see "Regulatory Overview – Ongoing Regulatory Reforms."

- *Proven track record of quality*. Clinical development is heavily regulated and so are the Clinical CROs. The ability to constantly deliver high-quality services is challenging for new entrants. In particular, compliance with stringent regulatory standards requires significant investments in the quality control system and the development and training of personnel. Leading clinical CROs are able to build their reputation and expand market shares through their proven track record of high-quality delivery.

- *Global presence*. As pharmaceutical R&D becomes more globalized, the ability to manage MRCTs and to navigate through different regulatory requirements across countries become increasingly important for clinical CROs. This ability requires large investments into the underlying infrastructure to build a globalized and integrated standard operating procedure and quality control system as well as a global team with competitive capability and sound regulatory knowledge in each of the major markets where a global clinical development is being conducted. This may take years and significant capital investments for new entrants to build up such capability.

- *Integrated and diversified services*. An integrated and diversified service offering enables clinical CROs to be able to capture more business opportunities, increase customer stickiness and offer more integrated solutions to complex clinical development project where multi-disciplinary expertise is needed. Capital investment, managerial capabilities, talent development and attraction and business integration are required for either organic expansion or M&A for a clinical CRO to acquire additional services. It is challenging for new entrants with limited financial resources and managerial capabilities to compete with large and established clinical CROs.

- *Extensive service and site network*. In large countries such as China, an extensive service and site network is important, where a clinical trial may operate simultaneously at multiple sites across the nation and a patient recruitment project may require enrollment of patients and healthy volunteers in multiple provinces. Established clinical CROs that have an extensive service network and maintain good relationships with sites across the country enjoy competitive advantages.

- *Advanced technology*. Leading clinical CROs are making investments into emerging technology within an aim to help their customers solve more complex and innovative challenges. Many new entrants do not have enough capital resources to invest or deep industry insights to be able to identify promising areas for such investments to be made.

Future Trends

The following trends are important to the development of the clinical CRO market.

- *Higher outsourcing penetration*. The challenges and risks associated with innovative drug and medical device development are expected to increase. Clinical CROs with specialized expertise and experienced talent pool will be more sought after to help customers with more complex and challenging clinical development programs. Meanwhile, as the yield on R&D expenditures is also expected to be lower, the engagement of clinical CROs could also help customers to reduce fixed costs and offer mitigation on their clinical R&D risks, which also helps to increase the outsourcing penetration in clinical R&D.

- *Industry consolidation with integrated service offering*. The ability to offer integrated and diversified services to customers will become increasingly important. This allows clinical CROs to capture more business opportunities, increase their customer stickiness and offer more integrated solutions to complex challenges where multi-disciplinary expertise are needed, thereby improving their competitiveness. Currently there are a limited number of clinical CROs with such ability. The clinical CRO industry is expected to consolidate as leading and established players continues to expand and consolidate relying while smaller or niche players may face potential challenges for further growth.

- *Global expansion*. Biopharmaceutical and medical device companies are increasingly developing their products in a globalized setting and hence require clinical CROs to help them manage their overseas clinical trials and/or MRCTs, and navigate through different regulatory requirements across countries. Consequently, clinical CROs will continue to expand their footprint overseas, either through organic expansion or M&A activities.

- *Digital transformation*. The level of digitalization of clinical CROs will continue to increase, which is expected to improve work efficiency in many aspects. Adoption of cloud-based work stations allows their staff to have full remote work access when visiting clinical sites or on business trips. Introduction of online patient recruitment system facilitates a wider reach of patient bases and shortens the timing needed to find the right patient for clinical trials. Utilization of electronic data capture systems will improve the efficiency for data input and management.

- *Increasing adoption of advanced technology.* More advanced technology will be adopted by clinical CROs to help their customers address complex and innovative challenges with an aim to develop innovative and effective therapies. This encompasses advanced and experimental techniques in medical fields such as the increasing activities in gene and cell therapy R&D, as well as multi-disciplinary application of technologies from other fields including advanced mathematical and statistical models, artificial intelligence and data analytics that will be increasingly used to support clinical development projects.

- *Capitalization on vast data resources.* Clinical CROs have access to many data generated and collected from clinical development projects they are involved. To the extent allowed by the regulator and relevant laws, such data will be more frequently analyzed to better inform future R&D decisions. For example, analyzing the patient recruitment criteria on past successful clinical trials could potentially provide guidance on how the patients should be selected on subsequent clinical trials for the same indications.

LAWS AND REGULATIONS IN RELATION TO OUR OPERATIONS IN THE PRC

Major regulatory authorities and related agencies

In addition to supervision and management under authorities that perform general regulation on companies in the PRC, our operations in the PRC are mainly subject to supervision and management under the following authorities:

National Medical Product Administration

National Medical Product Administration of the People's Republic of China (the "NMPA", formerly known as China Food and Drug Administration), a body supervised by the State Administration for Market Regulation, is responsible for supervision and management of safety of drugs and medical devices, formulating policy planning for the relevant supervision and administration, drafting relevant laws and regulations, formulating relevant department regulations and supervising the relevant implementation. It is also responsible for registration and management of drugs and medical devices, establishing the system for relevant registration and management and performing stringent review and approval of drugs applied for marketing; management of quality of drugs and medical devices, formulating and supervising the implementation of regulations on quality management, formulating the regulations on quality management of production and supervising the relevant implementation within its authority, risk management of drugs and medical devices that have been launched to the market, organizing monitor, test, evaluation and handling of cases in relation to adverse reaction or events arising from drugs and medical devices, guiding the supervising and inspecting work on drugs and medical devices, exchanges and cooperation with other parties, guiding work of authorities responsible for supervision and management of drugs in provinces, autonomous regions and municipalities directly under the central government. As an outstanding contract research organization (CRO), the Company is principally engaged in the provision of clinical research services for innovative drugs, medical devices and biotechnology related products to domestic and international enterprises engaged in providing innovative drugs and medical devices. The Company has established businesses covering the whole industrial chain of clinical research. These processes are subject to daily supervision and management under NMPA and its local branches at all levels.

Ministry of Commerce of the People's Republic of China

The Ministry of Commerce of the People's Republic of China (the "MOFCOM") is the department in charge of the domestic and international trade and international economic cooperation of the People's Republic of China, drafting strategies and policies on development of domestic and international trade and international economic cooperation, drafting laws and regulations and formulating relevant departmental regulations on domestic and international trade, foreign investment, overseas investment and economic cooperation with other countries, guiding the foreign investment in the PRC, formulating policies and plans of reform for foreign investment and organizing the relevant implementation, approving the establishment and changes of foreign investment enterprises in accordance with the laws. The MOFCOM is also

responsible for handling filing and registration of foreign trade dealers engaging in import and export of goods or technologies. As a Sino-foreign joint venture stock limited company, the Company is subject to the commerce departments' daily supervision and management. The Company is also subject to the commerce departments' supervision and management for matters of overseas investment such as overseas acquisitions or investment and establishment of enterprises.

National Development and Reform Commission of the People's Republic of China

The National Development and Reform Commission of the People's Republic of China (the "NDRC") is an authority that studies and formulates economic and social development policies, carries out overall balances and guides the overall economic system reform from an all-rounded macro perspective. It is responsible for promoting the development of strategic emerging industries including drug and contract research and development, formulating and implementing the national strategic emerging industries development plan, coordinating related industries and regional planning, examining major foreign-funded projects and high-stake foreign investment projects. A series of policies formulated by the NDRC for promoting the development of the biomedicine contract research and development platform will give a big boost to the development of the Company's businesses. In addition, the Company is also subject to NDRC's supervision and management on overseas investment in regards to establishment of enterprises outside China.

Ministry of Science and Technology of the People's Republic of China

The Ministry of Science and Technology of the People's Republic of China ("MOST") is responsible for formulating the national strategies and guidelines of innovation-driven development and science and technology development, in charge of the work on formulating planning, guidelines and policies of science and technology development, drafting relevant laws and regulations and formulating departmental rules; making science and technology plans in the policy guidance category and guiding their implementation; working out high and new-tech industrialization policies together with relevant departments; approving and filing international cooperation programs of scientific studies related to human genetic resources. As a high and new-tech enterprise, the Company is subject to MOST's supervision and management.

General Administration of Customs of the People's Republic of China

The General Administration of Customs of the People's Republic of China (the "GACC") is a directly affiliated institution of the State Council. The GACC is the state's customs supervision and administration authority and is responsible for collection and management of import/export duties and other taxes and fees, outbound and inbound health quarantine and entry-exit inspection and quarantine of animals and plants and the related products, inspection of import and export commodities under the laws, compilation of customs statistics for national trading of items including import/export goods, formulating and implementing planning to develop customs technologies and the planning to support the development of laboratories and

technologies. According to the Decision on the State Council Institutional Reform Proposal issued by the State Council and effective on March 17, 2018, the duty of the entry-exit inspection and quarantine management and relevant staff of the former State Administration for Quality Supervision and Inspection and Quarantine were assigned to the GACC.

PRINCIPAL LAWS AND REGULATIONS RELATING TO OUR BUSINESSES IN THE PRC

The whole process of clinical research (for both pre-clinical studies and clinical studies)

Research and development of new drugs

As a contract research organization (CRO), the Company is principally engaged in the provision of one-stop and professional clinical research services for innovative drugs, medical devices and biotechnology related products to domestic and international enterprises engaged in providing innovative drugs and medical devices. Pursuant to the Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》) (PRC President Order No. 18, effective on July 1, 1985 and amended on February 28, 2001, December 28, 2013, April 24, 2015 and August 26, 2019, respectively), for clinical trials on pharmaceuticals, relevant data, information and samples such as development methods, quality indicators, and pharmacological and toxicological testing results shall be truthfully submitted to in accordance with the rules of the medical products supervisory and administrative department under the State Council and be subject to its approval. Pharmaceuticals marketed in China shall be approved by the medical products supervisory and administrative under the State Council and be with a pharmaceutical registration certificate. The institutions for non-clinical safety evaluation and study and clinical trial organizations shall respectively implement the Good Laboratory Practice for Non-Clinical Laboratory Studies (the "GLP") (《藥物非臨床研究質量管理規範》) (Order No. 34 of the State Food and Drug Administration, effective on September 1, 2017) and Good Clinical Practice (the "GCP") (《藥物臨床試驗質量管理規範》) (2020) (Announcement of the National Medical Products Administration and the National Health Commission [2020] No. 57, effective on July 1, 2020).

Pursuant to the Regulations of Implementation of the Drug Administration Laws of the People's Republic of China (《中華人民共和國藥品管理法實施條例》), (Decree of the State Council of the People's Republic of China (No. 360), effective on September 15, 2002 and amended on February 6, 2016 and March 2, 2019, respectively), research and development of new drugs that require clinical trials shall be approved by the medical products supervisory and administrative department under the State Council in accordance with the Drug Administration Law of the People's Republic of China. The applicant shall, upon obtaining the approval of the application for clinical trial of the drug from the medical products supervisory and administrative department under the State Council, choose an institution among those institutions that are qualified for conducting clinical trials of drugs in accordance with the laws to undertake the clinical trial of the drug, and shall file such institution to undertake such clinical trial with the medical products supervisory and administrative department under the State Council and the administrative department of public health under the State Council. Before clinical trials for drugs to be conducted by institutions that will undertake such clinical trials, the subjects and their guardians shall be informed of the facts and their written consents shall be obtained.

Pursuant to the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》) (Order No. 28 of the State Food and Drug Administration, effective on October 1, 2007) ("Measures for the Administration of Drug Registration (2007)"), an institution engaging in drug study must have the personnel, site, equipment, instruments and management system accommodating to the experiment and study projects and ensure the authenticity of all the experiment data and materials; the animals, reagents, and raw materials for experiment use shall meet the relevant provisions and requirements of the state. On January 22, 2020, State Administration for Market Regulation issued the Measures for the Administration of Drug Registration (Order of the State Administration for Market Regulation No. 27)《藥品註冊管理辦法》(國家市場監督管理總局令第27號) ("Measures for the Administration of Drug Registration (2020)"), effective on July 1, 2020. Pursuant to the Measures for the Administration of Drug Registration (2020), an applicant shall complete relevant research work in terms of pharmacy, pharmacology and toxicology, and drug clinical trials, etc. before applying for drug marketing registration. Non-clinical drug safety evaluation research shall be carried out in an institution that has passed the certification of the Good Laboratory Practice for Non-clinical Laboratory Studies and comply with the GLP. Drug clinical trials shall be approved, in which bioequivalence trials shall be filed; a drug clinical trial shall be conducted in a drug clinical trial institution that complies with relevant regulations, and shall conform to the Good Clinical Practice.

Drug registration

The Company provides domestic and international customers engaged in providing drugs with services for completing drug registration in China. Pursuant to the Measures for the Administration of Drug Registration (2020), the measures shall apply to those engaging in drug development and registration as well as the supervision and management thereof for the purpose of the marketing of drugs within the territory of the People's Republic of China. Drug registration refers to an activity where an applicant for drug registration submits an application for drug clinical trial, marketing authorization and re-registration, among others, as well as supplementary application as per legal procedures and in line with relevant requirements, and the medical products administration conducts examinations in terms of safety, efficacy and quality controllability, etc. based on laws, regulations and existing scientific cognition to decide whether to approve the application. Drug registration shall be subject to classified registration administration in terms of traditional Chinese medicines, chemical drugs and biological products, etc.

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

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

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

Pursuant to the Announcement on Several Policies Pertaining to the Review and Approval of Drug Registration (《關於藥品註冊審評審批若干政策的公告》) (No. 230 [2015] of the State Food and Drug Administration, effective on November 11, 2015), in order to improve the quality and efficiency for the review and approval of drugs, the drug supervisory and administrative department adopts drug registration, review and approval policies, such as improving the approval standards for generic drugs, standardizing the review and approval of improved new drugs and optimizing the review and approval of clinical trial applications.

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

Pursuant to the Procedures of the State Food and Drug Administration for Special Examination and Approval of Drugs (《國家食品藥品監督管理局藥品特別審批程序》) (Order No. 21 of the State Food and Drug Administration, effective on November 18, 2005), where the listed exceptional circumstances arise, the drug supervisory and administrative department of the state may decide to follow the present Procedures to conduct special examination and approval on the prophylaxis drugs needed in responding to a public health emergency in accordance with the law. The duration for special examination and approval is significantly reduced in comparison with that of the usual examination and approval for drug registration.

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

Pursuant to the Announcement on Issues Pertaining to the Review and Approval of Overseas New Drugs Catering to Clinical Urgent Needs (《關於臨床急需境外新藥審評審批相關事宜的公告》) (No. 79 [2018]) jointly issued by the National Medical Products Administration and National Health Commission of China on October 23, 2018, new drugs that

have been marketed in the United States, European Union or Japan within the last ten years but not marketed in China, provided that they are drugs for treatment of orphan diseases, drugs for prevention and cure of serious life-threatening diseases against which no effective therapeutic or preventional instrument is available to date, or drugs for prevention and cure of serious life-threatening diseases with obvious clinical advantages, an application can be made for review and approval of import and registration through special channels.

Medical devices

As a contract research organization (CRO), the Company provides clinical research services for medical device related products to domestic and international enterprises engaged in the provision of innovative medical devices. In regards to such services, the PRC has the following regulatory provisions:

Pursuant to Measures for the Administration of Medical Devices (《醫療器械註冊管理辦法》) (Order No. 4 of the State Food and Drug Administration, effective on October 1, 2014), whoever sells or uses medical devices within the territory of the PRC shall apply for registration or undergo recordation in accordance with these Measures. Medical devices of Class I are subject to recordation administration and require no clinical trials. Medical devices of Class II and Class III are subject to registration administration and require clinical trials.

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

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

Pursuant to the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (effective on October 2017), for purposes of promoting structural adjustment and technology innovation in drug and medical device industries and improving industrial competitiveness, the State will deepen the reform of the evaluation and approval systems by various measures including the followings: a qualified body for clinical trials may, upon making registration and recordation on the website designated by the food and drug regulation department, conduct clinical trials as entrusted by registration applicants of drugs or medical devices; optimizing the approval procedures for clinical trials; accelerating the evaluation and approval of drugs and medical devices much needed clinically; and supporting the research and development of drugs and medical devices for treatment of rare diseases.

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

Human genetic resources

Pursuant to the Interim Administrative Measures on Human Genetic Resources (《人類遺傳資源管理暫行辦法》) (No. 36 [1998] of the General Office of the State Council, effective on June 10, 1998), the State shall implement the declaration and registration system for human genetic resources of important genetic families and specific regions. Institution or individual discovering or holding human genetic resources of important genetic families and specific regions shall promptly report to the relevant authorities. No institution or individual may sample, collect, trade or export human genetic resources, or take them outside the territory of the People's Republic of China, or provide them to other countries in other forms without permission. For any international collaborative project involving human genetic resources in China, the Chinese collaborating party shall be responsible for going through the due formalities of application for approval.

Pursuant to the Regulations on the Administration of Human Genetic Resources of the People's Republic of China (《中華人民共和國人類遺傳資源管理條例》) (Order of the State Council of the People's Republic of China No. 717, effective on July 1, 2019), utilization of human genetic resources in China for the purposes of conducting research and development of biotechnology or clinical trials shall be subject to the laws, administrative measures and relevant requirements imposed by the State in relation to the management on research of

biotechnology and clinical application. Utilization of human genetic resources in China for the purpose of conducting international collaborative scientific research shall comply with the relevant conditions; an application shall be jointly filed by the parties for approval by the science and technology administrative department of the State Council.

Laboratory Regulations

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

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

Pre-clinical studies

Pre-clinical studies of drugs

Pursuant to the Measures for the Administration of Drug Registration (2007), pre-clinical studies of drugs conducted for application for drug registration shall include the synthetic techniques, extraction methods, physical and chemical properties, purity, choosing of form of this drug, selection of prescriptions, preparation techniques, inspection methods, quality indications and stability, pharmacology, toxicology, nuclein animal dynamics etc. Relevant administration provisions shall be executed in the pre-clinical studies of drugs and the Criterions for the Quality Control of Non-clinical Study of Drugs (Order No. 34 of the China Food and Drug Administration, effective on September 1, 2017) must be executed in the safety evaluation study. Other pre-clinical studies on drugs for drug registration shall be executed with reference to the Criterions for the Quality Control of Non-clinical Study of Drugs. Pursuant to the Measures for the Administration of Drug Registration (2020), an applicant shall complete relevant research work in terms such as pharmacy, pharmacology and toxicology, and drug clinical trials, before applying for drug marketing registration.

Consistency Evaluation of Generic Drugs

The Company has also carried out the business of consistency evaluation of generic drugs as part of its pre-clinical studies. Pursuant to the Opinions of the State Council General Office on Carrying out Conformance Evaluation of the Quality and Efficacy of Generic Drugs (General Office of State Council [2016] No. 8, effective on February 6, 2016), in order to enhance the overall standard of the drug manufacture industry in the PRC and protect the safety and effectiveness of drugs, etc., a consistency evaluation must be commenced where generic drugs that are approved for sale prior to chemical drugs' new registration categorization have not been approved according to the principle consistent with the branded drugs' quality and curative effects.

Clinical Studies

Clinical trials on drugs

The Company provides domestic and international enterprises engaged in providing innovative drugs with professional services for clinical trials on innovative drugs at phases from I to IV. Pursuant to the Measures for the Administration of Drug Registration (2007), clinical study of drugs including bioequivalence trial must be approved by the drug supervisory and administrative department of the State before it is carried out and must follow GCP (Order No. 3 of the State Food and Drug Administration, effective on September 1, 2003). Pursuant to the Measures for the Administration of Drug Registration (2020), the Center for Drug Evaluation of the NMPA (the "CDE") shall be responsible for reviewing applications for drug clinical trials, applications for marketing authorization, supplementary applications and applications for re-registration of drugs manufactured overseas, among others. An applicant that applies for a drug clinical trial after completion of the pharmaceutical, pharmacological

and toxicological research, etc., which support the drug clinical trial, shall submit relevant research materials according to the requirements for application materials. The application materials shall be accepted if they are deemed acceptable upon formal examination. The CDE shall organize pharmaceutical, medical and other technicians to review the accepted application for the drug clinical trial.

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

Pursuant to the Announcement on the Issuance of the Technical Guidelines for Accepting Overseas Clinical Trial Data of Drugs (Announcement No. 52 [2018] of CDNA) issued by CDNA on July 6, 2018, for drugs applied for registration within the territory of the People's Republic of China, overseas clinical trial data submitted by the applicant may be accepted as the information for clinical evaluation. Such overseas clinical trial data include but are not limited the applicant's clinical trial data obtained overseas through simultaneous R&D of innovative drugs at home and abroad. Fully evaluable bioequivalence data for the R&D of generic drugs outside China can also be used for registration applications.

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

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

Clinical trial on medical devices

The Company provides domestic and international enterprises engaged in providing innovative medical devices with professional services for clinical trials on medical devices at different clinical phases. On September 28, 2018, the NMPA promulgated the newly revised List of Medical Devices Exempted from Clinical Trials (《免於進行臨床試驗的醫療器械目錄》) (Notice No. 94 [2018]) (the "Exempted List"), which became effective on the date of publication. The Exempted List consists two categories, namely the medical device products and vitro diagnostic reagents, which cover 855 medical device products and 393 vitro diagnostic reagents, respectively. Product components listed in the description of products under the Exempted List which are managed separately as medical device with the expected usage being identical to that under the product description in the Exempted List shall be exempted from clinical trials. Products consisting of medical devices of Class I and medical devices of Class II and Class III (which are exempted from clinical trials) are also exempted from clinical trials, provided that their usage is not expanded. In December, 2019, the NMPA promulgated Announcement on Promulgating Newly Supplemented and Revised List of Medical Devices Exempted from Clinical Trials (Notice No. 91 [2019]), supplemented 148 medical devices and 23 *in vitro* diagnostic reagents, and revised name and description of 48 medical devices and 4 *in vitro* diagnostic reagents.

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

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

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

Import and export goods

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

Import and export of special articles

Pursuant to the Provisions on the Administration of the Health and Quarantine of Entry/Exit Special Articles (《出入境特殊物品衛生檢疫管理規定》) (Order No. 160 of the Administration of Quality Supervision, Inspection and Quarantine), which became effective on March 1, 2015 and was amended on April 28, 2018, May 29, 2018 and November 23, 2018 respectively, the entry and exit of microorganisms, human tissues, biological products, blood and its products, and other special articles are subject to applicable supervision and administration of health and quarantine. The local customs office directly under the General Administration of Customs shall be responsible for the approval of health and quarantine of imported and exported special articles within their respective jurisdictions. The entity conducting import or export of special articles shall establish safety management system for special articles, and shall produce, use or sell the special articles in strict accordance with the purposes for the approval of such special articles.

Environmental regulation

Pursuant to the Law of the People's Republic of China on Appraising of Environmental Impacts (《中華人民共和國環境影響評價法》) (Order No. 77 of the President of PRC, effective on September 1, 2003 and amended on July 2, 2016 and December 29, 2018), Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) (Order No. 253 of the State Council, effective on November 29, 1998 and amended on July 16, 2017) and Measures for the Administration of Environmental Protection Acceptance of Completed Construction Projects (《建設項目竣工環境保護驗收管理辦法》) (Order No. 13 of the State Environmental Protection Administration, effective on February 1, 2002 and amended on December 22, 2010), where effects may be exerted on the environment after the implementation of construction projects, the construction enterprise shall

submit an environmental impact report (form) or environmental impact registration form to the relevant environmental protection department. For a project where the preparation of environmental impact report (form) is required by law, its environmental impact assessment documents shall be approved by the relevant environmental protection department; otherwise it shall not start the construction. After the construction project is completed, the construction entity shall apply for environmental protection acceptance of the construction project and prepare acceptance report pursuant to the standard and formality set by the environmental protection authority.

Foreign investment

The Company will become a foreign-invested company limited by shares upon completion of the Global Offering.

Foreign investors in the PRC are subject to certain restrictions regarding the types of industries they can invest in. The Special Management Measures (Negative List) for the Access of Foreign Investment (2019) (《外商投資准入特別管理措施(負面清單)(2019年版)》) (the "Negative List") were promulgated by NDRC and MOFCOM on June 30, 2019 and became effective on July 30, 2019. The Negative List sets out in a unified manner the special management measures for the access of foreign investments such as requirements for equity and senior management. The Negative List covers 13 industries, and any field falling outside the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

In accordance with the *Foreign Investment Law of the People's Republic of China* (《中華人民共和國外商投資法》) (the Presidential Decree No. 26 of the PRC) promulgated on March 15, 2019 and effective on January 1, 2020, it is applicable to the investment activities in the PRC carried out directly or indirectly by foreign natural persons, enterprises or other organizations.

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

Overseas investment

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

Pursuant to the Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》) (Order No. 11 of the National Development and Reform Commission, effective on March 1, 2018), an enterprise in the territory of the People's Republic of China (the "investor") shall, in overseas investment, undergo the formalities for the confirmation or recordation, among others, of an overseas investment project (the "project"), report the relevant information, and cooperate in supervisory inspection. Sensitive projects conducted by investors directly or through overseas enterprises controlled by them shall be subject to confirmation management. Non-sensitive projects directly conducted by investors, namely, non-sensitive projects involving investors' direct contribution of assets or rights and interests or provision of financing or security, shall be subject to recordation management. The aforementioned sensitive project means a project involving a sensitive country or region or a sensitive industry. The NDRC promulgated the Catalogue of Sensitive Sectors for Outbound Investment (2018 Edition), effective on March 1, 2018 to list the sensitive industries in detail. As at the Latest Practicable Date (to be adjusted according to the finalized definition in the prospectus), the Company does not have any sensitive projects involving a sensitive country or region or a sensitive industry.

Labor and employment

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (Order No. 65 of the PRC President, effective on January 1, 2008 and amended on December 28, 2012) and the Regulations on Implementation of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (Order No. 535 of the State Council of the PRC, effective on September 18, 2008) provide for the establishment of labor relationship between employing entities and workers, as well as the concluding, performance, dissolution and revision of the labor contracts. To establish a labor relationship, a written labor contract shall be signed. In the event that no written labor contract is signed at the time when a labor relationship is established, such contract shall be signed within one month as of the date when the employing entity employs the employee.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (Order No. 35 of the PRC President, effective on July 1, 2011 and amended on December 29, 2018), Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (Order No. 259 of the State Council of the PRC, effective on January 22, 1999 and amended on March 24, 2019), Trial Measures for Enterprise Staff Maternity Insurance (《企業職工生育保險試行辦法》) (No. 504 [1994] Ministry of Labor,

effective on January 1, 1995), Regulations on Work-Related Injury Insurance (《工傷保險條例》) (Order No. 375 of the State Council of the PRC, effective on January 1, 2004 and amended on December 20, 2010) and Regulations on Housing Provident Fund (《住房公積金管理條例》) (Order No. 262 of the State Council of the PRC, effective on April 3, 1999 and amended on March 24, 2002 and March 24, 2019), employing entity must pay basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund for its employees. If an employing entity fails to go through the formalities or does not pay the full amount as scheduled, the relevant administration department shall order it to make rectification or make up the payment within the prescribed time limit. If the rectification for social insurance registration is not made within the stipulated period, the employing entity shall be imposed a fine. If the payment for social insurance premium is not made within the stipulated period, the relevant administration department shall impose a fine on the employing entity. If an employing entity fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund account for its employees by the expiration of time limit, a fine shall be imposed. If an employing entity fails to make the payment and deposit of the housing provident fund within the prescribed period, an application may be made to the people's court for compulsory enforcement.

Intellectual property

Software copyright

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

Patent

Pursuant to the Patent Law of the People's Republic of China (《中華人民共和國專利法》) (promulgated by the NPCSC on March 12, 1984, effective on April 1, 1985 and amended on September 4, 1992, August 25, 2000 and December 27, 2008), an invention or utility model for which a patent is to be granted shall be novel, inventive and practically applicable. The China National Intellectual Property Administration shall be responsible for accepting, examining and approving applications for patents. The duration of an invention patent shall be twenty years, and the duration of the patent for a utility model or design shall be ten years, counted from the date of application. Unless under special circumstances prescribed by the law, a third party shall only use such patents with the consent or permission of the patentee. Using such patents would otherwise constitute an infringement on a patent right.

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) (promulgated by the NPCSC on August 23, 1982 and amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 with its amended terms effective on November 1, 2019) and the Implementation Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) (Order No. 358 of the State Council of the PRC, promulgated on August 3, 2002, amended on April 29, 2014 and effective on May 1, 2014), the Trademark Office of the China National Intellectual Property Administration. The Trademark Law adopts the principle of "first to file" in handling trademark registration. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or pending in application for use in the same or similar category of commodities or services, the application for registration of such trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked. Trademark license agreements must be filed with the Trademark Office. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE UNITED STATES

Regulation of Drugs and Biologics in the United States

We provide certain regulated services to drug and biologic customers, including the conduct and management of pre-clinical studies, laboratory evaluation of clinical study biological samples, product candidate development and clinical study services, the manufacture and testing of product candidates for clinical and pre-clinical studies, and the quality testing of products for commercial distribution. Our services may be used to support United States marketing applications and United States distributed drug and biologic products. Below we provide a summary of the stages and regulation of the drug development process in the United States which are applicable to our customers and some of which are applicable to us.

In the United States, the U.S. FDA regulates drugs and biologics under the Federal Food, Drug, and Cosmetic Act, or FDCA, the Public Health Services Act, or PHSA, and their implementing regulations. Certain gene therapy research must also be conducted in accordance with the U.S. National Institutes of Health Guidelines for Research Involving Recombinant or Synthetic Nucleic Acid Molecules. Additionally, FDA and other U.S. regulatory authorities issue guidance to provide product sponsors and companies providing them services information on how the regulatory authorities interpret the applicable regulations and legal requirements. The applicable laws, regulations, and guidances are subject to changes. By example, in light of the COVID-19 outbreak, the U.S. FDA has issued a number of new guidance documents. Specifically, as a result of the potential effect of the COVID-19 outbreak on many clinical trial programs in the U.S. and globally, the U.S. FDA issued guidance concerning potential impacts on clinical trial programs, changes that may be necessary to such programs if they proceed, considerations regarding trial suspensions and discontinuations, the potential need to consult

with or make submissions to relevant ethics committees, IRBs, and the U.S. FDA, the use of alternative drug delivery methods or study facilities, and considerations with respect the outbreak's impacts on endpoints, data collection, study procedures, study monitoring, informed consent, study assessments, and analysis. Additionally, in March 2020, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security Act, which includes a number of provisions that are applicable to our customers.

Before a new drug or biologic may be approved and marketed, it must undergo extensive testing, development, and regulatory review to determine that it is safe and effective and that its manufacturing processes are capable of ensuring the product candidate's identity, strength, quality, purity, and potency. It is not possible to estimate the duration of this testing and development with respect to a given product candidate, although the time period may last many years, and require the expenditure of significant financial resources. The stages of this development process in the United States are generally as follows:

Pre-clinical Research

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

Clinical Trials

Clinical trials involve the administration of the investigational product to human subjects under the supervision of qualified investigators in accordance with federal regulations and GCPs, as further discussed below. Clinical trial sponsors may transfer certain of their clinical study regulatory obligations to CROs, in which case the CRO is directly subject to U.S. FDA

regulatory action. The manufacture of product candidates for the conduct of human clinical trials is subject to GMP requirements, as further discussed below. Investigational and approved products and active ingredients imported into the United States are also subject to regulation by the U.S. FDA. Further, the export of investigational and approved products outside of the United States is subject to regulatory requirements of the receiving country as well as U.S. FDA export requirements.

Clinical trials are conducted under protocols detailing, among other things, the objectives of the trial, the trial procedures, the parameters to be used in monitoring safety, the effectiveness criteria to be evaluated, and a statistical analysis plan. A protocol for each clinical trial, and any subsequent protocol amendments, must be submitted to the U.S. FDA as part of the IND and conduct of the study must be monitored by the study sponsor. In addition, an Institutional Review Board, or IRB, at each study site participating in the clinical trial or a central IRB must review and approve the plan for any clinical trial, informed consent forms, and communications to study subjects before a study commences at that site. The IRB must also review amendments to these materials and the use of certain investigational *in vitro* diagnostic devices during the course of the clinical study. An IRB considers, among other things, whether the risks to individuals participating in the trials are minimized and are reasonable in relation to anticipated benefits, and whether the planned human subject protections are adequate. The IRB must continue to oversee the clinical trial while it is being conducted. During the course of a clinical study, the study sponsor and investigators must submit certain reports to U.S. FDA and the IRB, including annual reports and reports of serious adverse events or other significant safety information. Some clinical trials are also overseen by an independent group of experts organized by the study sponsor, known as a data monitoring committee. Study sponsors, CROs, laboratories, and clinical and preclinical investigational sites must also ensure the integrity of the study data.

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

In general, for purposes of product candidate approval, human clinical trials are typically conducted in three sequential phases, which may overlap or be combined. Phase I clinical trials include basic safety and pharmacology testing in human subjects, usually healthy volunteers, and include trials to evaluate dosage tolerance, structure-activity relationships, the metabolic and pharmacologic action of the product candidate in humans, how the drug or biologic works, how it is affected by other drugs, how it is tolerated and absorbed, where it goes in the body, how long it remains active, and how it is broken down and eliminated from the body. If possible, Phase I trials may also be used to gain an initial indication of product candidate

effectiveness. Phase II clinical trials include controlled efficacy (effectiveness) and dose-range testing in a limited patient population afflicted with a specific disease or condition for which the product candidate is intended for use. Phase II clinical trials evaluate product candidate safety, preliminary effectiveness, and optimal dose levels, dose schedules and routes of administration. If Phase II trials yield satisfactory results and no hold is placed on further trials by the U.S. FDA, with IRB approval, Phase III trials can commence. Phase III clinical trials are adequate and well-controlled clinical trials undertaken in expanded subject populations. These include larger scale, multi-center (generally at geographically dispersed clinical trial sites), clinical trials conducted with patients afflicted by a target disease, in order to provide enough data for a valid statistical test of safety and effectiveness required by the U.S. FDA and other regulatory authorities for approval, to establish the overall risk-benefit profile of the product, and to provide an adequate basis for product labeling. Typically, two Phase III trials are required by the U.S. FDA for product approval. Under some limited circumstances, however, U.S. FDA may approve a marketing application based upon a single Phase III clinical study plus confirmatory evidence or a single large multi-center trial without confirmatory evidence. Additional clinical studies may also be required by the U.S. FDA or voluntarily conducted by product sponsors, including studies in pediatric populations or post-approval phase IV studies, which are further discussed below.

For some kinds of applications, clinical and preclinical studies may be abbreviated. For instance, for abbreviated new drug applications, or ANDAs, which are applications for generic versions of approved drug products, U.S. FDA may approve a marketing application based upon the scientific demonstration that the product candidate is bioequivalent to, or performs in the same manner as, the innovator drug. The generic version must have the same active ingredients, dosage form, strength, route of administration, labeling, performance characteristics and intended use, and deliver the same amount of active ingredients to the site of the drug's action in the same amount of time as the innovator drug product. Under 505(b)(2) New Drug Applications, sponsors may rely, in part, on FDA prior findings of safety and effectiveness for a previously approved drug product or published literature, provided that the sponsor can adequately bridge to the previously approved drug product or literature. Similarly, for biologic license applications for biosimilar product candidates, the development pathway may be shorter than for a reference biologic. To be deemed biosimilar the product candidate must be highly similar to the reference product notwithstanding minor differences in clinically inactive components, and there must be no clinically meaningful differences between the biosimilar product candidate and the reference product in terms of safety, purity, and potency. Biosimilarity must be shown through analytical studies, animal studies, and at least one clinical trial, absent a waiver by the U.S. FDA. There must be no difference between the reference product and a biosimilar in mechanism of action, conditions of use, route of administration, dosage form, and strength. A biosimilar product may be deemed interchangeable with a prior approved product if it meets the higher hurdle of demonstrating that it can be expected to produce the same clinical results as the reference product and, for products administered multiple times, the biologic and the reference biologic may be switched after one has been previously administered without increasing safety risks or risks of diminished efficacy relative to exclusive use of the reference biologic.

Concurrent with clinical trials, sponsors usually complete additional preclinical studies, including animal and stability studies, and must also develop additional information about the chemistry and physical characteristics of the product candidate as well as finalize a process for manufacturing the product in commercial quantities in accordance with GMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, manufacturers must develop methods for testing the identity, strength, quality, potency, and purity of the final product. The U.S. FDA may also require, or sponsors may conduct, additional clinical trials for the same indication after a product is approved. These so-called Phase IV studies may be made a condition to be satisfied after approval. The results of Phase IV studies can confirm or refute the effectiveness of a product candidate, and can provide important safety information. Following approval, product sponsors and their contractors must also continue to comply with applicable regulatory requirements, including GMPs for the manufacturing and testing of approved products.

NDA, ANDA or BLA Preparation and Submission

Upon completion of product and manufacturing development, and preclinical and clinical trials, the sponsor assembles the statistically analyzed data from all phases of development, along with the chemistry and manufacturing and pre-clinical data and the proposed labeling, among other things, into a single marketing application, which, depending on the product candidate, may be a new drug application, or NDA, full biologic license application, or BLA, ANDA, or a BLA for a biosimilar product. The U.S. FDA carefully scrutinizes the submitted information and data to determine whether the sponsors and any other companies, such as CROs and laboratories working on the sponsor's behalf, have complied with the applicable regulations, and to determine whether the drug or biologic is safe and effective for the specific use. Additionally, the U.S. FDA typically will inspect the facility or facilities where the product is manufactured. The U.S. FDA will not approve an application unless it determines that the manufacturing processes and facilities, including contract manufacturers and subcontractors, are in compliance with GMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving a marketing application the U.S. FDA may inspect one or more clinical trial sites to assure compliance with GCPs. The U.S. FDA may also inspect others involved in the product candidate development process, such as pre-clinical trial sites and laboratories. Even after accepting the submission for review, the U.S. FDA may require additional testing or information before approval of the application. The U.S. FDA must deny approval of an application if applicable regulatory requirements are not satisfied. Moreover, after approval, some types of changes to the approved product, such as adding new indications, manufacturing and testing changes, and additional labeling claims, are subject to further testing requirements and U.S. FDA review and approval. Following product approval, drug and biologic products must continue to be manufactured and tested in accordance with the U.S. FDA's regulatory requirements, including GMPs.

Recently, the U.S. Congress, Executive Branch, and administrative agencies have taken certain measures to increase drug competition and thus, decrease drug prices. By example, in 2019 FDA introduced a proposed rule and draft guidance to facilitate drug and biologic product importation. Congress also passed a bill requiring sponsors of NDA and BLA approved products to provide sufficient quantities of drug product on commercially reasonable market based terms to entities developing generic and similar drug products and biosimilar biologic products. Additionally, certain therapeutic protein products that were previously approved by FDA as drug products recently transitioned to biologic license applications. This transition may result in the development and submission of new biologic license applications by sponsors seeking approval of products that are biosimilar to the transitioned products.

Impact of U.S. Regulations: U.S. FDA Enforcement

In the United States, the U.S. FDA has authority to inspect facilities that conduct research on product candidates which are ultimately intended for marketing in the United States, including CROs, and clinical and preclinical study sites. The U.S. FDA also has the authority to inspect facilities, including laboratories that manufacture and test products and product candidates intended for use in clinical trials or for marketing in the United States following U.S. FDA approval. The U.S. FDA may inspect such facilities, regardless of whether such facilities are located in the United States or overseas, including facilities belonging to entities other than the product or product candidate sponsor. Inspections by the U.S. FDA have the objective of confirming compliance with FDA regulatory requirements, including GLPs, GCPs, and GMPs, and identifying and requiring correction of noncompliant conditions.

Inspections undertaken by the U.S. FDA, in which the inspector observes conditions that do not comply with the applicable regulatory requirements, may result in the U.S. FDA issuing a Form 483. A Form 483 contains observations which, in the inspector's judgment, may constitute potential violations ranging from relatively minor to critical issues. The Form 483 does not constitute a final U.S. FDA determination of whether any condition is violative. Rather, the Form 483 is considered by the U.S. FDA, along with a full written report, evidence or documentation collected during the inspection, and any company responses. Based upon this information, the U.S. FDA determines what further action, if any, is appropriate. The inspected company is responsible for responding directly to the U.S. FDA with a corrective action plan addressing any cited objectionable conditions in the Form 483 and implementing that plan expeditiously.

The production of a Form 483 with significant or critical observations, or other determinations by the U.S. FDA of regulatory noncompliance can precipitate immediate and extremely severe action by the U.S. FDA on the facility's operations and business, as well as causing serious and sometimes irreparable damage to a company's reputation. Such actions may include, but are not limited to, costly corrective actions, rejection of study results as a basis for approval of marketing applications or supplements, restrictions on operations, including the discontinuation of services or closing of facilities, clinical holds, discontinuations or suspension of studies, warning letters, untitled letters, cyber letters, regulatory authority issuance of adverse public statements or alerts, product recalls, fines,

restitution, disgorgement of profits or revenue, product seizure or detention, the U.S. FDA debarment or suspension, the U.S. FDA disqualification of testing facilities and investigators, consent decrees or other settlement agreements, injunctions, and civil and criminal penalties. The U.S. FDA can also take enforcement actions against the sponsors of the regulated product or product candidate. Enforcement actions against sponsors may include, but are not limited to the above actions, as well as recalls, withdrawal of product approval, and refusal to approve applications and supplements. Were the U.S. FDA to take enforcement actions against any of our customers based upon our services, we could be subject to claims brought by our customers or other commercial consequences.

Regulation of facilities, practices and services in the United States

Good Laboratory Practice (GLP), Good Clinical Practice (GCP), and Good Manufacturing Practice (GMP)

Certain regulatory authorities, including the U.S. FDA, require that submissions made to them are based on research, analysis or development studies conducted in accordance with GLP and GCP provisions and guidelines.

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

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

Additional requirements also apply to clinical and preclinical studies related to gene therapy products. For instance, certain preclinical and clinical gene therapy studies must be reviewed by an Institutional Biosafety Committee. There are also a number of U.S. FDA standards that apply to gene therapy studies and gene therapy manufacturing.

Regulatory authorities also require that drugs and biologics, and their APIs, intended for use in clinical trials or for the commercial market be manufactured and tested in accordance with GMP provisions and guidelines. The U.S. FDA requires that drug and biologic products used in clinical trials, approved products, and their API, be manufactured under GMPs. GMPs require that manufacturers, which includes entities conducting certain laboratory testing, adequately control manufacturing operations. This includes establishing quality management systems, quality control and assurance, obtaining raw materials that meet quality requirements, establishing operating procedures, detecting and investigating deviations, maintaining laboratory quality, maintaining records, samples, and documentation, and ensuring the integrity of manufacturing and testing data. Poor control of production and testing processes can lead to the introduction of adventitious agents or other contaminants, or to inadvertent changes in the properties or stability of products or product candidates. Manufacturers and other entities involved in the manufacture, including control and contract laboratories are required to annually register their establishments with the FDA. Certain facilities identified in ANDAs, ANDA amendments, and ANDA prior approval supplements, including facilities approved to produce finished dosage forms or active pharmaceutical ingredients, bioanalytical study sites, clinical research organizations, and contract analytical testing sites must also annually provide identification information to FDA. Additional state licenses, permits, and registrations may also be required.

Records for laboratory research, clinical studies, and manufacturing and testing must be maintained for specified periods for inspection by the FDA and other regulators. The U.S. FDA requires that electronic records and electronic signatures meet additional requirements to be considered trustworthy, reliable, and generally equivalent to paper records and handwritten signatures. Noncompliance with GLP, GCP, or GMP requirements can result in the disqualification of data collected during the clinical trial, as well as other enforcement actions.

In addition to the above, depending on the jurisdiction, additional laws and regulations may be applicable. For instance, individual states in the United States regulate certain clinical testing activities, requiring state licensing and validation of the individual tests.

Regulation of Medical Devices in the United States

FDA's Regulation of In Vitro Diagnostic Devices – Premarket Requirements

We also provide certain services to customers with respect to medical devices. *In vitro* diagnostic devices or IVDs are generally regulated by FDA as medical devices under the FDCA. However, FDA has a long-established policy of enforcement discretion for laboratory developed tests, or LDTs. Under this policy of enforcement discretion, tests that meet FDA's criteria for LDTs do not require FDA premarket clearance or approval, nor are such tests required to comply with FDA's other medical device regulations. FDA defines LDTs to include tests that are designed, manufactured, and used within a single clinical laboratory certified under the Clinical Laboratory Improvement Amendments. FDA's definition of LDTs does not include tests that are marketed direct-to-consumer. FDA may also elect to regulate LDTs where FDA determines that the LDT presents a potential safety issue or public health concern.

IVDs regulated as medical devices are subject to extensive oversight by FDA. The medical device requirements imposed by FDA cover all stages of the product life-cycle, including device design and development; pre-clinical and clinical testing; premarket review; product manufacturing, processing, and packaging (including kitting); testing and release; labeling, promotion, and advertising; post-market surveillance and complaint handling; medical device reporting; recalls, field actions, and related reporting; and medical device imports and exports.

Unless an exemption applies, FDA requires that device manufacturers submit and obtain clearance or approval for a premarket application before marketing a device in the United States. The type of premarket submission required depends on the FDA device classification.

- Devices classified by FDA as Class I are considered low risk and are generally exempt from premarket review.

- Devices classified by FDA as Class II are considered moderate risk devices and generally require the submission and FDA clearance of a 510(k) premarket notification. However, some Class II devices are 510(k)-exempt and do not require any premarket review.

- Devices classified by FDA as Class III are the highest risk devices and require the submission and FDA approval of a premarket approval, or PMA, application. Novel device technologies (including some novel device modifications) not previously classified by FDA are considered Class III by default and may qualify for review through the *de novo* request process if such devices are lower risk.

The regulatory process for device development and premarket review – including the design and validation of the device, obtaining data to support a premarket submission, preparation of the submission, and FDA's review process – can be onerous and costly and may take up to several years. The regulatory burden and timeline varies, depending on the type of submission required.

- A 510(k) pre-market notification requires the sponsor to demonstrate that the device is as safe and effective as, or "substantially equivalent" to, a legally marketed predicate device. A predicate device is a device that (i) was legally marketed prior to May 28, 1976, (ii) has been reclassified from Class III to Class II or I, or (iii) has been previously reviewed and cleared by FDA via the 510(k) process. Applicants must submit descriptive information and performance data (which may include clinical study data) to establish that the device is substantially equivalent to a predicate device. The review time for a 510(k) is usually three to six months, but may take longer.

- The *de novo* pathway is available for novel device technologies, including novel device changes, that have not been previously classified by FDA and for which there is no suitable predicate device. To obtain marketing authorization via the *de novo* pathway, the applicant must show that the subject device is low to moderate risk, such that it can be reclassified as Class I or Class II. The *de novo* request pathway usually requires more testing data than a 510(k), and often requires clinical data. The average review time for a *de novo* is around nine months, but may take longer.

- The PMA approval process is the most burdensome FDA premarket review process. The sponsor must demonstrate that the device is safe and effective for its intended use. A PMA generally requires data from at least one prospectively designed, well-controlled clinical study. In addition, a PMA requires extensive data and information related to the device design, materials, bench and animal testing, manufacturing, and quality. FDA also will inspect the device manufacturing and processing facilities as part of the PMA approval process. FDA's review of a PMA often takes a year or longer.

Device manufacturers may need to perform clinical studies as part of the device development, to support a premarket submission, or to meet post-approval commitments. Such studies are subject to the FDA's laws and regulations for investigational devices, informed consent, and IRB oversight and approval. For studies that involve significant risk devices, sponsors are also required to obtain approval from the FDA for an Investigational Device Exemption, or IDE, application before initiating the study.

In some cases, when a therapeutic is intended to be used with an IVD and the therapeutic safety or efficacy is dependent on the IVD's ability to measure or detect certain biomarkers, FDA may require that the IVD and therapeutic be contemporaneously approved or cleared, as applicable. In such a case, the therapeutic and IVD would also be labeled for combined use.

FDA's Postmarket Requirements for IVDs

For IVDs regulated as medical devices, FDA also imposes postmarket requirements. After obtaining marketing clearance, authorization, or approval for a device, the device manufacturer is required to evaluate all changes made to the device, including changes to the device indications and labeling, to assess whether the change triggers a requirement for a new submission. If such a submission is required, the manufacturer must submit a new application and obtain FDA clearance/authorization/approval before marketing the modified device.

Additional post-market obligations include requirements and restrictions related to device labeling, promotion and marketing, good manufacturing practices (as set forth in the Quality System Regulation or QSR), complaint handling and medical device reporting, reporting of recalls and other field actions, and unique device identification.

Further, all facilities involved in the design, manufacture, processing, packaging or repackaging, kitting, labeling or relabeling, complaint handling, and importation of a medical device, including contract manufacturing facilities, are required to register with FDA and submit a listing of each device the facility handles. All registered facilities are subject to periodic FDA inspection to assess compliance with the applicable requirements. Device companies are required to oversee their contract manufacturers and suppliers to ensure such contractors are complying with the applicable FDA requirements and device specifications, including quality specifications. If FDA finds that a device manufacturer (including a contract manufacturer) is not complying with the applicable FDA requirements, or otherwise determines that a device may be hazardous or defective, the FDA has the power to take enforcement action, which may include issuance of a warning letter, untitled letter, or other enforcement letter; seizure of the device; requesting or requiring a recall or other field action; or requiring the repair, replacement, or refund the cost of the medical device.

Emergency Use Authorizations

Under some limited circumstances, product sponsors may seek FDA authorization to market their products through abbreviated regulatory pathways. One such pathway is an Emergency Use Authorization, or EUA. Under an EUA, FDA may authorize the emergency use of an unapproved medical product (drug, device, or biologic) or an unapproved use of an approved product for certain emergency circumstances after the Secretary of the Department of Health and Human Services has issued a declaration of emergency or threat justifying emergency use. EUAs are intended to address serious or life threatening diseases or conditions caused by a chemical, biological, radiological, or nuclear agent, including emerging infectious disease threats, such as the COVID-19 pandemic. To receive an EUA, the product sponsor must demonstrate that the product "may be effective" in the prevention, diagnosis, or treatment of applicable disease or condition. Additionally the known and potential product benefits must outweigh the risks and there must be no adequate, approved, and available alternative product. FDA may also establish conditions on an EUA that are necessary to protect public health. EUAs are only effective for the duration of the applicable EUA declaration. EUAs may also be revised or revoked by FDA. In the absence of an EUA, FDA is also empowered to take certain actions to establish mechanisms to facilitate medical counter measure preparedness and responses. This may include, for example, extension of certain product expiration dates or the waiver of GMP or other FDA regulatory requirements.

Regulation of Laboratories in the United States

Our United States laboratories are subject to licensing and regulation under federal, state and local laws relating to employee right-to-know regulations, and the safety and health of laboratory employees. To the extent that our United States laboratories test human specimens for the purpose of providing information for the diagnosis, prevention, or treatment of a human disease or impairment, or assessment of human health, our laboratories may need to obtain a certificate under the Clinical Laboratory Improvement Amendments and follow associated requirements, including quality standards. Additionally, our United States laboratories are subject to applicable federal and state laws and regulations and licensing and accreditation requirements relating to laboratory functions, animals, the handling, storage and disposal of controlled substances and listed chemicals, hazardous waste, radioactive materials and laboratory and biological specimens, including the regulations of the Environmental Protection Agency, the U.S. Fish and Wildlife Service, the U.S. Department of Agriculture, the Nuclear Regulatory Commission, the Department of Transportation, the Centers for Disease Control, the National Fire Protection Agency and the United States Drug Enforcement Administration, or DEA. Failure to comply with laboratory requirements can result in enforcement actions.

Regulation of Controlled Substances

The use, research, testing, import and export, and manufacture of controlled substances and listed chemicals is regulated in the United States by the DEA through the Controlled Substances Act and the DEA's implementing regulations, and by similar regulatory bodies in other parts of the world. The DEA regulations cover registration, security, recordkeeping, reporting, storage, shipping, distribution, acquisition, inventory, and other requirements relating to controlled substances. The DEA regulates controlled substances as Schedule I, II, III, IV or V substances. Schedule I substances by definition have no established medicinal use and may not be marketed or sold in the United States. After Schedule I, Schedule II substances are considered to present the highest risk of abuse and Schedule V substances the lowest relative risk of abuse among such substances. Periodic, and in many cases annual registration is required for DEA registrants. The registration and corresponding requirements are specific to the particular location, activity, including research and testing, and controlled substance schedule. For certain entities and for certain controlled substances, purchases, and acquisition and distribution transactions must also be reported to DEA.

The DEA typically inspects a facility to review its security measures prior to issuing a registration and on a periodic basis. Security requirements vary by controlled substance schedule and activities, with the most stringent requirements applying to Schedule I and Schedule II controlled substances. Required security measures include physical security controls, background checks on employees, and inventory reconciliations. Records must be maintained for the handling of all controlled substances and reports must be made to DEA, such as reports of thefts or significant losses of any controlled substance and suspicious orders. There are further DEA requirements concerning controlled substance disposal and destruction. Depending on the controlled substance, DEA authorization, in addition to registration, may be required for United States import and export activities. In addition to DEA, individual states in the United States regulate the use of certain controlled substances and other drugs under state controlled substance, board of pharmacy, and other statutes and regulations. Failure to comply with DEA's requirements can have significant consequences, including administrative, civil or criminal enforcement action, as well as revocation or suspension of controlled substance registrations, and refusal to renew registrations.

DEA also regulates chemicals that, in addition to legitimate uses, are used in the manufacture of controlled substances. DEA designates such chemicals as List I or List II. List I chemicals include chemicals that are important to the manufacture of a controlled substances, including precursors. List II chemicals include chemicals, other than List I chemicals, identified by DEA that are used in the manufacture of controlled substances. DEA imposes additional requirements for Scheduled Listed Chemicals, which include ephedrine, pseudoephedrine, and phenylpropanolamine. DEA requires registration for entities that manufacture, import, distribute, sell, or export List I and Scheduled Listed Chemicals and also imposes record-keeping, security, and reporting requirements. DEA also establishes quotas for the manufacture, importation, and procurement of Scheduled Listed Chemicals. In addition, DEA imposes specific requirements and restrictions for the retail sale of drug products containing a Scheduled Listed Chemical. Entities that handle only List II chemicals are not required to register with DEA but are subject to certain record-keeping, import, export and reporting requirements.

Additional Laboratory Requirements

The regulations of the United States Department of Transportation, Public Health Service and Postal Service apply to the surface and air transportation of laboratory specimens. Our laboratories also are subject to International Air Transport Association regulations, which govern international shipments of laboratory specimens. Furthermore, when the materials are sent to a foreign country from the United States, the transportation of such materials becomes subject to the laws, rules and regulations of such foreign country.

In addition to its comprehensive regulation of safety in the workplace, the United States Occupational Safety and Health Administration has established extensive requirements relating to workplace safety for healthcare employers whose workers may be exposed to blood-borne pathogens such as HIV and the HBV. These regulations, among other things, require work practice controls, protective clothing and equipment, training, medical follow-up, vaccinations and other measures designed to minimize exposure to chemicals, and transmission of blood-borne and airborne pathogens.

Regulation of Patient Information

In the course of providing our services, we may be provided with patient-specific information and health information which is subject to governmental regulations.

The possession, retention, use and disclosure of such information is highly regulated, both in the United States and the other jurisdictions. Regulations to protect the safety and privacy of human subjects who participate in or whose data are used in clinical research generally require clinical investigators to obtain affirmative informed consent from identifiable research subjects before research is undertaken.

Under the Health Insurance Portability and Accountability Act and regulations promulgated thereunder ("**HIPAA**"), the United States Department of Health and Human Services Office for Civil Rights has issued regulations mandating heightened privacy and confidentiality protections for certain types of individually identifiable health information, or protected health information ("**PHI**"), when used or disclosed by healthcare providers and other HIPAA-covered entities or business associates that provide services to or perform functions on behalf of these covered entities. Generally, a disclosure of PHI by a HIPAA-covered entity for research purposes requires a written authorization from the patient, unless a waiver of authorization is approved by an Institutional Review Board or Privacy Board in accordance with HIPAA requirements. Individual U.S. states also have their own privacy laws, such as the California Consumer Privacy Act.

United States Healthcare Fraud and Abuse Laws

As a contract research organization, we may be subject to many federal and state healthcare laws, including those described elsewhere in this Prospectus, such as the federal Anti-Kickback Statute, the federal civil and criminal False Claims Acts, the civil monetary penalties statute and other laws relating to patient inducements, the Medicaid Drug Rebate statute and other price reporting requirements, the Veterans Health Care Act of 1992, the Foreign Corrupt Practices Act of 1977, the Patient Protection and Affordable Care Act of 2010, and similar state laws. Certain federal and state healthcare laws and regulations pertaining to fraud and abuse, reimbursement programs, government procurement, and patients' rights may be applicable to our business. We may be subject to healthcare fraud and abuse regulation by both the federal government and the states in which we conduct our business.

If we or our operations are found to be in violation of any federal or state healthcare law, or any other governmental laws or regulations that apply to us, we may be subject to penalties, including civil, criminal, and administrative penalties, damages, fines, disgorgement, suspension and debarment from government contracts, and refusal of orders under existing government contracts, exclusion from participation in U.S. federal or state healthcare programs, corporate integrity agreements, and the curtailment or restructuring of our operations, any of which could materially adversely affect our ability to operate our business and our financial results. If any of the physicians or other healthcare providers or entities with whom we expect to do business is found not to be in compliance with applicable laws, such providers may be subject to criminal, civil or administrative sanctions, including, but not limited to, exclusion from participation in government healthcare programs, which could also materially affect our business.

Although an effective compliance program can mitigate the risk of investigation and prosecution for violations of these laws, the risks cannot be entirely eliminated. Moreover, achieving and sustaining compliance with applicable federal and state reimbursement and fraud laws may prove costly. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN KOREA

Regulation of Development of Drugs in Korea

Regulatory Body for Drugs

The Ministry of Food and Drug Safety ("**MFDS**") is the main regulatory body for drugs as well as medical devices, food and cosmetic products in Korea. MFDS regulates drugs under the Pharmaceutical Affairs Act and its implementing regulations. MFDS is responsible for developing comprehensive plans for safety management of drugs, supervising the testing and reviewing procedure for new drugs including clinical trials, management of pharmaceutical approvals and patents, and quality control of drugs.

Pre-approval Regulations

Before a new drug may be approved and marketed, it must undergo extensive testing and review to determine that it is safe and effective. The stages of this process are typically as follows:

Discovery and Development

Discovery and development stage involves searching and experimenting for new product candidate. No approval or notification is required for experiments in this stage. However, an institution conducting experiments which use Living Modified Organisms ("**LMO**") should submit for approval or notification required under the Act on Transboundary Movement of LMO.

Preclinical Studies

Preclinical study involves *in-vitro* and animal studies to evaluate product candidate chemistry, pharmacology, metabolism, toxicity, and formulation, as well as potential safety and efficacy. This includes the establishment of the relative toxicity of the product candidate over a wide range of doses and the detection of the product candidate's potential to cause a variety of adverse conditions or diseases.

In order to conduct a preclinical study, an investigating institution needs to be designated by MFDS for preclinical studies to be conducted. In order for an institution to qualify as a designated investigating institution, it must satisfy certain requirements in terms of personnel, facilities and equipment. All preclinical studies must comply with the Good Laboratory Practice ("**GLP**") standards issued by MFDS. The GLP standards set forth the minimum basic requirements concerning organizational structure, quality assurance, management of facilities and equipment, and standard work procedure.

An institution conducting testing on vertebrate animals must be registered with MFDS as an animal testing facility under the Laboratory Animal Act. The governing legislation for the care of vertebrate animals used for research and testing are the Laboratory Animal Act and the Animal Protection Act.

Clinical Trials

Clinical Trials involve the administration of the investigational product to human subjects under the supervision of qualified investigators. To conduct a clinical trial, the sponsor must go through the clinical trial authorization process. The sponsor should obtain (i) approval from MFDS after submitting IND application with the appropriate supporting documents including the clinical trial protocol and the results of preclinical studies, and (ii) approval from the institutional review board in the institution undertaking the clinical trial ("**Trial Institution**"), which must be a qualified general hospital, a specialized hospital or another institution designated by MFDS. The institution conducting clinical trials must submit a study protocol, an outline of the methods for recruiting subjects (including advertisements), consent forms to be received from recruited subjects and the data collection forms to its internal institutional review board for review.

The sponsor and the head of the Trial Institution will sign a written contract before the trial begins. If a CRO is used, the sponsor must write a contract outlining a set of tasks for the CRO to complete. For a foreign company without established presence in Korea to obtain approval of a clinical trial, it must delegate all rights and responsibilities for the execution of the clinical trial through an agreement with a CRO established in Korea, and CRO becomes a legal sponsor of the clinical trial.

The clinical trials must comply with the GCP standards issued by MFDS. The GCP standards include requirements concerning clinical study design, conduct, monitoring, auditing, analysis, recording and reporting, among other requirements, and also require that (i) all research subjects provide their informed consent in writing before their participation in any clinical trial, and to ensure that they do so, the details of the clinical trial, the potential adverse effects on health, and the compensation amount and method must be explained in advance; (ii) all records of the subjects' identity be handled with in accordance with the relevant laws (such as the Personal Information Protection Act and the Medical Services Act); and (iii) IND be manufactured and managed in accordance with the GMP standards issued by MFDS.

In 2013, MFDS first introduced, and has since implemented, the Rules for Compensation of Clinical Trial Victims and Guidelines for Providing Compensation Procedures, pursuant to which the criteria, as well as any exceptions, regarding such matters are required to be established and the process for the application for, and assessment of, compensation be laid out when regulations for compensating victims of clinical trials are prepared by sponsors. In 2014, MFDS further introduced other additional guidelines, such as the Guidelines for the Operation of the Institutional Review Board to ensure the safety and efficacy of clinical trials.

Marketing Authorization

Upon completion of all clinical trials, sponsors need to file an NDA with MFDS, as well as submit safety and efficacy data, including clinical trial results, specifications and test methods, data required for the evaluation of GMP inspection, and other required documents. MFDS carefully scrutinizes the submitted information and data to determine whether the data have complied with the applicable regulations, and to determine whether the drug is safe and effective for the specific use.

Post-approval Regulations

Post marketing surveillance ("**PMS**") is the practice of monitoring the safety of a drug after it has been released on the market and is an important part of the science of pharmacovigilance. In Korea, new drugs and certain ethical drugs (ETC or prescription drugs) designated by MFDS must be reviewed by MFDS after a specified period of time (four years, or for new drugs, six years) from the date of the marketing authorization, and during such period, PMS under the Pharmaceutical Affairs Act ("**Regulatory PMS**") must be conducted. The Regulatory PMS is conducted by observing the pattern of drug use in a specified number of patients and by investigating adverse events and factors affecting safety or efficacy of the drug that did not appear before the marketing authorization. After the completion of the Regulatory PMS, MFDS may revise the marketing authorization on the drug by reflecting the results of the Regulatory PMS.

Regulation of Patient Information

The Personal Information Protection Act ("**PIPA**") applies to the personal information of patients acquired during the clinical trials in Korea. Under PIPA, a personal information controller (a person, entity or organization that processes personal information directly or indirectly to operate the personal information files for business purposes, which in this context would be the Trial Institution) may collect personal information in case the consent is obtained from the data subject (which in this context would be the patient) and use it within the scope of the purpose of collection only, and a personal information controller shall inform the data subject of the following matters when it obtains such consent:

(i) the purpose of the collection and use of personal information;

(ii) particular items of personal information to be collected;

(iii) the period for retaining and using personal information; and

(iv) the fact that the data subject is entitled to deny consent, and the disadvantages that could arise if the data subject refuses to consent.

Moreover, in the event a personal information controller intends to collect and use any item of personal information on health, which is treated as sensitive information, the personal information controller must obtain separate consent from the data subject apart from a consent for other items of personal information.

Foreign Investment and Foreign Exchange

The Foreign Exchange Transaction Act of Korea and the Presidential Decree and regulations thereunder ("**FETL**"), in general, regulate, among other things, certain foreign exchange transactions between non-residents and residents of Korea, investments in Korean securities by non-residents and issuances of securities outside Korea by Korean companies.

Subject to certain limitations and exceptions, the Ministry of Economy and Finance ("**MOEF**") has the authority to take the following restrictive actions under the FETL:

- if the Korean government deems it necessary on account of war, armed conflict, natural disaster, grave and sudden and significant changes in domestic or foreign economic circumstances, or similar events or circumstances, the MOEF may (i) temporarily suspend payment, receipt, or performance under any or all foreign exchange transactions, in whole or in part, to which the FETL apply (including suspension of payment and receipt of foreign exchange), (ii) impose an obligation to deposit, safe-keep, or sell precious metal or any means of payment to The Bank of Korea, a foreign exchange equalization fund, or certain other governmental agencies or financial companies, or (iii) require resident creditors to collect and recover debts owed by non-resident debtors and to retrieve them to Korea; and

- if the Korean government concludes that the international balance of payments and international financial markets are experiencing or are likely to experience significant disruption or that the movement of capital between Korea and other countries is likely to adversely affect its currency policies, exchange rate policies or other macroeconomic policies, the MOEF may take action to require any person who intends to effect a capital transaction to obtain permission or to require any person who effects a capital transaction to deposit a portion of the means of payment acquired in such transaction with The Bank of Korea, a foreign exchange equalization fund, or certain other governmental agencies or financial companies.

However, foreign investments made pursuant to the Foreign Investment Promotion Act of Korea will not be subject to the above restrictive actions pursuant to the FETL.

In the case of an investment in the amount of KRW 100 million or more, (i) an investment by a foreign investor in 10% or more of the outstanding shares with voting rights of a Korean company or (ii) an acquisition by a foreign investor holding shares of a Korean company of a right to nominate or appoint a director or a senior officer of such company constitutes a foreign direct investment for purposes of the Foreign Investment Promotion Act of Korea. Generally, under the Foreign Investment Promotion Act of Korea, such foreign direct investment must be reported to a foreign exchange bank or Korea Trade-Investment Promotion Agency designated by the Ministry of Trade, Industry and Energy prior to such investment. The acquisition of shares in a Korean company by a foreign investor may also be subject to certain foreign or other shareholding restrictions in the event that the restrictions are prescribed in a specific law that regulates the business of the Korean company. Changes in ownership of shares of a Korean company by a foreign direct investor are subject to reporting requirements.

Dividends and Proceeds from Sale of Shares in a Korean Company

No governmental approval is required for a foreign investor to receive any dividends or sales proceeds in Korean Won of any shares in a Korean company which are to be paid, received, and retained in Korea. Such dividends or sales proceeds received by such foreign investor may be deposited in a Korean Won account established with such investor's investment dealer or investment broker or its Korean Won account established with a foreign exchange bank. Funds in such foreign investor's Korean Won account may be transferred to its foreign currency account in Korea or withdrawn for investing in shares in any Korean company (including the Company) and other limited purposes.

Employment

The Labor Standards Act is the main body of law in Korea that governs labor and employment although various other laws, rules and regulations also regulate different aspects of labor and employment.

Under the Labor Standards Act, the maximum work hours are 40 hours per week and eight hours per day (excluding break time). These restrictions apply to both full-time and part-time workers. An employee may agree to work an additional overtime work, however, maximum working hours shall not exceed 52 hours per week including regular hours, overtime hours and holiday hours.

If the Company has failed to comply with the work hour limitations under the Labor Standards Act, it may be exposed to criminal liabilities, including imprisonment of up to two years or a criminal fine of up to KRW 20 million.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN TAIWAN

Regulatory Regime for the Development of Drugs in Taiwan

In Taiwan, the Taiwan Food and Drug Administration (TFDA), a sub-agency of the Ministry of Health and Welfare (MoHW), regulates drugs and biologics under the Pharmaceutical Affairs Act (PAA) and their implementing regulations. For multinational pharmaceutical companies, generally the products will be first launched in their home countries and then enter into Taiwan market based on the materials readily developed. Under such situation, the duration of the testing and development in Taiwan might not be as lengthy as in the home countries.

We understand that the Company's principal business in Taiwan is regarding clinical research of drugs and would provide an introduction of relevant regulations first.

Clinical Trials

For clinical trials that are for drug registration purposes, they must comply with the PAA and its subordinate Guidelines for Good Clinical Practice (GCP). While research and trials involving human subjects should generally comply with the Human Subjects Research Act (HSRA), for product registration purposes, the GCP prevails over the HSRA. The current version of the GCP is promulgated by the TFDA in 2010 (with minor amendment in 2014) and mainly references to ICH E6 Guidance for Industry (E6 Good Clinical Practice: Consolidated Guidance); thus, the regulation structure is generally in line with global standards. The TFDA is currently amending the GCP based on ICH GCP E6 R2; nonetheless, the draft amendments to the GCP have not been published yet.

Clinical trials involve the administration of the investigational product to human subjects under the supervision of qualified investigators in accordance with the GCP.

Similar to the GCPs implemented in other countries, clinical trials are conducted under protocols detailing, among other things, the objectives of the trial, the trial procedures, the parameters to be used in monitoring safety, the effectiveness criteria to be evaluated, and a statistical analysis plan. The clinical trials can only be conducted after the protocols, informed consent forms, and communications to study subjects have been reviewed and approved by the TFDA and the institutional review board (IRB) of the responsible institution(s). Any amendments to the above-mentioned materials also require prior approval by the TFDA and the IRB.

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

For the protection of the human subjects, if a clinical trial is suspended or terminated, the investigators and the institutions should immediately inform the human subject and ensure appropriate therapy and follow-up for the subjects, and should report such suspension or termination to the TFDA in writing with explanations. If it is the sponsor which suspends or terminates a trial, the sponsor shall promptly inform the investigators, the institutions, the IRB, and the TFDA and the reason(s) for the termination or suspension, and provide detailed written reports. And it is the investigator and/or institution that suspend or terminate a trial without prior agreement of the sponsor, the investigator and the institution shall promptly inform the sponsor and the IRB, and provide detailed written reports. If the investigator or the institution seriously or repeatedly violates the protocol, the sponsor should stop the investigator or the institution from conducting the trial and promptly notify the TFDA.

Pursuant to the GCP, the sponsor should be liable for compensation and insurance for injuries, institutions and investigators do not have this responsibility. Nonetheless, for investigator initiated trials (IITs), as the investigator acts as the sponsor, the pharmaceutical company only provides financial support and does not need to bear such responsibility.

In general, for purposes of product candidate approval, human clinical trials are typically conducted in three sequential phases, phases I, II and III, as is the common practice of the industry globally. According to the Regulations for Registration of Medicinal Products (RRM), for the registration of new chemical entity (NCE) drugs, dossiers of Phase I clinical trial conducted during the development stage in Taiwan, as well as Phase III pivotal trial conducted simultaneously with other countries; or alternatively, Phase II clinical trial and Phase III pivotal trial conducted simultaneously with other countries should be submitted. The trial

should be designed to meet the following criteria: (1) there should be at least 10 valid Taiwanese subjects for a Phase I clinical trial, such as PK study or PD study; (2) there should be at least 20 valid Taiwanese subjects for a phase II clinical trial; (3) there should be at least 80 valid Taiwanese subjects for a Phase III pivotal trial; and the results have to show the similarity between Taiwan and other countries; and (4) with the TFDA's approval, the numbers of trials and subjects of the aforementioned three types of clinical trials can be adjusted on grounds of the improvement in quality, safety or efficacy of the drug, the nation's welfare or special circumstances. With the approval from the TFDA, the abovementioned clinical trials can be qualified for an exemption of, or a substitution for bridging studies.

For abbreviated new drug applications (ANDAs, application for generic products), clinical and preclinical studies may be abbreviated. Except for those that the TFDA considers bioequivalence and bioavailability trials or other types of trials necessary, the TFDA may approve a marketing application based upon the scientific demonstration that the product candidate is bioequivalent to, or performs in the same manner as, the innovator drug.

Different additional requirements are provided in the Regulations for Registration of Botanical Medicines (RBM), the Regulations for Registration of Biosimilar Products (RRB), the Regulations for Registration of Biosimilar Monoclonal Antibody Products (RRMA), and the Regulations for Registration of Human Cell Therapy Products (RHCT) for the clinical trial requirements of, registration of, and obtaining marketing approval for botanical medicines, biosimilar products in general, and biosimilar monoclonal antibody products, and human cell therapy products, respectively.

The Phase IV studies (post-marketing surveillance studies) and/or risk management plan (RMP) are often required by the TFDA as a condition to be satisfied after approval. The results of Phase IV studies can confirm or refute the effectiveness of a product candidate, and can provide important safety information.

The investigational product should meet the Good Manufacturing Practices for Medicaments (GMP) promulgated by the TFDA, and can be imported into Taiwan only after obtaining the TFDA's approval.

As mentioned, for multinational pharmaceutical companies, generally the products will be first launched in their home countries and then enter into Taiwan market based on the materials readily developed. Thus, such companies' manufacture of the investigational products usually would meet the GMP requirements. The foreign factories that meet the GMP requirements are published on the TFDA's website. The importation of the investigational products would require prior application for approval by the TFDA with supporting documents such as the protocols of the trials.

An overview of other general drug development regulations is provided below.

Preclinical Research

For multinational pharmaceutical companies, typically preclinical research will not be conducted in Taiwan. Nonetheless, we still provide relevant regulations for reference. Preclinical research of new drugs involves pharmacology studies (both pharmacodynamics and pharmacokinetics studies) and toxicity studies as well as potential safety of the new drugs. Guideline for the non-clinical safety for Medicinal Products (the Guidelines) and Good Laboratory Practice for Nonclinical Laboratory Studies (GLP) are the two regulations which are related to the preclinical research and nonclinical studies. All pre-clinical studies must conform to the GLP. The Guidelines provide the regulations for preclinical studies and nonclinical studies of new drugs, biopharmaceuticals and anticancer pharmaceuticals. Regarding the guidelines for toxicity studies of new drugs, the Guidelines covers single dose toxicity study, repeated dose toxicity study, genotoxicity study, reproductive and developmental toxicity studies, carcinogenicity study, skin sensitization study, skin photosensitization study, skin irritation study, eye irritation study, toxicokinetic study and immunotoxicity study.

Application for Drug Registration

The marketing approval applicant must be a company duly registered under the laws in Taiwan, and must hold a pharmaceutical company license. Regarding the registration of NCE medicines, according to the RRM, the applicants must submit data and documents related clinical trials, formulation basis, testing specifications, methods and certificates of analysis of raw materials and finished products, and manufacturing records. Less documents are required for ANDA application pursuant to the RRM. As mentioned, additional requirements are provided in other regulations for the registrations of botanical medicines, biosimilar products in general, and biosimilar monoclonal antibody products, and human cell therapy products.

Impact of Taiwan Regulations: MoHW Enforcement

In Taiwan, the MoHW and the competent local sanitation authorities (such as the health bureau of Taipei City) have authority to inspect facilities and premises of pharmaceutical firms, healthcare institutions and pharmacies. The MoHW may sample-test medicaments. Without just cause, the pharmaceutical firms, healthcare institutions and pharmacies cannot refuse any inspection or sample test. For violation of statutory requirements, the MoHW and or the competent local sanitation authorities may impose administrative fines. For serious cases or if pharmaceutical firms, healthcare institutions and pharmacies refuse to cooperate, the authorities may publish the name of the firms, reject renewal applications, revoke approvals of medicaments or shut down business operations.

Regulated facilities, and practices and services

Regulation of Laboratories in Taiwan

Laboratories in Taiwan are subject to Good Laboratory Practice for Nonclinical Laboratory Studies (GLP), Regulations Governing Management of Infectious Biological Materials (RMIBM) and related regulations.

As indicated in the GLP's and the Guidelines' respective prefaces, the GLP and the Guidelines were drafted by the TFDA by referring to the Good Laboratory Practice for Non-clinical Laboratory Studies promulgated by the United States Food and Drug Administration and other relevant regulations or guidelines of the International Conference on Harmonisation, the OECD and other developed countries. Thus, the GLP and the Guidelines are generally in line with international practice.

The RMIBM classified the biosafety laboratories to Level 1 to 4 (BSL1 to BSL4) by their operational practices, barriers, and safety equipment and facilities on the basis of risk assessments. The research entity shall establish an appropriate biosafety and biosecurity management mechanism.

Regulation of Patient Information in Taiwan

Prior to conducting clinical trials under the PAA and GCP, informed consent from subjects are mandatory requirements. The matters to be included in the informed consent form are regulated in the GCP and, as mentioned, the content of the informed consent is subject to review and approval by the TFDA and the IRB so as to ensure the rights and interests of the human subjects. In addition, according to the Personal Data Protection Act (PDPA), data pertaining to a natural person's medical records, healthcare, genetics and physical examination are classified as sensitive data, which shall not be collected, processed or used unless written consent by the subject is obtained. Consent collected pursuant to the GCP is also generally in line with the requirement under the PDPA.

ONGOING REGULATORY REFORMS

The following table summarizes the material ongoing regulatory reforms in the major jurisdictions where we operate:

Jurisdiction	Expected regulatory updates and revisions	Potential impact on the Company
PRC	Currently, the major healthcare reforms in China focus on consistency evaluation, centralized procurement, drug registration and healthcare system. For example, the application of consistency evaluation policies may be further extended to medical devices and the coverage of centralized procurement policies may be further expanded to cover more geographic areas in China. The implement of drug registration shall be further enhanced through detailed implementation measures issued by applicable government authorities. The Chinese government also aims to optimize the healthcare system through the reform and development of medical insurance and medical assistance, combined with commercial insurance, charities and mutual aid.	These regulatory reforms intend to further enhance the management and requirement in drug development and to promote the medical and health care systems in China, which we believe provide additional opportunities for leading CROs in China with robust quality control standards, such as us. The policies on conformance evaluation of generic drugs and pilot programs of centralized procurement of drugs will significantly drive the development of our business of consistency evaluation of generic drugs. A series of reform on drug registration system, such as the Drug Administration Law of the People's Republic of China (revised on 2019), the Measures for the Administration of Drug Registration (revised on 2020) and the Measures for the Supervision over and Administration of Drug Production (revised on 2020), will foster R&D of new drugs and development of complementary services associated with clinical trial.

Jurisdiction	Expected regulatory updates and revisions	Potential impact on the Company
		The above new policies and requirements on medical reform will provide the Company with more opportunities and potential for business development.
United States	In the United States, federal law makers and regulatory agencies, including FDA, are continually passing new laws and regulations relating to pharmaceutical, biotechnology, and medical device products. FDA also issues guidance documents to reflect its current interpretation of its regulations and laws within its jurisdiction to enforce.	These legal and regulatory changes may impact our supply chain and customers, which may result in changes in the provision of and demand for the group companies' services and products. For example legal and regulatory changes may make it more or less difficult, lengthy, or expensive for us or our customers to obtain the necessary materials to conduct clinical or pre-clinical trials. These changes may also directly impact the way our services and products are regulated, requiring that we devote additional time and resources to compliance with United States laws and regulations. For example legal and regulatory changes may impact the cost, time, or burden to conduct clinical or pre-clinical trials or to obtain FDA marketing authorizations. In order to remain compliant, this may require that we make a financial, personnel, and time investment to make changes to the way that we provide services to our customers. Legal and regulatory changes may also make our customers more or less apt to pursue certain development programs, which would ultimately impact our business.

Jurisdiction	Expected regulatory updates and revisions	Potential impact on the Company
Taiwan	The Medical Devices Act (醫療器材管理法) was legislated on January 15, 2020, the enactment date of which is pending. Medical devices which have been regulated under the Pharmaceutical Affairs Act (藥事法) will be regulated under the Medical Devices Act upon effective.	We do not expect any substantive changes on the regulations of medical devices in the Medical Devices Act as compared to the Pharmaceutical Affairs Act. Based on the currently available public information, we do not expect any material impact on our business operations upon effective of the Medical Devices Act.
Korea	Based on the currently available public information, we do not expect any updates or revisions to the major applicable laws and policies in Korea in 2020 and 2021 that would have a material impact on our business operations.	N/A

We do not expect the above ongoing regulatory reforms to have an imminent material impact on our business operations in such jurisdictions. However, as the regulatory environment are constantly evolving, we cannot guarantee that any future changes or reforms to the regulations in markets where we operate or plan to operate will not result in a material adverse effect on our business operations. For details, see "Risk Factors – Risks Relating to Our Business and Industry – Our customers may be affected by ongoing healthcare reforms that may adversely impact the pharmaceutical industry or otherwise reduce or negatively impact demand for our services and our profitability."

OVERVIEW

We are a leading China-based provider of comprehensive biopharmaceutical R&D services, with an expanding global presence. According to the Frost & Sullivan Report, we were the largest clinical CRO in China in terms of revenue in 2019 and the number of on-going clinical trials as of the end of 2019, with a market share of 8.4% in 2019. We were also the only China-based clinical CRO among the top 10 global clinical CROs, according to the Frost & Sullivan Report.

The history of our Company dates back to December 15, 2004 when Hangzhou Tigermed Limited was established with a registered share capital of RMB0.5 million, funded primarily by our initial shareholders with their personal funds.

The shareholding structure of Hangzhou Tigermed Limited as of the date of the establishment was as follows.

Name of the Shareholders	Percentage of shareholding
	(%)
Dr. Ye	60.00
Ms. Cao	30.00
Ms. Shi Xiaoli (施笑利) ("**Ms. Shi**")	10.00

Details of the background of Dr. Ye and Ms. Cao are set out in the section headed "Directors, Supervisors and Senior Management" in this Prospectus.

Ms. Shi joined our Company in January 2005 and served as the chairman of our Supervisory Committee and a shareholder Supervisor from September 2010 to April 2020. Ms. Shi has been serving as the head of the data resources department of our Company since March 2019.

On November 4, 2010, upon approval by Hangzhou Administration for Industry and Commerce (杭州市工商行政管理局), Hangzhou Tigermed Limited was converted into a joint-stock company and was renamed Hangzhou Tigermed Consulting Co., Ltd. (杭州泰格醫藥科技股份有限公司). Our PRC Legal Advisor has confirmed that the Company has obtained all the required approvals from the relevant competent authorities and the conversion is in compliance with the relevant laws and regulations in all material respects.

Since August 17, 2012, our A Shares have been listed on the ChiNext market of the Shenzhen Stock Exchange (stock code: 300347). Since the date of our listing on the ChiNext market of the Shenzhen Stock Exchange and up to the Latest Practicable Date, we had not received any notice from the Shenzhen Stock Exchange alleging any non-compliance incidents on the part of our Company, and our Directors confirm that we had no instances of non-compliance with the rules of the Shenzhen Stock Exchange in all material respects and to the best knowledge of our Directors after having made all reasonable enquiries, there is no matter that should be brought to investors' attention in relation to our compliance record on the Shenzhen Stock Exchange. Based on the filings on the website of the Shenzhen Stock

Exchange, the information available in the public domain and the independent due diligence conducted, the Joint Sponsors are of the view that the Directors' above confirmations with regard to the compliance records are accurate and reasonable.

BUSINESS DEVELOPMENT MILESTONES

The following table shows our key business development milestones since our inception.

2004	• In December, Hangzhou Tigermed Limited, our Company's predecessor, was established.
2009	• In December, we acquired MacroStat to provide data management and statistical analysis services.
2010	• In April, we established Jiaxing Tigermed to expand our data management and statistical analysis services.
2011	• In May, we established Hangzhou Simo to provide site management and patient recruitment services.
2012	• In August, our A Shares were listed on the ChiNext market of the Shenzhen Stock Exchange.
2013	• In January, we established Fantastic Bioimaging to provide medical imaging services.
	• In August, we established Hangzhou Talent MedConsulting Co., Ltd. to provide training and independent audit services in the clinical research field.
	• In October, we established IntelliPV to provide pharmacovigilance services.
	• In November, we expanded our global reach to provide services in Australia by establishing Tigermed Australia Pty Limited.
2014	• In July, we acquired a majority interest in Frontage Labs to provide laboratory and related services to pharmaceutical and agrochemical companies as well as bioequivalence services in both China and the United States.
2015	• In September, we acquired DreamCIS, one of the largest CROs in Korea.
2016	• In January, we acquired Beijing BMD, which enabled us to extend our services to post marketing surveillance and enhanced our academic research capability. We also formed a joint venture with Di'an Diagnostics to establish the Teddy Clinical Research Laboratory, a central laboratory service provider.

2017	• In May, we acquired Jyton to expand our business operations to medical device consulting services.
	• In December, we expanded our global reach by incorporating Tigermed Switzerland.
2018	• In July, we invested in Hangzhou Combak Hospital, a private hospital in the PRC with a business focus on clinical trials. Hangzhou Combak Hospital obtained its Clinical Drug Clinical Trial Organization Qualification Certificate (藥物臨床試驗機構資格認定證書) in October 2019.
	• In August, we acquired Romania Opera to provide clinical CRO services in Romania, which enabled us to strengthen our presence in Europe.
2019	• In May, Frontage Holdings, our subsidiary and the parent company of Frontage Labs, was listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1521).
2020	• In May, DreamCIS, our subsidiary, was listed on the Korean Securities Dealers Automated Quotations of the Korea Exchange on May 22, 2020 (stock code: A223250).

MAJOR SHAREHOLDING CHANGE AND INCREASE IN THE SHARE CAPITAL OF OUR COMPANY

1. Share capital injection in January 2008

In January 2008, Dr. Ye, Ms. Cao, Ms. Shi, Mr. Xu Jialian (徐家廉) and Ms. Gong Yunjie (宮蕓潔) agreed to inject capital in an aggregate amount of RMB4.5 million in Hangzhou Tigermed Limited. Mr. Xu was our Deputy General Manager from September 2010 to January 2015. Ms. Gong was our Head of Quality Assurance from March 2005 to December 2016 and has served as Deputy General Manager in charge of quality assurance and training since January 2017. Upon completion of the capital injection, Dr. Ye, Ms. Cao, Ms. Shi, Mr. Xu and Ms. Gong held approximately 59.05%, 20.51%, 8.20%, 8.13% and 4.11% of the equity interests in Hangzhou Tigermed Limited, respectively and our share capital increased to RMB5 million.

2. Share capital injection in June 2008

In June 2008, Hangzhou Tigermed Limited received a capital injection from QM8 Limited ("**QM8**") in the amount of US$5.00 million to subscribe for RMB0.88 million of our share capital and our share capital increased to approximately RMB5.88 million. QM8 is an investment holding company incorporated in Hong Kong in May 2007. At the time of the capital injection, Qiming Venture Partners, L.P., a venture capital firm, held approximately 88.68% of the shares in QM8. Upon completion of the capital injection, Dr. Ye, Ms. Cao, Ms. Shi, Mr. Xu, Ms. Gong and QM8 held approximately 50.20%, 17.43%, 6.97%, 6.91%, 3.49% and 15.00% of the equity interests in Hangzhou Tigermed Limited, respectively.

3. Transfer of shares in November 2009

In November 2009, Dr.Ye transferred 5.7% interest in Hangzhou Tigermed Limited to Shihezi Taimo Investment Management Limited Partnership (石河子泰默投資管理有限合夥企業) ("**Taimo**") for a consideration of RMB2.63 million, and, Dr.Ye, Ms.Cao and Ms.Gong transferred 0.41%, 2.12% and 0.27%, respectively, interest in Hangzhou Tigermed Limited to Shihezi Taidi Investment Limited Partnership (石河子泰迪投資管理有限合夥企業) ("**Taidi**") for a consideration of RMB0.19 million, RMB0.98 million and RMB0.12 million, respectively, which were determined with reference to the net assets of Hangzhou Tigermed Limited as of December 31, 2008 and settled on November 27, 2009. Taimo, formerly known as Hangzhou Taimo Investment Management Limited (杭州泰默投資管理有限公司) and Shihezi Taimo Investment Management Co., Ltd. (石河子泰默投資管理有限公司), and Taidi, formerly known as Hangzhou Taidi Investment Management Limited (杭州泰迪投資管理有限公司) and Shihezi Taidi Investment Management Co., Ltd. (石河子泰迪投資管理有限公司), were incorporated in in September 2009 and November 2009, respectively for employees of department director level or above of our Company to invest in our Company. Upon the completion of the share transfer, Dr. Ye, Ms. Cao, Ms. Shi, Mr. Xu, Ms. Gong, QM8, Taimo and Taidi held approximately 44.09%, 15.31%, 6.97%, 6.91%, 3.22%, 15.00%, 5.70% and 2.80% of the equity interests in Hangzhou Tigermed Limited, respectively.

4. Share capital injection in March 2010

In December 2009, QM8, Ms. Yin Zhuan, Mr. Zhang Bing, Ms. Liu Minzhi and Ruiqin Investment Consulting Co., Limited (上海睿勤投資諮詢有限公司) ("**Ruiqin Investment**") agreed to inject capital in an aggregate amount of approximately RMB5.54 million in Hangzhou Tigermed Limited, which was settled in March 2010. Our share capital increased to approximately RMB35.54 million. Mr. Zhang Bing has served as a director of MacroStat from October 2005 to June 2006, supervisor of MacroStat from November 2006 to November 2008 and director of MacroStat from November 2008 to November 2009. Ms. Liu has served as an internal general manager of MacroStat in 2014. The shareholders of Ruiqin Investment are employees of MacroStat. Ruiquin Investment was incorporated as an investment platform in December 2009 for employees of MacroStat to invest in our Company. Upon completion of the capital injection, Dr. Ye, Ms. Cao, Ms. Shi, Mr. Xu, Ms. Gong, QM8, Taimo, Taidi, Mr. Chen, Mr. Zhang Hongqiao, Ms. Yin, Mr. Zhang Bing, Ms. Liu and Ruiqin Investment held approximately 37.22%, 12.93%, 5.17%, 5.12%, 2.58%, 17.39%, 4.81%, 2.36%, 1.27%, 0.84%, 5.64%, 2.67%, 0.69% and 1.30% of the equity interests in Hangzhou Tigermed Limited, respectively.

5. Conversion into a joint-stock company and increase in share capital in 2010

Following the incorporation of Hangzhou Tigermed Limited in December 2004 and the completion of several rounds of share transfers and injections as disclosed above, on November 4, 2010, upon approval by Hangzhou Administration for Industry and Commerce (杭州市工商行政管理局), Hangzhou Tigermed Limited was converted into a joint-stock company with a registered capital of RMB40 million and was renamed Hangzhou Tigermed Consulting Co., Ltd. The audited net assets of approximately RMB67.65 million of Hangzhou Tigermed Limited were converted at a rate of 1:0.5913 into 40 million shares of RMB1 per share. Upon the completion of conversion, De. Ye, Ms. Cao and Ms. Shi each held approximately 37.22%, 12.93% and 5.17% of the equity interests in our Company, respectively.

6. A Shares Offering and Listing on the Shenzhen Stock Exchange in 2012

As approved by the CSRC, our A Shares were listed on the ChiNext market of the Shenzhen Stock Exchange under the stock code of 300347 on August 17, 2012. Upon completion of our A Shares offering, our registered share capital was increased to RMB53,400,000.

The shareholding structure of our Company immediately after the A Shares Offering was as follows:

Name of the Shareholder	Number of A Shares held	Approximate percentage of shareholding
		(%)
Dr. Ye	14,888,960	27.88
Ms. Cao	5,170,080	9.68
Ms. Yin Zhuan	2,256,000	4.23
Ms. Shi Xiaoli	2,066,680	3.87
Mr. Xu Jialian	2,049,800	3.84
Mr. Zhang Bing	1,068,000	2.00
Ms. Gong Yunjie	1,033,360	1.94
Mr. Chen Wen	506,560	0.95
Mr. Zhang Hongqiao	337,680	0.63
Ms. Liu Minzhi	276,000	0.52
QM8	6,956,480	13.03
Shihezi Taimo Investment (石河子泰默投資管理有限公司)	1,924,840	3.61
Shihezi Taidi Investment (石河子泰迪投資管理有限公司)	945,560	1.77
Ruiqin Investment	520,000	0.97
Other A Shares Shareholders	13,400,000	25.09
Total	53,400,000	100.00

7. Non-public offering in January 2016

In January 2016, upon approval by the CSRC, our Company completed a non-public offering of shares. 37,425,149 A Shares were issued at an issue price of RMB13.36 per A Share, raising funds of RMB499,999,990.64 in total. Upon the completion of the such non-public offering, our total share capital was increased to RMB470,741,059.

8. Non-public offering in April 2017

In April 2017, upon approval by the CSRC, our Company completed a non-public offering of 25,311,370 A Shares at an issue price of RMB24.89 per A Share, raising RMB629,999,999.30 in total. Upon the completion of such non-public offering, our total share capital was increased to RMB500,176,537.

The shareholding structure of our Company as of July 20, 2020 was as follows:

Name of the Shareholder	Number of A Shares held	Approximate percentage of shareholding
		(%)
Dr. Ye	177,239,541	23.65
Hong Kong Securities Clearing Company Limited[(1)]	131,332,559	17.52
Ms. Cao	57,161,774	7.63
Temasek Fullerton Alpha Pte Ltd	19,279,468	2.57
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	14,941,050	1.99
Shi Xiaoli	12,419,648	1.66
Yin Zhuan	10,296,000	1.37
ICBC Fund (中國工商銀行股份有限公司–中歐醫療健康混合型證券投資基金)	8,856,916	1.18
UBS AG	8,628,291	1.15
HCM Fund (高瓴資本管理有限公司–HCM中國基金)	7,500,000	1.00
Other A Shares Holders	301,800,303	40.27
Total	749,455,550	100.00

Note:

(1) The Hong Kong Securities Clearing Company Limited, as trustee, holds shares on behalf of Hong Kong and other overseas investors pursuant to the rules and limits of Shenzhen-Hong Kong Stock Connect.

SHARE SCHEMES

As approved by the respective Shareholders' meetings of our Company held on November 29, 2018 and April 10, 2019, certain employees of our Company and our subsidiaries are eligible to subscribe in interests of our Shares through the Share Purchase Scheme and the Restricted Share Scheme. With respect to the Share Purchase Scheme, our Directors (excluding our independent non-executive Directors), Supervisors, senior management and core technical (business) employees of our Company and our subsidiaries (except under circumstances as set out in the scheme rules) are eligible to participate. With respect to the Restricted Share Scheme, our core technical (business) employees and certain employees with more than three-year work experience in our Company or our subsidiaries, excluding the Directors, supervisors or members of senior management of our Company and certain persons as stipulated in the scheme are eligible to particulate. For details, please refer to the sections headed "Appendix VI – Statutory and General Information – 2. Further Information about Our Business – C. Share Purchase Scheme" and "Appendix VI – Statutory and General Information – 2. Further Information about Our Business – D. Restricted Share Scheme" in this Prospectus.

CONCERT AGREEMENT BETWEEN DR. YE AND MS. CAO

Dr. Ye and Ms. Cao entered into the Concert Agreement on June 9, 2010 pursuant to which Ms. Cao has agreed to vote in agreement with Dr. Ye in directors' meetings, shareholders' meetings and on matters requiring shareholders' approval of our Company. As parties acting in concert, Dr. Ye and Ms. Cao held approximately 31.3% of the total number of issued Shares in the aggregate as of the Latest Practicable Date, and are expected to hold approximately 27.4% of the total number of issued Shares in the aggregate immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). For details of the Concert Agreement, see the section headed "Relationship with Dr. Ye and Ms. Cao" in this Prospectus.

CERTAIN ACQUISITIONS OF OUR GROUP

We have been actively seeking acquisition opportunities to further enhance our service offerings and expand our global footprint. See the section headed "Business – Our Strategic Acquisitions and Investments" in this Prospectus for more information. We had not carried out any major acquisitions (as defined under the Listing Rules) during the Track Record Period.

The following table sets forth details of certain acquisitions of our Group:

Date of completion	Consideration Settlement Date	Equity interests acquired	Principal business activities of the target	Transferor	Amount of consideration
September 2015	September 2015	98.14% of DreamCIS[(1)]	Contract research organization	Leenos Co., Ltd. (주식회사 리노스) ("**LNS**") and Won Joung Choi, which are independent third parties	Korean Won 32,236.61 million

Date of completion	Consideration Settlement Date	Equity interests acquired	Principal business activities of the target	Transferor	Amount of consideration
July 2014	July 2018	67% of Frontage Labs[(1)]	Bioanalytical, CMC and DMPK services	Mr. Song Li and Mr. Zhihe Li, who are our connected persons and other individuals who are independent third parties	US$50.25 million
May 2017	June 2017	100% of Jyton	Medical device consulting, pharmaceuticals and regulations consulting, clinical trials and recruiting services	Mr. Fu Xiaoyang, (付曉陽), Mr. Wen Yaxin (溫雅歆), Xinjiang Tairui Equity Investment Partnership (Limited Partnership (新疆泰睿股權投資合夥企業(有限合夥)) and Jyton Kanghua (Tianjin) Technology Partnership (Limited Partnership) (捷通康華(天津)科技合夥企業(有限合夥)). Apart from Xinjiang Tairui Equity Investment Partnership (Limited Partnership (新疆泰睿股權投資合夥企業(有限合夥)), in which the Company holds 9.74% equity interest, such parties are independent third parties.	RMB540 million

Note:

(1) For details of our Group's shareholding in DreamCIS and Frontage Labs immediately before the Global Offering, see the sub-section headed "– Shareholding Structure Prior to the Global Offering" below.

The consideration of the above acquisitions was determined after arm's length negotiations among the parties with reference to the valuation of the entities and the profitability of the entities. The above transactions have been properly and legally completed and settled and any necessary approvals from the relevant authorities have been obtained.

Further Information in respect of DreamCIS

We acquired DreamCIS in September 2015 to spearhead our CRO business in Korea. We, through Hongkong Tigermed, entered into share purchase agreements with LNS and Won Joung Choi on July 10, 2015 to acquire 98.14% interest in DreamCIS in aggregate. The consideration for 70% equity interest in DreamCIS acquired from LNS was 27,000,000,000 Korean Won. The consideration for 28.14% equity interest in DreamCIS acquired from Won Joung Choi was 5,236,610,000 Korean Won. In November 2017, Master Union Holdings Limited acquired 10.59% equity interest in DreamCIS from us. Following the spin-off of DreamCIS, we remain as the majority shareholder of DreamCIS, which remains a consolidated subsidiary of our Company. For further details about the spin-off of DreamCIS, see "Business – Our Business – Spin-off of DreamCIS."

For details of other acquisitions and disposals by us during the Track Record Period, which do not constitute major acquisitions or disposals under the Listing Rules, see "Appendix I – Accountants' Report – 40. Acquisition of Subsidiaries" and "Appendix I – Accountants' Report – 41. Disposal of Subsidiaries". The disposals were made to optimize our Group's corporate structure and to allow us to concentrate on our core business.

OUR PRINCIPAL SUBSIDIARIES

In order to better implement our business strategies across different geographical locations, our operations are carried out by our numerous subsidiaries.

The following chart sets out the detailed information of our principal subsidiaries as of the Latest Practicable Date.

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to our Group	Authorized share capital/ Registered capital	Principal activities
MacroStat	PRC	November 16, 2005	100%	RMB1,440,585	Data management and statistical analysis
Jiaxing Tigermed	PRC	April 2, 2010	100%	RMB176,083,600	Data management and statistical analysis
Hangzhou Simo	PRC	May 27, 2011	100%	RMB17,627,000	SMO and patient recruitment services
Hongkong Tigermed (香港泰格醫藥科技有限公司)	Hong Kong	September 14, 2011	100%	HK$640,755,481[(1)]	Investment holding
Hangzhou Tigermed Equity Investment Partnership (杭州泰格股權投資合夥企業(有限合夥))	PRC	April 22, 2016	100%	RMB1,100,000,000	Investment management
Frontage Holdings	Cayman Islands	April 16, 2018	50.82%	US$50,000	Investment holding
Frontage Labs	USA	April 21, 2004	50.82%	US$20,000	Bioanalytical, CMC and DMPK services
Tigermed-BDM Inc.	USA	May 26, 1999	100%	3,000 shares[(2)]	Data management, statistics, SAS project management

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to our Group	Authorized share capital/ Registered capital	Principal activities
Beijing Canny Consulting Inc. (北京康利華諮詢服務有限公司)	PRC	September 5, 2000	92.88%	RMB1,000,000	GMP consulting, medical registration and regulatory affairs, with a focus on regulatory compliance of drugs, health foods and cosmetics
DreamCIS	Korea	April 27, 2000	63.44%	100,000,000 shares(3)	Contract research organization
Beijing Jyton and Kannel Medical Tech. Co., Ltd. (北京捷通康諾醫藥科技有限公司)	PRC	April 28, 2003	100%	RMB1,000,000	Clinical development service
Croley Martell Holdings, Inc.	USA	February 6, 2017	50.82%	2,000 shares(4)	Investment holding
Beijing Medical Development (Suzhou) Co., Ltd (仁智(蘇州)醫學研究有限公司)	PRC	June 6, 2013	100%	RMB10,000,000	Clinical development service
Frontage Shanghai	PRC	August 2, 2005	50.82%	US$4,355,050	Bioequivalence and laboratory services

Notes:

(1) The issued share capital of Hongkong Tigermed is HK$640,755,481, comprising 640,755,481 shares.

(2) Tigermed-BDM Inc. is authorized to issue up to 3,000 shares, of which 2,000 are common stock, par value US$0.01 per share, and 1,000 are preferred stock, par value US$0.01 per share.

(3) DreamCIS is authorized to issue up to 100,000,000 shares, of which 97,500,000 shares are common stock and 2,500,000 shares are preferred stock, par value KRW500 per share.

(4) Croley Martell Holdings Inc. is authorized to issue 2,000 shares of common stock, par value US$0.001.

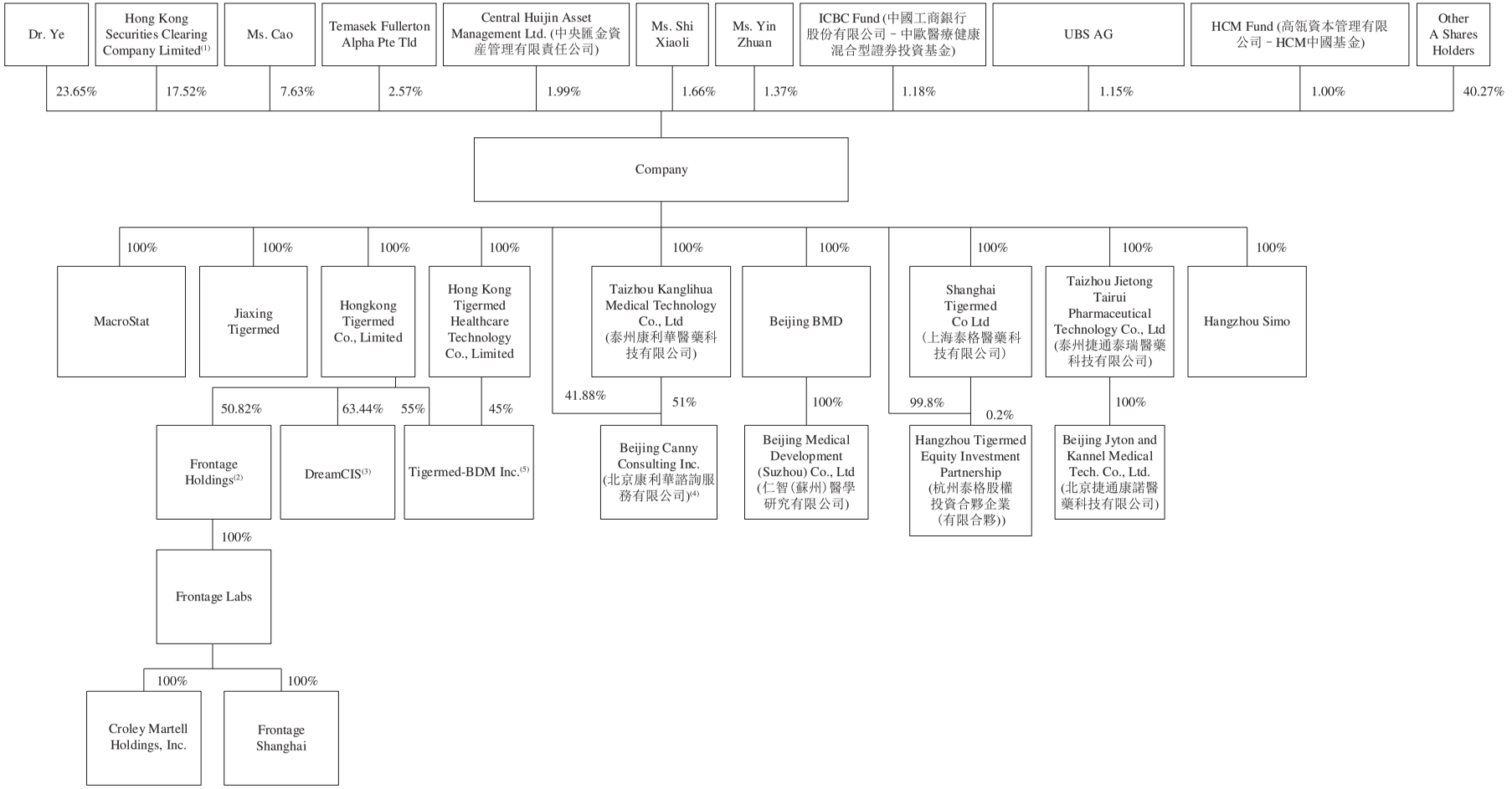
Detailed information of our other subsidiaries is set out in the section headed "Appendix I – Accountants' Report – 18. "Investments in Subsidiaries" in this Prospectus.

REASONS FOR THE LISTING

Our Company is seeking a listing on the Hong Kong Stock Exchange in order to provide further capital for the development and expansion of our Company's business and to further strengthen our business profile and global presence, as described in more details in the section headed "Future Plans and Use of Proceeds" in this Prospectus.

SHAREHOLDING STRUCTURE PRIOR TO THE GLOBAL OFFERING

The following chart sets forth our simplified shareholding structure and principal subsidiaries as of July 20, 2020:



Notes:

(1) The Hong Kong Securities Clearing Company Limited is a trustee holding shares on behalf of Hong Kong and other overseas investors pursuant to the rules and limits of Shenzhen-Hong Kong Stock Connect.

(2) Frontage Holdings is a company whose shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1521). Frontage Holdings was held as to 1.72% by Dr. Li Song, honorary chairman of Frontage Holdings, founder and chief executive officer of Frontage Labs; as to 7.76% by discretionary trusts with Dr. Li Song as founder and trustee. The remaining 39.70% in Frontage Holdings was held by other shareholders. Save for Dr. Li Song, who is a connected person of our Company by virtue of being the chief executive officer of Frontage Labs and a director of Frontage Shanghai, the remaining shareholders of Frontage Holdings are independent third parties.

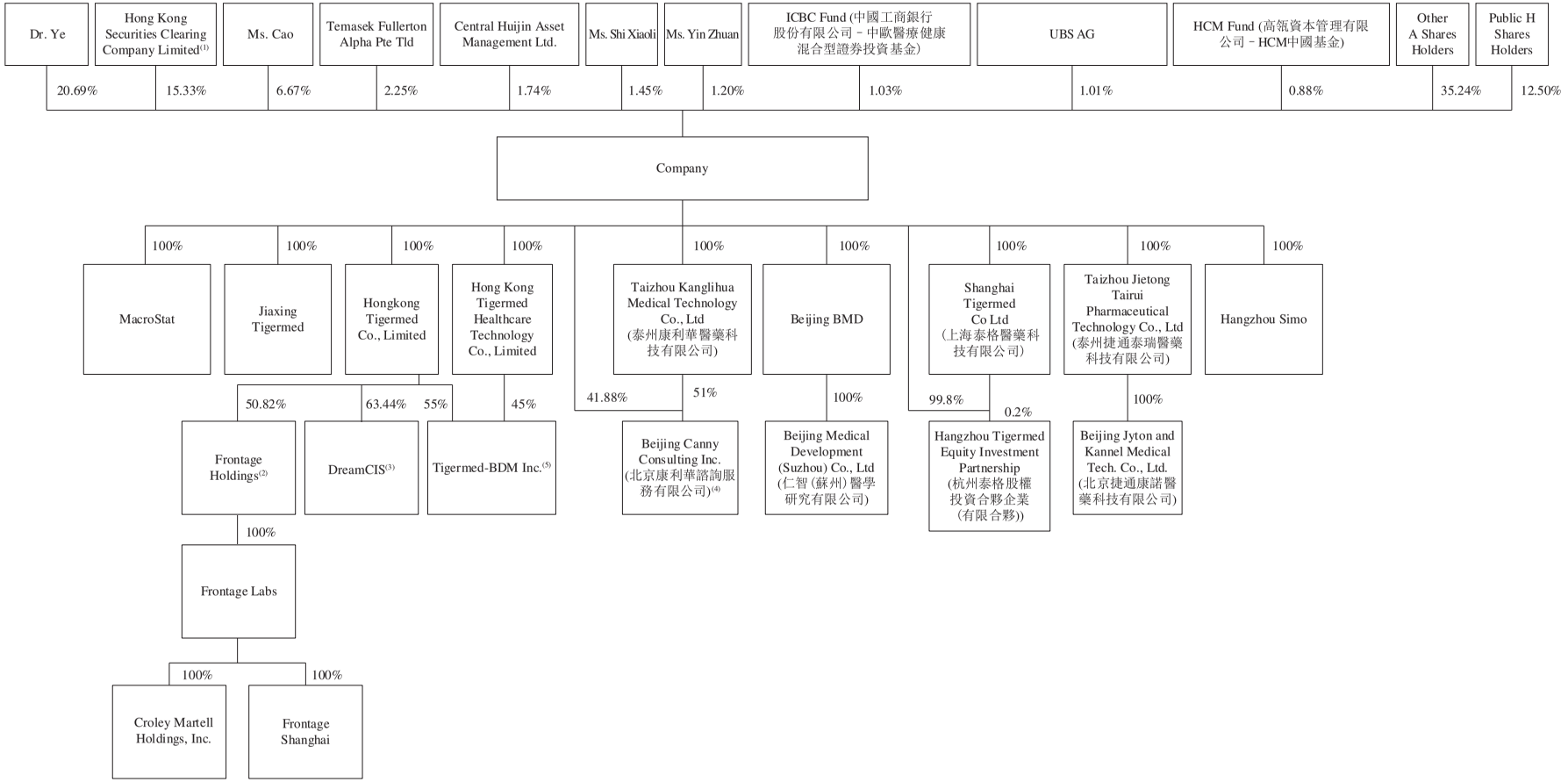
(3) DreamCIS is a company whose shares are listed on the Korean Securities Dealers Automated Quotations of the Korea Exchange (stock code: A223250). The remaining shareholders of DreamCIS are independent third parties.

(4) The remaining 7.12% in Beijing Canny Consulting Inc. (北京康利華諮詢服務有限公司) is held by independent third parties, including Kang Pengcheng (康鵬程), Yang Ling (楊玲), Ning Cuilian (寧翠戀), Liu Fang (劉芳) and Wang Dongwei (王棟偉).

(5) As of the Latest Practicable Date, the registration of the transfer of 45% in Tigermed-BDM Inc. from Frontage Labs to Hong Kong Tigermed Healthcare Technology Co., Limited was procedurally in process.

SHAREHOLDING STRUCTURE IMMEDIATELY FOLLOWING THE COMPLETION OF THE GLOBAL OFFERING

The following chart sets forth our simplified shareholding structure and principal subsidiaries immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised:



Note: see notes (1) to (5) of the sub-section headed "– Shareholding Structure prior to the Global Offering" above for details.

OUR MISSION

Our mission is to improve health by accelerating the development of innovative and effective treatments for patients everywhere.

OUR COMPANY

We are a leading China-based provider of comprehensive biopharmaceutical R&D services, with an expanding global presence. According to the Frost & Sullivan Report, we were the largest clinical CRO in China in terms of revenue in 2019 and the number of on-going clinical trials as of the end of 2019, with a market share of 8.4% in 2019. We were also the only China-based clinical CRO among the top 10 global clinical CROs, according to the Frost & Sullivan Report.

We offer (i) clinical trial solutions and (ii) clinical-related and laboratory services, primarily covering pre-clinical research to post-approval studies for drugs and medical devices. Our laboratory services and bioequivalence studies are offered through our HKSE-listed subsidiary Frontage Holdings. With our comprehensive and integrated service offerings, robust quality management, scientific expertise and extensive regulatory knowledge, we help our customers develop drugs and medical devices efficiently and expeditiously in an increasingly complex industry and regulatory environment. Our proven track record of quality and on-time delivery has enabled us to grow faster than the overall clinical CRO market in China in the Track Record Period, during which we participated in over 400 clinical trials. Headquartered in China, we also have 17 overseas operation sites across 12 countries and regions in the Asia-Pacific region, North America and Europe, catering to the growing demand of our Chinese customers expanding overseas, as well as multi-regional R&D projects sponsored by both Chinese and multinational customers.

Since our founding in 2004, we have established a comprehensive suite of biopharmaceutical R&D service offerings.

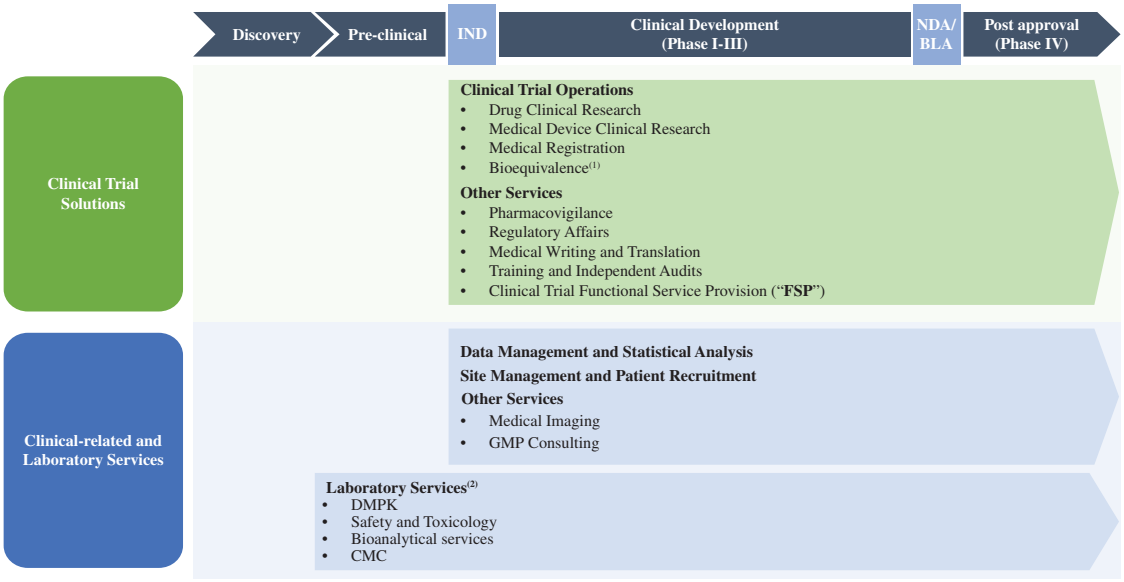
Through our clinical trial operations, we plan, initiate, manage and close clinical trials in an integrated manner for trial sponsors, namely biopharmaceutical and medical device companies. In addition, we also offer other core services that are directly related to the clinical trials. For example, our medical writing and translation services help our customers prepare reports and documentation in support of the regulatory filing in different markets around the world; our pharmacovigilance services help our customers monitor and address potential safety issues at the trial execution stage. We categorize our clinical trial operations and other core clinical services under our *clinical trial solutions* segment.

In addition, we provide other standalone, ancillary services to assist various clinical trial stakeholders, including trial sponsors, clinical research institutions and investigators, in connection with certain specific aspects of a clinical trial. For example, our data management and statistical analysis services help our customers gather, manage, validate and analyze clinical data generated from their clinical trials. We refer to these ancillary services that provide necessary support to a clinical trial as clinical-related services and categorize them under our *clinical-related and laboratory services* segment.

- *Clinical trial solutions*. We provide clinical trial operation services to help biopharmaceutical and medical device companies operate clinical trials for innovative drugs, generic drugs and medical devices. We also offer other core clinical services including medical writing, translation and pharmacovigilance services, which are directly associated with clinical trial operations.

- *Clinical-related and laboratory services*. We also offer various project participants including trial sponsors, clinical research institutions and investigators other ancillary services that provide the necessary support to clinical trial operations, including analytical services (e.g., data management and statistical analysis, and medical imaging), logistical and execution support services (e.g., site management), administrative assistance (e.g., patient recruitment), and consulting services (e.g., GMP consulting). In addition, we provide laboratory services that cover both pre-clinical and clinical development stages through our HKSE-listed subsidiary, Frontage Holdings.

The below diagram illustrates our service offerings and their roles in the biopharmaceutical R&D process.



Notes:

1. Services provided through our subsidiary Frontage Group in China
2. Services provided through our subsidiary Frontage Group primarily in the U.S. and China

We have a broad, high-quality and loyal customer base, including both Chinese and global biopharmaceutical companies, as well as small- to medium-sized biotechnology companies and medical device companies. By offering services in accordance with global standards, we have established long-term relationships with a number of global biopharmaceutical companies, helping them access the vast and growing Chinese market and supporting their global expansion. Through our services, a diversified and growing base of Chinese customers have successfully obtained approvals of a variety of milestone drugs in China, such as Jiangsu Hansoh Pharmaceuticals Group's Almonertinib. In 2019, we served all of the top 20 global pharmaceutical companies and the top ten Chinese pharmaceutical companies by revenues according to Frost & Sullivan. We achieved a year-over-year customer retention rate of 100% for our top ten customers during the Track Record Period. The contracted future revenue for our services was approximately RMB5,300 million as of March 31, 2020. See also "Risk Factors – Risks Relating to Our Business and Industry – Our contracted future revenue might not be indicative of our future revenue, and we may not be able to realize all of the anticipated future revenue associated with our contracted future revenue without any material delay."

As biopharmaceutical R&D becomes increasingly globalized and China becomes an integral part of the global healthcare market, we have been a pioneer in global expansion among China-based clinical CROs. Setting out in China, we have now expanded our presence in the Asia-Pacific region, North America and Europe and accumulated extensive local regulatory know-how and expertise in the design, execution and management of complex multi-regional R&D projects. As of March 31, 2020, we operated 17 overseas operation sites and maintained a team of 719 professionals overseas. We have participated in a number of multi-regional clinical trials, offering compelling value propositions to both multinational customers conducting trials in China and Chinese customers engaging in R&D activities in overseas markets. Through Frontage Group, we also provide a variety of laboratory services throughout the biopharmaceutical R&D process primarily in the United States and China.

Leveraging our industry insights, scientific expertise and financial resources, we have made strategic acquisitions to diversify our service offerings and expand our global footprint. We have also made minority investments in innovative biotech and medical device start-ups to support their R&D efforts and promote innovation in the Chinese and global biopharmaceutical industry. Our strategic acquisitions and investments help our customers and investees bring more innovative and effective drugs and medical devices to patients and address their unmet medical needs. Through such acquisitions and investments, we aim to solidify our market leadership and foster a flourishing ecosystem that contributes to the sustainable and long-term growth of the healthcare industry.

Led by our Chairman Dr. Ye and General Manager and Executive Director Ms. Cao, our visionary, stable and highly experienced management team has served us for over ten years on average, contributing to our consistently high-quality services and industry leadership. We have also attracted a large talent pool, which is the most valuable asset to support our future growth. Their technical expertise and therapeutic experience, combined with extensive know-how accumulated in managing complex R&D projects, provides us with a competitive edge against our competitors.

We achieved robust growth during the Track Record Period. Our total revenues increased from RMB1,682.5 million in 2017 to RMB2,299.5 million in 2018 and further to RMB2,803.3 million in 2019, representing a CAGR of 29.1%. Furthermore, our total revenues increased by 8.3% from RMB605.0 million in the three months ended March 31, 2019 to RMB655.0 million in the three months ended March 31, 2020. Our net profit increased from RMB394.2 million in 2017 to RMB655.2 million in 2018 and further to RMB974.9 million in 2019, representing a CAGR of 57.3%. Furthermore, our net profit increased by 30.3% from RMB201.9 million in the three months ended March 31, 2019 to RMB263.0 million in the three months ended March 31, 2020.

OUR STRENGTHS

We believe the following strengths differentiate us from our competitors.

China's largest clinical CRO with comprehensive services and an expanding global footprint

We were the largest clinical CRO in China by revenue in 2019 and by the number of on-going clinical trials as of the end of 2019, according to the Frost & Sullivan Report. During the Track Record Period, we supported the R&D process of over 60% of all Class I innovative drugs (innovative drugs that have not been marketed in China or overseas) approved in China. Having worked with over 80% of more than 500 GCP registered clinical trial institutions in China since our inception, we have developed the most extensive clinical site network in China according to the Frost & Sullivan Report. We maintained one of the largest clinical CRO professional teams in China according to the Frost & Sullivan Report, with over 840 CRAs, 1,490 CRCs and 100 patient recruitment professionals as of December 31, 2019. Our industry expertise, extensive clinical trial institution network and strong professional team enable us to capture the growth opportunities in the fast-growing clinical CRO market in China and overseas.

We offer comprehensive and integrated (i) clinical trial solutions and (ii) clinical-related and laboratory services, primarily covering pre-clinical trials to post-approval studies for drugs and medical devices. We are one of the first among all China-based clinical CROs to offer certain clinical-related services such as pharmacovigilance, medical imaging and EDC systems. With our comprehensive service offerings, we offer a convenient, integrated R&D service platform to improve our customers' R&D efficiency, and are well-positioned to capture more business opportunities along the biopharmaceutical R&D value chain.

Among China-based clinical CROs, we have been a pioneer in global expansion and currently have presence in the Asia-Pacific region, North America and Europe. As of March 31, 2020, we operated 17 overseas operation sites across 12 countries and regions and maintain a team of 719 professionals overseas to provide various clinical trial and laboratory services. Combining our China expertise with overseas presence, we have been entrusted by both Chinese and foreign customers to work on an increasing number of cross-border projects. Through Frontage Group, we also provide a variety of laboratory services throughout the biopharmaceutical R&D process in the United States.

Industry-leading quality standards and project delivery capabilities

Clinical development is an expensive, complex, risky and time-consuming process. It is estimated that bringing a new drug to market can take approximately up to ten years and cost up to RMB1 billion in the clinical stage in China, according to the Frost & Sullivan Report. Both quality and speed are critical to the successful development and commercialization of a drug or medical device. For an innovative drug, a well-designed and executed clinical trial program could accelerate the time to market by up to two years, according to the Frost & Sullivan Report.

We earn our customers' trust by expediting their R&D projects without compromising high-quality standards. Through working on over 400 projects during the Track Record Period, we have established a comprehensive project management framework with robust quality control standards. Our quality management system encompasses all stages throughout each project, from clinical design and project planning, quality control and quality assurance to remedial actions, ensuring high-quality service and on-time delivery. We implement comprehensive SOPs which are regularly updated by our quality assurance department to ensure compliance with applicable laws and regulations. We continuously review and improve the performance of our quality management system based on customer feedback and global best practices.

Our commitment to high-quality and accelerated delivery has contributed to our track record of excellence. In 2015, CFDA (currently known as the NMPA) adopted a more stringent regulatory regime, which led to a number of withdrawn or rejected IND/NDA applications due to the failure to meet new quality requirements. By virtue of our high-quality standards and stringent quality management system, none of the applications we worked on was rejected. During the Track Record Period, none of our projects failed any inspections by the NMPA, the FDA and other local regulatory authorities of our biopharmaceutical R&D projects, as well as customer audits and inspections. Our track record of accelerated project delivery also differentiates our services from those offered by our competitors. With our integrated service offerings, extensive network of clinical trial centers and strong professional team, we are able to quickly and effectively identify clinical sites, accelerate patient recruitment, and manage and execute complex projects within minimal lead time.

We have helped our customers in the clinical development of various first-to-market drugs, such as Jiangsu Hansoh Pharmaceuticals Group's Almonertinib for the treatment of patients with metastatic epidermal growth factor receptor (EGFR) T790M mutation-positive non-small cell lung cancer (NSCLC). Our track record has led to industry-wide recognition of the quality and speed of our services.

Visionary and experienced management team supported by talented and dedicated employees

The biopharmaceutical R&D process is highly customized based on the project's drug profile, selection of patients and clinical trial centers and geographic location. Such uniqueness, coupled with the complexity of project management and quality control, requires a well-trained and talented team with significant industry know-how that cannot be easily replicated over a short period of time. Led by a visionary and experienced management team with extensive experience in the clinical CRO and biopharmaceutical industries, we have built a culture of excellence through which we attract and retain our talent to deliver high-quality services to our customers.

Dr. Ye, our co-founder and Chairman has spearheaded our growth and development since our founding in 2004. Dr. Ye is responsible for the overall direction of our strategies and supervising the management of our company. Ms. Cao, our General Manager and Executive Director, is primarily responsible for our daily operations and management. Dr. Ye and Ms. Cao, both widely recognized as pioneers of China's clinical CRO industry, bring a wealth of industry expertise and leadership to support our long-term growth. In addition, many of our senior management have previously worked at leading global and Chinese biopharmaceutical companies, and as such have first-hand knowledge of the challenges our customers may face in today's clinical development environment. They bring an average of over 20 years of relevant industry experience.

Our talented and dedicated employees set us apart from our competitors. Their technical and therapeutic expertise, combined with extensive know-how accumulated in managing complex R&D projects, contribute to our long track record of high-quality and efficient project delivery. We focus on recruiting high-quality graduates from college and helping them grow within our organization. For example, to educate and train medical talent in China, we launched *Tigermed Institute* with 20 universities to provide college students with hands-on training in clinical trial operation and site management, which has allowed us to access a large, high-quality talent pool. We offer competitive compensation to our employees, including share incentive programs which covered all of our employees who had worked for us for at least three years. Our effective talent acquisition and retention has resulted in a lower turnover rate in our clinical trial operations staff in 2019 than industry averages according to the Frost & Sullivan Report. Our low turnover rates are key to our ability to provide our customers with consistent, high-quality services. As we continue to expand our talented team, we have improved our operating efficiency as our revenue per employee, which is our revenue during the period divided by the number of employees at the respective period end, grew from approximately RMB520,000 in 2017 to RMB560,000 in 2019. Together with our senior management, our talented and dedicated employees underpin our competitive strengths and contribute to our market leadership, which in return enhances our ability to attract and retain talents.

Broad, high-quality and loyal customer base

We have a broad, high-quality and loyal customer base, including both leading multinational and Chinese biopharmaceutical companies, as well as small- and medium-sized biotechnology companies and medical device companies. Our diversified customer base grew from 1,570 customers in 2017 to 1,788 customers in 2018 and further to 1,898 customers in 2019, with projects sponsored by our customers spanning a broad range of therapeutic areas and stages of biopharmaceutical R&D. This growing and diversified customer base enables us to continuously develop our expertise across different areas and drive synergies among our comprehensive service offerings. In 2019, we served all of the top 20 global pharmaceutical companies and the top ten Chinese pharmaceutical companies by total revenue according to Frost & Sullivan. We have helped our customers successfully secure approvals of a variety of milestone drugs in China.

We achieved a 100% year-over-year customer retention rate for our top ten customers by revenue during the Track Record Period. We focus on growing with our customers to develop long-term relationships. We have provided services for over five years to most of our top ten customers by revenue in 2019 across a variety of service offerings. The contracted future revenue for our services was approximately RMB5,300 million as of March 31, 2020. Our long-standing customer relationships not only provide strong stability and visibility to our future revenues, but also allow us to invest more in optimizing our offerings to meet evolving customer needs.

Strong track record of strategic acquisitions and investments driving long-term growth

Our strategic acquisitions and investments enable us to foster a flourishing ecosystem that contributes to our sustainable, long-term growth. Through strategic acquisitions, we have broadened and diversified our service offerings throughout the biopharmaceutical R&D process and expanded our geographical footprint. We have acquired and integrated DreamCIS, a leading Korea-based clinical CRO, which marked our first acquisition in a developed market and provided us with experience and know-how that are critical to address the needs of our customers expanding globally. We have also added capabilities in laboratory services through the acquisition of Frontage Group, a fast-growing CRO providing laboratory and bioequivalence study services in both China and the United States, and medical device clinical trials through acquiring Jyton.

As a key industry stakeholder committed to innovation, we have also made minority investments in innovative biopharmaceutical and medical device start-ups. Our industry reputation, experience and expertise have allowed us to identify attractive early-stage investment opportunities and build a diversified investment portfolio. We have provided start-ups with funding support and, in some cases, offered integrated R&D solutions to their ongoing projects. Through our strategic investments, we aim to forge long-term cooperative relationships with these companies and promote innovation in China's and the global biopharmaceutical industry. In addition to opportunities for financial returns, we believe these investments give us access to emerging technologies, acquire potential customers and capture additional business opportunities as these start-ups grow and succeed.

OUR GROWTH STRATEGIES

We plan to execute the following strategies to fulfill our mission.

Strengthen and diversify our service offerings

To further enhance our value propositions amid evolving industry trends, we plan to continuously strengthen and diversify our service offerings. This will allow us to gain more market share within the clinical CRO market, while preparing us to capture new business opportunities such as early-stage biopharmaceutical development.

We will further enhance our scientific and technical expertise to better serve our customers in their increasingly complex R&D projects. For example, we plan to strengthen our expertise in advanced drug targets and therapeutic areas such as gene and cell therapies. We also plan to further invest in our quality assurance system, project management and delivery capabilities and regulatory know-how.

Through organic expansion and strategic acquisitions, we also plan to explore new services and technologies such as real-world evaluation and risk-based monitoring, as well as advanced data analytics. In addition, we will further explore opportunities relating to clinical research hospitals in China to provide more clinical development and site resources to our customers.

We aim to strengthen and diversify our laboratory service offerings in both China and overseas through our HKSE-listed subsidiary Frontage Holdings. In particular, we aim to capitalize on the growing demand for regulated testing and analytical services in China and overseas. For example, we plan to expand our bioanalytical services to cover central laboratory and diagnostic testing, and further expand our service offerings for safety and toxicology studies.

Expand globally and increase capabilities in key markets

We aim to build Tigermed as a premium global biopharmaceutical R&D brand by enhancing and expanding our service offerings in major biopharmaceutical markets around the world.

As biopharmaceutical R&D becomes increasingly globalized and China becomes an integral part of the global healthcare market, we have witnessed more Chinese biopharmaceutical companies launching global R&D projects and more foreign biopharmaceutical companies conducting projects in China. Since China became a member of ICH in 2017, there had been 29 Chinese companies that had obtained IND approvals from FDA to conduct clinical trials in the United States and three Chinese companies that had applied for the FDA approval to commercialize their drugs in the United States, as of the Latest Practicable Date.

In view of this trend, we aim to leverage our overseas presence to assist our Chinese customers with their global trials and explore business opportunities with global biopharmaceutical companies conducting projects, including MRCTs, both in China and overseas. We plan to further expand our global presence, particularly in the United States and Western Europe, through both organic growth and strategic acquisitions and investments. We also plan to further invest in other geographic locations that are critical to addressing the varying needs of both multinational and Chinese customers.

In executing our global strategies, we will continue to enhance our global execution capabilities, through improving our integrated operating standards, global project coordination and customer management, overseas business development and marketing, and cross-border regulatory affairs and compliance frameworks. We intend to develop a robust talent management and training system dedicated to serving cross-border and multi-regional R&D projects.

Invest in technology innovation and explore cross-industry collaborations

Technology plays a vital role in biopharmaceutical R&D by enhancing quality and improving efficiency with more integrated and advanced solutions. With the establishment of our innovation center, we adopt an inter-disciplinary approach on technology innovation. We will continue to invest in emerging technologies that we think could improve our efficiency and enhance our technical capabilities and service offerings. For example, we intend to develop a cloud-based centralized clinical trial platform to enable seamless data access for our project management, medical monitoring, site management and data management teams, thereby improving our efficiency and strengthening our integrated service capability. We will also focus on developing advanced data analytics to provide our customers with more insights on the clinical trial design based on publicly available data gathered from previous clinical trials on the same or similar indications in compliance with applicable laws and regulations. Laboratory automation will also enhance the accuracy and efficiency of our laboratory work.

We will also invest in our fundamental technology and data infrastructure to better support such future technology advancement and operational needs. By building a robust data infrastructure, we will be able to achieve better quality and efficiency of our data management and statistical analysis service. We would also be able to analyze and capitalize on data collected from our projects. We also plan to invest in artificial intelligence technology that could enhance our analytical capability, including delivering more precise imaging pathological analysis and optimizing the data input process for our site management services.

In addition, we aim to explore potential cross-industry collaborations with business partners to synergize our know-how and develop more innovative solutions for our customers. For example, working with insurance companies could allow us to gain access to their beneficiaries to further enhance our patient recruitment business.

Deepen partnerships with existing customers and attract new customers

Our leadership in China, comprehensive and integrated services, and scientific expertise position us to form long-standing strategic relationships with many of our customers as they continue to seek leading biopharmaceutical R&D partners to advance their R&D projects in China and across the globe.

We will continue to deepen our relationships with existing customers by expanding our service offerings through cross-selling and diversified collaborations across various development stages and therapeutic areas. Moreover, we will continue to invest in and incubate promising early-stage biotech and medical device companies to drive their growth, which in turn will provide us with access to potential customers and business opportunities.

We aim to further grow our customer base and attract new customers with innovative and differentiated product pipelines and recurring business needs for multiple R&D projects and diversified services. To achieve these goals, we will continue to invest in our business development and marketing efforts and enhance the customer reach and expertise of our business development team and equip them with more technical and service resources to better attract and serve new customers across different services and markets.

Continue to attract, train and retain talents

Our dedicated talent base is crucial to our ability to provide consistent high-quality services to customers. To maintain and advance our market leadership, we will continue to attract top talent, especially those with global experience and technical expertise to support our global expansion.

We will continue to improve our employee recruiting, training and development programs. We have established internal training programs to provide tailored professional and technical training to our employees to equip them with the latest industry and regulatory knowledge, as well as technology support.

In addition, we will motivate and retain our high-quality talent base by offering them opportunities to work on industry-defining and landmark projects, and by offering competitive compensation and compelling career development opportunities.

OUR VALUE PROPOSITIONS

We believe we are uniquely positioned to connect and empower various key stakeholders in the healthcare industry. Through our compelling value propositions, we aim to drive the long-term growth of the global healthcare industry by bringing more and better treatment options to the market.

- *Value proposition to trial sponsors*. We help biopharmaceutical and medical device companies advance their R&D projects, ensure quality standards, improve efficiency and reduce risks. We also help them ensure regulatory compliance and provide a range of peripheral services such as laboratory services. Our industry expertise and global presence allow us to help global biopharmaceutical companies to access the Chinese market and Chinese companies to expand their global reach.

- *Value proposition to clinical trial institutions and investigators.* We assist clinical trial institutions and investigators with efficient and tailored site management and patient recruitment services to ensure smooth execution of clinical trials. Our accelerated delivery enhances the research capacity for clinical trial institutions and investigators. In addition, we aim to help connect clinical trial institutions and investigators with leading biopharmaceutical companies to cooperate on high-quality biopharmaceutical R&D projects, including promising MRCT opportunities.

- *Value proposition to patients*. We provide patients, many with urgent or unmet medical needs, with access to promising clinical trials. In addition, through designing, managing, and executing R&D projects with speedy delivery and stringent quality control, we are devoted to accelerating the introduction of innovative and effective drugs and medical devices to patients around the world.

OUR COMPREHENSIVE SERVICE OFFERINGS – ACCELERATING THE BIOPHARMACEUTICAL R&D PROCESS

We are a leading China-based provider of comprehensive biopharmaceutical R&D services. We were the largest clinical CRO in China by revenue in 2019 and by the number of on-going clinical trials as of the end of 2019, according to the Frost & Sullivan Report. With our industry leading capabilities supporting the biopharmaceutical R&D process, we help both Chinese and multinational biopharmaceutical companies design, manage and execute their clinical development projects, accelerate their development process and reduce their R&D risks. We have expanded our service offerings to cover a broad range of laboratory services, through our acquisition of a controlling interest in Frontage Group in 2014. During the Track Record Period, we participated in more than 400 clinical trials.

We offer comprehensive and integrated (i) clinical trial solutions and (ii) clinical-related and laboratory services, primarily covering pre-clinical trials to post-approval studies for drugs and medical devices. Our clinical trial solutions encompass clinical trial operation services and other core clinical services directly associated with clinical trial operations such as medical writing, translation and registration services, and pharmacovigilance services. Our clinical-related and laboratory services comprise ancillary services that provide the necessary support

to clinical trial operations, including data management and statistical analysis, site management and patient recruitment, as well as laboratory services provided by our HKSE-listed subsidiary Frontage Holdings. Our comprehensive service offerings enable us to provide our customers with effective and customized solutions to many of the most crucial aspects of the R&D process. Over the years, we have accumulated scientific expertise, regulatory knowledge and project management know-how across a broad range of therapeutic areas.

The following table sets forth a breakdown of our total revenue by segment during the Track Record Period.

	For the year ended December 31,						For the three months ended March 31,			
	2017		2018		2019		2019		2020	
							(unaudited)			
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Clinical trial solutions	750,438	44.6	1,107,636	48.2	1,346,672	48.0	277,277	45.8	302,561	46.2
Clinical-related and laboratory services	932,066	55.4	1,191,898	51.8	1,456,637	52.0	327,707	54.2	352,410	53.8
Total	1,682,504	100.0	2,299,534	100.0	2,803,309	100.0	604,984	100.0	654,971	100.0

OUR GEOGRAPHIC PRESENCE – COMBINING CHINA EXPERTISE WITH AN EXPANDING GLOBAL FOOTPRINT

Our broad service offerings and leading market position in China's clinical CRO market allow us to capitalize on the increasing biopharmaceutical R&D spending in China by providing comprehensive, effective and high-quality services to both Chinese and global biopharmaceutical companies.

As a pioneer in global expansion among clinical CROs in China, we had presence in 12 overseas countries and regions with 17 operation sites across the Asia-Pacific region, North America and Europe as of March 31, 2020. Our teams across different geographic locations work closely with each other to provide high-quality integrated solutions to both local and multinational customers in support of their regional and global R&D projects. We have also built long-term relationships with leading global pharmaceutical companies by supporting their R&D programs in China.

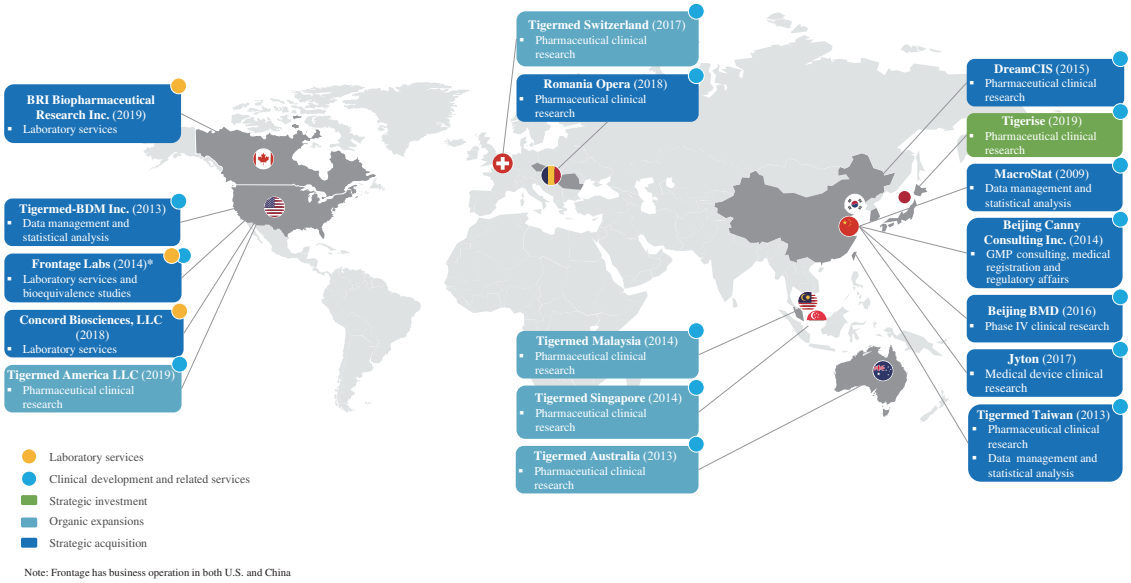
As more Chinese biopharmaceutical companies begin to expand overseas and access the global market and more multinational companies start to initiate R&D projects in China to better capitalize the massive local market, we believe we are uniquely positioned to capture more business opportunities by leveraging our China expertise and global footprint. As we continue to expand our global presence, we will become more capable of helping more

customers manage complex, large-scale MRCTs. The following table sets forth a breakdown of our total revenue by region based on the locations of projects conducted during the Track Record Period.

	For the year ended December 31,						For the three months ended March 31,			
	2017		2018		2019		2019		2020	
							(unaudited)			
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Revenue										
PRC	797,776	47.4	1,246,245	54.2	1,600,125	57.0	308,847	51.1	376,602	57.5
Overseas										
USA	561,931	33.4	655,119	28.5	783,588	28.0	198,477	32.8	201,744	30.8
Rest of the world	322,797	19.2	398,170	17.3	419,596	15.0	97,660	16.1	76,625	11.7
Total	1,682,504	100.0	2,299,534	100.0	2,803,309	100.0	604,984	100.0	654,971	100.0

In addition to organic expansion, we have established our overseas presence through strategic acquisitions. For example, we have successfully entered into Korea's clinical CRO market by acquiring DreamCIS in 2015, a leading Korea-based clinical CRO. We also acquired a controlling stake of Frontage Group in 2014, which enabled us to provide laboratory services primarily in China and the United States.

The following diagram illustrates our expanding global footprint, including selected strategic acquisitions and investments (including their geographic locations and primary businesses) we have made across the globe.



OUR SERVICE OFFERINGS

Clinical Trial Solutions

Our clinical trial solutions consist of clinical trial operations and other core clinical services. We generated revenue of RMB750.4 million, RMB1,107.6 million, RMB1,346.7 million, RMB277.3 million and RMB302.6 million for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, respectively, from providing clinical trial solutions to our customers, representing 44.6%, 48.2%, 48.0%, 45.8% and 46.2% of our total revenue for the same periods.

Clinical Trial Operations

Our clinical trial operations services consist of (i) drug and medical device clinical research, (ii) medical registration and (iii) bioequivalence studies services. For the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, our revenue generated from clinical trial operations amounted to RMB695.3 million, RMB1,049.0 million, RMB1,236.1 million, RMB263.5 million and RMB259.8 million, respectively.

Drug clinical research

Led by Dr. Chen Ruibo, senior vice president of our Group, our integrated drug clinical research services cover Phase I to Phase IV clinical trials, including IIT studies, NIS trials and post-marketing surveillance. We primarily focus on innovative drugs, covering a wide range of therapeutic areas, including oncology, cardiovascular, antivirus, hematology and endocrinology. Throughout the clinical trial process, we engage in trial planning, trial initiation, project management, trial monitoring, medical monitoring, and reporting and filing assistance, with a goal to accelerate the biopharmaceutical R&D process for customers while ensuring high-quality delivery.

- *Trial planning*. We assist our customers in formulating and optimizing clinical trial plans. After finalizing the plan, we assist our customers in the preparation of relevant documents needed in the clinical trial, such as case report forms and informed consent forms.

- *Trial initiation*. We leverage our extensive site network to help our customers quickly and effectively identify the most suitable clinical sites to conduct their clinical trials, as well as principal- and co-investigators to oversee and manage clinical trials at such clinical sites. As of March 31, 2020, we had worked with over 80% of over 500 GCP registered clinical trial institutions in China. Once the trial site and principal investigators are identified, we then assist in the preparation of meetings with investigators and other relevant staff to provide them with a comprehensive training on the trial plan and SOPs. We also help our customers with the submission to the ethics committee of the clinical sites, a body responsible for ensuring the clinical trial is carried out in an ethical manner in accordance with

relevant laws and regulations and ethical standards. Moreover, we leverage our extensive network across China and online and multi-media channels to efficiently recruit healthy volunteers and patients for potential trial enrollment. We tailor our recruitment plan to serve our customers' specific needs and effectively help them accelerate the patient recruitment process. See "– Clinical-related and Laboratory Services – Site Management and Patient Recruitment."

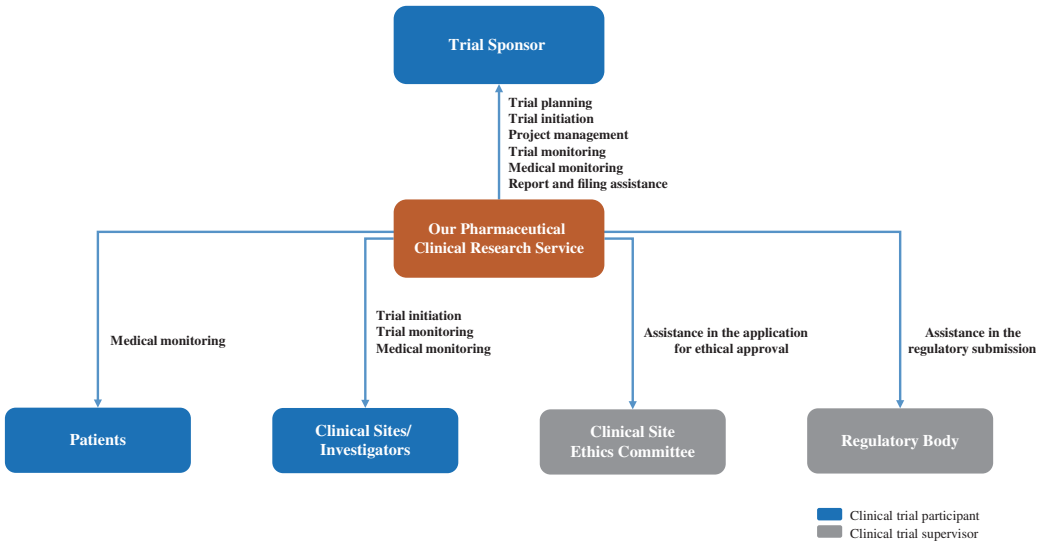
- *Project management*. We help our customers supervise and manage the overall operations of their clinical trials. Our professional, experienced and well-trained project managers play a vital role in ensuring the high-quality, on-time and on-budget execution of a clinical trial. They track the progress of all work streams of a complex clinical trial to ensure it is effectively and efficiently managed and executed. Their duties include facilitating a smooth communication channel with customers, identifying potential issues and providing solutions and managing costs.

- *Trial monitoring*. We ensure the quality of the trial execution conducted at clinical sites throughout the clinical trial. We carry out our trial monitoring work in accordance with the monitoring plan formulated by the sponsor and investigators of the clinical trial. The primary purpose of trial monitoring is to observe the trial site to ensure its strict compliance with the agreed trial plan, SOPs, reporting requirements and relevant regulations such as cGCP or ICH-GCP, and to identify, report and rectify any deviations or deficiencies observed. Members of our trial monitoring team are referred to as CRAs.

- *Medical monitoring*. We monitor the safety of enrolled subjects and the integrity of the data input and allocation process throughout a clinical trial. Our medical monitoring team supports our CRAs with professional medical expertise. They are responsible for a wide range of matters that relate to both safety and trial management, such as providing guidance on subject eligibility and responding to inquiries from CRAs.

- *Reporting and filing assistance*. Following the completion of a clinical trial, we assist in the preparation of the clinical study report, which is a scientific report on the trial that addresses the safety and efficacy findings from the trial with detailed presentations and analyses. Our team ensures the clinical study report is prepared in accordance with relevant regulatory requirements. We also assist in the regulatory filing process if the trial result is satisfactory and our customer decides to file an application for market approval.

The following diagram illustrates the key roles of our drug clinical research services in relation to the major participants in a drug clinical trial.



We offer drug clinical research services both in China and overseas through our experienced team of pharmaceutical CRAs. As of March 31, 2020, we had a drug CRA team consisting of 664 professionals covering 43 cities across mainland China, and 135 professionals based in the United States, Korea, Taiwan, Australia and other regions. During the Track Record Period, we had assisted with over 400 drug clinical research projects across the globe.

During the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, we completed 41, 35, 80 and 18 drug clinical research projects, respectively, with 353 ongoing projects as of the Latest Practicable Date. Our clinical research projects span a range of therapeutic areas, including 153 oncology projects, 32 endocrinology projects and 29 dermatology projects in 2019. The following table sets forth a breakdown of our ongoing drug clinical research projects by phase as of the dates indicated. The duration and contract value of drug clinical research projects vary primarily depending on their clinical phases, complexity, service scope and the underlying drug candidates. In the drug clinical CRO market in China, in general, phase I projects last between 6 months and 18 months with contract value ranging from RMB5 million to RMB30 million, phase II projects between 12 months and 24 months with contract value ranging from RMB10 million to RMB100 million, phase III projects between 24 and 60 months with contract value ranging from RMB15 million to RMB150 million and phase IV projects between 24 months and 36 months with contract value ranging from RMB5 million to RMB25 million. A substantial majority of our overseas drug clinical trials were conducted in Korea during the Track Record Period. In the drug clinical CRO market in Korea, in general, phase I projects last between 12 months and 18 months with contract value ranging from RMB1 million to RMB3 million, phase II projects between 12 months and 24 months with contract value ranging from RMB2 million to RMB5 million, phase III projects between 24 and 36 months with contract value ranging from RMB5 million to RMB15 million and phase IV projects between 24 months and 36 months with contract value ranging from RMB1 million to RMB5 million. During the Track Record Period, there were no other countries or regions, other than China and Korea, in which we have conducted a number of clinical trials locally that were material to our Group.

	As of December 31,			As of March 31,
	2017	2018	2019	2020
Phase I (including PK studies)	71	105	103	118
Phase II	39	58	63	69
Phase III	78	88	92	99
Phase IV	24	24	19	23
Others[1]	6	8	10	14
Total	218	283	287	323

Note:

(1) Others primarily consist of IIT studies.

The following table sets forth the breakdown of the number of our ongoing drug clinical research projects conducted in different geographic regions as of the dates indicated.

	As of December 31,			As of March 31,
	2017	2018	2019	2020
Single Region				
PRC	136	190	205	230
Overseas	76	83	70	76
MRCTs	6	10	12	17
Total	218	283	287	323

Medical devices clinical research

In addition to our drug clinical research services, we also offer services to support medical device development in China, including clinical trials, regulatory approval and post-market support. Our medical device clinical research team is led by Mr. Peng Yifei, vice president of our Group. As of March 31, 2020, we had a medical device CRA team consisting of 72 professionals across 23 cities in China. During the years ended December 31, 2017, 2018, 2019 and the three months ended March 31, 2020, we completed 60, 91, 58 and 12 medical device clinical research projects, respectively, and had 208 and 232 ongoing projects as of March 31, 2020 and the Latest Practicable Date, respectively. The duration and contract value of medical devices clinical research projects vary primarily depending on their complexity, service scope and the underlying medical device. In the medical device CRO market in China, projects generally last between 3 months and 48 months with contract value ranging from RMB0.1 million to RMB10 million.

Medical registration

We provide medical registration services in China primarily for drugs and medical devices. With comprehensive service packages, our registration team helps customers register their products with the NMPA for permission to start clinical trials or commercialize.

As of March 31, 2020, our medical registration team consisted of 58 professionals based in China. Our medical registration professionals are well-trained in the relevant NMPA regulations, FDA regulations, GCP, standard operating practice compliance guidelines and guidelines established by the ICH.

Bioequivalence studies

Through Frontage Group, we provide bioequivalence studies for generic drugs and other related services in China. Bioequivalence studies assess the expected *in vivo* biological equivalence of two proprietary preparations of a drug. If no significant difference in the rate and extent to which the active ingredient in the two preparations becomes available at the site of drug action when administrated at the same dose under similar conditions, bioequivalence is established. As a result, the two preparations are expected to be, for all intents and purposes, the same. Bioequivalence tests are mandatory for generic drugs. We conduct bioequivalence studies on healthy volunteers to assess the expected *in vivo* biological equivalence of the preparation of a generic drug candidate and that of its original reference drug.

Our bioequivalence studies consist of designing, coordinating and reporting bioequivalence studies. These studies focus on comparing three indicators of a generic drug's activity in humans, namely (i) physical and chemical characteristics, (ii) the maximum concentration the drug achieves in a tested area of the body after a single dose has been administered, and (iii) the total exposure of the drug in the body over time.

We work on bioequivalence studies for drugs addressing a variety of conditions. We have a dedicated bioequivalence studies team consisting of over 45 professionals based in China as of March 31, 2020. Our bioequivalence studies team is led by Dr. Zhang Tianyi , senior vice president of Frontage Holdings leading its China business. We conduct bioequivalence trials primarily through cooperating with 12 clinical research centers operated by our hospital partners across China. We had 89 ongoing bioequivalence studies projects as of March 31, 2020 and completed 37, 83, 90 and 13 projects in 2017, 2018, 2019 and the three months ended March 31, 2020, respectively. The duration and contract value of bioequivalence studies projects vary primarily depending on their complexity, service scope and the underlying medical device. In the bioequivalence market in China, projects generally last between 6 months and 12 months with contract value ranging from RMB1 million to RMB10 million.

Other Services

For the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, our revenue generated from other clinical trial services, including pharmacovigilance, regulatory affairs, medical writing and translation, training and independent audits and clinical trial functional service provision, amounted to RMB55.1 million, RMB58.6 million, RMB110.6 million, RMB13.8 million and RMB42.8 million, respectively.

Pharmacovigilance

We offer pharmacovigilance services in China to help our customers monitor, detect, assess, understand and prevent adverse effects or any other possible drug-related problems, aiming to reduce a drug's risks to patients. Our pharmacovigilance services mainly include case processing and reporting on severe adverse events and adverse drug reactions, adverse drug reaction screening, safety signal detection, evaluation and risk management, drug safety database, as well as assistance in safety related reports such as drug safety update reports and periodic safety update reports. These services are often used after a drug has been approved to market. The post-market pharmacovigilance exercise is often referred to as post-marketing surveillance, or PMS. We also assist our customers with the establishment and implementation of pharmacovigilance systems and risk-management plans.

Regulatory affairs

We provide regulatory affairs services in China. Our regulatory affair experts have in-depth understanding on the regulatory environments and trends in the healthcare industry. We advise our customers on various regulatory affairs, helping them ensure strict compliance with all applicable laws and regulations pertaining to their clinical development, registration and commercialization process.

Medical writing and translation

We provide medical writing and translation services to our customers to help them prepare well-structured and clearly presented reports and documentation for professional and academic use, or submission packages in accordance with applicable regulations, industry standards and customer specifications. Our medical writing team has extensive experience in drafting a wide range of medical reports and documentation including clinical trial protocols, case report forms, consent forms, drug safety update reports, periodic safety update reports and clinical study reports and abstracts.

For customers who require assistance in drafting medical reports and documentation in foreign languages, we offer medical translation services to help them translate the original reports and documents into various languages including Chinese, English, Japanese, Korean, French and German. Our medical translators are trained with professional medical backgrounds to provide high-quality professional services.

Training and independent audits

To ensure and improve the quality of clinical operations and compliance with applicable laws and regulations, we provide training and independent audit services in China. Our training courses are offered to a wide range of practitioners in the clinical research field, including investigators, CRAs, project managers, statisticians and site management personnel, specifically tailored according to their seniority and responsibility. Our independent audit team conduct audits on clinical trial sites, vendors, data management and statistical analysis work, clinical trial documentation management. They can also assist our customers in their preparation for regulator inspections by conducting pre-inspection audits and provide independent quality assurance consulting services to our customers.

*Clinical trial functional service provision ("**FSP**")*

We offer FSP services in China. Our clinical trial FSP provides our customers with dedicated on-site capability and capacity support. Our FSP team often represents our customers on a full-time basis, supporting our customers on different responsibilities to meet their specific needs. For example, we can provide dedicated trial monitoring staff to our customers to support the trial monitoring process of their clinical trials.

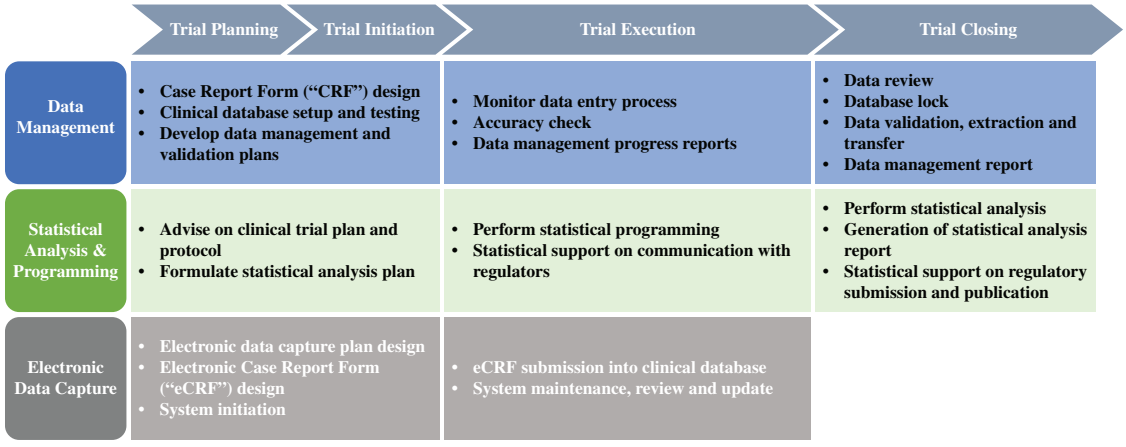
Clinical-related and Laboratory Services

Our clinical-related and laboratory services consist of a broad range of services including (i) data management and statistical analysis, (ii) site management and patient recruitment, (iii) laboratory services and (iv) other services, such as medical imaging and GMP consulting services. From offering clinical-related and laboratory services, we generated revenue of RMB932.1 million, RMB1,191.9 million, RMB1,456.6 million, RMB327.7 million and RMB352.4 million for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, respectively, representing 55.4%, 51.8%, 52.0%, 54.2% and 53.8% of our total revenue for the same years.

Data Management and Statistical Analysis

Data management and statistical analysis plays a crucial role across the entire clinical development process as it gathers, manages, validates and analyzes the data generated from the actual clinical trial operations. It is usually required to be operated under a stringent regulatory regime to ensure the integrity, quality and accuracy of the actual work performed. Our data management and statistical analysis teams based in China, United States, Korea and India support biopharmaceutical companies in their clinical development and regulatory submissions globally. For the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, our revenue generated from data management and statistical analysis amounted to RMB286.3 million, RMB370.2 million, RMB401.6 million, RMB95.4 million and RMB105.1 million, respectively.

Over the years, our data management and statistical analysis team has demonstrated its premium service quality, cost effectiveness, quick responses and problem-solving capability. The diagram below illustrates the roles of our data management and statistical analysis services in each stage of a clinical trial.



We have established a reputation for our data management and statistical analysis in the industry. The services offered by our data management and statistical analysis team include the following:

- *Data management*. The safety and efficacy of a drug candidate are determined by clinical data generated from the clinical trials. Clinical data management is essential to clinical trials as it gathers, manages and validates clinical data. We deliver reliable and customized data management services through our experienced and well-trained data management team under a stringent quality control system. Our services typically begin at the trial planning stage where we provide assistance on case report form design, initiate clinical database setup and testing, and develop data management and validation plans. After the trial initiation, we monitor the data entry process and examine the accuracy of data inputs and provide our customers with constant progress reports. After all data is entered into the database, we perform data review, database lock, data validation, extraction and transfer, and provide data

management report to our customers. We have the requisite experience and capability to handle massive trove of datasets generated from large-scale clinical trials.

- *Statistical analysis and programming*. Our biostatisticians typically begin to participate in a clinical trial at the very early stage. As most clinical trials are based on statistical models and tools (for example, a randomized and double-blinded clinical trial), experienced biostatisticians are often sought after by our customers to advise on the clinical trial plan and protocol to ensure the underlying statistical models and tools to be used are scientifically rigorous and empirically valid, as well as formulating the statistical analysis plan. When needed, they also provide statistical support on our customer's communication with regulators. Once the data is gathered and validated, statistical analyzes are performed on the data to generate statistical analysis report that interprets the results of the trial through various statistical tables and figures. Our biostatisticians also provide our customers with statistical support for regulatory submissions and publication purposes. Our statistical analysis team has in-depth statistical knowledge and experience in regulatory requirements, covering a broad range of therapeutic areas. Our statistical programming services bridge data management and statistical analysis, allowing customers to process large datasets more quickly and generate statistical analysis more efficiently. We are also qualified for CDISC implementation and e-submission.

- *Electronic data capture*. Our EDC system allows the collection of clinical data in electronic format, which significantly improves the efficiency, integrity and security of the data input process compared with traditional paper format. We offer EDC services through the ClinFlash EDC system. The Clinflash EDC system was first launched in 2014 and updated in 2018, and has been widely used by leading Chinese and global biopharmaceutical companies to support their clinical trials.

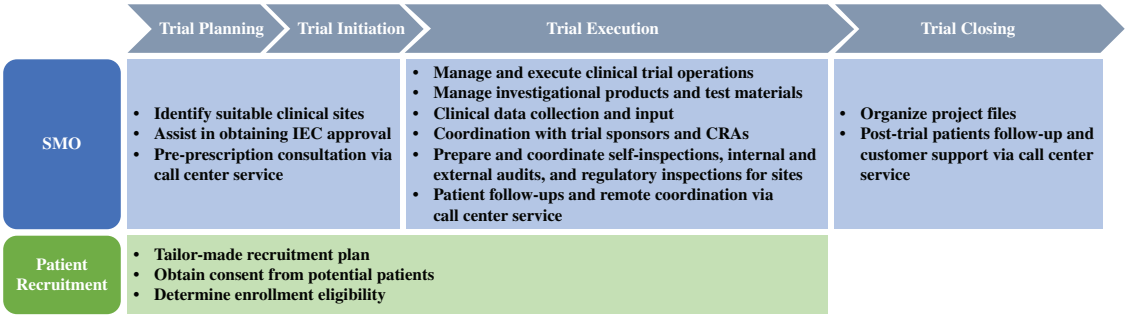
We offer data management, statistical analysis and statistical programming services to Chinese and global customers through our offices in China, United States, Korea and India. As of March 31, 2020, we had a team consisting of 508 employees based in China, and 81 employees operating overseas in the United States, Korea and India. Our data management and statistical analysis team is led by Mr. Wen Zengyu, senior vice president of our Group.

During the Track Record Period, our data management and statistical analysis team completed 81, 127, 158 and 17 projects in 2017, 2018, 2019 and the three months ended March 31, 2020, respectively. We had 571 ongoing projects as of the Latest Practicable Date, including 394 projects conducted in China and 177 projects conducted overseas. We have become a preferred partner to many multinational pharmaceutical companies. The duration and contract value of data management and statistical analysis projects vary primarily depending on the clinical phases and complexity of the clinical trials. In the data management and statistical analysis market, projects generally last between 1 month and 18 months with contract value ranging from RMB0.5 million to RMB150 million.

Site Management and Patient Recruitment

We have developed differentiated capabilities on site management and patient recruitment services. We were a top three China-based site management service provider by revenue in 2019 according to Frost & Sullivan. Our site management services primarily assist clinical research institutions and investigators in the actual logistics and execution of clinical trial operations. Site management professionals who perform their duty at clinical sites are also referred to as CRCs. As of March 31, 2020, we deployed a team of over 1,500 CRCs. For the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, our revenue generated from site management and patient recruitment services amounted to RMB105.9 million, RMB178.8 million, RMB302.1 million, RMB60.2 million and RMB63.1 million, respectively.

Our patient recruitment services mainly assist trial sponsors and clinical research institutions in identifying patients and healthy volunteers who are potentially eligible for the enrollment of clinical trials. Both our site management and patient recruitment services cover Phase I to Phase IV clinical trials for a wide range of therapeutic areas, including oncology, cardiovascular, metabolism and rare diseases. Customers of our site management and patient recruitment services mainly include multinational and Chinese biopharmaceutical companies and leading biotechnology companies. The diagram below illustrates the roles of our site management and patient recruitment services in each stage of a clinical trial.



- *Site management.* Our site management services help clinical research institutions and investigators conduct clinical trials at trial sites. Over the years, we have built long-term relationships with clinical research institutions across China. As of March 31, 2020, we had worked with over 80% of over 500 GCP registered clinical trial institutions in China. With our support, investigators can be relieved of administrative and procedural burdens and focus on parts of a clinical trial that require professional clinical and medical judgments, which results in improved efficiency of the clinical trial. Our site management services also help clinical research institutions reduce fixed costs. With our professional and well-trained CRC team, we are also able to help ensure the quality and compliance of relevant regulatory requirements throughout the execution of the clinical trial at trial sites. Our CRCs' work scope mainly encompasses managing clinical trial operations in accordance with standard operating procedures, clinical data collection and input, coordination with the trial sponsor and CRAs, safety management, medication and

sample management, among others. We also help the trial site prepare for and coordinate self-inspections, internal and external audits, and regulatory inspections. We typically assign a project manager for every site management project to oversee all work streams, who serves as the main communication channel and provides guidance to the working team. We place great emphasis on quality control and deploy an independent quality assurance team to conduct independent audits on projects and provide training to CRCs. Pursuant to the service contracts with our site management customers, our CRCs strictly follow the clinical research plan and customer's requirements. During the Track Record Period, none of projects in which we provided site management services failed any on-site inspections by trial sponsors or regulators.

- *Call center.* In support of our site management services, we operate a call center that is mainly responsible for helping investigators conduct follow-up consultations with enrolled healthy volunteers and patients. The call center services also cover pre-and post-prescription consultation, customer support, on-site staff coordination and dispatch, as well as certain tele-surveys.

- *Patient recruitment.* Our patient recruitment services help trial sponsors recruit patients or healthy volunteers for enrollment at trial sites. Leveraging our extensive doctor network across China as well as increasing utilization of online and multi-media channels, we have a wide reach of healthy volunteers and patients for potential trial enrollment across all major therapeutic areas. We tailor our recruitment plan according to our customers' specific needs and strive to accelerate the patient recruitment process. After identifying potential subjects, we will obtain their consent before we refer them to trial sponsors who will work with trial sites for further determination on their enrollment eligibility.

We provide site management, call center and patient recruitment services in China. Our dedicated site management team consisted of more than 1,700 professionals covering over 100 cities and over 400 hospitals across China as of March 31, 2020. Led by Ms. Qiu Xianghua, our site management team members come from nursing, medicine, pharmacy, or other paramedical fields. They are well trained in cGCP and ICH-GCP regulatory standards. We had 895 ongoing site management projects as of March 31, 2020 and completed 32, 103, 148 and 25 projects in 2017, 2018, 2019 and the three months ended March 31, 2020, respectively. The duration and contract value of site management projects vary primarily depending on the complexity and duration of the clinical trials and service scope. In the SMO market in China, projects generally last between 6 months and 60 months with contract value ranging from RMB1 million to RMB15 million.

Laboratory Services

Through our acquisition of a controlling interest in Frontage Labs in 2014, we have expanded our offerings to cover laboratory services that primarily support pre-clinical and clinical stages of a biopharmaceutical R&D project. We offer comprehensive laboratory services including DMPK, safety and toxicology, bioanalytical and CMC services, primarily in China and the United States. For the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, our revenue generated from laboratory services amounted to RMB406.6 million, RMB506.5 million, RMB651.6 million, RMB142.6 million and RMB164.4 million, respectively.

As of March 31, 2020, our laboratory services team consisted of over 546 professionals in aggregate, including 318 professionals in North America and 228 professionals in China. Our laboratory services team is led by Dr. Li Zhihe, CEO of Frontage Group. We conduct our laboratory services from our facilities located in China, the United States and Canada. We had 1,715 and 2,066 ongoing laboratory projects as of March 31, 2020 and the Latest Practicable Date, respectively, and completed 1,203, 1,581, 1,512 and 428 projects in 2017, 2018, 2019 and the three months ended March 31, 2020, respectively. The duration and contract value of laboratory projects vary primarily depending on their complexity, service scope and the underlying drug candidates. In the laboratory services market, projects generally last between 1 month and 36 months with contract value ranging from RMB0.1 million to RMB30 million.

DMPK

We offer standard and customized *in vivo* and *in vitro* DMPK services in the United States and Canada. In addition, we have established a service team that plans to offer DMPK services in China. DMPK studies attempt to determine the absorption and distribution of an administered drug, the rate at which a drug takes effect, the duration a drug maintains its effects for and the effect of the drug after metabolism in the body. Our DMPK services include:

- *PK and PD studies.* PK studies analyze the drug's chemical components throughout the processes of absorption, distribution, metabolism and excretion, and PD studies analyze what happens to an animal's body when exposed to a drug.

- *Structure optimization.* We assist in the understanding and design of compound structures to optimize the candidate compounds suitability for further testing.

- *ADME studies.* ADME services are designed to investigate the disposition of a drug in the human body with respect to absorption, distribution, metabolism and excretion.

- *Non-GLP bioanalytical studies.* We offer bioanalytical services for certain early stage exploratory pre-clinical PK studies that do not need to fall within the scope of GLP regulations. Non-GLP bioanalytical studies allow us to swiftly analyze samples for compound ranking and sift through compound candidates before proceeding to bioanalytical studies (described below), which is generally GLP-regulated.

- *Radiolabeled studies.* Radiolabeled studies, including mass balance studies, present to our customers the entire pathway of the drug under test.

- *Metabolite identification and profiling.* Our metabolite identification and profiling services include the isolation, analysis and identification of metabolites in biological matrices.

- *Metabolites in safety testing.* We conduct metabolites in safety testing (MIST) analysis to ensure that human metabolites have been adequately covered in the preclinical safety studies.

- *Discovery testing.* We assist in DMPK work in relation to identifying lead compounds. We have capacity to undertake both small and large molecule discovery testing.

Safety and toxicology

We assist our customers in developing safety and toxicology testing plans to ensure that drugs are appropriate for human testing and that the studies comply with regulatory requirements and meet applicable ethical standards. Our safety and toxicology services are offered in the United States. Following the acquisition of Concord Biosciences, LLC in April 2018, we have extended our offerings of safety and toxicology services, including chronic and investigative toxicology testing, pathology and cardiovascular safety toxicology studies. We conduct a series of safety evaluations and general toxicology studies on rodent species and also provide large animal testing services for different therapeutic areas.

Bioanalytical studies

Our bioanalytical services provide precise quantitative and qualitative analyzes of small molecules, large molecules and biomarkers in a range of biological matrices throughout the drug development process. We provide bioanalytical services in China, the United States and Canada. Our bioanalytical services include sample analysis, as well as method development, validation, transfer and cross-validation.

CMC

Our CMC services range from drug discovery to the post-approval phase, and are offered in China, the United States and Canada. We are experienced in a variety of compound types, including small molecules and biologics, and formulations, routes of administration and therapeutic areas. Our CMC services include:

- *Lead compound qualification.* Qualification is a stage of analysis following optimization of lead compounds and involves applying additional analytical rigor to assessment of a lead compound before it can progress to early development studies.

- *Formulation and development.* We provide support for product formulation and development services as well as services for the development of novel compounds and generics.

- *CTM manufacturing.* Our CTM manufacturing team designs formulations for targeted delivery of CTM in clinical trials and develops manufacturing processes in line with GMP requirements to ensure the quality of clinical trial products.

- *CMC analytical.* Our CMC analytical services assist our customers in their efforts to fully characterize drug substances, developmental formulations and commercial drug products.

Other Services

For the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, our revenue generated from other clinical-related and laboratory services, including medical imaging and GMP consulting, amounted to RMB133.3 million, RMB136.4 million, RMB101.3 million, RMB29.5 million and RMB19.8 million, respectively.

Medical Imaging

For clinical trials on certain indications, for example solid tumors, their endpoints need to be assessed and quantified by imaging techniques. We offer medical imaging services in China, helping our customers independently evaluate the potential efficacy of a drug candidate by analyzing these trial endpoints using advanced medical imaging techniques. Our services offered for medical imaging include imaging protocol development and review, imaging database design, testing and implementation, imaging administration and reporting, imaging data transmission, review and reporting.

GMP Consulting

We offer GMP consulting services in China through our subsidiary Beijing Canny Consulting Inc. (北京康利華諮詢服務有限公司). We are able to advise our clients on various matters in relation to the GMP standards adopted in different regions including China, United States, the European Union and Australia. We also provide consulting services related to GMP matters on imported drugs in China. With these services, we aim to accelerate the GMP qualification process for our customers.

OUR FEE MODELS

Our service fee arrangement can be primarily divided into two models: (i) FFS model and (ii) FTE model. Under both fee models, we typically enter into a master service agreement with our customers and receive payments in accordance with a pre-agreed payment schedule pursuant to the master service agreement. We generally determine the fee level for each project based on a number of factors including the scope of the services required, the estimated costs and expenses of the required services, the estimated amount of time to be allocated to the project, and the prices charged by our competitors for similar services.

Fee-for-service

We primarily charge our customers on an FFS basis for the services we provide which accounted for 97.6%, 97.7%, 98.0% and 97.3% of our revenue for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, respectively. Going forward, we expect our revenue will continue to be substantially derived under the FFS model. Under the FFS approach, we receive payments in accordance with a payment schedule specified in the relevant contract or work order.

We determine the fee based on our scope of services, the estimated costs and expenses of the required services, and the amount of time to be allocated to the project, among other factors. We also consider contingency modeling such as patient recruitment delay risks, foreseeable cost increases and macro-economic factors to a certain extent. Our service contracts and work orders typically include a detailed schedule that sets forth specifications of the services to be provided, the anticipated delivery time and the payment dates. We will generally renegotiate fees with our customers by way of change orders should there be substantial changes in the assumptions upon which the work orders are based or the work scope subsequently.

Full-time-equivalent

From time to time, we charge our customers on an FTE basis, mainly for our site management and clinical trial FSP services, as well as certain laboratory services we offer in the United States. Fees received from our services under the FTE model contributed to 2.4%, 2.3%, 2.0% and 2.7% of our revenue for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, respectively. Under the FTE approach, we designate employees for the projects at a fixed rate per FTE employee per period of time.

Contracted Future Revenue

Contracted future revenue represents, at a particular point in time, future revenue from services not yet completed or performed under all signed contracts in effect at that time. Once work begins on a project, revenue is recognized over the duration of the project. See "Financial Information – Critical Accounting Policies and Estimates – Revenue Recognition." Contracted future revenue is assessed by reference to signed contracts (where a customer has agreed to pay for certain services at a certain price) and by reference to the percentage of work completed in relation to such contract. Our contracts are generally cancellable by our customers and in that situation the revenue may not be earned as expected. See "Risk Factors – Risks Relating to our Business and Industry – Our contracted future revenue might not be indicative of our future revenue, and we may not be able to realize all of the anticipated future revenue associated with our contracted future revenue without any material delay."

There is no standardized accounting practice for calculating contracted future revenue and approaches to estimating contracted future revenue value may vary considerably between industry players. As a result, we advise caution on any reliance of an analysis of contracted future revenue between us and competitors as a reliable like-for-like comparison of value. According to the Frost & Sullivan Report, our approach to calculating contracted future revenue is appropriate, meaningful and within the range of methodologies employed in our industry. Our contracted future revenue was approximately RMB5,300 million as of March 31, 2020. Our Directors are also of the view that contracted future revenue is calculated in a fair and reasonable manner. See also "Risk Factors – Risks Relating to Our Business and Industry – Our contracted future revenue might not be indicative of our future revenue, and we may not be able to realize all of the anticipated future revenue associated with our contracted future revenue without any material delay."

OUR STRATEGIC ACQUISITIONS AND INVESTMENTS

Strategic Acquisitions

We have made strategic acquisitions to expand our service offerings and geographic presence. When identifying suitable targets, we focus on businesses with offerings highly complementary to ours or strong local presence that could support our global expansion plans. We holistically manage and collaborate with our acquired businesses with a view to drive the growth of both the acquired businesses and our Group as a whole. When approached by a potential customer for a project, we will leverage our comprehensive service offerings and extensive geographic presence to match the customer demands and the specific capabilities of our own or acquired businesses. Moreover, our comprehensive service offerings and expanding geographic presence also create cross-selling opportunities among our own or acquired businesses and we may refer potential customers and projects to our acquired businesses based on customer needs, and vice versa. During the Track Record Period and as of the Latest Practicable Date, we had not made any material acquisition of companies that directly competed with us.

We selectively seek to acquire businesses in order to offer more comprehensive services to our customers and maximize our value propositions. For example, in July 2014, we acquired a controlling stake in Frontage Labs, a leading laboratory services provider which offers laboratory services in both China and the United States, which are complementary to our leading clinical CRO capabilities. Pursuant to a restructuring, Frontage Labs became a wholly-owned subsidiary of Frontage Holdings. Frontage Group's revenue and net profits have rapidly grown since our acquisition of Frontage Labs, and Frontage Holdings became listed on the Hong Kong Stock Exchange in 2019 (stock code: 01521).

We also pursue strategic opportunities to expand our global footprint and to better serve both our Chinese and global customers. For example, in 2015, we acquired a 98.14% equity interest in DreamCIS, a leading Korea-based clinical CRO. DreamCIS became listed on the Korean Securities Dealers Automated Quotations of the Korea Exchange in May 2020.

The following table sets forth our major strategic acquisitions across different business segments and geographic regions. See "History, Development and Corporate Structure – Business Development Milestones" for more information about our strategic acquisitions since our inception. For details, please refer to the section headed "History" in this Prospectus.

Subsidiaries	Year of Acquisition	Primary Services	Location	Tigermed's Ownership Percentage as of the Latest Practicable Date	Investment Amount as of the Latest Practicable Date
Frontage Labs[(1)]	2014	Laboratory services	United States, China	50.82%	US$45.2 million
DreamCIS	2015	CRO	Korea	63.44%	Korea Won 28.1 billion
Romania Opera	2018	Clinical CRO	Romania	51.17%	Euro364.3 thousand
Concord Biosciences, LLC[(2)]	2018	Laboratory services	United States	100%	US$4.3 million
Beijing Yaxincheng Medical InfoTech Co., Ltd. (北京雅信誠醫學信息科技有限公司)	2019	Medical translation	China	55%	RMB106.6 million
RMI Laboratories, LLC[(2)]	2019	Laboratory services	United States	100%	US$4.6 million
BRI Biopharmaceutical Research Inc.[(2)]	2019	Laboratory services	Canada	100%	CAD4.2 million

Notes:

(1) Upon restructuring, Frontage Labs became a wholly-owned subsidiary of Frontage Holdings.

(2) Acquired by Frontage Group.

Frontage Labs

In July 2014, we acquired a controlling interest in Frontage Labs. Frontage Labs provides laboratory services as well as bioequivalence services primarily to biopharmaceutical companies. Before our acquisition of Frontage Labs, we focused on clinical trial solutions and clinical-related services, such as data management and statistical analysis and site management services, in support of clinical trials. Moreover, Frontage Labs primarily operated in the United States, while we mostly focused on business in China prior to the acquisition of Frontage Labs. Both Frontage Labs and the rest of the Group have independent access to, and relationships with their respective customers.

We acquired Frontage Labs in order to further expand both of our services offerings and overseas presence. Specifically, laboratory services offered by Frontage Labs are complementary to our clinical-focused service offerings, and by leveraging Frontage Labs' presence in North America, we have successfully ventured into the pharmaceutical CRO market in the United States. Meanwhile, we also refer service offerings of Frontage Labs to our customers in China and provide Frontage Labs with access to the pharmaceutical CRO market in China. Frontage Labs also leverages our brand name and integrated clinical trial services offerings to expand its business. We expect that our acquisition of Frontage Labs will continue to achieve strong synergies with our other service offerings as we continue to introduce new business opportunities and high-quality customers to Frontage Labs, and vice versa.

DreamCIS

In September 2015, we acquired a controlling interest in DreamCIS, a leading Korea-based clinical CRO. Similar to us, DreamCIS offers comprehensive R&D services to biopharmaceutical companies, including clinical trial operations, post-marketing surveillance and data management and statistical analysis. DreamCIS operates in Korea while we did not have any presence in Korea at the time of the acquisition. For the avoidance of doubt, DreamCIS does not have any overlap in business operations with Frontage Labs. Frontage Labs provides laboratory services as well as bioequivalence services primarily to biopharmaceutical companies primarily in China and the United States and does not have any presence in Korea. Both DreamCIS and the rest of the Group have independent access to, and relationships with their respective customers.

We acquired DreamCIS in order to spearhead our CRO business in Korea and capture more overseas business opportunities. Through our acquisition of DreamCIS, we have expanded our presence to Korea and MRCT capabilities, and also helped Chinese pharmaceutical companies to access the Korean market. At the same time, DreamCIS benefits from our brand name, technical capabilities and industry resources to further grow its business. We expect that our acquisition of DreamCIS will continue to achieve strong synergies with our other service offerings as we continue to introduce new business opportunities and high-quality customers to DreamCIS, and vice versa.

Strategic Minority Investments

To foster a flourishing ecosystem around our integrated biopharmaceutical R&D platform, we have also built a diversified investment portfolio through selective investments in biopharmaceutical and medical device start-ups, funding their innovative R&D efforts with a goal to forge long-term cooperative relationships and promote innovation in the global biopharmaceutical industry.

- *Strategic investments in innovative companies and other industry participants.* We are committed to driving long-term innovation in China's biopharmaceutical industry. With our scientific expertise in the biopharmaceutical industry, we believe we are capable of identifying promising biopharmaceutical and medical device start-ups and helping them develop and advance their innovative pipeline products. As many of these start-ups need funding and R&D resources to develop drugs and medical devices, we provide early-stage funding to help them meet their capital needs. We are also able to provide high-quality, integrated R&D services to support their ongoing research and development that potentially addresses unmet medical needs or offers better alternatives to existing treatment options. Through our early involvement, we believe we are well-positioned to forge long-term strategic relationships with these companies, gain more access to emerging technologies, and capture potential business opportunities as these start-ups grow and succeed, and achieve considerable financial returns. A number of our investee companies have since successfully grown to become public companies, such as I-Mab. As of the Latest Practicable Date, we were a strategic investor in 58 innovative companies and other companies in the healthcare industry.

- *Collaboration with leading investment funds*. In addition to direct strategic investments in innovative start-ups, we also cooperate with investment funds as a limited partner to incubate promising biotech and medical device companies as a limited partner of such investments funds. Combining our industry know-how with these investment funds' strong investment capabilities, we are able to identify attractive investment opportunities and provide all-round financial, strategic and business support to our investee companies and help drive their long-term growth, without devoting excessive management resources. As of the Latest Practicable Date, we were a limited partner in 39 investment funds.

As of March 31, 2020, our Group had RMB2,581.7 million in financial assets at FVTPL and RMB65.0 million in interests in associates. As of March 31, 2020, our interest in our investees ranged from 0.55% to 51.39%. While we hold majority ownership as a limited partner in one of our investees, we do not exercise control, joint control, or have significant influence over that investee. Hence, the financial results of that investee is not consolidated into our financial statements. For more details regarding our minority equity investments, see "Financial Information – Discussion of Selected Items from the Consolidated Statements of Financial Position."

Based on our investment and acquisition strategies, our senior management, together with our investment department, will propose, analyze and evaluate potential investment (including investment in structured deposits and derivative financial instruments) and acquisition opportunities. Prior to making any investments, our Strategy Development Committee will assess the proposal based on our investment focus, strategic plans, financial budget and funding resources, before the proposal is provided to our Directors and (if applicable) our shareholders for approval.

Our Strategy Development Committee consists of three Directors, including Dr. Ye Xiaoping, Dr. Yang Bo and Mr. Zheng Bijun, and is responsible for the study and analysis of investment projects and providing advice for decision making process. In addition, we have established an Investment Committee consisting of five members, including our Chairman of the Board, our General Manager, the responsible deputy general manager, an external experienced legal consultant and an independent non-executive Director with financial expertise. The Investment Committee is primarily responsible for the preliminary approval of investment projects while the investment department is responsible for execution of our acquisitions and investments (including investment in structured deposits and derivative financial instruments). In addition, the investment department is in charge of managing our investment portfolio and analyzing the performances of our investee companies.

According to our acquisition and investment policies, each of the following acquisitions and investments (including investment in structured deposits and derivative financial instruments) shall be subject to the approval of our Board of Directors:

- the amount of assets involved in the transactions exceeds 10% of the Company's total assets;
- revenue of the target exceeds 10% of the Company's total revenue and exceeds RMB5 million;
- net profit of the target exceeds 10% of the Company's net profit and exceeds RMB1 million;
- the consideration exceeds 10% of the Company's net assets and exceeds RMB5 million; and
- the profit generated from the transactions exceeds 10% of the Company's net profit and exceeds RMB1 million.

Each of the following acquisitions and investments (including investment in structured deposits and derivative financial instruments) shall be subject to the approval of both our Board of Directors and our Shareholders:

- the amount of assets involved in the transactions exceeds 50% of the Company's total assets;
- revenue of the target exceeds 50% of the Company's total revenue and exceeds RMB30 million;
- net profit of the target exceeds 50% of the Company's net profit and exceeds RMB3 million;

- the consideration exceeds 50% of the Company's net assets and exceeds RMB30 million; and

- the profit generated from the transactions exceeds 50% of the Company's net profit and exceeds RMB3 million.

Proposals for other acquisitions and investments which do not meet any of the above criteria can be approved by the Chairman of the Board as authorised by the Board pursuant to our internal policies and in compliance with applicable laws and regulations.

From time to time, we also engage third-party experts to advise on potential investments and acquisitions. We closely monitor the operational and financial performance of our acquired business and investees. From time to time, we may decide to dispose of certain or all of our equity interests in our acquired businesses and investees to achieve financial returns or to align with our business focus. Our internal procedures for exit decisions are substantially similar to the procedures for investment and acquisition decisions.

OUR STRATEGIC PARTNERSHIPS

In July 2019, we entered into a strategic cooperation agreement in China with AstraZeneca China, the Chinese subsidiary of a leading multinational biopharmaceutical company and a customer of ours for more than five years. Both AstraZeneca China and we are committed to developing innovative pharmaceutical products to advance human health in China. Our strategic cooperation agreement with AstraZeneca China has a term of ten years. Pursuant to the strategic cooperation agreement, both parties agreed to comprehensively collaborate in clinical research and biopharmaceutical R&D in China. Moreover, we are a preferred service vendor to AstraZeneca China.

Frontage Group, our subsidiary, has entered into collaboration agreements with a number of hospitals to establish 12 Phase I clinical research centers in China in support of its bioequivalence studies service. These hospitals are mainly located across China, and a majority of which are publicly owned. Among the 12 hospitals we cooperate with, 10 of which are Grade A (三級) hospitals and the other two are Grade B (二級). Our collaboration agreements with these hospitals typically have terms ranging from three to ten years. Under such collaboration, the hospitals agree to provide us with clinical sites as well as staff and other on-site support and resources for the clinical trials, while Frontage Group provides the hospitals with standard operating procedures compliant with NMPA regulations and various training, management, quality control and administrative services.

We believe our strategic partnerships give us significant advantages in respect of technical and scientific know-how, technologies, marketing and business development.

QUALITY MANAGEMENT

Overview of Our Quality Management System

Quality management is at the core of our commitment to customer satisfaction and patient safety. We believe that an effective quality management system is crucial to maintaining our high service quality and premium brand image.

To ensure that our services consistently meet high industry standards, regulatory requirements and customer expectations, we have established independent quality assurance departments. Our quality assurance department in China is led by Ms. Yunjie Gong, who has approximately 30 years of experience in the medical industry and is supported by a team of experienced professionals with backgrounds in different clinical-related areas and extensive know-how of regulatory requirements and quality standard procedures. In addition, Frontage Group maintains a separate quality assurance team led by Ms. Ellen Jimenez, who has over 20 years of experience in the pharmaceutical industry. Our quality assurance function is responsible for designing and updating our SOPs in compliance with applicable laws and regulations, supervising the implementation of our SOPs as well as quality strategies in relation to consumables, deliverables and equipment, and providing trainings on new quality assurance measures and SOPs to our employees.

Our quality management encompasses all stages throughout each R&D project, from quality management planning, quality control and quality assurance to remedial actions, ensuring our high-quality services and on-time delivery. We have designated a specific project manager to be in charge of each project execution and in case of our laboratory services conducted by Frontage Group, a quality control team in each business unit. Our project managers or quality control teams conduct the first stage of review of all reported data results submitted, which is followed by a final audit conducted by our independent quality assurance department. This process is essential to ensuring that any errors or issues identified have been fully investigated and satisfactorily resolved prior to releasing final results to our customers. Any quality control or regulatory issues identified by the quality assurance team reviews are documented in writing. We have established and maintain a set of corrective and preventive action procedures, closely tracking any non-conformity and their causes throughout each project to prevent recurrence and continuously improving our quality management system. We also document and investigate each quality incident pursuant to our SOPs. We conduct customer satisfaction surveys and use measurable key performance indicators to evaluate and improve our service quality.

Quality Control of Equipment and Consumables

For certain businesses such as laboratory services, we purchase consumables and equipment from selected qualified suppliers. For more information about our suppliers see "– Our Suppliers." We conduct inspections and relevant testing of the supplies we purchase to ensure that they are in satisfactory condition and are fully functional before acceptance. We also communicate with the technical and customer support staff of our suppliers regularly regarding the maintenance and upkeep of our equipment. For each of our projects, our procurement team or our customer compiles a list of required consumable materials. We determine the specifications of any required consumables, carefully select suppliers, and regularly request quality reports from the suppliers. Each step of our procurement is documented for our internal records as well as for customer audits. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material quality issues in relation to our supplies.

Regulatory Inspections and Customer Audits

We have a strong track record of satisfying various regulatory inspections and audits. According to relevant laws and regulations, we are subject to regular on-site inspections carried out by relevant government authorities to ensure compliance. Pursuant to the Measures for the Administration of Drug Registration (2007), the NMPA carries out on-site inspections on non-clinical research and clinical trials before granting the drug marketing approval. In the United States, the FDA has authority to inspect CROs, clinical and pre-clinical sites, regardless of whether they are located in the United States or overseas, to confirm compliance with GLPs, GCPs, GMPs and other FDA regulatory requirements. See "Regulatory Overview." Our facilities have also successfully undergone inspections by regulators including the NMPA, FDA, Health Canada, the DEA, the U.S. Nuclear Regulatory Commission and other local regulatory authorities. During the Track Record Period, none of these inspections identified any issues that had materially and adversely affected our business. We have also addressed all inquiries raised during the regulatory inspections to the satisfactions of the relevant regulatory authorities.

In addition, our customers periodically conduct site inspections and audits to ensure that our services are in compliance with their standards in the drug development process. Each step of our services is documented for our internal records and customer audits. Upon receipt of audit requests from customers, we coordinate our project teams and quality assurance teams to prepare for the inspections and audits, respond to questions and comments raised during such inspections and audits, and provide written responses and suggestions to customers' audit reports. There were no material adverse findings in the inspections and audits conducted by our customers or material complaints received from our customers during the Track Record Period.

MARKETING AND BUSINESS DEVELOPMENT

We procure business through the customer referrals and word-of-mouth as well as efforts of our marketing and business development teams. Our marketing and business development teams are dedicated to increasing our brand awareness, expanding our global customer base and strengthening our relationship with existing customers to drive more business opportunities.

Marketing and Branding

Our marketing team is responsible for building brand awareness, identifying new customers and creating tangible business opportunities through online and offline marketing activities. We have established an active online presence through our corporate website at **https://www.tigermedgrp.com**, which provides extensive information about our comprehensive biopharmaceutical R&D services and industry updates and serves as an important channel for global branding and business development. We also publish and distribute industry updates, event information, commentaries and other content regularly on social media and through emails to showcase our scientific expertise and increase our brand awareness. Moreover, we leverage a number of high-profile publications to drive our key marketing initiatives and advertising.

In addition, we actively organize, sponsor and participate in various industry and academic conferences both in China and overseas to increase our visibility and promote our brand. Since 2017, we have organized over 40 seminars, webinars and symposiums, and sponsored over 60 exhibitions and trade shows in China, the United States and Europe, including the BIO International Convention, the DIA China Annual Meeting and the Clinical Trial Europe Conference. We also actively participate in a variety of China and overseas academic conferences such as the China Society of Clinical Oncology Annual Meeting and the Biopôle Community Life Science Summit. Our senior management is actively involved in managing our marketing and branding activities and maintaining direct relationships with our key customers.

We have maintained a well-trained in-house marketing team that works closely with other departments such as business development and public relations to formulate and execute marketing plans. As of March 31, 2020, our marketing team consisted of 13 employees who are mainly based in China.

Business Development

Our business development team is responsible for acquiring and managing customer relationships and growing our businesses across all our service offerings. Through our systematic and targeted business development efforts, we focus on cultivating long-term relationships with our customers to capture more business opportunities and continuously expand our customer base to drive sustainable growth.

Our business development efforts focus on attracting both Chinese and global customers with our leading clinical trial solutions. In addition, we also promote site management and patient recruitment, data management and statistical analysis, and other clinical-related services and laboratory services, with a goal to provide our customers with tailored and integrated support throughout their biopharmaceutical R&D process. Our comprehensive service offerings allow us to benefit from cross-selling opportunities as our customers continue to seek various services throughout their R&D process.

Most of our business development activities are conducted by our professional teams based in China as well as through U.S. based employees of Frontage Group. As of March 31, 2020, our business development team consisted of 143 employees. Leveraging our global business development capabilities, we work closely across different geographic markets to attract and serve customers with cross-border service needs and expand our customer base across key markets around the globe. For example, our business development teams in China and Europe had successfully won MRCT projects sponsored by Chinese pharmaceutical companies and conducted in the two regions.

We market our biopharmaceutical R&D services directly to pharmaceutical and biotechnology companies as well as other customers through business development efforts targeted at their senior management and R&D leaders. We leverage our premium brand reputation, strong scientific expertise, stringent quality control and proven track record of project management, execution and delivery to attract customers to our services. Our business development team is responsible for following up on leads generated through our marketing initiatives and engaging prospective customers through meetings and other events to discuss potential opportunities for collaboration. Once a business opportunity is identified, the business development team liaises between the customer and internal operations to facilitate discussions. During this process, our well-trained business development team works closely with our scientific and technical specialists to prepare service proposals and secure customer orders.

We value our relationships with key customers and our business development team is responsible for maintaining long-term relationships with key customers and identifying potential strategic alliances. We have established a dedicated team of strategic alliance directors, with each member assigned to coordinate with a few key customers. Our strategic alliance directors are responsible for ensuring timely and effective communications with our customers and efficiently allocating project resources based on customer needs, delivering consistently superior customer experience and exploring strategic cooperation. Furthermore, our business development team seeks to identify potential strategic alliances with relevant industry players such as non-competitor CROs that offer complimentary services.

OUR CUSTOMERS

Overview

We enjoy a high level of customer loyalty and have developed long-term relationships with many of our customers. We provided services to 1,570, 1,788, 1,898 and 1,232 customers in the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020.

In 2019, we provided services all of the top 20 global pharmaceutical companies and the top ten Chinese pharmaceutical companies by revenues according to Frost & Sullivan. Out of our five largest customers in the three months ended March 31, 2020, two companies are headquartered in China, and three companies are headquartered in the United States.

Most of our customers are pharmaceutical and biotechnology companies, including global and Chinese blue-chip pharmaceutical companies and small-to-medium-sized biotechnology companies.

During the Track Record Period, we achieved a 100% year-over-year customer retention rate for our top ten customers. Our revenue generated from our top ten customers amounted to RMB506.3 million, RMB617.3 million, RMB875.7 million, RMB180.4 million and RMB206.4 million for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, respectively. In 2017, 2018, 2019 and the three months ended March 31, 2020, our top ten customers together accounted for 30.1%, 26.8%, 31.2% and 31.5% of our total revenue in each period.

The total revenue generated from our five largest customers increased from RMB325.2 million for the year ended December 31, 2017 to RMB405.8 million for the year ended December 31, 2018, and further to RMB573.7 million for the year ended December 31, 2019. In the three months ended March 31, 2019 and 2020, the total revenue generated from our five largest customer were RMB119.6 million and RMB139.2 million. In 2017, 2018, 2019 and the three months ended March 31, 2020, our five largest customers together accounted for 19.3%, 17.7%, 20.5% and 21.3%, respectively, of our total revenue, and our largest customer accounted for 5.8%, 4.9%, 4.7% and 6.6%, respectively, of our total revenue. For risks related to any loss of key customers, see "Risk Factors – Risks Relating to Our Business and Industry – The potential loss of key customers or any of our large contracts could materially and adversely affect our business, financial condition and results of operations." for more information.

The following tables set forth certain information about our five largest customers in terms of revenue generated in 2017, 2018, 2019 and the three months ended March 31, 2020, respectively.

			In the year ended December 31, 2017		
Customers	**Years of relationship as of December 31, 2017**	**Principal Business**	**Services Provided**	**Revenue**	**Revenue Contribution**
				(RMB in millions)	*(%)*
Customer A	10	Pharmaceutical R&D and manufacturing	data management and statistical analysis	97.8	5.8%
Customer B	4	Pharmaceutical R&D and manufacturing	data management and statistical analysis	88.1	5.2%
Customer C	6	Pharmaceutical R&D and manufacturing	laboratory services	54.8	3.3%
Customer D	5	Pharmaceutical R&D and manufacturing	clinical trial solutions	42.4	2.5%
Customer E	8	Freight transportation	cold-chain logistics[(1)]	42.1	2.5%
Total				325.2	19.3%

Note:

(1) Provided through Shanghai Shengtong, which we disposed of in 2019.

			In the year ended December 31, 2018		
Customers	**Years of relationship as of December 31, 2018**	**Principal Business**	**Services Provided**	**Revenue**	**Revenue Contribution**
				(RMB in millions)	*(%)*
Customer A	11	Pharmaceutical R&D and manufacturing	data management and statistical analysis	113.0	4.9%
Customer B	5	Pharmaceutical R&D and manufacturing	data management and statistical analysis	103.3	4.5%
Customer I	9 months	Bioequivalence Studies	laboratory services and clinical trial solutions	68.0	3.0%
Customer C	7	Pharmaceutical R&D and manufacturing	clinical trial solutions	67.7	3.0%
Customer F	11	Pharmaceutical R&D and manufacturing	clinical trial solutions	53.8	2.3%
Total				405.8	17.7%

			In the year ended December 31, 2019		
Customers	Years of relationship as of December 31, 2019	Principal Business	Services Provided	Revenue	Revenue Contribution
				(RMB in millions)	*(%)*
Customer B	6	Pharmaceutical R&D and manufacturing	data management and statistical analysis	131.8	4.7%
Customer A	12	Pharmaceutical R&D and manufacturing	data management and statistical analysis	123.1	4.4%
Customer H	7	Pharmaceutical R&D and manufacturing	clinical trial solutions	115.7	4.1%
Customer I	2	Bioequivalence studies	laboratory services and clinical trial solutions	112.3	4.0%
Customer J	5	Pharmaceutical R&D and manufacturing	clinical trial solutions	90.8	3.3%
Total				573.7	20.5%

			In the three months ended March 31, 2020		
Customers	Years of relationship as of March 31, 2020	Principal Business	Services Provided	Revenue	Revenue Contribution
				(RMB in millions)	*(%)*
Customer B	7	Pharmaceutical R&D and manufacturing	data management and statistical analysis	43.0	6.6%
Customer J	6	Pharmaceutical R&D and manufacturing	clinical trial solutions	26.5	4.0%
Customer C	9	Pharmaceutical R&D and manufacturing	clinical trial solutions	24.0	3.7%
Customer A	13	Pharmaceutical R&D and manufacturing	data management and statistical analysis	23.3	3.6%
Customer H	8	Pharmaceutical R&D and manufacturing	clinical trial solutions	22.4	3.4%
Total				139.2	21.3%

During the Track Record Period, all of our five largest customers were independent third parties. None of our Directors, their respective associates, or Shareholders who, to the knowledge of our Directors, own 5.00% or more of our issued share capital had any interest in any of our five largest customers during the Track Record Period.

Key Terms of Customer Services Agreements

We generally enter into master service agreements with our customers for our services. Our service agreements typically have a term ranging from one to five years and set forth general rights and obligations of the parties. Services for each project under a service agreement will typically be provided pursuant to a separate and distinct work order, which sets forth the scope of services, with detailed terms and provisions governing the reporting and transfer of relevant data and project results, intellectual property rights, pricing and payment terms. We also enter into project-based service contracts with certain customers. Such project-based contracts set forth project requirements, the project management regime, the project schedule, development and/or manufacturing steps, pricing and payment terms, intellectual property rights and termination rights. Our service agreements, project-based service contracts and work orders are legally binding.

Our customers typically retain ownership of all intellectual property associated with their projects, including both intellectual property they provide to us and that arise from the services we provide, except for intellectual property created or developed in connection with the provision of our services that is derived on our own or that relates to manufacturing processes developed at our expense.

We typically bill our customers based on the payment schedule specified and the nature of the services provided in our service contracts and work orders. To determine the appropriate credit period and terms, we generally evaluate the credit history of our customers before entering into service contracts and typically grant them a credit term ranging from 30 to 90 days, based on a range of factors including the length of our customer relationship, types of services and market practices. The credit terms we grant to our customers are in line with industry norm, according to Frost & Sullivan. For a discussion of our working capital cycle, please see "Financial Information – Liquidity and Capital Resources – Working Capital".

Generally, our customers, and in some cases we as well, have the right to terminate a service agreement or project-based service contract or a work order under the service agreement without cause by giving written notice 30 to 60 days in advance. In addition, each party typically has the right to terminate the service agreement or project-based service contract or work order under the service agreement immediately upon notice to the other party if a material breach by the other party is not curable or remains uncured for 30 days after notice of the material breach is received by the other party. If a customer terminates a project-based service contract or a work order, the customer is typically obliged to pay for services already performed and expenses already incurred or irrevocably committed up to the date we receive the termination notice. Under certain circumstances, the customer is also obliged to pay a fixed termination fee. During the Track Record Period, there were no material breaches in our service agreements, project-based service contracts or work orders either on our part or the part of our customers, and there was no material termination of or material loss-making projects. We actively monitor the progress of each project and regularly communicate with our customers to mitigate risks of contractual disputes. Specifically, in case of a material cost overrun, we usually engage in good faith negotiations with our customers to revise our fees.

Customer Support

To facilitate project management and customer communication, we have designated a specific project manager to be in charge of each project execution. The project manager is responsible for internal coordination of the different departments involved on each project, and interact with our customers on a regular basis, handling their inquiries and complaints. We conduct customer satisfaction surveys and use measurable key performance indicators to evaluate and improve our service quality.

OUR SUPPLIERS

Given our broad range of services, we procure a wide variety of consumables and equipment, mainly for our clinical trial solutions and clinical related and laboratory services. The consumables and equipment are generally available from various suppliers in quantities adequate to meet our needs. Our suppliers are primarily located in China or the United States. We have established stable relationships with many of our key suppliers. As of March 31, 2020, our five largest suppliers in the three months ended March 31, 2020 had less than one year to 13 years of relationship with us. Our suppliers include subcontractors to whom we outsource a portion of our services based on business needs in compliance with relevant laws and regulations. For details of our subcontractors, see "– Our Subcontractors."

The total amount purchased from our five largest suppliers amounted to RMB101.3 million, RMB101.8 million, RMB65.9 million, RMB21.9 million and RMB13.3 million for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, respectively. In 2017, 2018, 2019 and the three months ended March 31, 2020, the total amount purchased from our five largest suppliers together accounted for 19.0%, 14.5%, 9.0% and 9.8%, respectively, of our total procurements amount, and our largest supplier accounted for 8.9%, 6.8%, 3.6% and 2.6%, respectively, of our total procurement amount during such periods.

We select our suppliers based on a variety of factors, including their qualification, reputation, pricing, and overall services. We perform thorough due diligence on our suppliers, regularly monitor and review their performance and conduct annual on-site audits.

None of our Directors, their respective associates, or Shareholders who own 5% or more of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period. During the Track Record Period, none of our major suppliers was also our customer.

We generally enter into long-term supply agreements or project-based supply agreements with our suppliers. These supply agreements set forth the standard criteria, key performance metrics we require to evaluate the capacity of the supplier and the quality of their products and services, delivery schedule and terms of pricing and payment. Our suppliers typically charge us upon delivery of the procured supplies based on the delivery schedule and payment terms set forth in the relevant supply contracts. Our suppliers typically extend to us credit terms ranging between 30 to 60 days, which are in line with industry norm. For a discussion of our working capital cycle, please see "Financial Information – Liquidity and Capital Resources – Working Capital". Pursuant to the payment clauses set out in the relevant supply agreements, we typically pay our suppliers via wire transfer or bank draft. We typically have the right to terminate a supply contract when our suppliers fail to cure a material breach within a certain period of time. We may also terminate a supplier contract if the quality of products does not meet the required specifications or the delivery is materially delayed. For a description of the key contractual terms with our subcontractors, see "– Our Subcontractors."

During the Track Record Period and up to the Latest Practicable Date, we did not have any disputes with our suppliers or experience any material breach of our supply agreements. To the best of our knowledge, as of the Latest Practicable Date, there was no information or arrangement that would lead to termination of our relationships with any of our major suppliers.

OUR SUBCONTRACTORS

Due to specific requests from our customers as well as business and compliance considerations, we outsource a portion of our projects to third parties from time to time, which is in line with industry norm, according to Frost & Sullivan. For example, certain steps in some of our projects require services we currently do not provide, hence we engage qualified subcontractors to perform such services. Moreover, as Chinese law requires that all clinical trials be conducted at hospitals, we subcontract the actual clinical trial execution of our projects in China to hospitals. In our collaboration with hospitals, we serve as the customer's contact person and are in charge of project management and monitoring. We also provide standard operating procedure compliant with both U.S. and NMPA regulations and other training, management, quality control and administrative services, while the hospitals provide the site as well as the staff required for the clinical trial.

For the years ended December 31, 2017, 2018, 2019 and the three months ended March 31, 2019 and 2020, we incurred RMB277.9 million, RMB352.8 million, RMB257.8 million, RMB76.9 million and RMB43.5 million, respectively, for subcontracted services. In 2017, 2018, 2019 and the three months ended March 31, 2020, the total amount of subcontracted services accounted for 28.9%, 27.0%, 17.0% and 11.9% of our total cost of services for the same periods. The total amount purchased from our five largest subcontractors amounted to RMB91.9 million, RMB88.7 million, RMB45.1 million, RMB21.7 million and RMB9.2 million in 2017, 2018, 2019 and the three months ended March 31, 2019 and 2020, respectively. In 2017, 2018, 2019 and the three months ended March 31, 2020, the total amount of subcontracted services from our five largest subcontractors accounted for 17.3%, 12.6%, 6.2% and 2.5% of our total procurement amount during such periods. Our largest subcontractor accounted for 8.9%, 6.8%, 1.8% and 1.7%, respectively, of the total procurement amount during such periods.

During the Track Record Period, all of our five largest subcontractors were independent third parties. None of our Directors, their respective associates, or Shareholders who, to the knowledge of our Directors, own 5% or more of our issued share capital had any interest in any of our five largest subcontractors during the Track Record Period.

We carefully select our subcontractors based on a variety of factors, including their qualifications, reputation, pricing and overall service capabilities. We perform thorough due diligence on our subcontractors, regularly monitor and review their performance and conduct annual on-site audits.

We generally enter into master service agreements with our subcontractors for a term of one to three years. We authorize subcontractors to reach out to and engage other third parties as necessary to perform such services with our prior consent. We require our subcontractors to deliver their services in an efficient and cost-effective manner and comply with relevant laws and professional standards. Typically, payments are made to our subcontractors in accordance with the pricing terms and payment schedule set out in our service agreements or work orders. Our subcontracting agreements are generally terminable by us upon customary events of default.

THIRD PARTIES WHO WERE OUR CUSTOMERS AND ALSO OUR SUBCONTRACTORS

One of our five largest customers in 2019 was also our subcontractor and three, two, three and three of our five largest subcontractors in 2017, 2018, 2019 and the three months ended March 31, 2020 were also our customers in 2017, 2018, 2019 and the three months ended March 31, 2020, respectively. For the years ended December 31, 2017, 2018, 2019 and the three months ended March 31, 2020, the revenue we generated from these third parties accounted for 0.1%, 0.01%, 4.0% and 4.9% of our total revenue, respectively. During the same periods, the total amount we purchased from these third parties accounted for 3.7%, 2.0%, 4.0% and 3.2% of our total procurement amount, respectively. During the Track Record Period, we primarily procured clinical trial support services from such subcontractors which included a hospital and other healthcare companies, and offered them certain clinical trial operations and related services. We entered into transactions with such third parties as we offer a diversified range of services addressing varying needs of healthcare industry participants across China including such subcontractors, and at the same time, require services from qualified subcontractors to support our clinical trial solutions. Negotiations of the terms of our sales to and purchases from such third parties were conducted on an individual, arms-length basis, and the sales and purchases were not inter-conditional upon each other. To the best of our knowledge, the terms of such transactions are generally in line with market practices and similar to transactions we entered into with our other customers and subcontractors.

RESEARCH AND DEVELOPMENT

We are committed to providing services for new drug research and development and other supporting services to global and Chinese pharmaceutical and biotechnology companies. We mainly focus our research and development efforts on improving the quality and efficiency of our services to address the increasing complexity of biopharmaceutical R&D process. We devote a certain portion of resources to continuously improve our scientific and technical capabilities by upgrading and developing technologies and methodologies. As of the Latest Practicable Date, we had intellectual property rights to over 20 independent R&D systems, including clinical monitoring management, trial information management, clinical management portal, risk management and contract management systems. We have built both private and public cloud systems for data management and established our Remote Disaster Recovery Center on Amazon Web Services platform that automatically archives, files, hierarchically stores and recovers our data. To cultivate a high-quality talent pool and ensure delivery of professional services, we have developed an online training system that provides online training courses, facilitates on-site training assignment and tracks, evaluates and reports each employee's training progress.

Moreover, we established our innovation center primarily to promote innovation in our services, management and technology and to cultivate our core competitiveness. Our innovation center provides an open platform for employees to propose new service solutions to address customers' unique needs, give feedbacks and suggestions on business management and develop and employ new technologies, such as big data, cloud computing, and AI applications in daily operations to improve our operational efficiency.

We do not have a dedicated research and development department. Instead, as of March 31, 2020, we had 521 R&D personnel from our project operation teams who are engaged in the development of our trial information management, IT infrastructure and other technology related activities. Our R&D personnel include 11 Ph.Ds and 458 holders of bachelor or above degrees, most of whom have extensive working experience in clinical CRO and related fields. Our research and development expenses primarily consist of staff costs relating to our R&D personnel. In 2017, 2018, 2019 and the three months ended March 31, 2019 and 2020, our research and development expenses amounted to RMB49.7 million, RMB88.0 million, RMB124.0 million, RMB31.6 million and RMB34.2 million, respectively, representing 3.0%, 3.8%, 4.4%, 5.2% and 5.2% of the revenue in the same periods.

EMPLOYEES

As of March 31, 2020, we had a total of 5,177 employees. The table below sets forth a breakdown of our employees by function and by region as of March 31, 2020.

Function	PRC	Asia Pacific (excluding PRC)	North America	Europe	Total
Project operations	4,092	206	369	23	4,690
Marketing and business development	117	10	22	2	151
Management and administration	249	30	49	8	336
Total	4,458	246	440	33	5,177

In compliance with applicable labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. These employment contracts typically have terms of three years. We also make contributions to social insurance funds for our Chinese employees in the PRC, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund. See "– Legal Compliance" for more information.

We focus on recruiting talent directly from college. Moreover, to educate and train medical talent in China, we launched *Tigermed Institute* with 20 universities, providing college students with hands-on training in clinical trial operations. To remain competitive in the labor market, we provide various incentives and benefits to our employees. We invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, bonus, share scheme and other means to attract, motivate, retain and reward our employees. Our share incentive scheme covered all of our employees who had worked for us for at least three years. For further details of our Share Purchase Scheme and Restricted Share Scheme, see "Appendix VI – Statutory and General Information."

In support of our growth, we regularly review our capabilities and adjust our workforce to ensure we have the right mix of expertise to meet the demand for our services. We believe that our reputation, work environment, training system, remuneration package and employee share scheme help us attract qualified candidates. We have established a labor union that represents employees with respect to the promulgation of bylaws and internal protocols in China.

We require all of our employees, especially those involved in sales and marketing and business development activities, to abide by our anti-bribery and anti-corruption compliance requirements and applicable laws and regulations to eliminate bribery and corruption risks. The chairman of our Supervisory Committee, with the assistance of a designated supervisor, is

responsible for the overall supervision of our employees' compliance with anti-bribery and anti-corruptions policies. We provide regular training on anti-bribery and anti-corruption compliance requirements, regulatory updates and practical points to our employees to ensure their compliance.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes, labor disputes or industrial action which had a material effect on our business, and we consider our relationships with our employees to be good.

OUR FACILITIES AND OFFICES

We are headquartered in Hangzhou, Zhejiang Province, China. The following table sets forth a summary of our major facilities and offices as of the Latest Practicable Date.

Site Location	Operations Conducted/ Services Provided	Owned/ Leased	Area (sq.m.)
Hangzhou, China	Company headquarters	Leased	6,650.4
Beijing, China	Offices	Leased	2,219.5
Shanghai, China	Offices	Leased	2,554.2
Jiaxing, China	Offices	Owned	24,628.2
Zhangjiang Hi-Tech Park, Shanghai, China	Laboratory services	Leased	3,928.9
China (Shanghai) Pilot Free Trade Zone	Laboratory services	Leased	1,483
Suzhou, China	Laboratory services	Leased	3,321.9
Concord, Ohio, the United States	Laboratory services	Owned	84,801.9
Exton, Pennsylvania, the United States	Frontage headquarters and laboratory services	Leased	7,432.2
Exton, Pennsylvania, the United States	Offices and laboratory services	Leased	9,556.0

Our leased and owned facilities are mainly used as our offices or for conducting laboratory services and certain other clinical-related services such as data management and statistical analysis. Our clinical trial solutions and other clinical-related services, such as site management, are mainly provided at hospitals owned or operated by third parties.

PROPERTIES

As of the Latest Practicable Date, we had 116 offices, laboratory and other facilities in China and overseas. We own five of these properties and lease the remaining 111 properties.

PRC Properties

As of the Latest Practicable Date, we owned a parcel of land of approximately 12,240 sq.m. in Zhejiang, China and four properties in China, which have a total GFA of approximately 25,171.3 sq.m. We have obtained the title as well as building ownership certificates for all of such properties we owned. The owned properties are not used to secure for any debt.

As of the Latest Practicable Date, among the 81 properties we leased in China, the property ownership certificates for 73 properties with a total GFA of approximately 39,244.5 sq.m. have been obtained by the lessors. The ownership certificate of one property with a GFA of 900 sq.m. has yet to be obtained by the lessor, while the land use certificate and relevant permit for construction from competent authorities have been obtained. As of the Latest Practicable Date, the remaining seven of the properties have title defects that may adversely affect our ability to continue to use them in the future. The total GFA of these defective properties, which are used as offices, is approximately 1,040.2 sq.m., representing 2.53% of our total GFA for leased properties. Should disputes arise due to title encumbrances to such properties or government action, we may encounter difficulties in continuing to lease such properties and may be required to relocate.

As of the Latest Practicable Date, we were not aware of any challenge by a third party or government authority on the titles of any of these leased properties that might affect our current occupation. In the unlikely event of a forced exit from these properties, we believe we would be able to find properties with similar size and amenities in nearby locations without significant obstacles. Our Directors believe that relocation will not have a material adverse impact on our business, financial position and results of operation. As advised by our PRC Legal Advisor, the total gross floor area of these properties only accounts for 2.53% of that of the total properties for lease as of the Latest Practicable Date. The lessors of all of these properties have provided us with commitment letters to compensate for any loss due to title defects. Such title defects are related to properties used as offices with available alternatives. The lack of certain certificates and approvals will not have a material adverse effect on our financial conditions or results of operations as a whole.

As of the Latest Practicable Date, the lease agreements with respect to 80 properties we lease in the PRC for our business operations had not been registered with the relevant PRC government authorities. As advised by our PRC Legal Advisor, failure to register such lease agreements with relevant PRC government authorities does not affect the validity and enforceability of the relevant lease agreements, but the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so within the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease agreement. During the Track Record Period and as of the Latest Practicable Date, we had not received any such request from or suffered any such fine imposed by the relevant PRC governmental authorities. Our PRC Legal Advisor is of the view, and the Directors concur, that this will not have a material adverse impact on our business or results of operations. See "Risk Factors – Risks Relating to Our Business and Industry – We may face penalties for the non-registration of our lease agreements in China."

Overseas Properties

As of the Latest Practicable Date, we owned a piece of freehold land of 20.955 acres located in Concord, Ohio, the United States, and we also leased 30 properties outside of China for our overseas offices and facilities with a total GFA of approximately 27,000 sq.m.

AWARDS AND RECOGNITIONS

The table below sets forth an indicative list of some of the awards and recognitions we have received as of the Latest Practicable Date.

Awards/Recognitions	Recipient	Award Year	Awarding Organization/ Authority
China CRO Customer Value Leadership Award	the Company	2020	Frost & Sullivan
Asia's Best Under A Billion	the Company	2019	Forbes Magazine
Taurus Award for Listing Companies in China	the Company	2018	China Securities Journal
China Best Outsourcing Customer Contact Center Awards, New Prominent of the Industry	Hangzhou Simo	2018	International Contact Center & BPO Expo, China
Most Valuable Partner	Hangzhou Simo	2018	Sanofi China
Forbes Top 100 China Listed Company (Growth Enterprise Board)	the Company	2018	Forbes Magazine
Forbes Top 100 China Listed Potential Company	the Company	2017	Forbes Magazine
Eli Lilly Global Supplier Award	the Company	2016	Eli Lilly and Company
MSD Outstanding Service Supplier Award	the Company	2016	Merck Sharp & Dohme Corporation

SPIN-OFF OF DREAMCIS

DreamCIS completed its listing on the Korean Securities Dealers Automated Quotations of the Korea Exchange on May 22, 2020. We believe the listing of DreamCIS would provide DreamCIS with access to additional capital raising channels to improve its financial profile and business performance, enhance its market reputation, and support its future business development and expansion, which will in turn benefit the Company as the majority shareholder of DreamCIS.

Established in 2000, DreamCIS is a leading clinical CRO in Korea. DreamCIS offers comprehensive R&D services to biopharmaceutical companies, including clinical trial operations, post-marketing surveillance and data management in Korea. Please see below DreamCIS' revenue, profit (loss) before tax and assets as well as their respective percentage of our Group's revenue, profit before tax and assets during the Track Record Period.

	For the year ended or as of December 31,					
	2017		2018		2019	
	RMB[(1)]	%	RMB[(1)]	%	RMB[(1)]	%
	(in million, except for percentages)					
Revenue	94.7	5.6	117.4	5.1	137.6	4.9
Profit (loss) before tax	(6.0)	–	22.3	2.9	27.9	2.6
Asset	82.7	2.2	108.3	2.4	158.1	2.1

Note:

(1) Translation from KRW to RMB is made at KRW158.23 to RMB1.00, which is the exchange rate on as at December 31, 2019.

Following the spin-off, we remain as the majority shareholder of DreamCIS and will continue to consolidate its financial statements.

We believe the spin-off will not materially prejudice the interest of our Shareholders because:

- the spin-off is not expected to materially impact our financial results because we will continue to consolidate DreamCIS' financial results after the spin-off; and

- although DreamCIS will operate independently from us after the spin-off, we will continue to control the development of DreamCIS as part of our overall global expansion strategies after the spin-off as its majority shareholder.

We plan to continue to develop DreamCIS's businesses to capitalize opportunities arising from the increasing globalization of economies, businesses and capital markets and to expand our footprint in the global market.

COMPETITION

The global biopharmaceutical R&D market is highly competitive. The ten largest clinical CROs by revenue accounted for 64.9% of the global clinical CRO market in 2019, according to the Frost & Sullivan Report. Among them, we are the only China-based clinical CRO. In China, the five largest clinical CROs by revenue accounted for 31.0% of the total clinical CRO market in China in 2019, according to the Frost & Sullivan Report. We were the largest clinical CRO in China in terms of revenue in China's clinical CRO market in 2019 with a market share of 8.4% in 2019.

We face competition from a substantial number of large, established, multinational CROs that are able to provide a range of services to meet the demands of a large number of complex and challenging projects simultaneously. These companies include U.S.-based companies such as IQVIA Holdings, Parexel, Laboratory Corporation, Syneos Health, PPD and PRA Health, Ireland-based company ICON, and China-based companies such as Fountain-Med and WuXi AppTec. We also face competition from a substantial number of small-to medium-sized CROs, including both multinational and local players. In addition, we face competition from in-house departments of biopharmaceutical companies. For more details regarding our competitive landscapes, see "Industry Overview – Competitive Landscape in the Clinical CRO Market" and "Risk Factors – Risks Relating to our Business and Industry – We face increasing competition and our inability to compete effectively may result in downward pricing pressure and reduced demand for our services."

We believe that we will be able to distinguish ourselves and maintain the competitiveness of our services in the CRO market primarily through, among other things, (i) our leadership in China's clinical CRO market with comprehensive services, including SMO, medical device CRO and data management and statistical analysis services, and an expanding global footprint, and (ii) our industry-leading quality standards and project delivery capabilities. We believe our leadership in China's clinical CRO market, comprehensive and integrated services, and expanding global footprint help us deepen our relationships with our customers as they continue to seek leading biopharmaceutical R&D partners to advance their R&D projects in China and across the globe. This will also increase our customers' loyalty, which in turn allows us to maintain our pricing power despite the competitive market environment. See "– Our Strengths".

INTELLECTUAL PROPERTY

Intellectual property rights are important to our business. We develop and use a number of proprietary methodologies, analytics, systems, technologies, trade secrets, know-how and other intellectual property during the conduct of our business. As of March 31, 2020, we had 44 registered trademarks, 18 registered patents, and 377 software copyrights in mainland China. We also had seven registered trademarks in Hong Kong and overseas and one registered patent as of March 31, 2020. See "Statutory and General Information – 2. Further Information about Our Business – B. Our Material Intellectual Property Rights" in Appendix VI to this Prospectus for further details of our material intellectual property rights. We also maintain various licenses to use the intellectual property of third parties which facilitates our clinical trial and other operations.

The protection of our customers' intellectual property is essential to our business, and has been one of our highest priorities since our inception. Our employees are bound by confidentiality obligations under their employment contracts and are prohibited from disclosing our intellectual property or that of our customers. We also periodically provide training on intellectual property protection to our employees. We apply encryption technologies to enhance security, and our working areas can only be accessed by authorized personnel.

During the Track Record Period and up to the Latest Practicable Date, none of our employees breached the confidentiality obligations under their employment contracts in a material respect. Moreover, during the Track Record Period and up to the Latest Practicable Date, we were not subject to, nor were we party to, any intellectual property rights infringement claims or litigations and were not aware of any material infringement of our intellectual property rights that had or could have a material adverse effect on our business. We had complied with all applicable intellectual property laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. See "Risk Factors – Risks Relating to our Business and Industry – We may not be successful in protecting our customers' or our own intellectual property".

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

Our operations and facilities are subject to extensive environmental protection and health and safety laws and regulations, which govern, among other things, the generation, storage, handling, use and transportation of hazardous materials and the handling and disposal of hazardous waste generated at our facilities. These laws and regulations generally impose liability regardless of the negligence or fault of a responsible party.

Environmental Protection and Energy Saving

As a socially responsible company, we are committed to environment protection. We have established a comprehensive set of internal policies regarding environmental protection in compliance with applicable laws and regulations, including those related to the disposal of hazardous wastes, blood borne pathogen control, chemical safety, animal welfare and green office management. We have adopted and implemented detailed guidelines for waste disposals, and designated a waste disposal department to record, monitor and pre-treat hazardous wastes at our facilities. During our operations, we pre-treat toxic wastes using various chemical, biological and physical methods. For example, we dilute and neutralize our toxic acidic and alkaline wastes and inactivate biological wastes before disposal. In addition, we engage various external contractors in relation to the disposal of hazardous wastes in compliance with applicable laws and regulations.

We promote green office management and are committed to energy and resource conservation. We monitor our electricity and water usage, conduct regular inspections of office equipment to check for abnormal conditions and take other measures to improve energy efficiency in our offices and facilities. We also endeavor to cultivate our staff's energy-saving habits. For example, we post slogans such as "turn off the lights" and "save water" in eye-catching areas in our offices to enhance our employees' awareness of energy saving.

Occupational Health, Safety and Employee Wellness

We are committed to complying with PRC and other applicable regulatory requirements, ensuring the health, safety and wellness of our employees, our facilities and surrounding communities. We have adopted implemented a comprehensive set of work safety guidelines setting out safety practices, accident prevention, and accident reporting and handling. For new employees, we require them to participate in our safety training to familiarize themselves with the relevant safety rules and procedures. In light of the COVID-19 outbreak, we have implemented various protection policies for our employees to work remotely and onsite with protective masks and sanitization supplies to ensure their well-being. We care deeply about employees, and have established the Employee Assistance Program to help employees cope with work related pressures and enhance their professional and personal development with our company.

We plan to adopt and implement a set of more concrete policies on environment, social and governance in consistent with industry standards and in compliance with the requirements of the Listing Rules within a period of 12 months from the Listing. Moreover, we will also establish internal training programs on environment, social and governance compliance requirements, regulatory updates and practicable points to our employees within a period of 12 months from the Listing.

For the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, our total cost of compliance with environmental protection and health and safety laws and regulations was approximately RMB4.6 million, RMB6.2 million, RMB7.4 million and RMB2.8 million. These costs did not include historical capital expenditures for our plants and equipment that may be attributable to such compliance. We do not expect our costs of complying with current and future environmental protection and health and safety laws to increase significantly going forwards. However, because the requirements imposed by these laws and regulations may change, we may be unable to accurately predict the cost of complying with these laws and regulations. See "Risk Factors – Risks Relating to our Business and Industry – We are subject to environmental protection and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities, including consequences of accidental contamination, biological or chemical hazards or personal injury".

There have not been any material accidents in the course of our operation or any material claims for personal or property damages in connection with environmental protection, health or work safety against us during the Track Record Period and up to the Latest Practicable Date.

CERTIFICATES, PERMITS AND LICENSES

We are required to obtain and renew certain certificates, permits and licenses for providing our services. During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite certificates, permits and licenses that are material for our operation, and all of such certificates, permits and licenses are valid and up-to-date to the extent that they are still needed. We have not experienced any material difficulties in renewing such certificates, permits and licenses during the Track Record Period and up to the Latest Practicable Date, and do not expect to face any material difficulties in renewing them upon their expiry, if applicable. During the Track Record Period and up to the Latest Practicable

Date, we had not been penalized by any government authorities for any non-compliance relating to our material certificates, permits and licenses. See "Regulatory Overview" for more information about the material certificates, permits and licenses required for our business operations in the PRC, U.S. and other countries, and see "Statutory and General Information – 1. Further Information about Our Company – E. Summary of Our Certificates, Permits and Licenses" in Appendix VI to this Prospectus for further details of our key licenses, permits and certificates that we held and which are necessary for our business as at the Latest Practicable Date.

In addition, we have also obtained relevant qualifications and certificates in relation to the import and export business, such as the *Special Seal of the Customs of the People's Republic of China for the Recordation of the Consignee or Consignor of Imported or Exported Goods* and the *Registration Certificate of the Customs of the People's Republic of China for Customs Declaration Entities*. We believe we are in compliance with the terms of all our certificates, permits and licenses.

In the United States, we have not received any warning letters from the FDA and we are not subject to any administrative penalties during the Track Record Period.

INSURANCE

We maintain public liability insurance covering property loss, physical injuries or medical expenses involving third parties that occur on our premises; employer's liability insurance generally covering work-related death or injury of employees; professional liability insurance covering claims involving our customers or other third parties due to negligence in connection with our business operations; medical insurance and critical illness insurance covering unforeseen medical costs of our employees.

We do not maintain key-man life insurance for any member of our senior management, or business disruption insurance. While we believe that our insurance coverage is adequate and in line with the industry norms, it may, however, be insufficient to cover all claims for product liability, damage to our assets, plant and equipment or employee injuries. See "Risk Factors – Risks Relating to our Business and Industry – We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs".

RISK MANAGEMENT AND INTERNAL CONTROL

We recognize that risk management is critical to the success of our business. We believe that key operational risks faced by us include changes in the general market conditions and the regulatory environment of the global CRO market, our ability to offer quality services, our ability to manage our anticipated growth and to execute our growth strategies, our ability to compete in the industry and comply with regulations and industry standards. See "Risk Factors" for a discussion of various risks and uncertainties we face. We are also exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business.

In order to meet these challenges, our Audit Committee, which consists of three Directors, namely Mr. Liu Kai Yu Kenneth, Mr. Zheng Bijun and Dr. Yang Bo and is chaired by Mr. Liu Kai Yu Kenneth, is responsible for reviewing and supervising our financial reporting process, risk management and internal control system.

Information Technology and Data Security Risk Management

We consider information technology and data risk management crucial to the safety and security of our operations. We collect, analyze, store and transmit, often electronically, the data of our subjects and clinical trial results, and nearly all of which is confidential. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of data or agreements. Our IT team is responsible for ensuring that the usage, maintenance and protection of pre-clinical and clinical data comply with our internal rules and applicable laws and regulations. We provide regular training to our IT team and hold regular meetings to review our information technology operations, discussing any issues or necessary updates. Our data protection procedures are set forth in our internal data back-up policies. We back up our data in separate and various secured data back-up systems regularly to minimize the risk of data loss or leakage, and conduct frequent reviews of our back-up systems to ensure that they function properly and are well maintained. We have also built Ipsec virtual private network among Beijing, Hangzhou, Shanghai and Jiaxing and established our Remote Disaster Recovery Center on Amazon Web Services platform. Therefore, we normally hold three copies of data in our system to prevent data loss and enhance data security.

Financial Reporting Risk Management

We maintain a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, budget management policies, liability policies, financial statements preparation policies and finance department and staff management policies. We have various procedures and IT systems to implement our accounting policies, and our finance department reviews our management accounts accordingly. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and strictly enforce them in our daily operations.

Human Resource Risk Management

We have set a number of standard operation procedures for human resource management in China and overseas, including the employee management system, training manuals, and human resource planning policies. These measures aim to mitigate our risks in insufficient recruitment, staff attrition, non-compliance with labor regulations, employee information management and others.

Internal Control

Our Board is responsible for establishing and maintaining an effective internal control system. During the Track Record Period, we have regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

We have adopted various measures and procedures regarding each aspect of our operations, such as protection of intellectual property, environmental protection and occupational health and safety. We provide periodic training on these measures and procedures to our employees as part of our employee training program. We also regularly monitor the implementation of those measures and procedures through our on-site internal control team for each stage of the produce development process.

Our Directors (who are responsible for overseeing our corporate governance) with assistance from our legal advisors, will periodically review our compliance status with all relevant laws and regulations after the Listing.

- We have established the Audit Committee which shall (i) make recommendations to our Directors on the appointment and removal of external auditors; (ii) review our financial statements and oversee our financial reporting and internal audit; and (iii) oversee our risk management and internal control procedures. For more details, see "Directors, Supervisors and Senior Management – Board Committees – Audit Committee."

- We have engaged Somerley Capital Limited as our compliance advisor to provide advice to our Directors and management team until the date of distribution of the annual report of the financial results of our Group for the first full financial year after the Listing regarding matters relating to the Listing Rules.

- We have engaged a PRC law firm to advise us on and keep us abreast with PRC laws and regulations after the Listing. We will continue to arrange various training to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, supervisors, senior management and relevant employees on the latest applicable laws and regulations.

- We maintain strict anti-corruption policies among our sales personnel and distributors in our sales and marketing activities. We also monitor to ensure that our marketing personnel comply with applicable promotion and advertising requirements, which include restrictions on promoting our products for unapproved uses or patient populations, also known as off-label use, and limitations on industry-sponsored scientific and educational activities.

- We will continue to seek advice from law firms in the United States, Korea and other jurisdictions where we currently operate or may operate in the future to keep us abreast of applicable local laws and regulations after the Listing. We will continue to arrange various trainings to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management, and relevant employees on the latest laws and regulations in the jurisdictions in which we currently operate or may operate in the future.

LEGAL AND COMPLIANCE MATTERS

Legal Proceedings

We may from time to time be involved in contractual disputes or legal proceedings arising out of the ordinary course of business or pursuant to governmental or regulatory enforcement actions. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any claims, damages or losses which would have a material adverse effect on our financial position or results of operations as a whole. As of the Latest Practicable Date, no material litigation, arbitration or administrative proceedings, which as a whole would have a material adverse effect on our financial position or results of operations, had been threatened against us.

Legal Compliance

During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our business as a whole.

Failure to Make Full Contributions to Social Insurance and Housing Provident Funds

During the Track Record Period and as of the Latest Practicable Date, social security insurance and housing provident fund contributions for some of our employees had not been made in full by our Company and some of our PRC subsidiaries in accordance with the relevant PRC laws and regulations. We were unable to make full social security insurance and housing provident fund contributions for some of our employees primarily because certain of our employees were not willing to bear the costs associated with social security insurance and housing provident funds strictly in proportion to their actual salary. Pursuant to relevant PRC laws and regulations, the under-contribution of social insurance within a prescribed period may subject us to a daily overdue charge of 0.05% of the delayed payment amount. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount. Pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

As of the Latest Practicable Date, no administrative action or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions, nor had we received any order to settle the deficit amount. Moreover, as of the Latest Practicable Date, we were not aware of any complaint filed by our employees regarding our social security insurance and housing provident fund policy.

Pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018 by the Ministry of Human Resources & Social Security, administrative enforcement authorities are prohibited from organizing and conducting centralized collection of enterprises'

historical social insurance arrears. We have begun to implement measures to rectify our non-compliance with social insurance and housing provident funds laws and regulations. We undertake to make timely payments for the deficient amount and overdue charges, as soon as requested by the competent government authorities.

Going forward, we will use our best efforts to fully comply with the regulatory requirements. We are in the process of communicating with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base, which also requires additional contributions from our employees. We have enhanced our internal control measures, including implementing a policy on social insurance and housing provident fund contribution in compliance with relevant PRC laws and regulations. In addition, we have designated our human resources department to review and monitor the reporting and contributions of social insurance and housing provident fund on a monthly basis and we will consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments.

Our Directors believe that such non-compliance would not have a material adverse effect on our business and results of operations, considering that: (i) we had not been subject to any administrative penalties during the Track Record Period and up to the Latest Practicable Date; (ii) we were neither aware of any employee complaints filed against us nor involved in any labor disputes with our employees with respect to social insurance and housing provident funds during the Track Record Period and up to the Latest Practicable Date; (iii) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay for the shortfalls or any overdue charges with respect to social insurance and housing provident funds; and (iv) as advised by our PRC Legal Advisor, considering relevant regulatory policies and the facts stated above, the likelihood that we are subject to centralized collection of historical arrears and any material penalties due to our failure to provide full social insurance and housing provident funds contributions for our employees is remote, and such non-compliance will not have a material adverse effect on our financial condition or results of operations as a whole and the Global Offering. As a result, we did not make any provisions in connection with these non-compliances during the Track Record Period and up to the Latest Practicable Date.

Use of Third-party Agencies to Pay Social Insurance Premium and Housing Provident Funds

During the Track Record Period, our Company and some of our PRC subsidiaries engaged third-party human resources agencies to pay social insurance premium and housing provident funds for certain of our employees in the location where they work. Such arrangements, although not uncommon in China, are not in strict compliance with relevant PRC laws and regulations. Pursuant to the agreements entered into between our Company or our relevant PRC subsidiaries and such third-party human resources agencies, such human resources agencies are required to pay social insurance premium and housing provident funds for our relevant employees. These third-party human resources agencies have confirmed in writing that they have paid such contributions according to our agreements with them. As of the Latest Practicable Date, none of us or our PRC subsidiaries had been subject to any administrative penalty or received labor arbitration notices from any of their employees in relation to such agency arrangements.

However, if such human resource agencies fail to pay the social insurance premium or housing provident funds for and on behalf of our employees as required by applicable PRC laws and regulations, we may be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social insurance and housing provident funds as an employer or be ordered to rectify. Please also refer to "Risk Factors – Risks Relating to Conducting Business in China – Implementation of the labor laws and regulations in China may adversely affect our business and results of operations. Failure to fully comply with PRC labor-related laws may expose us to potential liabilities and penalties."

As advised by our PRC Legal Advisor, considering the facts stated above and the remedial measures we have taken to pay social insurance premium and housing provident funds from our own accounts, the risk of us being subject to material penalties as a result of such agency arrangements is remote and is unlikely to have any material adverse effect on our financial condition or results of operations as a whole or the Global Offering.

Internal Control Measures

We have taken the following internal control measures to rectify and prevent the recurrence of such non-compliance.

- We have implemented a policy on the payment of social insurance and housing provident fund contribution for employees in compliance with relevant PRC laws and regulations.

- We have designated our Human Resources Manager to review and monitor the reporting and contributions of social insurance and housing provident fund for our employees on a monthly basis.

- We will consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to increase awareness and to keep us abreast of relevant regulatory developments.

We actively encourage and make social insurance and housing provident funds contributions for our employees and we will promptly provide such contributions for our employees as requested by the relevant regulatory authorities.

OVERVIEW

Our Board consists of six Directors, comprising three executive Directors and three independent non-executive Directors. All Directors are elected at the Shareholders' meetings. Directors serve for a term of three years and shall be subject to re-election upon retirement. Independent non-executive Directors shall not hold office for more than six consecutive years.

The Supervisory Committee currently consists of three Supervisors. The Supervisors include two shareholder Supervisors and one employee Supervisor. The shareholder Supervisors and the employee Supervisor are elected at the Shareholders' meetings and the staff representative assembly, respectively, for a term of three years, subject to re-election upon their retirement or resignation.

All of the Directors, Supervisors and senior management have met the qualification requirements under the relevant PRC laws and regulations and the Hong Kong Listing Rules for their respective positions.

DIRECTORS

The following table shows the key information of our Directors:

Name	Age	Date of joining our Group	Date of appointment as Director	Position for the current tenure	Responsibility
Dr. Ye Xiaoping (葉小平)	57	March 2005	September 2010	Chairman of the Board Executive Director	Responsible for the overall strategic planning of our Group and supervising and overseeing the management of our business.
Ms. Cao Xiaochun (曹曉春)	51	January 2005	September 2010	Executive Director General Manager	Responsible for overseeing our Group's operations and management.
Ms. Yin Zhuan	54	October 2005	September 2010	Executive Director Deputy General Manager	Responsible for overseeing the data management and statistics business division.
Mr. Zheng Bijun (鄭碧筠)	50	June 2017	June 2017	Independent Non-Executive Director	Providing independent opinion and judgment to the Board, thereby protecting the overall interest of the Company.

Name	Age	Date of joining our Group	Date of appointment as Director	Position for the current tenure	Responsibility
Dr. Yang Bo (楊波)	48	March 2014	April 2020	Independent Non-Executive Director	Providing independent opinion and judgment to the Board, thereby protecting the overall interest of the Company.
Mr. Liu Kai Yu Kenneth (廖啟宇)	50	April 2020	April 2020	Independent Non-Executive Director	Providing independent opinion and judgment to the Board, thereby protecting the overall interest of the Company.

Executive Directors

Dr. Ye Xiaoping (葉小平), aged 57, is the chairman of the Board, an executive Director and co-founder of our Company. Dr. Ye was appointed as the chairman of the Board and a Director since the incorporation of our Company in September 2010 and designated as an executive Director in April 2020. From September 2010 to April 2019, Dr. Ye served as the general manager of our Company. From March 2005 to September 2010, Dr. Ye served successively as manager, director and general manager at Hangzhou Tigermed Limited, the predecessor of our Company. Dr. Ye is primarily responsible for the overall strategic planning of our Group and supervising and overseeing the management of our business. Dr. Ye is the chairman of the Strategy Development Committee of our Company.

Dr. Ye has been a director of Di'an Diagnostics (a company listed on the Shenzhen Stock Exchange with stock code: 300244) and Coland Holdings Limited (a company listed on the Taiwan Stock Exchange with stock code: 4144) ("**Coland Holdings**") since March 2020 and December 2010, respectively.

From February 2016 to January 2020, Dr. Ye served as a director of Shanghai Lide Biotech Co., Ltd. (上海立迪生物技術股份有限公司), the shares of which ceased to be quoted on the National Equities Exchange and Quotations in April 2019.

Dr. Ye possesses extensive experience in biopharmaceutical R&D and strategic planning. He has served for many years at our subsidiaries, including but not limited to those as set out below.

Name of company	Position	Term of service
Shanghai Tigermed Co., Ltd. (上海泰格醫藥科技有限公司)	Executive Director	October 2005 to March 2018
	General Manager	October 2005 to present
Jiaxing Tigermed	Executive Director	March 2010 to March 2018
Tigermed Research Institute Co., Ltd. (廣州泰格醫學研究所有限公司)	Executive Director	July 2011 to November 2018

Name of company	Position	Term of service
Hongkong Tigermed (香港泰格醫藥科技有限公司)	Director	September 2011 to May 2018
Fantastic Bioimaging	Chairman of the Board	November 2012 to May 2018
Hangzhou Talent MedConsulting Co., Ltd.	Executive Director	May 2013 to March 2018
IntelliPV	Chairman of the Board	August 2013 to July 2018
Tiger-Xinze Medical Technology (Jiaxing) Co., Ltd. (泰格新澤醫藥技術(嘉興)有限公司)	Chairman of the Board	December 2013 to April 2015
	Executive Director	April 2015 to March 2018
MacroStat	Executive Director	November 2009 to March 2018
Hangzhou Taiyu Investment Consulting Co., Ltd. (杭州泰煜投資諮詢有限公司)	Director	June 2014 to present
Beijing Canny Consulting Inc. (北京康利華諮詢服務有限公司)	Director	June 2014 to present
Beijing BMD	Executive Director	January 2016 to May 2018
EPS Tigermed (Jiaxing) Co., Ltd. (嘉興益新泰格醫藥科技有限公司)	Chairman of the Board	September 2017 to present

Dr. Ye has also been serving at other companies in which we have invested, holding directorships at EPS Tigermed (Suzhou) Co., Ltd. (蘇州益新泰格醫藥科技有限公司) since November 2017, at EPS Tigermed (Nantong) Co., Ltd. (益新泰格(南通)醫藥科技有限公司) since January 2018 and at Teddy Clinical Research Laboratory since February 2016. In addition, Dr. Ye has been serving as director at Suzhou Connect Biopharmaceuticals, Limited (蘇州康乃德生物醫藥有限公司) since May 2016. Dr. Ye has been serving as supervisor at Coland Pharmaceutical Company Limited (上海國創醫藥有限公司) since April 2010, and Hefei Guozhen Pharmaceutical Sales Co., Ltd. (合肥市國禎醫藥銷售有限公司), a subsidiary of Exquisite Creation Limited since October 2013. Dr. Ye has also been appointed as the director of Di'an Diagnostics in March 2020, a company listed on the Shenzhen Stock Exchange with stock code 300244.

Dr. Ye received his doctorate in immunology degree from University of Oxford in April 2001.

Ms. Cao Xiaochun (曹曉春), aged 51, is our executive Director, co-founder and general manager. Ms. Cao was appointed as a deputy general manager in September 2010 and was later appointed as the general manager in April 2019. She was designated as an executive Director in April 2020. From November 2010 to May 2019, Ms. Cao served as secretary to the Board of our Company. Ms. Cao served as executive director and director successively from January 2005 to September 2010 of Hangzhou Tigermed Limited, the predecessor of our Company. Ms. Cao is primarily responsible for overseeing our Group's operations and management. Ms. Cao is a member of the Remuneration and Evaluation Committee of our Company.

Ms. Cao possesses extensive experience in biopharmaceutical R&D and business operations and management. She has served for many years at our subsidiaries, including but not limited to those as set out below, as well as other companies in which we have invested.

Name of company	Position	Term of service
Hangzhou Simo	Executive Director and General Manager	May 2011 to present
Fantastic Bioimaging	Director	November 2012 to present
Hangzhou Taiyu Investment Consulting Co., Ltd. (杭州泰煜投資諮詢有限公司)	Director	June 2014 to present
Beijing Canny Consulting Inc. (北京康利華諮詢服務有限公司)	Director	June 2014 to present
Jyton	Executive Director	April 2017 to present
Beijing Ejyton Tech. Co., Ltd. (北京醫捷通科技有限公司)	Executive Director	August 2017 to present
Beijing Medical Development (Suzhou) Co., Ltd. (仁智(蘇州)醫學研究有限公司)	Executive Director and General Manager	February 2019 to present
Beijing Yaxincheng Medical InfoTech Co., Ltd. (北京雅信誠醫學信息科技有限公司)	Director	July 2019 to present
Wuxi Tigermed Consulting Co., Ltd. (無錫泰格醫藥科技有限公司)	Executive Director	September 2019 to present

From January 2017 to February 2019, she served at Suzhou Zelgen Biopharmaceuticals Co., Ltd. (蘇州澤璟生物製藥股份有限公司), which was subsequently listed on the Shanghai Stock Exchange Sci-Tech Innovation Board with stock code 688266 ("**Suzhou Zelgen**").

Ms. Cao received her bachelor's degree in traditional Chinese medicine and pharmacy from Zhejiang Chinese Medical University (浙江中醫藥大學) in July 1992, graduate certificate in medicine from Zhejiang University (浙江大學) in June 2003 and graduate certificate in business administration from Renmin University of China (中國人民大學) in June 2007. Ms. Cao was admitted as a licensed pharmacist in the PRC by the Office of Personnel of Zhejiang Province (浙江省人事廳) in October 2001 and a senior engineer in the PRC by the Office of Personnel of Zhejiang Province (浙江省人事廳) in December 2002.

Ms. Yin Zhuan, aged 54, is our executive Director and deputy general manager. Ms. Yin was appointed as our Director and deputy general manager in September 2010 and designated as an executive Director in April 2020. Ms. Yin is primarily responsible for overseeing our data management and statistical analysis businesses. Ms. Yin is a member of the Nomination Committee of our Company.

Ms. Yin has years of experience in the field of biostatistics and has extensive management experience. She also has considerable experience regarding the review of new drugs, particularly cancer-related drugs. Prior to joining our Group, Ms. Yin served at AstraZeneca LP as a biostatistician, senior biostatistician and associate director of biostatistician from 1995 to 2003. Ms. Yin founded and served as the chairman or executive director of MacroStat from October 2005 to November 2009.

Ms. Yin received her bachelor's degree in law from Fudan University (復旦大學) in July 1988 and obtained her master's degree of science from University of Massachusetts in September 1993.

Independent non-executive Directors

Mr. Zheng Bijun (鄭碧筠), aged 50, is our independent non-executive Director. Mr. Zheng joined our Company and was appointed as an independent non-executive Director in June 2017. Mr. Zheng is primarily responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Company. Mr. Zheng is the chairman of the Remuneration and Evaluation Committee, member of the Audit Committee and member of the Strategy Development Committee of our Company.

Mr. Zheng has been practicing as a lawyer in the PRC for 13 years and has served as a partner of DeHeng Law Offices (北京德恆律師事務所) since October 2007.

Mr. Zheng obtained his graduation certificate in finance from Lanzhou University of Finance and Economics (蘭州財經大學), formerly known as Lanzhou Business School (蘭州商學院) in June 1992 and obtained an executive master of business administration degree from Tsinghua University (清華大學) in January 2018. Mr. Zheng obtained his qualification as a financial economist in November 1998 issued by the Human Resources Department of the PRC (中華人民共和國人事部).

Dr. Yang Bo (楊波), aged 48, is our independent non-executive Director. Dr. Yang joined our Company in March 2014 and served as an independent non-executive Director from March 2014 to May 2015. Dr. Yang was appointed as an independent non-executive Director in April 2020. Dr. Yang is primarily responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Company. Dr. Yang is the chairman of the Nomination Committee, member of the Audit Committee and member of the Strategy Development Committee of our Company.

Dr. Yang has developed her entire professional career at Zhejiang University. Since October 2003, Dr. Yang has served at the Department of Pharmacology, College of Pharmaceutical Sciences of Zhejiang University (浙江大學藥學院), mainly focusing on drug resistance mechanism research and development of new anti-tumor drugs while teaching undergraduate and graduate courses. Dr. Yang currently serves as the dean of the Sci-Tech Academy of Zhejiang University (浙江大學科學技術研究院). From August 1998 to October 2000, Dr. Yang served at the College of Pharmaceutical Sciences of Zhejiang University (浙江大學藥學院) as an associate professor and lecturer, focusing on research and development of new anti-tumor drugs and reproductive health drugs while teaching undergraduate and graduate courses.

Dr. Yang received her bachelor's degree in science in July 1993 and her master's degree in medicine in July 1995 from the College of Pharmaceutical Studies of Zhejiang University (浙江大學藥學院). She received her doctorate in pharmacology degree from the Shanghai Institute of Materia Medica, Chinese Academy of Sciences (中國科學院上海藥物研究所) in July 1998.

Dr. Yang has authored many publications in scientific journals with a focus on anti-cancer and anti-tumor studies. Dr. Yang is currently a vice chairman of the Professional Committee of Zhejiang Pharmacological Society (浙江省藥學會藥理專業委員會), the vice chairman of the Anti-Cancer Drugs Professional Committee of China Anti-Cancer Association (中國抗癌協會抗癌藥物專業委員會) and deputy chairman of the Pharmaceutical Education Professional Committee of the Chinese Pharmaceutical Association (中國藥學會藥學教育專業委員會).

Mr. Liu Kai Yu Kenneth (廖啟宇), aged 50, is our independent non-executive Director. Mr. Liu joined our Company and was appointed as an independent non-executive Director in April 2020. Mr. Liu is primarily responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Company. Mr. Liu is the chairman of the Audit Committee, member of the Remuneration and Evaluation Committee and member of the Nomination Committee of our Company.

Mr. Liu served at Hong Kong Exchanges and Clearing Limited (Hong Kong Stock Exchange stock code: 388) from June 2004 to October 2016, with his last position as assistant vice president in IPO Transactions, Listing & Regulatory Affairs Division. Prior to that, he served at VC CEF Capital Limited (now known as VC Capital Limited) from September 2000 to May 2003, with his last position as an assistant manager in the corporate finance department. He also worked as an audit officer in the internal audit department of Kowloon-Canton Railway Corporation from January 2000 to September 2000, an assistant manager of the audit and control division of the Hong Kong branch of Banque Nationale de Paris from August 1996 to September 1997, an accountant at Ernst & Young from August 1994 to May 1996, and a junior accountant in the audit department of Kwan Wong Tan & Fong (merged with Deloitte Touche Tohmatsu in 1997) from May 1994 to August 1994.

Mr. Liu has also been serving as an independent non-executive director of Sisram Medical Ltd (a company listed on the Hong Kong Stock Exchange with stock code: 1696) since August 2017; and an independent non-executive director of Tianli Education International Holdings Limited (a company listed on the Hong Kong Stock Exchange with stock code: 1773) since June 2018.

Mr. Liu obtained his bachelor's degree in mechanical engineering from the Imperial College of Science, Technology and Medicine of the University of London in August 1991 and a master of business administration degree in international banking and finance from the University of Birmingham in December 1998. Mr. Liu has been a member of the Hong Kong Institute of Certified Public Accountants since July 1999 and a fellow of the Association of Chartered Certified Accountants since April 2004.

SUPERVISORS

The following table shows the key information of our Supervisors:

Name	Age	Date of joining our Group	Date of appointment as Supervisor	Position for the current tenure	Responsibility
Mr. Zhang Binghui (張炳輝)	57	September 2010	April 2020	Chairman of the Supervisory Committee	Supervise the finances of our Group and exercise supervision over the directors and senior management.
Ms. Chen Zhimin (陳智敏)	59	December 2015	April 2020	Supervisor	Supervise the finances of our Group and exercise supervision over the directors and senior management.
Mr. Wu Baolin (吳寶林)	31	June 2011	April 2020	Employee Supervisor	Supervise the finances of our Group and exercise supervision over the directors and senior management.

Mr. Zhang Binghui (張炳輝), aged 57, is the Chairman of our Supervisory Committee. Mr. Zhang was appointed as a shareholder Supervisor in April 2020. Mr. Zhang served as an independent director at Hangzhou Tigermed Limited, the predecessor of our Company and our Company, from September 2010 to June 2017. Mr. Zhang is primarily responsible for supervision of the finances of our Group and supervision over the directors and senior management.

Mr. Zhang has also been serving as directors of the following companies.

Name of company	Position	Term of service	Notes
Zhongjiao Tongli Construction Co., Ltd. (中交通力建設股份有限公司)	Independent Director	May 2015 to present	This company is listed on the National Equities Exchange and Quotations in the PRC with stock code 870958
GI Technologies Group Co. Ltd. (吉艾科技集團股份公司)	Independent Director	October 2016 to present	This company is listed on the Shenzhen Stock Exchange with stock code 300309

Name of company	Position	Term of service	Notes
Chengdu Kanghua Biological Products Co., Ltd. (成都康華生物製品股份有限公司)	Independent Director	July 2018 to present	This company has received approval in January 2020 to be listed on the ChiNext market of the Shenzhen Stock Exchange
Suzhou Zelgen Biopharmaceuticals Co., Ltd. (蘇州澤璟生物製藥股份有限公司)	Independent Director	February 2019 to present	This company is listed on the Shanghai Stock Exchange Sci-Tech Innovation Board with stock code 688266

Mr. Zhang was a certified public accountant in Ruihua Certified Public Accountants LLP (瑞華會計師事務所) (formerly known as Crowe CPA Limited (國富浩華會計師事務所).

Mr. Zhang received his graduation certificate in economics from the Correspondence Institute of the Party School of the Central Communist Party (中央黨校函授學院) in December 1993. Mr. Zhang was admitted as a licensed senior accountant by the Shandong Human Resources Department (山東省人事廳) in December 1998. Mr. Zhang has received certificate of membership as a non-practicing member by the Chinese Institute of Certified Public Accountants (中國注冊會計師協會) in May 2013.

Ms. Chen Zhimin (陳智敏), aged 59, is a Supervisor. Ms. Chen was appointed as a shareholder Supervisor in April 2020. Ms. Chen joined our Company and was appointed as an independent non-executive director in December 2015. Ms. Chen is primarily responsible for supervision of the finances of our Group and supervision over the directors and senior management.

From January 2017 to March 2020, Ms. Chen served as an independent non-executive director of Zhejiang Jolly Pharmaceutical Co., Ltd. (浙江佐力藥業股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 300181).

Ms. Chen has also been serving as an independent non-executive director of Zhejiang Jinke Culture Properties Co., Ltd. (浙江金科文化產業股份有限公司) (formerly Zhejiang Jinke Culture Industry Co., Ltd. (浙江金科娛樂文化股份有限公司)) (a company listed on the Shenzhen Stock Exchange with stock code: 300459) since June 2015; an independent non-executive director of Zhejiang Canaan Technology Limited (浙江迦南科技股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 300412) since April 2016; and an independent non-executive director of Zhejiang Weixing Industrial Development Co., Ltd. (浙江偉星實業發展股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 002003) since June 2016.

Ms. Chen served as a member of the 11th Zhejiang Provincial Committee of the Chinese People's Political Consultative Conference.

Ms. Chen received her graduation certificate in economics from Zhejiang University (浙江大學) in June 2000 and her master of business administration degree from the Macau University of Science and Technology in July 2003.

Mr. Wu Baolin (吳寶林), aged 31, is an employee Supervisor and an associate medical director of our Company. Mr. Wu joined our Company in June 2011 and was appointed as an employee Supervisor in April 2020. Mr. Wu is primarily responsible for supervision of the finances of our Group and supervision over the directors and senior management.

Mr. Wu developed his career in our Company. He joined our Company in June 2011 and served as a clinical research assistant from June 2011 to July 2012. From July 2012 to July 2013 and from July 2013 to January 2016, he served as our clinical researcher and our senior clinical researcher respectively. He subsequently served as a medical supervisor from January 2016 to January 2017 and as a medical manager of our Company from January 2017 to January 2018. From January 2018 to January 2019, he served as a senior medical manager of our Company, responsible for clinical trial work for drugs.

Mr. Wu received his double bachelor's degree in pharmaceutical preparation and administrative management from Zhejiang University of Technology in June 2011.

SENIOR MANAGEMENT

The following table shows the key information of our senior management:

Name	Age	Date of joining our Group	Date of appointment as Senior Management	Position for the current tenure	Responsibility
Ms. Cao Xiaochun (曹曉春)	51	January 2005	April 2019	Executive Director General Manager	Responsible for overseeing our Group's daily operations and management.
Ms. Yin Zhuan	54	October 2005	September 2010	Executive Director Deputy General Manager	Responsible for overseeing the data management and statistics business division.
Mr. Gao Jun (高峻)	44	November 2016	November 2016	Deputy General Manager Secretary to the Board Chief Financial Officer	Responsible for our overall financial management, disclosure control and investor relations.

Ms. Cao Xiaochun (曹曉春), aged 51, is our executive Director, co-founder and general manager. For the biography of Ms. Cao, please refer to "– Directors – Executive Directors" of this section.

Ms. Yin Zhuan, aged 54, is our executive Director and deputy general manager. For the biography of Ms. Yin, please refer to "– Directors – Executive Directors" of this section.

Mr. Gao Jun (高峻), aged 44, is our deputy general manager, secretary to the Board and chief financial officer. Mr. Gao was appointed as a deputy general manager and chief financial officer when he joined our Company in November 2016 and later appointed as the secretary to the Board in April 2019. Mr. Gao is primarily responsible for our overall financial management, disclosure control and investor relations.

Mr. Gao has been serving as a director of Beijing Canny Consulting Inc. (北京康利華諮詢服務有限公司), one of our subsidiaries, since July 2017; a director of EPS Tigermed (Jiaxing) Co., Ltd. (嘉興益新泰格醫藥科技有限公司), one of our subsidiaries, since September 2017; a director of Beijing Tigermed Xingrong Investment Management Co., Ltd. (北京泰格興融投資管理有限公司), one of our subsidiaries, since April 2018. Since April 2018, he has served as a director of Frontage Holdings (a company listed on the Hong Kong Stock Exchange with stock code: 1521), one of our subsidiaries, and was designated as a non-executive Director since June 2018. From March 2017 to March 2019, Mr. Gao served as a director of Shanghai Shengtong International Logistics Co., Ltd (上海晟通國際物流有限公司), formerly one of our subsidiaries.

Prior to joining us, Mr. Gao served at the business assurance and advisory section of PricewaterhouseCoopers Business Consulting (Shanghai) Co., Limited, at Hong Kong Shanghai Alliance Holdings Limited (a company listed on the Hong Kong Stock Exchange with stock code: 1001), formerly known as Van Shun Chong Holdings Limited, at City North Infrastructure Pty Ltd., at Rio Tinto Group (a company listed on the London Stock Exchange, Australian Securities Exchange and New York Stock Exchange with stock symbol: RIO) and at Felix Resources Ltd. Mr. Gao also served as a chief financial officer and secretary to the board of directors of McWong Environmental Technology Corporation Limited (麥王環境技術股份有限公司). From April 2016 to October 2016, Mr. Gao served at Shanghai Xiaoi Robot Technology Corporation Limited (上海智臻智能網絡科技股份有限公司) as the chief financial officer and secretary to the board of directors.

Mr. Gao graduated from Shanghai University of Finance and Economics (上海財經大學) with a bachelor's degree in international accounting in July 1997. Mr. Gao was admitted as a Certified Public Accountant in China by the Chinese Institute of Certified Public Accountants (中國注冊會計師協會). He has been an internationally accredited Certified Internal Auditor since November 2007 admitted by the Institute of Internal Auditors, an Associate of the Chartered Institute of Management Accountants (United Kingdom) since March 2012, and a Fellow of the Association of Chartered Certified Accountants (United Kingdom) since April 2009.

None of our Directors, Supervisors and members of senior management is related to other Directors, Supervisors and members of the senior management.

Save as disclosed above, none of our Directors, Supervisors and members of senior management held any directorship in any public companies, the shares of which are listed in Hong Kong or overseas stock markets, during the three years prior to the date of this Prospectus.

JOINT COMPANY SECRETARIES

Mr. Gao Jun (高峻), who has been appointed as one of our joint company secretaries, is also our deputy general manager, secretary to the Board and chief financial officer. For the biography of Mr. Gao, please refer to the sub-section headed "– Senior Management" of this section. Mr. Gao's appointment as one of our joint company secretaries came into effect on July 22, 2020.

Ms. Kwan Sau In (關秀妍) has been appointed as one of our joint company secretaries. Ms. Kwan is an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited. She has over 6 years of the corporate secretarial and compliance experience for Hong Kong listed companies and Hong Kong and offshore private companies. Ms. Kwan is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). She holds a bachelor's degree of business administration in corporate administration. Ms. Kwan's appointment as one of our joint company secretaries came into effect on July 22, 2020.

BOARD COMMITTEES

The Board delegates certain responsibilities to various dedicated committees in accordance with relevant PRC laws, regulations, the Articles and the Hong Kong Listing Rules, namely the Strategy Development Committee, the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee. The appointment of the respective committee members were approved by the Shareholders at the Shareholders' general meeting on April 22, 2020.

Strategy Development Committee

The Strategy Development Committee consists of three Directors, namely Dr. Ye, Dr. Yang Bo and Mr. Zheng Bijun. Dr. Ye currently serves as the chairman of the committee. The primary duties of the Strategy Development Committee are to study and advise on the long-term strategy and major investments and financing plans of our Group.

Audit Committee

The Audit Committee consists of three Directors, namely Mr. Liu Kai Yu Kenneth, Mr. Zheng Bijun and Dr. Yang Bo. Mr. Liu Kai Yu Kenneth currently serves as the chairman of the committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control system of our Group.

Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee consists of three Directors, namely Mr. Zheng Bijun, Mr. Liu Kai Yu Kenneth and Ms. Cao. Mr. Zheng Bijun currently serves as the chairman of the committee. The primary duties of the Remuneration and Evaluation Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management.

Nomination Committee

The Nomination Committee consists of three Directors, namely Dr. Yang Bo, Ms. Yin Zhuan and Mr. Liu Kai Yu Kenneth. Dr. Yang Bo currently serves as the chairman of the committee. The primary duties of the Remuneration and Nomination Committee are to make recommendation to the Board regarding the appointment of Directors and senior management.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company intends to comply with Corporate Governance Code set out in Appendix 14 to the Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules after the Listing.

BOARD DIVERSITY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, medical clinical research, scientific research, biostatistics, financial management and accounting. They obtained degrees in various areas including medicine, immunology, biostatistics, pharmacy, science, pharmacology, mechanical engineering, business administration, law, international banking and finance. The Board Diversity Policy is well implemented as evidenced by the fact that there are three female and three male Directors with experience from different industries and sectors. The Directors are of the view that our Board satisfies the Board Diversity Policy.

The Nomination Committee is responsible for reviewing the diversity of the Board. After Listing, the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, Supervisors and senior management receive their remuneration in the form of salary and allowances, employer's contribution to pension schemes, annual bonuses and independent directors' fee.

For the three years ended December 31, 2017, 2018 and 2019, the total remuneration paid to our Directors amounted to RMB4.16 million, RMB2.89 million and RMB2.80 million, respectively.

For the three years ended December 31, 2017, 2018 and 2019, the total remuneration paid to our Supervisors amounted to RMB0.59 million, RMB1.32 million and RMB1.70 million, respectively.

Under the arrangements currently in force, our Directors and Supervisors will be entitled to receive remuneration and benefits in kind for their service which, for the year ending December 31, 2020, is expected to be approximately RMB2.32 million and RMB0.59 million, respectively. The remuneration of Directors and Supervisors consists of Directors' fee, salaries and other benefits, performance-based bonus, retirement benefit scheme contributions and share-based compensation, which are determined based on the evaluation of each Directors' and Supervisors' individual performance and market trends in 2020. The actual remuneration of Directors and Supervisors in 2020 may be different from the expected remuneration.

For the three years ended December 31, 2017, 2018 and 2019, the total emoluments paid to the five highest paid individuals (including Directors) by us amounted to RMB12.48 million, RMB12.56 million and RMB28.95 million, respectively. See the section headed "Appendix I – Accountants' Report – Notes to Historical Financial Information – 15. Five Highest Paid Individuals" in this Prospectus for further details.

For the three years ended December 31, 2017, 2018 and 2019, no payment was made by us to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. Our Supervisors receive remuneration from our Company, see the section headed "Appendix I – Accountants' Report – Notes to Historical Financial Information – 14. Directors' and Supervisors' Emoluments" in this Prospectus for further details. None of the Directors or Supervisors waived their remuneration during the relevant period.

The remuneration of Directors, Supervisors and senior management is determined with reference to factors including the salaries paid by comparable companies, time commitment and responsibilities of the Directors, Supervisors and senior management, employment conditions of other positions in our Company and the desirability of performance-based remuneration.

For details of the Share Purchase Scheme, to which our Directors, Supervisors and senior management are eligible, please refer to the section headed "Appendix VI – Statutory and General Information – 2. Further Information about Our Business – C. Share Purchase Scheme" in this Prospectus.

As of the Latest Practicable Date, save as otherwise disclosed in the section headed "Substantial Shareholders" and "Appendix VI – Statutory and General Information – 4. Disclosure of Interests" in this Prospectus, none of the Directors, Supervisors or senior management is interested in any Shares within the meaning of Part XV of the SFO. Save as disclosed herein, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, there was no additional matter with respect to the appointment of the Directors or Supervisors, or the resignations of previous Directors or Supervisors during the Track Record Period as disclosed under "Appendix I – Accountants' Report – Notes to Historical Financial Information – 14. Directors' and Supervisors' Emoluments" of this Prospectus, that needs to be brought to the attention of the Shareholders or the Stock Exchange and there was no additional information relating to the Directors or Supervisors that is required to be disclosed pursuant to Rules 13.51(2)(b) to (v) of the Hong Kong Listing Rules as of the Latest Practicable Date.

COMPLIANCE ADVISOR

Our Company has appointed Somerley Capital Limited as the compliance advisor upon listing in compliance with Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules. Our compliance advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise our Company in certain circumstances including:

- before the publication of any regulatory announcement, circular, or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, development or results deviate from any forecast, estimate or other information in this Prospectus; and
- where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

Meanwhile, pursuant to Rule 19A.06(3) of the Listing Rules, the compliance advisor shall inform us on a timely basis of any amendment or supplement to the Hong Kong Listing Rules issued by the Hong Kong Stock Exchange from time to time and any new or amended law, regulation or code in Hong Kong applicable to our Company. The compliance advisor shall also provide advice to us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of appointment of the compliance advisor shall commence on the Listing Date and end on the date of distribution of the annual report of the financial results of our Group for the first full financial year commencing after the Listing Date or on the date of the termination of the contract, whichever is earlier.

COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, he/she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Dr. Ye and Ms. Cao currently hold a controlling interest in our Company pursuant to the Concert Agreement entered into between them dated June 9, 2010. Under the Concert Agreement, Ms. Cao has agreed to vote in agreement with Dr. Ye in directors' meetings, shareholders' meetings and on matters requiring shareholders' approval in order to strengthen long term cooperation and facilitate effective commercial decision making in relation to our Company.

As parties acting in concert, Dr. Ye and Ms. Cao held approximately 31.3% of our total issued Shares in aggregate as of the Latest Practicable Date. Therefore, Dr. Ye and Ms. Cao are our controlling shareholders (as defined under the Listing Rules) before the Listing.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Dr. Ye and Ms. Cao will hold approximately 27.4% of our total issued Shares in aggregate. Accordingly, Dr. Ye and Ms. Cao will be our largest Shareholders immediately after the Listing.

INDEPENDENCE FROM DR. YE AND MS. CAO

The Directors consider that our Group is capable of carrying on our business independently of Dr. Ye and Ms. Cao and their close associates after the Listing for the reasons set out below.

Management Independence

Upon our Listing, our Board consists of three executive Directors and three independent non-executive Directors. Upon our Listing, we have three Supervisors and our senior management team comprises three members. The table below sets out the position of Dr. Ye and Ms. Cao in our Company.

	Position in our Company
Dr. Ye	Chairman of the Board and Executive Director
Ms. Cao	Executive Director and General Manager

Details of the background of Dr. Ye and Ms. Cao are set out in the section headed "Directors, Supervisors and Senior Management" in this Prospectus.

The executive Directors and the senior management team are responsible for the day-to-day management of our operations. The other executive Director and other members of our senior management team are independent of Dr. Ye and Ms. Cao. Notwithstanding the roles of Dr. Ye and Ms. Cao described above, our Directors are of the view that our Company is able to function independently from Dr. Ye and Ms. Cao for the following reasons:

(i) all of the other Directors are independent of Dr. Ye and Ms. Cao and decisions of the Board require the approval of a majority vote from the Board;

(ii) we have appointed three independent non-executive Directors, comprising more than one-third of the total members of our Board, who have sufficient knowledge, experience and competence to provide a balance of the potentially interested Directors and independent Directors with a view to promote the interests of our Company and the Shareholders as a whole;

(iii) our Company has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions;

(iv) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director is obliged to declare and fully disclose such potential conflict of interest and shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum; and

(v) each of our Directors is aware of his or her fiduciary duties and responsibilities under the Hong Kong Listing Rules as a director, which require that he or she acts for the benefit and in the best interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests.

Based on the above, we believe that our Board and senior management as a whole are able to play a managerial role at our Company independently from Dr. Ye and Ms. Cao and their close associates after the Listing.

Operational Independence

We have established our own organizational structure, with each department assigned to specific areas of responsibilities which have been in operation and are expected to continue to operate independently from Dr. Ye and Ms. Cao and their close associates. We have independent access to suppliers and customers. We are also in possession of all relevant assets, licenses, trademarks and other intellectual property necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

Our Directors are of the view that there is no operational dependence by us on Dr. Ye and Ms. Cao and our Group is able to operate independently from Dr. Ye and Ms. Cao after the Listing.

Financial Independence

Our Group has its own independent financial system, internal control and accounting systems. We make financial decisions and determine our use of funds according to our own business needs. We have opened accounts with banks independently and do not share any bank account with Dr. Ye and Ms. Cao. We have made tax filings and paid tax independently of Dr. Ye and Ms. Cao pursuant to applicable laws and regulations. We have established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems. We have adequate internal resources and a strong credit profile to support our daily operation. We do not expect to rely on Dr. Ye and Ms. Cao or any of their close associates for financing after the Listing as we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the proceeds from the Global Offering.

As of the Latest Practicable Date, there was no outstanding loan extended by Dr. Ye, Ms. Cao or their respective close associates to us and no guarantee has been provided for our benefit by Dr. Ye, Ms. Cao or any of their respective close associates.

Based on the above, our Company considers there is no financial dependence on Dr. Ye and Ms. Cao or any of their close associates.

COMPETITION

As of the Latest Practicable Date, neither Dr. Ye, Ms. Cao and their respective close associates nor any of our Directors is interested in any business, other than our Group, which, competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

As disclosed under "Directors, Supervisors and Senior Management – Executive Directors" of this Prospectus, Dr. Ye has been a director of Di'an Diagnostics and Coland Holdings since March 2020 and December 2010, respectively. Di'an Diagnostics provides third party medical diagnostic services covering diagnostic product marketing, diagnostic technology research and development, judicial identification, health management, cold chain logistics and CRO services. Coland Holdings is primarily engaged in the research, development, production and sales of drugs, which is different from our Group's business. There is a clear delineation between Di'an Diagnostics and our Group as the CRO services offered by Di'an Diagnostics is focused on central laboratory testing, which Di'an Diagnostics offers through Teddy Clinical Research Laboratory, the joint venture formed by Di'an Diagnostics and the Group. On the other hand, our Group is not involved in central laboratory services, other than through Teddy Clinical Research Laboratory. Dr. Ye was appointed as a director by the board of directors of Di'an Diagnostics and Coland Holdings for his management and industry experience. He is not involved in the day-to-day management of Di'an Diagnostics or Coland Holdings and has not taken up any senior management roles in either companies. Dr. Ye does not receive remuneration for serving as a director of Di'an Diagnostics or Coland Holdings.

As disclosed under "Directors, Supervisors and Senior Management – Executive Directors" of this Prospectus, Ms. Cao served as a director at Suzhou Zelgen from January 2017 to February 2019. Suzhou Zelgen is a pharmaceutical company principally engaged in the research and development, production and sales of innovative drugs, which is different from our Group's business. Ms. Cao was appointed as a director by the board of directors of Suzhou Zelgen for her management and industry experience. During her time as a director of Suzhou Zelgen, Ms. Cao was not involved in the day-to-day management and had not taken up any senior management roles. Ms. Cao did not received remuneration for serving at Suzhou Zelgen.

In addition to the above-mentioned companies, Dr. Ye and Ms. Cao also hold certain investments and positions in other entities which are engaged in businesses which do not compete with our Group. Dr. Ye and Ms. Cao are not involved in the day-to-day management of such entities. As such, notwithstanding Dr. Ye and Ms. Cao's investments and positions in such entities, as advised and confirmed by Dr. Ye and Ms. Cao, they have sufficient time and resources to discharge their duties and responsibilities to the Group.

In order to avoid any potential competition between Dr. Ye, Ms. Cao and us, Dr. Ye and Ms. Cao had provided a non-competition undertaking in favor of our Company on March 21, 2011 (the "Non-competition Undertaking"). Each of Dr. Ye and Ms. Cao has undertaken that:

(i) neither himself/herself nor any of his/her directly or indirectly controlled companies or entities will engage in any business or operation in competition with the business of our Group;

(ii) in the event that our Group further expands its scope of business, neither himself/herself nor any of their directly or indirectly controlled companies or entities will engage in any business or operation in competition with the business of our Group. If there is any competition with our Group following expansion of our business scope, he/she or the relevant directly or indirectly controlled companies or entities will discontinue the business in competition, or consolidate the business in competition into our Group, or transfer the business in competition to an independent third party which is not a connected person of our Group; and

(iii) if the above non-competition undertaking is proven to be untrue or if Dr. Ye or Ms. Cao fails to comply with the above non-competition undertaking, he/she agrees to indemnify our Company for all the direct and indirect losses our Company may suffer as a result of such breach.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules, which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders.

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We have adopted the following corporate governance measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and Dr. Ye or Ms. Cao:

(i) our Company has established internal control mechanisms to identify connected transactions. Upon Listing, if our Company enters into connected transactions with Dr. Ye, Ms. Cao or their respective close associates, our Company will comply with the applicable Listing Rules;

(ii) where a Shareholders meeting is to be held for considering proposed transactions in which Dr. Ye, Ms. Cao or their respective close associates have any material interest, Dr. Ye and/or Ms. Cao and their respective close associates (as applicable) will not vote on the resolutions and shall not be counted in the quorum for the voting;

(iii) our Board consists of a balanced composition of executive and independent non-executive Directors, with not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, details of whom are set out in the section headed "Directors, Supervisors and Senior Management" individually and collectively possess the requisite knowledge and experience to perform their roles. They will review whether there is any conflict of interests between our Group and Dr. Ye or Ms. Cao and provide impartial and professional advice to protect the interest of our minority Shareholders;

(iv) where the advice from an independent professional, such as that from a financial or legal advisor, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such an independent professional will be made at our Company's expenses; and

(v) we have appointed Somerley Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable Hong Kong laws.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and Dr. Ye and Ms. Cao, and to protect minority Shareholders' rights after the Listing.

As of the Latest Practicable Date, our registered share capital was RMB749,455,550 comprising 749,455,550 A Shares and the following persons directly or indirectly control, or are entitled to exercise the control of, 5% or more of our A Shares:

Shareholders	Nature of Interest	Class	Number of Shares directly or indirectly held	Approximate percentage of shareholding
				(%)
Dr. Ye[(1)]	Beneficial owner Interest of person acting in concert	A Shares	177,239,541	23.65
Ms. Cao[(1)]	Beneficial owner Interest of person acting in concert	A Shares	57,161,774	7.63

Note:

(1) Dr. Ye and Ms. Cao entered into the Concert Agreement on June 9, 2010 and each of them is deemed to be interested in the A Shares that the other person is interested in under section 317 of the SFO. Dr. Ye holds 177,239,541 of our A Shares, representing 23.65% of our total issued share capital as of the Latest Practicable Date. Ms. Cao holds 57,161,774 of our A Shares, representing 7.63% of our total issued share capital as of the Latest Practicable Date. Therefore, Dr. Ye and Ms. Cao are deemed to be interested in a total of 234,401,315 of Shares, representing 31.3% of our total issued share capital as of the Latest Practicable Date.

Immediately following the completion of the Global Offering (and assuming the Over-allotment Option is not exercised), our share capital comprised 749,455,550 A Shares and 107,065,100 H Shares, representing approximately 87.5% and 12.5% of the total issued share capital of our Company, respectively.

So far as our Directors are aware, immediately following the completion of the Global Offering (and assuming the Over-allotment Option is not exercised), the following persons will have an interest or a short position in our Shares or underlying Shares of our Company which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Shareholders	Nature of Interest	Class	Number of Shares directly or indirectly held	Approximate percentage of shareholding in the relevant class of Shares of our Company	Approximate percentage of shareholding in the total Shares of our Company
Dr. Ye[(1)]	Beneficial owner Interest of person acting in concert	A Shares	177,239,541	23.65%	20.69%
Ms. Cao[(1)]	Beneficial owner Interest of person acting in concert	A Shares	57,161,774	7.63%	6.67%

Note:

(1) Dr. Ye and Ms. Cao entered into the Concert Agreement on June 9, 2010 and each of them is deemed to be interested in the A Shares that the other person is interested in under section 317 of the SFO. Dr. Ye holds 177,239,541 of our A Shares, representing 20.69% of our total issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). Ms. Cao holds 57,161,774 of our A Shares, representing 6.67% of our total issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). Therefore, Dr. Ye and Ms. Cao are deemed to be interested in a total of 234,401,315 A Shares, representing 31.3% of the total number of A Shares of our Company and 27.4% of our total issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

For those persons who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a shareholders' meeting of any other member of our Group, see the section headed "Appendix VI – Statutory and General Information" of this Prospectus.

As of the Latest Practicable Date, we are not aware of any arrangement which may on a subsequent date result in a change of control of our Company.

BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, the registered capital of our Company was RMB749,455,550, comprising 749,455,550 A Shares of nominal value RMB1.00 each, which are all listed on the ChiNext market of the Shenzhen Stock Exchange.

	Number of Shares	Approximate % of issued share capital
A Shares	749,455,550	100.00

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised, the share capital of our Company would be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital
A Shares	749,455,550	87.50
H Shares issued pursuant to the Global Offering	107,065,100	12.50
Total	856,520,650	100.00

Immediately following completion of the Global Offering and assuming that the Over-allotment Option is fully exercised, the share capital of our Company would be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital
A Shares	749,455,550	85.89
H Shares issued pursuant to the Global Offering	123,124,800	14.11
Total	872,580,350	100.00

SHARE CLASSES

The H Shares and A Shares in issue upon completion of the Global Offering will be ordinary Shares in our share capital. Shenzhen-Hong Kong Stock Connect, initiated on December 5, 2016, has established a stock connect mechanism between the PRC and Hong Kong. A Shares can be subscribed for and traded by PRC investors, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As the A Shares of our Company are eligible securities under the Northbound Trading Link, they can also be subscribed for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shenzhen-Hong Kong Stock Connect. H Shares can be subscribed for or traded by Hong Kong and other overseas investors and qualified domestic institutional investors. If the H Shares of our Company are eligible securities under the Southbound Trading Link, they can also be subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of A Shares are to be paid by us in Renminbi. In addition to cash, dividends may also be distributed in the form of Shares. Holders of H Shares will receive share dividends in the form of H Shares, and holders of A Shares will receive share dividends in the form of A Shares.

In addition, A Shares and H Shares are regarded as different classes of Shares under our Articles of Association. The differences between the two classes of Shares, provisions on class rights, dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different branches of the register of Shareholders, the method of Share transfer and appointment of dividend receiving agents are set out in the section headed "Appendix V-Summary of Articles of Association" in this Prospectus. Further, any change or abrogation of the rights of class Shareholders should be approved by way of a special resolution of the general meeting of Shareholders and by a separate meeting of Shareholders convened by the affected class of Shareholders. See the section headed "Appendix V-Summary of Articles of Association" in this Prospectus for the circumstances under which a general meeting of Shareholders and class meeting are required. However, the procedures for approval by separate class Shareholders shall not apply:

(i) where the Company issues, upon the approval by a special resolution of the general meeting of Shareholders, either separately or concurrently once every 12 months, not more than 20% of each of its existing issued A Shares and H Shares;

(ii) where the plan of the Company to issue A Shares and H Shares at the time of its establishment is carried out within 15 months from the date of approval of the securities regulatory authority under the State Council; or

(iii) where the transfer of the A Shares held by the A Shareholders of the Company to foreign investors for listing on overseas stock exchange is approved by the securities regulatory institution under the State Council.

A Shares and H Shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of Listing.

A Shares and H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and H Shares may be different after the Global Offering.

The Company repurchases and cancels H Shares under the Restricted Share Scheme due to the resignation of grantees from time to time. Such repurchases and cancellations of H Shares will be completed subject to approval by Shareholders and will be conducted in compliance with the applicable requirements under the Hong Kong Listing Rules.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE GLOBAL OFFERING

Approval from holders of A Shares is required for our Company to issue H Shares and seek the listing of H Shares on the Hong Kong Stock Exchange. Such approval was obtained by us at the Shareholders' general meeting of our Company held on April 2, 2020 and is subject to the following conditions:

(1) Size of the offer

The proposed number of H Shares to be offered shall not exceed 15% of the total issued share capital enlarged by the H Shares to be issued pursuant to the Global Offering (before the exercise of the Over-allotment Option). The number of H Shares to be issued pursuant to the full exercise of the Over-allotment Option shall not exceed 15% of the total number of H Shares to be offered initially under the Global Offering.

(2) Method of offering

The method of offering shall be by way of international offering to institutional investors and public offer for subscription in Hong Kong.

(3) Target investors

The H Shares shall be issued to public investors in Hong Kong under the Hong Kong Public Offering and international investors, qualified domestic institutional investors in the PRC and other investors who are approved by PRC regulatory bodies to invest abroad in International Offering.

(4) Price determination basis

The issue price of the H Shares will be determined, among others, after due consideration of the interests of existing Shareholders of our Company, acceptance of investors and the risks related to the offering, according to international practice, through the demands for orders and book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

(5) Validity period

The issue of H Shares and listing of H Shares on the Hong Kong Stock Exchange shall be completed within 18 months from the date when the Shareholders' meeting was held on April 2, 2020.

There is no other approved offering plans for our Shares except the Global Offering.

SHARE SCHEMES

Certain employees of our Company and our subsidiaries are eligible to subscribe in interests of our Shares through the Share Purchase Scheme and the Restricted Share Scheme. For details, please refer to the sections headed "Appendix VI – Statutory and General Information – 2. Further Information about Our Business – C. Share Purchase Scheme" and "Appendix VI – Statutory and General Information – 2. Further Information about Our Business – D. Restricted Share Scheme" in this Prospectus.

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this Prospectus. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States and the PRC.

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this Prospectus, including the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2017, 2018 and 2019 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading China-based provider of comprehensive biopharmaceutical R&D services, with an expanding global presence. According to the Frost & Sullivan Report, we were the largest clinical CRO in China in terms of revenue in 2019 and the number of on-going clinical trials as of the end of 2019, with a market share of 8.4% in 2019. We were also the only China-based clinical CRO among the top 10 global clinical CROs, according to the Frost & Sullivan Report. We offer (i) clinical trial solutions and (ii) clinical-related and laboratory services, primarily covering primarily pre-clinical research to post-approval studies for drugs and medical devices.

We have a broad, high-quality and loyal customer base, including both Chinese and global biopharmaceutical companies, as well as small-to medium-sized biotechnology companies and medical device companies. By offering services in accordance with global standards, we have established long-term relationships with many global biopharmaceutical companies, helping them access the vast and growing Chinese market and support their global expansion. We provided services to 1,570, 1,788, and 1,898 customers in the years ended December 31, 2017, 2018 and 2019, and 1,232 customers in the three months ended March 31, 2020. We achieved a 100% year-over-year customer retention rate for our top ten customers during the Track Record Period.

We achieved robust growth during the Track Record Period. Our total revenues increased from RMB1,682.5 million in 2017 to RMB2,299.5 million in 2018 and further to RMB2,803.3 million in 2019, representing a CAGR of 29.1%. Furthermore, our total revenues increased by 8.3% from RMB605.0 million in the three months ended March 31, 2019 to RMB655.0 million in the three months ended March 31, 2020. Our net profit increased from RMB394.2 million in 2017 to RMB655.2 million in 2018 and further to RMB974.9 million in 2019, representing a CAGR of 57.3%. Furthermore, our net profit increased by 30.3% from RMB201.9 million in the three months ended March 31, 2019 to RMB263.0 million in the three months ended March 31, 2020.

BASIS OF PRESENTATION

The consolidated financial information of our Group has been prepared in accordance with applicable International Financial Reporting Standards ("**IFRS**") and the interpretations issued by the International Accounting Standards Board applicable to companies reporting under IFRS. The consolidated financial information has been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values, as explained in the respective accounting policies in the Accountants' Report in Appendix I to this Prospectus. The consolidated financial information of our Group is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated. The preparation of the consolidated financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Company's accounting policies.

Differences between IFRSs and PRC GAAP

Since the listing of our Group on the Shenzhen Stock Exchange, we have prepared and disclosed our historical financial information under PRC GAAP. In this Prospectus, historical financial information have been prepared in accordance with IFRS. There are certain differences between PRC GAAP and IFRS, which results in differences between our historically disclosed financial information and that contained in this Prospectus. In particular, to provide investors with financial information on a consistent basis, we have applied IFRS 9 throughout the Track Record Period. IFRS 9, among other things, requires our investments to be classified as financial assets at FVTPL and measured at fair value with changes in fair value recognized in profit or loss. Before January 1, 2019, under PRC GAAP, (i) unlisted investments are classified as available-for-sale financial assets at cost and measured at cost less impairment. Impairment loss is recognized in profit or loss; (ii) listed investments are classified as available-for-sale financial assets at fair value with changes in fair value recognized in other comprehensive income. As a result, during the years ended December 31, 2017 and 2018, we have recognized fair value gains on our financial assets at FVTPL under IFRS, which were not recognized under PRC GAAP during the same periods. On January 1, 2019, Accounting Standard for Business and Enterprises 22 ("ASBE 22") under PRC GAAP was revised, effective and replaced the original ASBE 22. The revised ASBE 22 largely aligns with IFRS 9 and as a result, we expect the differences between our financial information under PRC GAAP and that under IFRS to be largely consistent going forward.

Adoption of New IFRSs and Amendments to IFRSs

IFRS 9 and IFRS 15

For the purpose of preparing and presenting the historical financial information for the Track Record Period, we have consistently applied the accounting policies which conform with IFRSs which are mandatorily effective for the financial period beginning on January 1, 2018, including IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers", throughout the Track Record Period.

Under IAS 39, which was the accounting standard governing the classification and measurement of financial instruments before being replaced by IFRS 9, (1) our listed equity securities were classified as available-for-sale investments measured at fair value with the changes in fair value recognized in other comprehensive income under revaluation reserve, and (2) our unlisted investments were classified as available-for-sale investments measured at cost less impairment with impairment loss recognized in profit or loss.

Under IFRS 9, all our listed equity securities and unlisted investments were reclassified from available-for-sale investments to financial assets measured at FVTPL, with changes in fair value recognized in profit or loss. Further, fair value changes relating to listed equity securities up to January 1, 2017 were transferred from revaluation reserve to retained earnings as at January 1, 2017, and the unlisted investments previously carried at cost less impairment were re-measured at fair value as at January 1, 2017 with accumulated fair value changes recognized in retained earnings as at January 1, 2017.

Our Directors are of the view that, compared to IAS 39, the adoption of IFRS 9 has had a material impact on our Group's performance. Under IFRS 9, we recognized fair value gain in connection with above-mentioned financial assets of RMB60.9 million, RMB149.1 million, RMB185.0 million and RMB56.7 million during the years ended December 31, 2017, 2018 and 2019, and the three months ended March 31, 2020, respectively, in our profit or loss. These fair value gains, together with the re-measurement of fair value of unlisted investments at January 1, 2017, in turn resulted in higher values for our total assets and net assets at the end of the respective periods, as compared to what would have been under IAS 39.

Regarding the use of expected credit loss model under IFRS 9, we concluded that the application of expected credit loss model would not cause a material impact on the impairment loss allowance for our financial assets measured at amortized cost as of each Track Record Period as compared with the incurred loss model under International Accounting Standard ("IAS") 39.

Our Directors have assessed the effects of early adoption of IFRS 15 on the consolidated financial statements and concluded that there is no significant impact on our financial position and financial performance as compared to the application of IAS 18, except that under IFRS 15, contract assets are recognized for the right to consideration for work completed and not billed, and contract liabilities are recognized for our obligations to transfer goods or provided services to customers for which we have received consideration from the customers under IFRS 15.

IFRS 16

The accounting policies for leases which confirm with IFRS 16 that are applicable from January 1, 2019 onwards and IAS 17 "Leases" which are applicable for each of the years ended December 31, 2017 and 2018 are set out in Note 4 to the Accountants' Report in Appendix I to this Prospectus.

We have adopted IFRS 16 retrospectively from January 1, 2019, but have not restated comparatives for the years ended December 31, 2017 and 2018, as permitted under the specific transitional provisions in IFRS 16. The reclassifications and the adjustments arising from IFRS 16 are therefore recognized in the opening consolidated statement of financial position on January 1, 2019.

Upon adoption of IFRS 16, we recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.67%.

For leases previously classified as finance leases under IAS 17, we recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

Our Directors consider that the adoption of IFRS 16, as compared to the requirements of IAS 17, would increase our consolidated assets and consolidated liabilities, but would not result in a significant impact to our consolidated performance.

IFRS 3

On January 1, 2020, we applied IFRS 3 "Definition of Business", amendment to IAS 1 and IAS 8 "Definition of Material" which were effective for the financial period beginning on January 1, 2020. Our Directors consider that the adoption of these pronouncements does not have any significant impact to our Group's accounting policies and consolidated financial performance and position.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been, and are expected to continue to be, affected by a variety of factors, including those set forth below.

Growth of Pharmaceutical R&D Expenditure and Outsourcing

Our financial results are affected by the demand for pharmaceutical R&D services, which in turn is dependent on growth in pharmaceutical R&D expenditure and the rate of outsourcing such work to third-party service providers like us. According to the Frost & Sullivan Report, total R&D expenditure in the global pharmaceutical industry increased from approximately US$149.8 billion in 2015 to US$182.4 billion in 2019, and is expected to reach US$227.0 billion in 2024 with a CAGR of 4.5%. The size of the pharmaceutical CRO market as a percentage of total global pharmaceutical R&D expenditure increased from 29.6% in 2015 to 34.3% in 2019, and is expected to reach 42.3% in 2024. R&D expenditure in China's pharmaceutical industry increased significantly from approximately US$10.5 billion in 2015 to US$21.1 billion in 2019 and is expected to grow to US$47.6 billion in 2024 with a CAGR of 17.7%. The growth in global and China's pharmaceutical R&D expenditures, in particular spending on outsourcing services, has led to rising demands for our comprehensive and integrated biopharmaceutical R&D services, and we expect to continue to benefit from this positive market trend. See "Industry Overview" for a detailed discussion on the growth drivers of the global pharmaceutical CRO market.

Regulatory Developments

Regulatory developments, particularly in China, have had a significant impact on our results of operations. In China, regulatory reform since 2015 has been focused on creating a comprehensive framework to encourage the research and development of new drugs and enhancing the quality and transparency of the review and approval process. Specifically, China has since prioritized increasing the quality and integrity of clinical trials, as well as conformity to global standards. Such regulatory reform has resulted in a significantly higher level of regulatory scrutiny in relation to pharmaceutical research and development, and increased demand for high-quality biopharmaceutical R&D services in China, offering attractive business opportunities to leading China-based global biopharmaceutical R&D service providers like us. Regulatory environment is subject to constant changes. For details, see "Regulatory Overview – Ongoing Regulatory Reforms."

Our Ability to Grow Our Customer Base

We have a diverse customer base, including Chinese and multinational pharmaceutical companies, as well as small-to medium-sized biotechnology companies. We provided services to 1,570, 1,788 and 1,898 customers in 2017, 2018 and 2019, and 1,232 customers in the three months ended March 31, 2020, respectively. We achieved a 100% year-over-year customer retention rate for our top ten customers by revenue during the Track Record Period. Our results

of operations depend largely on our ability to retain existing customers and to acquire new customers. Our ability to attract and retain customers is affected by our brand image, service quality, service offerings, geographic footprint and capacity. Our comprehensive and high-quality service offerings and strong scientific and technical expertise have enabled us to enter into new service contracts with existing customers and attract new customers. If we fail to maintain or grow our customer base, our results of operations and financial conditions would be materially and adversely affected. See "Risk Factors – Risks Relating to Our Business and Industry – We may lose or fail to attract customers if our service quality does not meet customers' standards or if our services do not meet their evolving needs."

Our Service Mix and Pricing

The biopharmaceutical R&D services required for different R&D projects may vary significantly depending on a number of factors, such as the type of services, the type of the drugs and medical devices, the targeted markets and the stages of the R&D process. Our revenue and gross margins in turn vary between different services. Any significant change in the mix of our service offerings may impact our results of operations and overall gross profit margin.

Pricing is also an important factor affecting our results of operations. If we are able to negotiate more favorable contract terms with our customers, our profit and profit margin will increase. As a biopharmaceutical R&D service provider with comprehensive service offerings, we compete with global and other China-based service providers as well as the in-house R&D functions of our customers. We believe that our superior service quality and efficient delivery allows us to price our services at a premium to some of our competitors, particularly as regulatory environments continue to evolve to require higher quality and integrity of clinical trials. As competition intensifies, we may face downward pricing pressure or reduced demand for our services, which will have an adverse impact on our results of operations. See "Risk Factors – Risks Relating to our Business and Industry – We face increasing competition and our inability to compete effectively may result in downward pricing pressure and reduced demand for our services."

Our Ability to Manage Labor Costs in Connection with Our Projects

Our cost of services amounted to RMB969.8 million, RMB1,318.2 million, RMB1,511.4 million, RMB335.9 million and RMB366.2 million, respectively, for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, Direct labor costs incurred in connection with the delivery of our services were the most significant component of our costs of services during the Track Record Period, amounting to RMB432.5 million, RMB605.7 million, RMB770.2 million, RMB189.8 million and RMB228.5 million in 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, respectively, representing 44.6%, 45.9%, 51.0%, 56.5% and 62.4% of our total cost of services during such periods. In recent years, the talent market for well-trained qualified technical and project management professionals with suitable experience has been highly competitive, and we may need to offer more competitive compensation and career development incentives to recruit and

retain the talent necessary for our growth. These additional expenses may lead to significant increases in our cost of services, which may materially and adversely affect our results of operations and financial condition. See "Risk Factors – Risks Relating to our Business and Industry – Increases in labor costs in China may adversely affect our business and our profitability."

Our Ability to Make and Manage Selected Investments and to Acquire and Integrate Businesses

As part of our efforts to offer comprehensive services supporting the biopharmaceutical R&D process across the globe, we have made selective acquisitions and investments, including (i) strategic acquisitions complementary to our core business and expanding geographies, such as Frontage Group, DreamCIS and Jyton, (ii) strategic investments in innovative biotech start-ups and (iii) collaborations with certain investment funds.

We recorded these investments as (i) financial assets measured at FVTPL and (ii) investments in associates where we have significant influence on the investees but do not control or have joint control over such investees. We recognized fair value gain on financial assets at FVTPL of RMB60.9 million, RMB149.1 million, RMB185.0 million, RMB32.1 million and RMB56.7 million, respectively, in the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020. We recorded share of loss of associates of RMB6.2 million, RMB9.8 million, RMB13.5 million and RMB2.8 million in 2017 and 2019 and the three months ended March 31, 2019 and 2020, respectively, and share of profit of associates of RMB9.6 million in 2018. We may fail to identify promising investees and the fair value of our investments may fluctuate or decline, which could negatively affect our results of operations and financial condition. See "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to identify promising investees or realize our anticipated investment returns from our investments." Moreover, we recognized gain on disposal of financial assets at FVTPL in 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020 of RMB34.7 million, RMB112.1 million and RMB76.1 million, RMB15.9 million and RMB10.9 million, respectively. There is no guarantee whether and which of our investments would be disposed in the future and there is no assurance that any such disposal of would result in financial gain. See "Risk Factors – Risks Relating to Our Business and Industry – Fluctuations in our gain on disposal of financial assets at FVTPL, gain on disposal of subsidiaries and gain on disposal of associates would affect our financial results."

We have made strategic acquisitions and will continue to acquire new businesses to complement our service offerings and expand our geographic footprint. However, we may not be able to identify suitable targets or to successfully integrate our acquisitions with our existing businesses and such integration may expose us to risks and unforeseen costs, expenses and liabilities, which would negatively impact our results of operations and financial condition. See "Risk Factors – Risks Relating to Our Business and Industry – Our acquisitions may not be successful and we may fail to successfully integrate these acquisitions with our business."

Moreover, our acquisitions and investments may be subject to stringent regulatory or governmental scrutiny imposed by overseas jurisdictions, which may increase the uncertainty and transaction costs of our future investments in and acquisitions of overseas targets. See "Risk Factors – Risks Relating to Our Business and Industry – Our future international investments may be adversely affected by regulatory or governmental scrutiny in the relevant countries."

Effects of the COVID-19 Outbreak on Our Results of Operations

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. As of the Latest Practicable Date, mainland China, Hong Kong SAR, Taiwan and certain other regions and countries where we operate, including the United States, Korea, Canada, Malaysia, Singapore, India, Australia, Switzerland and Romania, have been affected by the COVID-19 outbreak and, in response, have imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus.

Due to the COVID-19 outbreak, certain of our ongoing biopharmaceutical R&D projects in China and overseas, including our clinical trial operations, site management and patient recruitment projects and laboratory services, have been adversely affected in a number of ways:

- Hospitals and other clinical sites in both China and overseas have devoted significant medical resources to patients infected with COVID-19, resulting in fewer medical staff and facility resources available for clinical trials and related functions and services.

- In both China and overseas, patient candidates have become less willing to participate in clinical trials out of concern about potential infection at clinical sites, which has presented challenges to patient recruitment.

- The COVID-19 outbreak had resulted in regulatory approval delays and increasing backlog of pending drug and medical device applications in China and overseas due to government-imposed lockdowns, work place closures and travel restrictions.

- To a lesser extent, reduced transportations and disruption to manufacturing and logistics networks in China and overseas has affected our customers' as well as suppliers' abilities to manufacture drug candidates and other supplies necessary for our clinical trials and laboratory testing. Nevertheless, as of the Latest Practicable Date, most of our suppliers had resumed normal operations.

- Moreover, as social and work gatherings were banned, mandatory quarantine requirements were imposed and public transportation was suspended in certain cities and countries where our offices and facilities are located, a portion of our employees have been working remotely and our operations in those regions have been interrupted to the extent onsite services of our employees were required.

Nevertheless, based on the knowledge of our Directors, as of the Latest Practicable Date, there had not been any COVID-19-related cancellation of any of our ongoing projects, material issues with collection of customer receivables, or disputes with major customers. Moreover, we had not experienced decrease in our total gross profit during the three months ended March 31, 2020 compared to our total gross profit during the three months ended March 31, 2019.

As the COVID-19 outbreak conditions continue to improve in China as of the Latest Practicable Date, we are mobilizing internal resources and leveraging our project execution capabilities aiming to accelerate the temporarily delayed projects in China with an effort to meet the agreed delivery schedule and milestones in our customer contracts and address the increasing demand of our customers.

However, continuance or recurrence of the COVID-19 outbreak in China or other parts of the world may materially and adversely affect our business operations. Please refer to "Risk Factors – Risks Relating to Our Business and Industry – Our business operations and financial performance have been adversely affected by the COVID-19 outbreak, may in the future continue to be affected by the COVID-19 outbreak, and may be affected by other natural disasters, epidemics and other unforeseeable catastrophes." and "Summary – Recent Developments – COVID-19 Outbreak and Effects on Our Business."

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that we believe to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, and judgments used in the preparation of our consolidated financial statements. Our significant accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 4 and 5 to the Accountants' Report in Appendix I to this Prospectus.

Revenue Recognition

Revenue is recognized to depict the transfer of promised services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those services. Specifically, we use a five-step approach to revenue recognition:

- Step 1: Identify the contract(s) with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue is recognized when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring products or services to a customer ("transaction price").

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our services;
- our performance creates and enhances an asset that the customer controls as we perform our services; or
- our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

Contract assets primarily relate to the our contractual rights to receive consideration for work completed but not yet billed to our customers because the rights to receive such payments from our customers are conditioned upon our future performance in fulfilling specified milestones in the relevant customer service agreements or work orders.

Our contract liabilities represent our obligations to deliver services to our customers for which we have received advanced payments from such customers under the relevant customer service agreements or work orders.

Generally, significant payment terms are disclosed within the contents of a given contract and are in the form of either milestone payment terms representing a percentage of the total budgeted contract price or corresponding directly with the value to the customer of our performance. Revenues recognized in excess of billings are recognized as contract assets and disclosed in the consolidated statements of financial position as contract assets. Amounts billed in accordance with contracted payment schedules but in excess of revenues earned are recognized as contract liabilities and disclosed in the consolidated statements of financial position as contract liabilities.

Contracts are terminable by the customers upon proper notice specified within the contracts, generally 30 to 90 days. A termination fee is generally assessed in addition to us being entitled to compensation equivalent to the efforts and costs incurred to satisfy any performance obligations.

To the extent the transaction price includes variable consideration, we estimate the amount of variable consideration that should be included in the transaction price utilizing the most likely amount to which we expect to be entitled. Variable consideration is included in the transaction price if, in our judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available. Sales, value added, and other taxes collected on behalf of third parties are excluded from revenue.

The transaction price also includes reimbursable expenses (including out-of-pocket expenses, outside consultants and other reimbursable expenses). Reimbursable expenses which do not represent a transfer of goods or services to the customer are not distinct. Such reimbursable expenses are included in total transaction price for the contract and allocated to individual performance obligations which are satisfied over time.

Contracts with customers may contain multiple performance obligations. For such arrangements, the transaction price is allocated to each performance obligation based on the estimated relative standalone selling prices of the promised products or services underlying each performance obligation, inclusive of reimbursable expenses.

When the sum of the stand-alone transaction prices of those products or services exceeds the promised consideration in a contract, we recognize a discount on that particular contract. If the entity does not have observable evidence that the entire discount relates to one or more, but not all performance obligations under the specific contract, the discount is proportionately applied to all performance obligations under a contract.

The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, we generally measure its progress using either cost-to-cost (input method) or units produced/services transferred to the customer to date (output method). We use the known cost measure of progress when it best depicts the transfer of value to the customer which occurs as we incur costs on contract, generally related to fixed fee service contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue is recorded proportionally as costs are incurred. The units produced/services transferred to the customer to date measure of progress is generally related to rate per unit contracts or contracts for the delivery of services, as the extent of progress towards completion is measured based on discrete service or time-based increments, such as samples tested or services transferred.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that our Group commit to purchase or sell the asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on our business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which we classify our debt instruments:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Financial assets at amortized cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain on derecognition is recognized in profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as

effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model, whereby changes in fair value, interest income calculated using the effective interest rate method and foreign exchange gains and losses are recognized in profit or loss. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other comprehensive income ("FVOCI"), debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, we could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognized in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognized in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognized in profit or loss.

Impairment loss on financial assets

We recognize a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 "Financial Instruments." The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on our historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

We have elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and always recognizes lifetime ECL for trade receivables and contract assets. The ECL on these financial assets are assessed collectively using a provision matrix based on our historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other financial instruments, we measure the loss allowance equal to 12m ECL, unless there has been a significant increase in the credit risk since initial recognition or evidence that a financial asset is credit-impaired, then we recognize lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Leasing

A. Policies applied from January 1, 2019

We as lessee

We recognize a right-of-use asset and a lease liability at the date of initial application using modified retrospective approach permitted under IFRS 16 except for leases that have a lease term of twelve months or less or lease of low-value assets in which we recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

On initial recognition, lease is recognized as a right-of-use asset and a corresponding liability at the date of initial application which the leased asset is available for use by us. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The right-of-use assets are measured at an amount equal to the related lease liabilities, adjusted for any lease payments made at or before the date of initial application.

The right-of-use asset is subsequently depreciated using the straight-line method from the date of initial application over the shorter of the remaining lease term or the useful life of the underlying asset. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	2-10 years
Experiment equipment	3-5 years
Leasehold land	50 years
Others	3-5 years

In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

We present right-of-use assets and lease liabilities separately in the consolidated statements of financial position.

B. Policies applicable prior to January 1, 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

We as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

We as lessee

Assets held under a finance leases are initially recognized as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognized in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognized as an integrated part of the total rental expense, over the term of the lease.

Critical Accounting Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations (see below), that our Directors have made in the process of applying our accounting policies and that have the most significant effect on the amounts recognized in the historical financial information.

Judgments in Determining Performance Obligations and Timing of Satisfaction of Performance Obligations

Performance Obligation Determination

In making their judgments, our Directors considered the detailed criteria for recognition of revenue set out in IFRS 15. In determining performance obligations, our Directors consider whether the customer benefits from each service on its own and whether it is distinct in the context of the contract. Specifically, when concluding a contract has multiple performance obligations, our Directors consider that the individual performance obligation is regularly sold separately and the service is separately identifiable from other promises within the contract.

Timing of satisfaction of performance obligations

Our Directors have determined that performance obligations are satisfied over time. The key judgments is that our performance does not create an asset with alternative future use since we cannot redirect the asset for use on another customer, and the contract terms specify we have enforceable right to payments for performance completed up to date.

Depends on which better depicts the transfer of value to the customer, our Directors make judgments to measure the progress of the projects using either cost-to-cost (input method) or units services transferred to the customer to date (output method).

Judgments in determining if entities are accounted for as subsidiaries

We have certain group entities that are general partners of the underlying funds in which the general partners hold less than 50% of their equity interests in these funds but accounted for as subsidiaries. General partners are typically the fund managers of the underlying funds. In assessing whether we have control over these entities, the following considerations are taken into account:

- *The scope of our decision-making authority over the fund.*
- *Our exposure to variability of returns from other interest that we hold in the fund.*
- *The rights held by third parties.*
- *The remuneration to which the fund manager is entitled in accordance with remuneration agreement(s).*

Based on the above relevant facts and circumstances, our Directors consider that we have a wide ranging discretion regarding the scope of decision making rights, our significant exposure to variable returns of the underlying funds and no substantive removal rights held by third parties throughout the Track Record Period. Accordingly, the directors consider that our Group has control over these funds and these funds are accounted for as our subsidiaries.

Judgements in determining if entities are accounted for as associates

An associate is an entity over which we have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not to control or to have joint control. If the entity holds, directly or indirectly, less than 20% of the voting power of the investee, it is presumed that the entity does not have significant influence, unless the influence can be clearly demonstrated. To determine whether we have significant influence over the investee involves significant judgements.

Judgments in determining if entities are accounted for as financial assets at FVTPL

We have certain investment, in which we hold more than 20% of their equity interests or voting right during the Track Record Period. Our Directors consider that we have no significant influence, joint control, nor control over the entities based on the fact that we do not participate in any operating and financial policies of the entities and exercise its influence on the operating and financial policies in the board of directors of the entities. Our Directors conclude that we have no significant influence over such investee companies in which we held less than 20% of equity interests or voting right during the Track Record Period.

Key Sources of Estimation Uncertainty

Fair value measurements for financial assets and financial liabilities at FVTPL

We have made minority equity investments in a wide variety of companies and investment funds during the Track Record Period as set out in Note 26 to the Accountants' Report set out in Appendix I to this Prospectus. We account for these investments as financial assets at FVTPL. For those investments with no quoted market prices in an active market, their fair values are estimated by using valuation techniques.

In addition, we have recognized certain contingent consideration payables as set out in Notes 31a and 34 to the Accountants' Report in Appendix I to this Prospectus in relation to the acquisition of subsidiaries during the Track Record Period. We classified the contingent consideration payables as financial liabilities at FVTPL of which no quoted prices in an active market exist.

To provide an indication of the reliability of the input used in determining the fair value of the financial instruments, we have classified our financial instruments into three levels as follows:

(1) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(3) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Fair value of level 3 financial assets at FVTPL

As of December 31, 2017, 2018 and 2019 and March 31, 2020, certain of our financial assets at FVTPL were classified as level 3 financial instruments.

Our finance department performs a valuation of level 3 financial instruments for financial reporting purposes. It manages the valuation exercise of the investments on a case-by-case basis. Periodically, our finance department uses valuation techniques to determine the fair value of our level 3 instruments and reports to senior management and our Directors. For our material investment classified as level 3 financial assets at FVTPL, we have taken the following steps: (i) involving an independent professionally qualified valuer which has appropriate experiences in valuation of similar assets, providing the necessary financial and non-financial information so as to enable the valuer to perform valuation procedures, and discussing with the valuer on the relevant assumptions; (ii) considering the relevant information such as the price at which an asset was acquired, values of comparable assets in the same market and current and projected operating performance, which require management assessments and estimates; and (iii) reviewing the valuation working papers and results prepared by the valuer. Valuation techniques are certified by the valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on our specific data. However, some inputs, such as the probability of redemption of preference shares, require management estimates and assumptions, which are reviewed periodically and adjusted if necessary. For details, see Note 39 of the Accountants' Report set out in Appendix I of this Prospectus. Our Directors have reviewed the fair value measurement of level 3 financial instruments, taking into account the significant unobservable inputs and the applicable valuation techniques, and determined that the fair value measurement of level 3 financial instruments is in accordance with the applicable IFRSs.

The Joint Sponsors have conducted, among others, the following due diligence work in relation to the level 3 financial assets at FVTPL: (1) discussing with the Company the nature and details of the financial assets; (2) discussing with the Company and the reporting accountants the key bases, assumptions and methodologies for the valuation of the financial assets at FVTPL; (3) discussing with the management of the Company their assessment of the valuation of the financial assets at FVTPL; (4) reviewing the relevant notes in the Accountants' Report as contained in Appendix I to this Prospectus and the valuation working papers and valuation report provided by an independent professionally qualified valuer which has the appropriate experiences in valuation of similar assets; and (5) discussing with the independent professionally qualified valuer the key bases, assumptions and methodologies used in the valuation working papers and the valuation report.

On the basis of the diligence performed, the Joint Sponsors take the view that, with respect to the level 3 fair value measurements for financial assets at FVTPL, our Directors have undertaken independent and sufficient investigation and due diligence, and our Directors' reliance on the work products of the valuer is reasonable and not excessive.

Fair value of contingent consideration payables

As of December 31, 2017, 2018 and 2019 and March 31, 2020, the balance of our contingent consideration payables was nil, nil, RMB20.3 million and RMB22.0 million respectively, which we regard as immaterial to the financial positions of the Group as a whole.

The contingent consideration payables were recorded as a result of certain acquisitions made by our Group in 2019 where a portion of the considerations were agreed to be settled after the closing dates of the relevant acquisitions, with the actual payable amounts being subject to certain pre-agreed business performance metrics of the acquired businesses in the future.

Such contingent consideration payables are classified as level 3 financial instruments under IFRS 9. On the closing dates of the relevant acquisitions, the fair value of the contingent consideration payables are recorded based on the valuation provided by independent professionally qualified valuers which have appropriate experiences in valuation of similar contingent payables, taking into account expected business growth rate and discount rate. These valuations are reviewed by our finance department from time to time and subject to adjustments based on our management's estimates of, among other factors, the business performances of the relevant acquired businesses. For any material consideration payable, a valuation report would be obtained from a qualified and independent valuer.

For the measurement of contingent consideration payables, we have taken the following steps: (i) reviewing sale and purchase agreements for the relevant acquisitions to understand the agreed payment mechanics; (ii) reviewing the most recent business performance of the relevant acquired businesses; (iii) considering relevant information such as ongoing business environment, performance of other companies in similar industries, and potential changes in demand for the services of the acquired business, which require management assessments and estimates. Based on (i) to (iii), we form a view on the likelihood of the contingent consideration payables being required and make adjustments to the amount of the contingent consideration payables, if required. For any subsequent material contingent consideration payables, we plan to engage an independent professionally qualified valuer which has appropriate experiences in valuation of similar contingent payables to provide a valuation. For details, see Notes 39 and 40 of the Accountants' Report set out in Appendix I to this Prospectus. Our Directors have reviewed the fair value measurement of level 3 financial instruments, taking into account the significant unobservable inputs and the applicable valuation techniques, and determined that the fair value measurement of level 3 financial instruments is in accordance with the applicable IFRSs.

The Joint Sponsors have conducted, among other things, the following due diligence work in relation to the contingent consideration payables: (i) reviewing of relevant notes in the Accountants' Report as contained in Appendix I and relevant documents provided by the Company; and (ii) discussing with the Company, the reporting accountants about the key bases and assumptions for the valuation of contingent consideration payables. Having considered the work done by the Directors and reporting accountants and the relevant due diligence done as stated above, the Joint Sponsors are of the view that the Directors' view above with respect to the valuation of contingent consideration payables is reasonable.

The reporting accountants' opinion on the historical financial information of our Group for the Track Record Period is set out in Appendix I to this Prospectus.

Impairment of goodwill

The carrying amounts of goodwill as at December 31, 2017, 2018 and 2019 and March 31, 2020 were RMB1,049.0 million, RMB1,032.9 million, RMB1,157.8 million, RMB1,355.6 million, respectively. Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of value in use or fair value less costs of disposal. Goodwill acquired through business combinations is allocated to the following CGUs for impairment testing: Jietong Tigermed CGU, Frontage Holdings Group CGU, Mosim CGU, DreamCIS CGU, Beiyi CGU, Beijing Yaxincheng CGU, Frontage Suzhou CGU, Taizhou Kanglihua CGU, Tigermed BDM CGU, Biotranex CGU, MacroStat CGU, RMI CGU, BRI CGU, Opera CGU, Taiwan Tigermed CGU and Shanghai Shengtong CGU. The recoverable amounts of Shanghai Shengtong CGU as of December 31, 2017 and 2018, and the recoverable amounts of Frontage Holdings Group CGU, Frontage Suzhou CGU, RMI CGU and BRI CGU as of December 31, 2019 have been determined by their respective fair value less costs of disposal. Except for the above, the recoverable amounts of other CGUs have been determined based on value-in-use calculations using pre-tax cash flow projections, which is based on financial budgets approved by our management.

The value-in-use calculation requires our Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the five-year period. We believe that it is appropriate to cover a five-year period in our cash flow projection, because it captures the development stage of our businesses during which we expect to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by us. Our management leveraged their extensive experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

The key assumptions used in the significant CGU value-in-use calculations are as follows:

	As of December 31,			As of March 31,
	2017	2018	2019	2020
	%	%	%	%
Terminal growth rates of revenue	0.0~5.0	0.0~5.0	0.0~5.0	0.0~5.0
Discount rates	14.3~22.0	14.9~22.4	15.3~22.0	16.5~23.0

The terminal growth rates of revenue are based on the relevant industry growth forecast and does not exceed the average long-term growth rate for the relevant industry. The discount rates are the expected return of our Group's assets that reflects current market assessments of the time value of money and the specific risk associated with the CGU, after taking into account the weighted average cost of equity and debt.

According to the results of the impairment testing on major CGUs, the estimated recoverable amounts of the major CGUs exceed their carrying amount (i.e. the headroom (note (a)) as below:

	As of December 31,			As of March 31,
	2017	2018	2019	2020
	(RMB in thousands)			
Jietong Tigermed CGU	80,666	92,652	93,892	41,703
Frontage Holdings Group CGU *(note (d))*	145,656	160,366	3,646,621	1,963,919
Mosim CGU *(note (e))*	N/A	N/A	N/A	31,203
DreamCIS CGU	39,521	56,738	65,641	51,468
Beiyi CGU *(note (b))*	N/A	N/A	62,800	58,751
Beijing Yaxincheng CGU *(note (c))*	N/A	N/A	22,255	27,767

Notes:

(a) The headroom of each CGU is calculated based on its recoverable amount deducting its carrying amount and goodwill allocated.

(b) During the years ended December 31, 2017 and 2018, our Directors have determined that there were impairment losses of RMB10,000,000 and RMB19,000,000, respectively, in relation to goodwill allocated to Beiyi CGU (under clinical trial solutions segment) as the recoverable amount of the CGU is less than its carrying amount. The estimated recoverable amount of the CGU is determined based on cash flow projections by reference to the valuation carried out by an external independent valuer. The valuer measured that the recoverable amounts of Beiyi CGU were approximately RMB131,620,000 and RMB112,620,000 which are RMB10,000,000 and RMB19,000,000 less than its carrying amounts before impairment as at December 31, 2017 and 2018 respectively.

(c) We acquired Beijing Yaxincheng in July 2019, and therefore there was no goodwill recognised as at December 31, 2017 and 2018.

(d) At December 31, 2019 and March 31, 2020, the recoverable amount of Frontage Holdings Group CGU was determined by its fair value less costs of disposal.

(e) We acquired Mosim in January 2020, and therefore there was no goodwill recognised as at December 31, 2017, 2018 and 2019.

Our Directors also performed sensitivity analysis based on the assumptions that expected growth rate of revenue or pre-tax discount rate would be changed by taking into accounts the volatility of the business and industry in which the acquirees are engaged, and changes in market price of the shares for listed equity securities. Had the following estimated key assumptions for the forecast period been changed as below, the headroom would decrease to the amounts as follows:

	As of December 31,			As of March 31,
	2017	2018	2019	2020
	(RMB in thousands)			
Jietong Tigermed CGU				
– Expected growth rate of revenue decrease by 5%	39,750	46,116	51,342	536
– Pre-tax discount rate increase by 1%	49,008	55,586	59,261	6,982
Frontage Holdings Group CGU				
– Expected growth rate of revenue decrease by 5%	91,144	38,394	N/A	N/A
– Pre-tax discount rate increase by 1%	110,549	125,635	N/A	N/A
– Market price of the share decrease by 10%	N/A	N/A	3,226,621	1,686,632
Mosim CGU				
– Expected growth rate of revenue decrease by 5%	N/A	N/A	N/A	13,653
– Pre-tax discount rate increase by 1%	N/A	N/A	N/A	10,997
DreamCIS CGU				
– Expected growth rate of revenue decrease by 5%	2,844	30,163	63,484	28,826
– Pre-tax discount rate increase by 1%	26,949	46,795	57,041	44,144
Beiyi CGU				
– Expected growth rate of revenue decrease by 5%	N/A	N/A	15,084	44,378
– Pre-tax discount rate increase by 1%	N/A	N/A	50,646	48,816
Beijing Yaxincheng CGU				
– Expected growth rate of revenue decrease by 5%	N/A	N/A	9,978	4,729
– Pre-tax discount rate increase by 1%	N/A	N/A	6,678	13,156

Based on the above assessment and the historical results, our Directors have not identified any reasonably possible change in the key assumptions on which the recoverable amount is based that would cause the carrying amounts of the major CGUs to exceed their respective recoverable amounts as of the end of each of the Track Record Period. For details of impairment loss of goodwill, please refer to Note 22 of the Accountants' Report set out in Appendix I to this Prospectus.

Fair value of share-based compensation

The share-based compensation expense is measured based on the fair value of the share rewards as calculated under the Black-Scholes or binomial option pricing model. Our management is responsible for determining the fair value of the share options granted to employees. The key assumptions used to determine the fair value of the share unit awards at the grant date include share price on measurement date, expected volatility and risk-free interest rate. Changes in these assumptions could significantly affect the fair value of share awards and hence the amount of compensation expenses we recognizes in the consolidated financial statements.

The table below sets forth our share-based compensation expense for the periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
			(RMB in thousands)		
Share-based compensation expense	1,412	8,170	41,404	1,907	11,955

Useful lives and residual values of intangible assets

Our management determines the useful lives, residual values and related amortization charges for its intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions and may vary significantly as a result of technical innovations and keen competitions from competitors, resulting in higher amortization charge and/or write-off or write-down of technically obsolete assets when useful lives are less than previously estimated. We will increase the amortization charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Amortization is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortization expense is recognized in profit or loss and included in administrative expenses.

Software	5 – 10 years
Trademark	1 year
Customer relationship	4 – 7 years
Customer backlog	2 – 5 years
Non-competition clause	3 – 5 years
Others	5 years

Impairment of interests in associates

Determining impairment of interests in associates requires an estimation of the value in use of the investments. The value-in-use calculation requires our Directors to estimate the future cash flows expected to arise from the investments and a suitable discount rate in order to calculate present value. Where actual cash flows are less than expected, a material impairment may arise. Details of the impairment calculation in relation to interest in an associate are set out in Note 19 of the Accountants' Report set out in Appendix I to this Prospectus.

Provision of ECL for trade receivables and contract assets

We use provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on our historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and our trade receivables and contract assets are disclosed in Note 37 of the Accountants' Report set out in Appendix I to this Prospectus.

DESCRIPTION OF KEY STATEMENT OF PROFIT OR LOSS ITEMS

The following table sets forth our consolidated statements of profit or loss and other income for the periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
			(RMB in thousands)		
Revenue	1,682,504	2,299,534	2,803,309	604,984	654,971
Cost of services	(969,752)	(1,318,199)	(1,511,409)	(335,949)	(366,235)
Gross profit	712,752	981,335	1,291,900	269,035	288,736
Other income	30,912	22,234	64,149	13,223	14,367
Other gains and losses, net	113,347	281,107	361,551	99,516	146,828
Impairment losses	(23,825)	(53,105)	(21,186)	(96)	(4,994)
Selling and marketing expenses	(39,749)	(54,454)	(81,072)	(21,099)	(20,721)
Administrative expenses	(239,106)	(316,423)	(350,510)	(77,022)	(84,328)
Research and development expenses	(49,667)	(88,025)	(124,049)	(31,588)	(34,231)
Share of (losses)/profits of associates	(6,199)	9,598	(9,768)	(13,496)	(2,823)
Finance costs	(11,661)	(19,365)	(42,243)	(9,989)	(14,139)
Profit before tax	486,804	762,902	1,088,772	228,484	288,695
Income tax expense	(92,647)	(107,653)	(113,839)	(26,587)	(25,726)
Profit for the year/period	394,157	655,249	974,933	201,897	262,969
Profit for the year/period attributable to:					
Owners of the Company	344,977	576,886	841,247	191,437	263,377
Non-controlling interests	49,180	78,363	133,686	10,460	(408)

Revenue

We offer (i) clinical trial solutions and (ii) clinical-related and laboratory services, primarily covering pre-clinical research to post-approval studies for drugs and medical devices. We generate revenue from fees received from providing biopharmaceutical R&D services to our customers in China and overseas. We recorded revenue of RMB1,682.5 million, RMB2,299.5 million, RMB2,803.3 million, RMB605.0 million and RMB655.0 million for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, respectively.

The table below sets forth our revenue from Frontage Group and DreamCIS for the periods indicated.

	For the year ended December 31,		
	2017	**2018**	**2019**
	(RMB in thousands)		
Frontage Group	473,142	556,756	694,842
DreamCIS	94,677	117,443	137,573

Revenue by business segment

We categorize our business by service type into (i) clinical trial solutions and (ii) clinical-related and laboratory services.

Clinical trial solutions	Drug and medical device clinical trial operations and other core clinical services directly associated with clinical trial operations, such as medical writing, translation services, and pharmacovigilance services.
Clinical-related and laboratory services	Ancillary services that provide the necessary support to clinical trial operations, including data management and statistical analysis, site management and patient recruitment, as well as laboratory services (including DMPK, safety and toxicology, bioanalytical and CMC services), and other services such as medical imaging and GMP consulting.

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

	For the year ended December 31,						For the three months ended March 31,			
	2017		2018		2019		2019		2020	
							(unaudited)			
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Revenue										
Clinical trial solutions	750,438	44.6	1,107,636	48.2	1,346,672	48.0	277,277	45.8	302,561	46.2
Clinical-related and laboratory services	932,066	55.4	1,191,898	51.8	1,456,637	52.0	327,707	54.2	352,410	53.8
Total	1,682,504	100.0	2,299,534	100.0	2,803,309	100.0	604,984	100.0	654,971	100.0

Revenue by region

During the Track Record Period, we derived revenue from biopharmaceutical R&D projects conducted in PRC and overseas.

The table below sets forth a breakdown of our revenue by region for the periods indicated, both in actual terms and as a percentage of total revenue.

	For the year ended December 31,						For the three months ended March 31,			
	2017		2018		2019		2019		2020	
							(unaudited)			
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Revenue										
PRC	797,776	47.4	1,246,245	54.2	1,600,125	57.0	308,847	51.1	376,602	57.5
Overseas										
USA	561,931	33.4	655,119	28.5	783,588	28.0	198,477	32.8	201,744	30.8
Rest of the world	322,797	19.2	398,170	17.3	419,596	15.0	97,660	16.1	76,625	11.7
Total	1,682,504	100.0	2,299,534	100.0	2,803,309	100.0	604,984	100.0	654,971	100.0

Revenue generated in the PRC increased by 56.2% from RMB797.8 million in 2017 to RMB1,246.2 million in 2018, and further increased by 28.4% to RMB1,600.1 million in 2019. Furthermore, revenue generated in the PRC increased by 22.0% from RMB308.8 million for the three months ended March 31, 2019 to RMB376.6 million for the three months ended March 31, 2020. The increase was primarily due to increased number of clinical research

projects conducted in China during the Track Record Period, mainly driven by an increasing demand for our diversified service offerings in China and partially offset by the impacts of the COVID-19 outbreak. See "Summary – Recent Developments – COVID-19 Outbreak and Effects on Our Business" for details.

Revenue generated in the United States increased by 16.6% from RMB561.9 million in 2017 to RMB655.1 million in 2018, and further increased by 19.6% to RMB783.6 million in 2019. Furthermore, revenue generated in the United States increased by 1.6% from RMB198.5 million for the three months ended March 31, 2019 to RMB201.7 million for the three months ended March 31, 2020. The increase was primarily due to increased revenue generated by Frontage Group from its laboratory services in the United States as a result of its marketing efforts and the revenue contribution of the acquired business of Concord Biosciences, LLC, which primarily provides safety and toxicology services and generated RMB107.1 million of revenue in 2019. Revenue generated from rest of the world increased by 23.3% from RMB322.8 million in 2017 to RMB398.2 million in 2018, and further increased by 5.4% to RMB419.6 million in 2019. The increase was primarily due to an increasing number of customers expanding their R&D efforts overseas as we continue to expand our overseas service offerings. Revenue generated from the rest of the world decreased by 21.6% from RMB97.7 million for the three months ended March 31, 2019 to RMB76.6 million for the three months ended March 31, 2020, primarily due to the impact of the COVID-19 outbreak outside China.

Cost of Services

For the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, our cost of services was RMB969.8 million, RMB1,318.2 million, RMB1,511.4 million, RMB335.9 million and RMB366.2 million, respectively. Our cost of services consists of direct labor costs, direct project-related costs and overhead costs.

The following table sets forth a breakdown of our cost of services by nature for the periods indicated, both in actual terms and as a percentage of revenue.

	For the year ended December 31,						For the three months ended March 31,			
	2017		2018		2019		2019		2020	
							(unaudited)			
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Direct labor costs	432,488	25.7	605,699	26.3	770,168	27.5	189,804	31.4	228,530	34.9
Direct project-related costs	324,912	19.3	469,211	20.4	513,306	18.3	103,348	17.1	99,200	15.1
Overhead costs	212,352	12.6	243,289	10.6	227,935	8.1	42,797	7.0	38,505	5.9
Total	969,752	57.6	1,318,199	57.3	1,511,409	53.9	335,949	55.5	366,235	55.9

Direct labor costs primarily consist of payroll expenses for the employees who are responsible for delivering clinical trial solutions and clinical-related and laboratory services to our customers in connection with our projects.

Direct project-related costs primarily consist of costs incurred with clinical research and other projects and clinical sites, supplies procured for carrying out our projects, fees paid to subcontractors, and licensing fees paid for the IT systems and related data services used in clinical trials and other projects.

Overhead costs mainly consist of rentals, traveling expenses, depreciation charges and other routine costs incurred in connection with the delivery of our services to customers.

Gross Profit and Gross Profit Margin

In the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, our gross profit was RMB712.8 million, RMB981.3 million, RMB1,291.9 million, RMB269.0 million and RMB288.7 million, respectively. For the same periods, our gross profit margin was 42.4%, 42.7%, 46.1%, 44.5% and 44.1%, respectively.

The following table sets forth a breakdown of our gross profit during the Track Record Period and its respective gross profit margin by segment.

	For the year ended December 31,						For the three months ended March 31,			
	2017		2018		2019		2019		2020	
							(unaudited)			
	Gross profit	*Gross profit margin %*	*Gross profit*	*Gross profit margin %*	*Gross profit*	*Gross profit margin %*	*Gross profit*	*Gross profit margin %*	*Gross profit*	*Gross profit margin %*
	(RMB in thousands, except for percentages)									
Clinical trial solutions	253,021	33.7	416,779	37.6	578,774	43.0	113,082	40.8	141,363	46.7
Clinical-related and laboratory services	459,731	49.3	564,556	47.4	713,126	49.0	155,953	47.6	147,373	41.8
Total	712,752	42.4	981,335	42.7	1,291,900	46.1	269,035	44.5	288,736	44.1

Clinical trial solutions

Gross profit of our clinical trial solutions increased during the Track Record Period, primarily in line with our business expansion. Gross profit margin of our clinical trial solutions increased during the Track Record Period, primarily due to (i) an upward re-pricing of our services, which was primarily due to more stringent regulatory requirements in recent years with increased focus on the quality and integrity of clinical trials, which led to an upward re-pricing in the clinical CRO market by high quality service providers like us and (ii) enhanced operating efficiency attributable to our optimized project management structure. In this regard, we have implemented a modular operational approach to clinical trials, where each stage of the clinical trials is undertaken by specialized teams, instead of having one team to run the entire clinical trial process. We believe such modular operational approach encourages significant specialization which in turn increases our overall efficiency.

Clinical-related and laboratory services

Gross profit of our clinical-related and laboratory services increased from 2017 to 2019, primarily driven by our business growth. Gross profit of our clinical-related and laboratory services decreased from RMB156.0 million in the three months ended March 31, 2019 to RMB147.4 million in the three months ended March 31, 2020, primarily due to the decrease in gross profit of our site management and patient recruitment services in China and the decrease in gross profit of our laboratory services in overseas. Gross profit margin of our clinical-related and laboratory services remained relatively stable from 2017 to 2019. Gross profit margin of our clinical-related and laboratory services decreased from 47.6% for the three months ended March 31, 2019 to 41.8% for the three months ended March 31, 2020, primarily due to the decrease in gross profit of our site management and patient recruitment services and laboratory services, which were adversely impacted by the COVID-19 outbreak.

Other Income

Our other income primarily includes (i) interest income from bank deposits, (ii) interest income from structured deposits, (iii) government grants and (iv) dividend income from financial assets at FVTPL. In the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, our other income was RMB30.9 million, RMB22.2 million, RMB64.1 million, RMB13.2 million and RMB14.4 million, respectively. Government grants mainly represent financial support funds provided by PRC local governments. During the Track Record Period, we received various grants from PRC local government authorities, primarily for the purposes of business support and as an incentive for our high-tech innovation.

The following table sets forth a breakdown of our other income for the periods indicated.

	Year ended December 31,			For the three months ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
			(RMB in thousands)		
Interest income from bank deposits	8,040	7,802	25,462	1,273	9,742
Interest income from structured deposits	4,278	1,544	1,372	387	648
Government grants	12,845	10,570	18,800	703	3,781
Dividend income from financial assets at FVTPL	2,216	–	17,601	10,540	–
Others	3,533	2,318	914	320	196
Total	30,912	22,234	64,149	13,223	14,367

Other Gains and Losses, Net

Other gains and losses, net primarily consist of net foreign exchange gain or loss, loss on written off of intangible assets, gain or loss on disposal of property, plant and equipment, change in fair value of financial assets at FVTPL, fair value change of contingent consideration, bargain purchase gain, gain on disposal of subsidiaries, gain on disposal of associates, gain on disposal of financial assets at FVTPL and loss or gain arising from derivative financial instruments. In the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, we recorded net other gains of RMB113.3 million, RMB281.1 million, RMB361.6 million, RMB99.5 million and RMB146.8 million, respectively.

The following table sets forth a breakdown of our other gains and losses for the periods indicated.

	Year ended December 31,			For the three months ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
	(RMB in thousands)				
Net foreign exchange (loss)/gain	(7,159)	4,592	6,271	(1,716)	1,521
Loss on write-off of intangible assets	(150)	–	–	–	–
Gain/(loss) on disposal of property, plant and equipment	42	(406)	(385)	(134)	(14)
Change in fair value of financial assets at FVTPL	60,851	149,098	184,996	32,088	56,700
Fair value change of contingent consideration	11,237	–	–	–	1,015
Bargain purchase gain	–	4,926	–	–	–
Gain on disposal of subsidiaries	14,733	1,073	73,747	52,828	6,743
Gain on disposal of associates	7,309	3,551	20,850	559	70,011
Gain on disposal of financial assets at FVTPL	34,674	112,107	76,072	15,891	10,852
(Loss)/gain arising from derivative financial instruments	(8,190)	6,166	–	–	–
Total	113,347	281,107	361,551	99,516	146,828

Change in fair value of financial assets at FVTPL represents the gains or losses arising from change in fair value of our equity investments and other financial assets at FVTPL. In the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, we recorded change in fair value of financial assets at FVTPL of RMB60.9 million, RMB149.1 million, RMB185.0 million, RMB32.1 million and RMB56.7 million, respectively.

We recorded net gain on disposal of financial assets at FVTPL of RMB34.7 million, RMB112.1 million, RMB76.1 million, RMB15.9 million and RMB10.9 million in 2017, 2018, 2019 and the three months ended March 31, 2019 and 2020, respectively, as a result of our disposals of equity investments and other financial assets at FVTPL to achieve investment returns.

We recorded gain on disposal of subsidiaries of RMB14.7 million, RMB1.1 million, RMB73.7 million, RMB52.8 million and RMB6.7 million in 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, respectively. In June 2017, we disposed of our entire equity interests in Shanghai Tigermed Medical Consulting Co., Ltd. (上海泰格醫藥諮詢有限公司), a non-wholly owned subsidiary, to an independent third party at a consideration of approximately RMB1.7 million. In December 2017, we disposed of our entire equity interests in Hunan Taixin Pharmaceutical Technology Co., Ltd (湖南泰新醫藥科技有限公司), a non-wholly owned subsidiary, to an independent third party at a consideration of RMB25.0 million. In April 2018, we disposed of our entire equity interests in two wholly owned subsidiaries, Shanghai Frontage Biotech Co. Ltd. (上海方達生物技術有限公司) and Suzhou Frontage Biotech Co. Ltd. (蘇州方達生物技術有限公司), respectively, to an independent third party at an aggregate consideration of RMB4.9 million. In March 2019, we disposed of a 20% equity interest in Shanghai Shengtong, a non-wholly owned subsidiary engaged in cold-chain logistics services, to two independent third parties at a consideration of RMB20.0 million and RMB8.0 million, respectively. In June 2019, we disposed of a 50% equity interest in a non-wholly owned subsidiary, Hangzhou Tigermed Jietong Inspection Technology Co., Ltd. (杭州泰格捷通檢測技術有限公司) ("Hangzhou Tigermed Jietong"), to an independent third party at a consideration of RMB10.0 million. Our retained interests in Shanghai Shengtong and Hangzhou Tigermed Jieton have been recorded as financial assets at FVTPL and measured at fair value at the initial recognition of the retained-interests. On January 10, 2020, we disposed of our entire equity interests in a wholly-owned subsidiary, Chengdu Xinsheng Tigermed Technology Company Limited (成都市鑫盛泰格醫藥科技有限公司) ("Chengdu Tigermed"), to Hangzhou Yibai Health Management Co., Ltd., our associate, at a consideration of RMB5.0 million.

Impairment Losses

Impairment losses primarily consist of impairment losses under ECL model and other impairment losses, net of reversal. In the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, we recorded impairment losses of RMB23.8 million, RMB53.1 million, RMB21.2 million, RMB0.1 million and RMB5.0 million, respectively.

The following table sets forth a breakdown of our impairment losses for the periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
			(RMB in thousands)		
Impairment losses under ECL model, net of reversal:					
Trade receivables	11,944	16,550	8,509	(3,405)	(709)
Contract assets	1,012	(1,427)	17,516	5,648	5,260
Other receivables	869	4,921	(4,839)	(2,147)	443
Other impairment losses:					
Goodwill	10,000	19,000	–	–	–
Interest in an associate	–	14,061	–	–	–
Total impairment losses	23,825	53,105	21,186	96	4,994

Our impairment losses increased in the year ended December 31, 2018, primarily due to increase in impairment of goodwill and interest in an associate. In 2017 and 2018, we recorded an impairment loss on goodwill of RMB10.0 million and RMB19.0 million, respectively, in relation to goodwill allocated to Beijing BMD due to its underperformance during these years. In 2018, we recorded an impairment loss on interest in an associate of RMB14.1 million in relation to our minority equity interest held in Frontida due to the continued losses generated by it. We conducted a full impairment analysis being performed on the recoverable amount of the investment, which is determined based on the fair value less cost of disposal of the investment.

Selling and Marketing Expenses

Our selling and marketing expenses consist of staff costs relating to our marketing and business development personnel, marketing and promotion fees and others, such as travel, conference and events expenses, incurred in connection with our marketing and business development activities. In the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, we recorded selling and marketing expenses of RMB39.7 million, RMB54.5 million, RMB81.1 million, RMB21.1 million and RMB20.7 million, respectively.

The following table sets forth a breakdown of our selling and marketing expenses for the periods indicated, both in actual terms and as a percentage of total selling and marketing expenses.

	Year ended December 31,						For the three months ended March 31,			
	2017		2018		2019		2019		2020	
							(unaudited)			
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Staff costs	27,102	68.2	36,185	66.5	55,598	68.6	16,282	77.2	15,443	74.6
Marketing fees	9,998	25.2	10,119	18.6	15,371	19.0	3,121	14.8	3,593	17.3
Others	2,649	6.6	8,150	14.9	10,103	12.4	1,696	8.0	1,685	8.1
Total	39,749	100.0	54,454	100.0	81,072	100.0	21,099	100.0	20,721	100.0

Administrative Expenses

Our administrative expenses consist of staff costs relating to our administrative and management personnel, traveling and business-related expenses, facilities maintenance and rental expenses, depreciation and amortization expenses, professional fees, listing expenses incurred by Frontage Group and others. In the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, we recorded administrative expenses of RMB239.1 million, RMB316.4 million, RMB350.5 million, RMB77.0 million and RMB84.3 million, respectively.

The following table sets forth a breakdown of our administrative expenses for the periods indicated, both in actual terms and as a percentage of total administrative expenses.

	Year ended December 31,						For the three months ended March 31,			
	2017		2018		2019		2019		2020	
							(unaudited)			
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Staff costs	111,033	46.4	132,304	41.8	181,824	51.9	39,176	50.9	50,080	59.4
Traveling and business related expenses	36,871	15.4	53,563	16.9	67,390	19.2	13,938	18.1	11,545	13.7
Facilities maintenance and rental expenses	39,924	16.7	32,279	10.2	24,998	7.1	5,997	7.8	6,940	8.2
Depreciation and amortization expenses	9,779	4.1	9,204	2.9	11,453	3.3	3,574	4.6	3,881	4.6
Professional fee	8,074	3.4	8,846	2.8	7,323	2.1	2,543	3.3	3,756	4.5
Listing expenses incurred by Frontage Group	–	–	43,856	13.9	11,232	3.2	2,672	3.5	–	–
Others	33,425	14.0	36,371	11.5	46,290	13.2	9,122	11.8	8,126	9.6
Total	239,106	100.0	316,423	100.0	350,510	100.0	77,022	100.0	84,328	100.0

Research and Development Expenses

Our research and development expenses primarily consist of staff costs relating to our R&D personnel. In the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, we recorded research and development expenses of RMB49.7 million, RMB88.0 million, RMB124.0 million, RMB31.6 million and RMB34.2 million, respectively. Our staff costs in research and development expenses amounted to RMB45.9 million, RMB81.6 million, RMB114.8 million, RMB29.8 million and RMB31.8 million during the same periods, respectively.

Income Tax Expense

Our income tax expense primarily consists of the current income tax at the statutory rates applicable to our assessable profit before tax as determined under relevant laws and regulations in China, the United States, Korea and other jurisdictions where we operate. In the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, our income tax expense was RMB92.6 million, RMB107.7 million, RMB113.8 million, RMB26.6 million and RMB25.7 million, respectively.

The following table sets forth a breakdown of our income tax expenses for the periods indicated.

	Year ended December 31,			For the three months ended March 31,	
	2017	2018	2019	2019	2020
				(unaudited)	
	(RMB in thousands)				
Current tax:					
– PRC Enterprise Income Tax ("EIT")	57,323	74,393	101,239	14,350	21,114
– U.S. income tax	35,252	11,145	32,990	5,047	4,022
– Korean income tax	–	1,348	6,574	738	663
– Others	1,091	1,658	4,035	3,376	379
Under/(over) provision of current tax in prior year	5,604	888	(5,105)	(57)	(148)
Total current tax	99,270	89,432	139,733	23,454	26,030
PRC withholding tax	–	4,704	–	–	–
Deferred tax:					
– Current year/period	(6,623)	13,517	(25,894)	3,133	(304)
Total income tax expense	**92,647**	**107,653**	**113,839**	**26,587**	**25,726**

Profit for the year/period

We recorded net profit of RMB394.2 million, RMB655.2 million, RMB974.9 million, RMB201.9 million and RMB263.0 million for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, respectively.

The table below sets forth our net profit/(loss) from Frontage Group and DreamCIS for the periods indicated.

	For the year ended December 31,		
	2017	2018	2019
	(RMB in thousands)		
Frontage Group	68,467	75,300	127,544
DreamCIS	(6,644)	20,904	25,829

TAXATION

PRC

Under the Enterprise Income Tax of the PRC (the "EIT Law") (《中華人民共和國企業所得税法》) and its implementation regulation, the standard EIT rate of the PRC subsidiaries is 25%. For the PRC subsidiaries qualified as High and New Technology Enterprise ("HNTEs") or "Advanced Technology Enterprise" ("ATEs") by the relevant government authorities, they are subject to a preferential rate of 15%. The vast majority of our profits generated by our PRC entities were entitled to the preferential EIT rate of 15% during the Track Record Period as such entities qualified as HNTEs.

The United States

We are subject to U.S. federal and state income taxes. The tax rate for Federal Income Tax was 35% for the year ended December 31, 2017. On December 22, 2017, the 2017 Tax Cuts and Jobs Act was enacted, which reduces the federal corporate tax rate to 21% from 35% and is effective on January 1, 2018. The income subject to tax in a specific state (i.e. state taxable income) is calculated based on the federal taxable income with state tax adjustments, which is then allocated or apportioned to the respective states (i.e. percentage of taxable income that should be apportioned or specially allocated to the respective states in which our Group operates).

Korea

Our Korean subsidiary, DreamCIS, is subject to Korean corporate income tax on the taxable income as filed in its tax returns in accordance with the Corporate Tax Act of Korea at the progress tax rate of 10% for taxable income up to KRW 200,000,000, 20% for taxable income above KRW 200,000,000 and up to KRW 20,000,000,000, 22% for taxable income above KRW 20,000,000,000 and up to KRW 300,000,000,000, and 25% for taxable income in excess of KRW 300,000,000,000. In addition to the basic corporate income tax rate, there is an income tax surcharge of 10% on the income tax payable amount.

DISCUSSION OF RESULTS OF OPERATIONS

Three Months Ended March 31, 2020 Compared with the Three Months Ended March 31, 2019

Revenue

Our total revenue increased by 8.3% from RMB605.0 million in the three months ended March 31, 2019 to RMB655.0 million in the three months ended March 31, 2020. The increase was driven by the increase in both revenue generated from clinical-related and laboratory services and revenue generated from clinical trial solutions.

Clinical trial solutions

Revenue generated from our clinical trial solutions increased by 9.1% from RMB277.3 million in the three months ended March 31, 2019 to RMB302.6 million in the three months ended March 31, 2020. The increase was primarily due to the revenue contribution from Beijing Yaxincheng Medical InfoTech Co., Ltd. (北京雅信誠醫學信息科技有限公司) which was acquired by us in July 2019, partially offset by the slight decrease in revenue from clinical trial operations.

Clinical-related and laboratory services

Revenue generated from our clinical-related and laboratory services increased by 7.5% from RMB327.7 million in the three months ended March 31, 2019 to RMB352.4 million in the three months ended March 31, 2020. The increase was primarily due to (i) an increase in demand for our laboratory services in the three months ended March 31, 2020, and (ii) an increase in demand for our data management and statistical analysis services.

Cost of Services

Our cost of services increased by 9.0% from RMB335.9 million in the three months ended March 31, 2019 to RMB366.2 million in the three months ended March 31, 2020, which was in line with our revenue growth.

Our direct labor costs increased by 20.4% from RMB189.8 million in the three months ended March 31, 2019 to RMB228.5 million in the three months ended March 31, 2020, primarily due to an increase in the total number of employees to support our business growth despite the COVID-19 outbreak. We made hiring plans based on our projected business growth and did not have material reductions to our workforce as we view COVID-19 as having a temporary impact.

Our direct project-related costs decreased by 4.0% from RMB103.3 million in the three months ended March 31, 2019 to RMB99.2 million in the three months ended March 31, 2020, primarily due to decreased fees paid to clinical trial sites as a result of (i) changes in the terms of our service contracts, according to which certain direct project-related costs previously paid by us are now borne by our customers, and (ii) the impact of the COVID-19 outbreak.

Our overhead costs decreased by 10.0% from RMB42.8 million in the three months ended March 31, 2019 to RMB38.5 million in the three months ended March 31, 2020, primarily due to the decrease in travelling and conference expenses due to the impact of the COVID-19 outbreak.

Gross Profit and Gross Profit Margin

Our gross profit increased by 7.3% from RMB269.0 million in the three months ended March 31, 2019 to RMB288.7 million in the three months ended March 31, 2020. Our gross profit margin remained relatively stable from 44.5% in the three months ended March 31, 2019 to 44.1% in the three months ended March 31, 2020.

Clinical trial solutions

Gross profit of our clinical trial solutions increased by 25.0% from RMB113.1 million in the three months ended March 31, 2019 to RMB141.4 million in the three months ended March 31, 2020, driven by our acquisition of equity interest in Beijing Yaxincheng Medical InfoTech Co., Ltd. (北京雅信誠醫學信息科技有限公司) and Shanghai Mosim Medical Technology Co., Ltd. (上海謀思醫藥科技有限公司), and increase in gross profit margin of our clinical trial operations business. Gross profit margin of our clinical trial solutions increased from 40.8% in the three months ended March 31, 2019 to 46.7% in the three months ended March 31, 2020, primarily due to (i) our acquisition of equity interest in Beijing Yaxincheng Medical InfoTech Co., Ltd. (北京雅信誠醫學信息科技有限公司) and Shanghai Mosim Medical Technology Co., Ltd. (上海謀思醫 藥科技有限公司) which historically had a higher gross profit margin compared to the gross profit margin of our clinical trial solutions, and (ii) an increase in gross profit margin of our clinical trial operations business, which was primarily because the performance obligations of a number of projects were substantially satisfied on or before December 31, 2019, but the transaction prices of these projects were re-negotiated upwards and finalized with relevant customers during the three months ended March 31, 2020. Hence, the Group recognized the additional revenue of these projects but incurred relatively low costs during the three months ended March 31, 2020.

Clinical-related and laboratory services

Gross profit of our clinical-related and laboratory services decreased by 5.5% from RMB156.0 million in the three months ended March 31, 2019 to RMB147.4 million in the three months ended March 31, 2020, primarily due to the decrease in gross profit generated from our site management and patient recruitment services in China and the decrease in gross profit generated from our laboratory services in overseas. Gross profit margin of our clinical-related and laboratory services decreased from 47.6% in the three months ended March 31, 2019 to 41.8% in the three months ended March 31, 2020, primarily due to the decrease in gross profit of our site management and patient recruitment services and laboratory services, which were adversely impacted by the COVID-19 outbreak.

Other Income

Our other income remained relatively stable from RMB13.2 million in the three months ended March 31, 2019 to RMB14.4 million in the three months ended March 31, 2020, primarily because the increase in interest income from bank deposits was partially offset by a decrease in the dividend income from financial assets at FVTPL.

Other Gains and Losses, Net

Our other gains and losses, net increased by 47.5% from RMB99.5 million in the three months ended March 31, 2019 to RMB146.8 million in the three months ended March 31, 2020, primarily due to (i) an increase in gain on disposal of certain associates from RMB0.6 million in the three months ended March 31, 2019 to RMB70.0 million in the three months ended March 31, 2020, (ii) an increase in fair value gains of financial assets at FVTPL from RMB32.1 million in the three months ended March 31, 2019 to RMB56.7 million in the three months ended March 31, 2020, which was mainly due to the increase in fair value of our investee companies, and (iii) partially offset by a decrease in gain on disposal of subsidiaries from RMB52.8 million in the three months ended March 31, 2019 to RMB6.7 million in the three months ended March 31, 2020, primarily in relation to the disposal of equity interest in Shanghai Shengtong in 2019 and the disposal of Chengdu Tigermed in 2020.

Impairment Losses

Our impairment losses increased from RMB0.1 million in the three months ended March 31, 2019 to RMB5.0 million in the three months ended March 31, 2020, primarily as a result of the increase in impairment loss made on our contract assets.

Selling and Marketing Expenses

Our selling and marketing expenses remained relatively stable from RMB21.1 million in the three months ended March 31, 2019 to RMB20.7 million in the three months ended March 31, 2020.

Administrative Expenses

Our administrative expenses increased by 9.5% from RMB77.0 million in the three months ended March 31, 2019 to RMB84.3 million in the three months ended March 31, 2020, primarily due to an increase in staff costs from RMB39.2 million in the three months ended March 31, 2019 to RMB50.1 million in the three months ended March 31, 2020, which was mainly attributable to the increased share-based compensation cost, as amortized over time, to our administrative and management personnel.

Research and Development Expenses

Our research and development expenses increased by 8.2% from RMB31.6 million in the three months ended March 31, 2019 to RMB34.2 million in the three months ended March 31, 2020, primarily due to an increase in staff costs from RMB29.8 million in the three months ended March 31, 2019 to RMB31.8 million in the three months ended March 31, 2020, primarily due to an increase in the total number of employees engaged in R&D activities, as well as the increased compensation levels of such employees.

Share of losses of Associates

Our share of losses of associates decreased by from 79.3% from RMB13.5 million in the three months ended March 31, 2019 to RMB2.8 million in the three months ended March 31, 2020, primarily attributable to the improved performance of our associates, such as Hangzhou Yibai Health Management Co., Ltd..

Finance Costs

Our finance costs increased by 41.0% from RMB10.0 million in the three months ended March 31, 2019 to RMB14.1 million in the three months ended March 31, 2020, primarily due to an increase in our interest expense on bank borrowings in the three months ended March 31, 2020 as a result of our increased borrowings.

Income Tax Expense

Our income tax expense slightly decreased by 3.4% from RMB26.6 million in the three months ended March 31, 2019 to RMB25.7 million in the three months ended March 31, 2020, primarily due to an increase in changes in fair value of financial assets at FVTPL, partially offset by an increase in our profit before tax and an increase in expenses not deductible for tax purpose in the three months ended March 31, 2020. Our effective tax rate decreased from 11.6% in the three months ended March 31, 2019 to 8.9% in the three months ended March 31, 2020, primarily because (i) our increased change in certain other gain items such as changes in fair value of financial assets to FVTPL in the three months ended March 31, 2020, which are partially taxable, and (ii) the increase in our research and development expenses which entitled us to certain preferential tax treatment.

Profit for the Period

As the result of the foregoing reasons, our profit for the period increased by 30.3% from RMB201.9 million in the three months ended March 31, 2019 to RMB263.0 million in the three months ended March 31, 2020. Our net profit margin increased from 33.4% in the three months ended March 31, 2019 to 40.1% in the three months ended March 31, 2020, primarily due to (i) an increase in our other income and other gains and losses, and (ii) a decrease in our effective tax rate.

Year Ended December 31, 2019 Compared with the Year Ended December 31, 2018

Revenue

Our total revenue increased by 21.9% from RMB2,299.5 million in 2018 to RMB2,803.3 million in 2019. The increase was driven by the increase in both revenue generated from clinical-related and laboratory services and revenue generated from clinical trial solutions.

Clinical trial solutions

Revenue generated from our clinical trial solutions increased by 21.6% from RMB1,107.6 million in 2018 to RMB1,346.7 million in 2019. The increase was primarily due to the increased number of clinical research projects from 2018 to 2019, which was mainly driven by increased demands for our clinical trial solutions.

Clinical-related and laboratory services

Revenue generated from our clinical-related and laboratory services increased by 22.2% from RMB1,191.9 million in 2018 to RMB1,456.6 million in 2019. The increase was primarily due to (i) an increase in demand for our data management and statistical analysis services, (ii) an increase in demand for our laboratory services in 2019, particularly in the United States and (iii) an increase in the number of our site management and patient recruitment projects, mainly driven by rising customer demand.

Cost of Services

Our cost of services increased by 14.7% from RMB1,318.2 million in 2018 to RMB1,511.4 million in 2019, which was in line with our revenue growth. The increase was due to (i) an increase in direct labor costs and (ii) an increase in direct project-related costs, and (iii) partially offset by a decrease in overhead costs.

Our direct labor costs increased by 27.2% from RMB605.7 million in 2018 to RMB770.2 million in 2019, primarily due to an increase in the total number of employees engaged in providing services to our customers, as well as the increased compensation levels for our employees as a result of increased demand for our services and our business growth.

Our direct project-related costs increased by 9.4% from RMB469.2 million in 2018 to RMB513.3 million in 2019, which was in line with the increasing number of projects as we continued to expand our business.

Our overhead costs decreased by 6.3% from RMB243.3 million in 2018 to RMB227.9 million in 2019, primarily due to the decrease in certain transportation fees as a result of our disposal of equity interest in Shanghai Shengtong in 2019, which was engaged in cold-chain logistics business.

Gross Profit and Gross Profit Margin

Our gross profit increased by 31.7% from RMB981.3 million in 2018 to RMB1,291.9 million in 2019. Our gross profit margin increased from 42.7% in 2018 to 46.1% in 2019, primarily as a result of the increase in the gross profit margin of our clinical trial solutions in 2019.

Clinical trial solutions

Gross profit of our clinical trial solutions increased by 38.9% from RMB416.8 million in 2018 to RMB578.8 million in 2019, driven by growth in the volume of our business and more favorable pricing. Gross profit margin of our clinical trial solutions increased from 37.6% in 2018 to 43.0% in 2019, primarily due to (i) regulatory reform in recent years with increased focus on the quality and integrity of clinical trials, which resulted in an upward re-pricing in the clinical CRO market for high-quality service providers like us and (ii) enhanced operating efficiency attributable to our optimized project management structure and procedures.

Clinical-related and laboratory services

Gross profit of our clinical-related and laboratory services increased by 26.3% from RMB564.6 million in 2018 to RMB713.1 million in 2019, primarily driven by our business growth. Gross profit margin of our clinical-related and laboratory services increased from 47.4% in 2018 to 49.0% in 2019, primarily due to our disposal of equity interest in Shanghai Shengtong in 2019 which historically had a lower gross profit margin compared to the gross profit margin of our clinical-related and laboratory services.

Other Income

Our other income increased significantly from RMB22.2 million in 2018 to RMB64.1 million in 2019, primarily due to (i) the dividend income from financial assets at FVTPL of RMB17.6 million that we recorded in 2019 compared to nil in 2018 which was primarily due to the dividend distributions made by investee companies in 2019, and (ii) an increase in interest income from bank deposits we held from RMB7.8 million in 2018 to RMB25.5 million in 2019.

Other Gains and Losses, Net

Our other gains and losses, net increased by 28.6% from RMB281.1 million in 2018 to RMB361.6 million in 2019, primarily due to (i) an increase in gain on disposal of subsidiaries from RMB1.1 million in 2018 to RMB73.7 million in 2019, primarily in relation to our disposal of equity interest in Shanghai Shengtong in 2019, (ii) an increase in fair value gains

of financial assets at FVTPL increased by 24.1% from RMB149.1 million in 2018 to RMB185.0 million in 2019, which was mainly due to the increase in fair value of our investee companies, and (iii) an increase in gain on disposal of certain associates from RMB3.6 million in 2018 to RMB20.9 million in 2019, which was partially offset by a decrease in gain on disposal of financial assets at FVTPL in 2019.

Impairment Losses

Our impairment losses decreased by 60.1% from RMB53.1 million in 2018 to RMB21.2 million in 2019, primarily as a result of (i) a decrease in impairment in goodwill from RMB19.0 million in 2018, which was attributable to the underperformance of Beijing BDM in 2018, to nil in 2019 and (ii) a decrease in impairment in interest in an associate from RMB14.1 million in 2018, which was attributable to our minority equity investment in Frontida that was loss making in 2018, to nil in 2019.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 48.8% from RMB54.5 million in 2018 to RMB81.1 million in 2019. This increase was mainly attributable to an increase in staff costs from RMB36.2 million in 2018 to RMB55.6 million in 2019, primarily due to an increase in the total number of employees engaged in sales and marketing and business development activities, as well as the increased compensation levels for our sales and marketing employees.

Administrative Expenses

Our administrative expenses increased by 10.8% from RMB316.4 million in 2018 to RMB350.5 million in 2019, primarily due to an increase in staff costs from RMB132.3 million in 2018 to RMB181.8 million in 2019, which was mainly attributable to an increase in the total number of our administrative and management personnel, as well as the increased compensation levels of such employees, which was partially offset by the decrease in listing expenses incurred by Frontage Group.

Research and Development Expenses

Our research and development expenses increased by 40.9% from RMB88.0 million in 2018 to RMB124.0 million in 2019, primarily due to an increase in staff costs from RMB81.6 million in 2018 to RMB114.8 million in 2019, primarily due to an increase in the total number of employees engaged in R&D activities, as well as the increased compensation levels of such employees.

Share of (losses)/profits of Associates

We recorded share of losses of associates of RMB9.8 million in 2019, as compared to share of profits of associates of RMB9.6 million in 2018, primarily attributable the losses in the results of operations of our associates in 2019, such as Hangzhou Yibai Health Management Co., Ltd.

Finance Costs

Our finance costs increased by 117.5% from RMB19.4 million in 2018 to RMB42.2 million in 2019, primarily due to an increase in our interest expense on bank borrowings in 2019 as a result of our increased borrowings.

Income Tax Expense

Our income tax expense increased by 5.7% from RMB107.7 million in 2018 to RMB113.8 million in 2019, primarily due to the increase in our profit before tax in 2019. Our effective tax rate decreased from 14.1% in 2018 to 10.5% in 2019, primarily because (i) our increased change in certain other gain items such as changes in fair value of financial assets to FVTPL in 2019, which are partially taxable, and (ii) the increase in our research and development expenses which entitled us to certain preferential tax treatment.

Profit for the Year

As the result of the foregoing reasons, our profit for the year increased by 48.8% from RMB655.2 million in 2018 to RMB974.9 million in 2019. Our net profit margin increased from 28.5% in 2018 to 34.8% in 2019, primarily due to (i) an increase in our gross profit margin, (ii) an increase in our other income and other gains and losses and (iii) a decrease in our impairment losses.

Year Ended December 31, 2018 Compared with the Year Ended December 31, 2017

Revenue

Our revenue increased by 36.7% from RMB1,682.5 million in 2017 to RMB2,299.5 million in 2018. The increase was driven by the revenue increase in clinical trial solutions, and to a lesser extent, increase in the clinical-related and laboratory services.

Clinical trial solutions

Revenue generated from our clinical trial solutions increased by 47.6% from RMB750.4 million in 2017 to RMB1,107.6 million in 2018. The increase was primarily due to the increased number of clinical research projects from 2017 to 2018, which was mainly driven by the increased demands for our high-quality clinical trial solutions.

Clinical-related and laboratory services

Revenue generated from our clinical-related and laboratory services increased by 27.9% from RMB932.1 million in 2017 to RMB1,191.9 million in 2018. The increase was primarily due to (i) an increase in demands for our laboratory services in 2018, in both China and the United States, (ii) an increase in demands for our data management and statistical analysis services as a result of the improved capability and efficiency of our services and (iii) an increase in the number of our site management and patient recruitment projects, mainly driven by rising customer demand across China.

Cost of Services

Our cost of services increased by 35.9% from RMB969.8 million in 2017 to RMB1,318.2 million in 2018, which reflected the growth of our business and was generally in line with the increase in our revenue. The increase was due to (i) an increase in direct labor costs, (ii) an increase in direct project-related costs and (iii) an increase in overhead costs.

Our direct labor costs increased by 40.1% from RMB432.5 million in 2017 to RMB605.7 million in 2018, primarily due to an increase in the total number of employees engaged in providing services to our customers, as well as the increased compensation levels for our employees as a result of increased demand for our services and our business growth.

Our direct project-related costs increased by 44.4% from RMB324.9 million in 2017 to RMB469.2 million in 2018, which was in line with the increasing number of projects as we continued to expand our business.

Our overhead costs increased by 14.5% from RMB212.4 million in 2017 to RMB243.3 million in 2018, primarily due to (i) increased depreciation charges in 2018 in line with the increase in our property, plant and equipment and (ii) increased traveling and conference expenses in 2018 in line with our business growth.

Gross Profit and Gross Profit Margin

Our gross profit increased by 37.7% from RMB712.8 million in 2017 to RMB981.3 million in 2018. Our gross profit margin remained relatively stable from 42.4% in 2017 to 42.7% in 2018.

Clinical trial solutions

Gross profit of our clinical trial solutions increased by 64.7% from RMB253.0 million in 2017 to RMB416.8 million in 2018, driven by growth in the volume of our business and more favorable pricing. Gross profit margin of our clinical trial solutions increased from 33.7% to 37.6% in 2018, (i) regulatory reform in recent years with increased focus on the quality and integrity of clinical trials, which resulted in an upward re-pricing in the clinical CRO market and (ii) enhanced operating efficiency attributable to our optimized project management structure and procedures.

Clinical-related and laboratory services

Gross profit of our clinical-related and laboratory services increased by 22.8% from RMB459.7 million in 2017 to RMB564.6 million in 2018. Gross profit margin of our clinical-related and laboratory services remained relatively stable at 49.3% in 2017 as compared to 47.4% in 2018.

Other Income

Our other income decreased by 28.2% from RMB30.9 million in 2017 to RMB22.2 million in 2018, primarily due to (i) a decrease in interest income from structured deposits from RMB4.3 million in 2017 to RMB1.5 million in 2018, (ii) a decrease in government grants received from RMB12.8 million in 2017 to RMB10.6 million in 2018 and (iii) a decrease in dividend income from financial assets at FVTPL from RMB2.2 million in 2017 to nil in 2018.

Other Gains and Losses, Net

Our other gains and losses, net increased by 148.1% from RMB113.3 million in 2017 to RMB281.1 million in 2018, primarily due to (i) the increase in fair value gains of financial assets at FVTPL from RMB60.9 million in 2017 to RMB149.1 million in 2018, which was mainly due to the increase in fair value of our invested companies, (ii) the increase in gain on disposal of financial assets at FVTPL from RMB34.7 million in 2017 to RMB112.1 million in 2018, in relation to our disposals of equity investments in 2018.

Impairment Losses

Our impairment losses increased by 123.1% from RMB23.8 million in 2017 to RMB53.1 million in 2018, primarily as a result of an increase in (i) impairment in goodwill due to the underperformance of Beijing BDM in 2018, and (ii) impairment in interest in an associate from nil in 2017 to RMB14.1 million in 2018 due to our minority investment in Frontida, which was loss making in 2018.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 37.3% from RMB39.7 million in 2017 to RMB54.5 million in 2018. This increase was mainly attributable to an increase in staff costs from RMB27.1 million in 2017 to RMB36.2 million in 2018, primarily due to an increase in the total number of employees engaged in marketing and business development activities, as well as the increased compensation levels for such employees.

Administrative Expenses

Our administrative expenses increased by 32.3% from RMB239.1 million in 2017 to RMB316.4 million in 2018. This increase was because of a number of factors, including (i) the listing expenses incurred by Frontage Group of RMB43.9 million in 2018 in relation to its public offering, and (ii) an increase in staff costs from RMB111.0 million in 2017 to RMB132.3 million in 2018, primarily due to an increase in the total number of our administrative and management personnel, as well as the increased compensation levels of such employees.

Research and Development Expenses

Our research and development expenses increased by 77.1% from RMB49.7 million in 2017 to RMB88.0 million in 2018. This increase was mainly attributable to an increase in staff costs from RMB45.9 million in 2017 to RMB81.6 million in 2018, primarily due to an increase in the total number of employees engaged in R&D activities, as well as the increased compensation levels of such employees.

Share of (losses)/profits of Associates

We recorded share of profits of associates RMB9.6 million in 2018, as compared to share of losses of associates of RMB6.2 million in 2017, primarily due to our sharing of the profits in the results of operations of Teddy Clinical Research Laboratory and Frontage Suzhou in 2018.

Finance Costs

Our finance costs increased by 65.8% from RMB11.7 million in 2017 to RMB19.4 million in 2018, primarily due to an increase in our interest expense on bank borrowings in 2018 as a result of our increased borrowings and increased interest rates.

Income Tax Expense

Our income tax expense increased by 16.3% from RMB92.6 million in 2017 to RMB107.7 million in 2018, primarily due to the increase in our profit before tax. Our effective tax rate decreased from 19.0% in 2017 to 14.1% in 2018 was primarily due to the reduction of the U.S. federal income tax rate from 35% in 2017 to 21% in 2018.

Profit for the Year

As the result of the foregoing reasons, our profit for the year increased by 66.2% from RMB394.2 million in 2017 to RMB655.2 million in 2018. Our net profit margin increased from 23.4% in 2017 to 28.5% in 2018, primarily due to (i) an increase in our gross profit margin and (ii) an increase in our fair value gains of financial assets at FVTPL and other gains and losses.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth our current assets, current liabilities and net current assets for the dates indicated.

	As of December 31,			As of March 31,	As of May 31,
	2017	2018	2019	2020	2020
					(unaudited)
	(RMB in thousands)				
Inventories	14	519	1,206	2,413	3,139
Trade, bills and other receivables and prepayments	299,488	382,695	490,393	510,670	684,157
Contract assets	468,584	533,811	756,028	842,641	902,836
Structured deposits and derivative financial instruments	76,038	1,002	68,827	43,532	53,500
Note receivables	–	17,651	1,581	1,766	1,817
Prepaid income tax	–	10,634	8,066	9,399	3,761
Restricted bank deposits	11,525	4,242	3,127	3,174	57
Time deposit with original maturity over three months	–	–	30,160	99,841	132,572
Cash and cash equivalents	521,632	698,186	2,006,926	1,956,030	1,908,644
Current assets	1,377,281	1,648,740	3,366,314	3,469,466	3,690,483
Trade and other payables	158,822	178,102	428,471	427,370	526,497
Contract liabilities	324,079	380,793	398,240	409,783	445,286
Borrowings	259,444	631,431	864,863	985,529	1,146,524
Income tax payables	30,530	56,862	70,293	64,585	37,149
Derivative financial instruments	4,152	–	–	–	–
Obligations under finance leases	9,703	12,792	–	–	–
Lease liabilities	–	–	50,119	52,621	50,046
Current Liabilities	786,730	1,259,980	1,811,986	1,939,888	2,205,502
Net current assets	590,551	388,760	1,554,328	1,529,578	1,484,981

Our net current assets decreased from RMB590.6 million as of December 31, 2017 to RMB388.8 million as of December 31, 2018, primarily due to (i) a RMB372.0 million increase in borrowings in connection with our business expansion; (ii) a RMB75.0 million decrease in structured deposits and derivative financial instruments, which was primarily due to our disposal of wealth management products in 2018 and (iii) a RMB56.7 million increase in contract liabilities and partially offset by (i) a RMB176.6 million increase in cash and cash equivalents; (ii) a RMB83.2 million increase in trade, bills and other receivables and prepayments and (iii) a RMB65.2 million increase in contract assets.

Our net current assets increased from RMB388.8 million as of December 31, 2018 to RMB1,554.3 million as of December 31, 2019. The increase was mainly due to a RMB1,308.7 million increase in cash and cash equivalents, which was mainly attributable to the contributions from non-controlling shareholders of RMB1,381.9 million.

Our net current assets remained relatively stable from RMB1,554.3 million as of December 31, 2019 to RMB1,529.6 million as of March 31, 2020.

The table below sets forth the net assets of Frontage Group and DreamCIS as of the dates indicated.

	As of December 31,		
	2017	**2018**	**2019**
	(RMB in thousands)		
Frontage Group	197,464	299,469	1,850,633
DreamCIS	17,233	39,845	67,932

Inventories

We do not have material inventories. Our inventories include raw materials and consumables used in relation to our laboratory services.

Trade, bills and other receivables and prepayments

The following table sets forth a breakdown of our trade, bills and other receivables and prepayments as of the dates indicated.

	As of December 31,			As of March 31,
	2017	2018	2019	2020
	(RMB in thousands)			
Trade receivables				
– Third parties	242,755	339,029	454,991	442,422
– Related parties	–	–	20	117
Less: loss allowance for trade receivables	(27,800)	(44,350)	(52,859)	(51,938)
	214,955	294,679	402,152	390,601
Bills receivable				
– Third parties	–	734	4,517	3,525
Other receivables				
– Third parties	63,913	53,738	69,602	76,696
– Related parties	159	2,243	123	286
Less: loss allowance for other receivables	(10,936)	(15,857)	(11,018)	(11,461)
	53,136	40,124	58,707	65,521
Prepayments				
– Third parties	31,397	47,158	25,017	31,357
Deferred issue cost	–	–	–	19,666
Total trade, bills and other receivables and prepayments	299,488	382,695	490,393	510,670

Trade and bills receivables primarily represent the outstanding amount receivable from our customers in consideration for our services that have been already billed to our customers. We bill our customers according to different fee models. See "Business – Our Fee Models" for more information.

Other receivables primarily represent receivables in relation to rental and other deposits, other tax receivables, dividend receivables and advances to employees and independent third parties.

Prepayments primarily represent payments to suppliers and subcontractors.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute or disagreement with our customers in relation to the timing, amounts of billing or the collection of our trade, bills and other receivables. Our trade, bills and other receivables and prepayments increased by 27.8% from RMB299.5 million as of December 31, 2017 to RMB382.7 million as of December 31, 2018, and further increased by 28.1% to RMB490.4 million as of December 31, 2019, and again increased by 4.1% to RMB510.7 million as of March 31, 2020, which was primarily due to increased trade receivables from third parties, which was in line with our business growth.

We typically grant our customers credit period ranging from 30 to 90 days.

The following table sets forth an aging analysis of our trade receivables (net of allowance for impairment losses), presented based on the invoice dates, as of the dates indicated.

	As of December 31,			As of March 31,
	2017	2018	2019	2020
	(RMB in thousands)			
Within 90 days	187,361	249,145	358,910	317,710
91 to 180 days	15,937	24,726	29,071	38,626
181 days to 1 year	8,440	15,359	8,193	28,188
Over 1 year	3,217	5,449	5,978	6,077
Total	214,955	294,679	402,152	390,601

In determining the recoverability of our trade, bills and other receivables, we consider any change in the credit quality of our trade, bills and other receivables from the date on which the credit was initially granted up to the reporting date. We determine the likelihood and amount of our loss allowances based on our evaluation of the possibility of recovery and aging analysis of the relevant accounts and our management's judgment, including the assessment of potential changes in credit quality and the past collection history. As of December 31, 2017, 2018 and 2019 and March 31, 2020, we recorded loss allowances for trade receivables of RMB27.8 million, RMB44.4 million, RMB52.8 million and RMB51.9 million, respectively. We also recorded loss allowances for other receivables of RMB10.9 million, RMB15.6 million, RMB11.0 million and RMB11.5 million, respectively.

For the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, the turnover days for our trade and bills receivables were 35 days, 41 days, 46 days and 56 days, respectively. We calculate the trade and bills receivables turnover days using the average of the opening and closing balance of the trade and bills receivables for the relevant period net of allowance for impairment losses, divided by the corresponding revenue for the period, and then multiplied by the number of days during such period.

For the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, the turnover days for our trade receivables, bills receivables and contract assets, net of contract liabilities were 70 days, 64 days, 79 days and 111 days, respectively. We calculate the trade receivables, bills receivables and contract assets, net of contract liabilities turnover days using the average of the opening and closing balance of the trade receivables, bills receivables and contract assets for the relevant period net of allowance for impairment losses and contract liabilities, divided by the corresponding revenue for the period, and then multiplied by the number of days during such period. The turnover days have remained relatively stable for the years ended December 31, 2017, 2018 and 2019. In the first quarter of 2020, the turnover days substantially increased despite a lower ending trade receivable balance, primarily because of (1) an increased contract asset balance in such period due to temporary longer billing cycles with certain of our customers as a result of the COVID-19 outbreak; (2) averages of opening and closing balances in prior years being significantly lower than ending balances due to rapid historical growth, which was not the case for the first quarter of 2020 due to the COVID-19 outbreak; (3) a decelerated revenue growth in such quarter due to the COVID-19 outbreak, with total quarterly revenues representing less than 25% of the 2019 total revenues, which impacts the denominator of the turnover days calculation and further increases the turnover days.

As of May 31, 2020, RMB254.0 million, or 44.2% of our trade, bills and other receivables as of March 31, 2020 had been subsequently settled. Specifically, RMB254.0 million or 48.6% of our trade, bills and other receivables with third parties and none of our trade, bills and other receivables with related parties as of March 31, 2020 had been subsequently settled as of May 31, 2020. We plan to settle all trade, bills and other receivables with related parties before Listing.

Contract assets

Contract assets primarily relate to the our contractual rights to receive consideration for work completed but not yet billed to our customers because the rights to receive payments from our customers are conditioned upon our future performance in fulfilling specified milestones in the relevant customer service agreements or work orders. Contract assets are transferred to trade, bills and other receivables when the rights to receive payment from our customers have become unconditional, which usually occurs when we provide invoices to the customers. For details, see "– Critical Accounting Policies and Estimates – Revenue Recognition." Our contract assets increased by 13.9% from RMB468.6 million as of December 31, 2017 to RMB533.8 million as of December 31, 2018, and further increased by 41.6% to RMB756.0 million as of December 31, 2019 and again increased by 11.5% to RMB842.6 million as of March 31, 2020. The continued increase in our contract assets was primarily due to the increase in numbers of contracts with our customers where revenue has been recognized but we have not yet billed our customers upon the satisfaction of certain milestones specified in our customer service agreements or work orders.

As of May 31, 2020, RMB191.3 million or 21.6% of our contract assets as of March 31, 2020 had been subsequently billed. We believe such billing percentage of contract assets within a period of two months is reasonable, taking into account factors including the relatively infrequent billing milestones for our clinical research projects, and is consistent with the industry norm.

Trade and other payables

The following table sets forth a breakdown of our trade and other payables as of the dates indicated.

	As of December 31,			As of March 31,
	2017	2018	2019	2020
	(RMB in thousands)			
Trade payable				
– Third parties	23,956	42,475	72,709	58,662
– Related parties	–	1,550	2,482	184
	23,956	44,025	75,191	58,846
Other payables				
– Third parties	30,595	41,574	40,002	58,272
– Related parties	3,151	2,476	854	779
– Consideration payables[(1)]	46,350	–	–	5,576
– Contingent consideration payables	–	–	–	7,781
– Restricted shares repurchase payable[(2)]	–	–	146,391	169,583
– Dividend payable	–	–	1,286	1,286
– Accrued listing expenses and issue costs	–	–	–	19,105
	80,096	44,050	188,533	262,382
Salary and bonus payables	42,767	67,948	122,653	65,128
Other taxes payable	12,003	22,079	42,094	41,014
	54,770	90,027	164,747	106,142
Total	158,822	178,102	428,471	427,370

Notes:

(1) Consideration payables represent the consideration payable for acquisition of Frontage Group and Beijing BDM.

(2) Restricted shares repurchase payable was primarily in relation to restricted shares granted under the Restricted Share Scheme. For details, see "Appendix VI – Statutory and General Information – 1. Further Information about our Company – B. Changes in the Share Capital of Our Company."

Trade payables primarily represent our obligation to pay for products and services purchased from our suppliers and subcontractors in the ordinary course of our business. Our trade payables increased from RMB24.0 million as of December 31, 2017 to RMB44.0 million as of December 31, 2018 and further to RMB75.2 million as of December 31, 2019. Such increase was primarily due to the growth of our business, which resulted in increased procurement amounts and therefore a higher balance of trade payables due to our suppliers and subcontractors. Our trade payables decreased from RMB75.2 million as of December 31, 2019 to RMB58.8 million as of March 31, 2020, primarily due to our settlement of trade payables in the first quarter of 2020.

Our other payables decreased from RMB80.1 million as of December 31, 2017 to RMB44.1 million as of December 31, 2018, which was mainly because the consideration payables of RMB46.4 million as of December 31, 2017 was fully settled in 2018. Our other payables increased from RMB44.1 million as of December 31, 2018 to RMB188.5 million as of December 31, 2019, which was mainly attributable to the restricted shares repurchase payable of RMB146.4 million as of December 31, 2019. Our other payables increased from RMB188.5 million as of December 31, 2019 to RMB262.4 million as of March 31, 2020, primarily due to the other payables to third parties of RMB58.3 million and the restricted share purchase payable of RMB169.6 million as of March 31, 2020. Our salary and bonus payables increased from RMB42.8 million as of December 31, 2017 to RMB67.9 million as of December 31, 2018 and further to RMB122.7 million as of December 31, 2019, which was mainly due to our increased number of employees, as well as their increased compensation levels. Our salary and bonus payables decreased from RMB122.7 million as of December 31, 2019 to RMB65.1 million as of March 31, 2020, which was mainly due to the payment of accrued bonus in March 2020. Our other taxes payables were RMB12.0 million, RMB22.1 million, RMB42.1 million and RMB41.0 million as of December 31, 2017, 2018 and 2019 and March 31, 2020, respectively, which was mainly due to our business growth. As of March 31, 2020, we recorded other payables from related parties of RMB0.8 million. The Directors expect that the balances will be fully settled before Listing.

Our payment terms with suppliers and subcontractors are mainly on credit ranging from 30 to 60 days from the respective invoice dates.

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

	As of December 31,			As of March 31,
	2017	**2018**	**2019**	**2020**
	(RMB in thousands)			
Within 90 days	16,769	28,529	64,311	48,027
91 days to 1 year	6,729	14,902	6,699	9,957
Over 1 year	458	594	4,181	862
Total	23,956	44,025	75,191	58,846

For the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, our trade payables turnover days were 19 days, 9 days, 14 days and 17 days, respectively. The increase in our trade payables turnover days from 9 days in 2018 to 14 days in 2019 was primarily due to the decrease in fees paid to certain of our subcontractors with relatively short credit terms. We calculate the trade payables turnover days using the average of the opening and closing balance of the trade payables for the relevant year or period, divided by the corresponding costs of services for the year or period, and then multiplied by the number of days during such year or period.

As of May 31, 2020, 80.8% of our trade payables as of March 31, 2020 had been subsequently settled. Our Directors confirm that we had no material defaults in our trade and other payables during the Track Record Period and up to the Latest Practicable Date.

Contract liabilities

Our contract liabilities represent our obligations to transfer services to our customers for which we have received advanced payments received from such customers under the relevant customer service agreements or work orders. For details, see "– Critical Accounting Policies and Estimates – Revenue Recognition." Our contract liabilities increased by 17.5% from RMB324.1 million as of December 31, 2017 to RMB380.8 million as of December 31, 2018, and further increased by 4.6% to RMB398.2 million as of December 31, 2019 and again increased by 2.9% to RMB409.8 million as of March 31, 2020, which was primarily related to the progress of performance of the obligations under the relevant customer service contracts or work orders.

As of May 31, 2020, 23.9% of our contract liabilities as of March 31, 2020 had been subsequently utilized.

Property, Plant and Equipment

Our property, plant and equipment consist mainly of our, (i) construction in progress, (ii) freehold land, (iii) building, (iv) leasehold improvement, (v) experiment equipment, (vi) furniture, fixtures and equipment and (vii) transportation equipment.

The following table sets forth a breakdown of the net book amount of our property, plant and equipment as of the dates indicated.

	As of December 31,			As of March 31,
	2017	2018	2019	2020
	(RMB in thousands)			
Construction in progress	–	–	22,309	32,219
Freehold land	–	12,559	12,766	12,965
Building	81,145	92,723	104,392	103,386
Leasehold improvement	4,985	8,388	19,386	18,353
Experiment equipment	97,691	134,878	123,015	125,289
Furniture, fixtures and equipment	19,220	23,782	22,359	23,573
Transportation equipment	3,903	3,589	2,473	2,399
Total	206,944	275,919	306,700	318,184

Our property, plant and equipment increased by 33.3% from RMB206.9 million as of December 31, 2017 to RMB275.9 million as of December 31, 2018, and further increased by 11.2% to RMB306.7 million as of December 31, 2019 and again increased by 3.7% to RMB318.2 million as of March 31, 2020, primarily due our expansion in buildings and leasehold improvement to meet our growing business needs.

Intangible Assets

Our intangible assets mainly consist of (i) software, (ii) trademark, (iii) customer relationship and backlog, (iv) non-competition clause and (v) other. Our intangible assets increased from RMB78.8 million as of December 31, 2019 to RMB84.8 million as of March 31, 2020, primarily due to the increase in software. Our intangible assets increased from RMB10.8 million as of December 31, 2018 to RMB78.8 million as of December 31, 2019, primarily due to increase in the intangible assets of Frontage Group, containing customer relationship and customer backlog acquired through business combinations. Our intangible assets decreased from RMB12.8 million as of December 31, 2017 to RMB10.8 million as of December 31, 2018, primarily because the annual amortization of RMB5.5 million in 2018, partially offset by the addition of software of RMB2.5 million in 2018.

Goodwill

Our goodwill increased from RMB1,032.9 million as of December 31, 2018 to RMB1,157.8 million as of December 31, 2019 and further to RMB1,355.6 million as of March 31, 2020, primarily due to our acquisitions of Beijing Yaxincheng Medical InfoTech Co., Ltd. (北京雅信誠醫學信息科技有限公司) and Frontage Suzhou in 2019 and Shanghai Mosim Medical Technology Co., Ltd. (上海謀思醫藥科技有限公司) in 2020. Our goodwill slightly decreased by 1.5% from RMB1,049.0 million as of December 31, 2017 to RMB1,032.9 million as of December 31, 2018, primarily due to an impairment loss of RMB19.0 million recognized in 2018 in relation to goodwill allocated to Beijing BMD due to its underperformance in 2018.

Right-of-use assets

We have adopted IFRS 16 from January 1, 2019. Our leases have been recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our consolidated statements of financial position. We recognized right-of-use assets at the commencement date of the leases (i.e. the date on which the underlying assets are available for use), except for short-term leases and leases of low-value assets (being amount insignificant to our Group during the Track Record Period) which were recognized in our rental expenses.

As of December 31, 2019 and March 31, 2020, our right-of-use assets mainly represented operating lease arrangements for payments for leasehold land and buildings and finance lease arrangements for experiment equipment. Our right-of-use assets increased by 62.5% from RMB193.4 million as of December 31, 2019 to RMB314.3 million as of March 31, 2020, primarily due to the entering into a long term rental contract by Frontage Labs having come into effect during the three months ending March 31, 2020, in relation to a U.S.-based facility.

Interests in Associates

Our interests in associates increased from RMB90.5 million as of December 31, 2017 to RMB103.3 million as of December 31, 2018, and further increased to RMB109.7 million as of December 31, 2019. Such increase was primarily due to our continuous investment activities during these periods. Our interest in associates decreased from RMB109.7 million as of December 31, 2019 to RMB65.0 million as of March 31, 2020, primarily due to a decrease in additions in equity interests in associates and an increase in disposal and transfer of interests in associates in the three months ended March 31, 2020. We considered that the recoverable amounts of the loss-making associates, based on the value-in-use calculation, were larger than their carrying amounts and no indication of impairment on the interests in associates during the years ended December 31, 2017, 2019 and the three months ended March 31, 2020. See "Business – Our Strategic Acquisitions and Investments." For details, see Note 19 to the Accountants' Report in Appendix I to this Prospectus.

Financial Assets at FVTPL

Financial assets at FVTPL include listed equity securities, unlisted equity investments, unlisted fund investments, structured deposits and derivative financial instruments, as set out in Note 26 of the Accountants' Report in Appendix I to this Prospectus. Our financial assets at FVTPL increased by 53.4% from RMB966.2 million as of December 31, 2017 to RMB1,482.1 million as of December 31, 2018, and further increased by 56.5% to RMB2,319.3 million as of December 31, 2019 and increased by 11.3% to RMB2,581.7 million as of March 31, 2020. Such increase was primarily due to our continuous investment activities and the increase in fair value of our financial assets at FVTPL during the Track Record Period.

The following table sets for a breakdown of our financial assets at FVTPL as of the dates indicated:

	As of December 31,			As of March 31,
	2017	2018	2019	2020
	(RMB in thousands)			
Non-current assets				
– Listed equity securities	13,637	12,643	134,957	231,068
– Unlisted equity investments	514,511	661,596	1,040,304	958,220
– Unlisted fund investments	362,049	806,854	1,075,213	1,348,888
	890,197	1,481,093	2,250,474	2,538,176
Current assets				
– Structured deposits	76,038	–	68,827	43,532
– Derivatives financial instruments	–	1,002	–	–
	76,038	1,002	68,827	43,532
Total financial assets at FVTPL	**966,235**	**1,482,095**	**2,319,301**	**2,581,708**

We build and manage a diversified investment portfolio through selective minority investments in the healthcare industry, funding innovative R&D efforts of emerging companies with a goal to forge long-term cooperative relationships and gain more access to innovative technologies. We holistically manage our diversified investment portfolio with a view to drive long-term values rather than focusing on the performances of any individual investment asset for short-term financial returns. As of March 31, 2020, no individual financial asset at FVTPL accounted for more than 2.5% of our total assets. As of March 31, 2020, we had nine financial assets at FVTPL that individually accounted for over 1% of our total assets. The table below sets forth the fair value of these financial asset at FVTPL as of the dates indicated. As of March 31, 2020, no other individual financial asset at FVTPL accounted for more than 1% of our total assets.

	As of December 31,			As of March 31,
	2017	2018	2019	2020
	(RMB in thousands)			
Yingke Chuangxin Asset Management Co., Ltd. (盈科創新資產管理有限公司) ("Yingke Chuangxin")	127,203	165,903	188,457	187,287
Guanyou Zhaotai (Jiaying) Equity Investment Partnership (Limited Partnership) (觀由昭泰(嘉興)股權投資合夥企業(有限合夥)) ("Guanyou Zhaotai")	33,250	98,180	95,145	152,395
Jiangsu Weikang Biotech Co., Ltd. (江蘇微康生物科技有限公司) ("Jiangsu Weikang")	48,000	60,000	127,500	121,125
I-Mab Biopharma Hong Kong Limited ("I-Mab")	14,375	36,313	121,210	117,339
EPS Holdings Inc. ("EPS")	–	–	125,071	103,599
Taitong Late Stage Fund L.P. ("Taitong")	–	67,259	91,807	101,551
Pingtan Taige Yingke Chuangye Investment Partnership (Limited Partnership) (平潭泰格盈科創業投資合夥企業(有限合夥)) ("Pingtan Taige Yingke")	19,000	95,000	95,061	100,730
Huzhou Fuyue Boze Shiye Investment Partnership (Limited Partnership) (湖州富悅柏澤實業投資合夥企業(有限合夥)) ("Huzhou Fuyue Boze")	–	–	–	100,000
Shanghai Taiyi Chuangye Investment Partnership (Limited Partnership) (上海泰沂創業投資合夥企業(有限合夥)) ("Shanghai Taiyi")	32,450	73,668	82,058	96,721
Total	**274,278**	**596,323**	**926,309**	**1,080,747**

For details of the internal control measures, procedures and personnel involved with respect to our investments, please refer to "Business – Our Strategic Acquisitions and Investments." For details of the fair value measurement of our financial assets, please refer to "– Critical Accounting Policies and Estimates – Key Sources of Estimation Uncertainty – Fair value measurements for financial assets and financial liabilities at FVTPL."

The table below sets forth our interests in certain of our major investments under financial assets at FVTPL as of the dates indicated.

	Percentage of ownership interest attributable to our Group			
	As of December 31,			As of March 31,
Name	2017	2018	2019	2020
Yingke Chuangxin	5.00%	4.72%	4.72%	4.29%
Guanyou Zhaotai *(note (a))*	30.84%	30.84%	30.84%	30.84%
Jiangsu Weikang *(note (b))*	20.83%	20.00%	18.07%	17.11%
I-Mab	15.59%	2.22%	2.68%	2.30%
EPS	N/A	N/A	3.06%	3.02%
Taitong *(note (a))*	N/A	33.33%	33.33%	33.33%
Pingtan Taige Yingke	19.00%	19.00%	17.92%	17.92%
Huzhou Fuyue Boze *(note (a))*	N/A	N/A	N/A	31.25%
Shanghai Taiyi *(note (a))*	24.58%	24.58%	24.58%	24.58%

Notes:

(a) We are limited partners of these funds. In accordance with the relevant limited partnership agreements, while we are entitled to the investment return in accordance with our equity interests, we are not entitled to participate in the daily management of these funds. We do not have significant influence over the investment committees (if any) of these funds, therefore we are not in a position to exercise any significant influence, joint control nor control over such investments, despite that our equity interests in these funds are not less than 20%. We therefore accounted for these entities as financial assets at FVTPL.

(b) We hold not less than 20% of the equity interests of Jiangsu Weikang during the years ended December 31, 2017 and 2018. We consider that we have no significant influence, joint control nor control over the entity based on the fact that we do not have significant influence over the board of directors of the entity and are not involved in any operating and financial policies of the entity. We therefore accounted for this entity as financial asset at FVTPL.

For each of our major investments, we consider that we have no significant influence, joint control nor control over the relevant entity based on the fact that we do not participate in any operating and financial policies of the relevant entity or exercise our influence on the operating and financial policies, or have representation on the board of directors of the relevant entity.

The table below sets forth a breakdown of our changes in fair value of financial assets at FVTPL during the Track Record Period.

	For the year ended December 31,			For the three months ended March 31,	
	2017	2018	2019	2019	2020
				(unaudited)	
			(RMB in thousands)		
Yingke Chuangxin	18,103	38,700	22,554	17,812	(1,170)
Guanyou Zhaotai	–	3,180	8,939	–	57,250
Jiangsu Weikang	18,000	12,000	67,500	–	(6,375)
I-Mab	–	20,706	48,784	–	(5,820)
EPS	N/A	N/A	230	N/A	(22,772)
Taitong	N/A	(1,373)	9,134	213	(3,024)
Pingtan Taige Yingke	–	–	61	(42)	5,669
Huzhou Fuyue Boze	N/A	N/A	N/A	N/A	–
Shanghai Taiyi	–	14,668	12,995	1,695	14,663
Others	24,748	61,217	14,799	12,410	18,279
Total	**60,851**	**149,098**	**184,996**	**32,088**	**56,700**

The following tables illustrate the reconciliation of our purchase of, and disposals of, financial assets at FVTPL to the corresponding financial assets at FVTPL as of the dates indicated:

	As of December 31, 2017										
	Yingke Chuangxin	Guanyou Zhaotai	Jiangsu Weikang	I-Mab	EPS	Taitong	Pingtan Taige Yingke	Huzhou Fuyue Boze	Shanghai Taiyi	Others	Total
					(RMB in thousands)						
Beginning balance	59,100	–	30,000	–	–	–	–	–	8,850	371,133	469,083
Purchase of financial assets at FVTPL	50,000	33,250	–	14,375	–	–	19,000	–	23,600	251,290	391,515
Proceeds from disposal of financial assets at FVTPL	–	–	–	–	–	–	–	–	–	(65,930)	(65,930)
Gain/(loss) on disposal of financial assets at FVTPL	–	–	–	–	–	–	–	–	–	34,674	34,674
Change in investment cost	50,000	33,250	–	14,375	–	–	19,000	–	23,600	220,034	360,259
Fair value gain/(loss) on financial assets at FVTPL	18,103	–	18,000	–	–	–	–	–	–	24,748	60,851
Exchange realignment	–	–	–	–	–	–	–	–	–	4	4
Closing balance	127,203	33,250	48,000	14,375	–	–	19,000	–	32,450	615,919	890,197

	As of December 31, 2018										
	Yingke Chuangxin	Guanyou Zhaotai	Jiangsu Weikang	I-Mab	EPS	Taitong	Pingtan Taige Yingke	Huzhou Fuyue Boze	Shanghai Taiyi	Others	Total
	(RMB in thousands)										
Beginning balance	127,203	33,250	48,000	14,375	–	–	19,000	–	32,450	615,919	890,197
Purchase of financial assets at FVTPL	–	61,750	–	–	–	68,632	76,000	–	26,550	240,523	473,455
Proceeds from disposal of financial assets at FVTPL	–	–	–	–	–	–	–	–	–	(144,270)	(144,270)
Gain/(loss) on disposal of financial assets at FVTPL	–	–	–	–	–	–	–	–	–	112,107	112,107
Change in investment cost	–	61,750	–	–	–	68,632	76,000	–	26,550	208,360	441,292
Fair value gain/(loss) on financial assets at FVTPL	38,700	3,180	12,000	20,706	–	(1,373)	–	–	14,668	61,217	149,098
Exchange realignment	–	–	–	1,232	–	–	–	–	–	(726)	506
Closing balance	165,903	98,180	60,000	36,313	–	67,259	95,000	–	73,668	884,770	1,481,093

	As of December 31, 2019										
	Yingke Chuangxin	Guanyou Zhaotai	Jiangsu Weikang	I-Mab	EPS	Taitong	Pingtan Taige Yingke	Huzhou Fuyue Boze	Shanghai Taiyi	Others	Total
	(RMB in thousands)										
Beginning balance	165,903	98,180	60,000	36,313	–	67,259	95,000	–	73,668	884,770	1,481,093
Purchase of financial assets at FVTPL	–	–	–	35,116	124,838	27,905	–	–	–	488,332	676,191
Proceeds from disposal of financial assets at FVTPL	–	(18,370)	–	–	–	(18,977)	–	–	(10,713)	(58,436)	(106,496)
Gain/(loss) on disposal of financial assets at FVTPL	–	6,396	–	–	–	5,261	–	–	6,108	58,307	76,072
Change in investment cost	–	(11,974)	–	35,116	124,838	14,189	–	–	(4,605)	488,203	645,767
Fair value gain/(loss) on financial assets at FVTPL	22,554	8,939	67,500	48,784	230	9,134	61	–	12,995	14,799	184,996
Transfer to associate/subsidiary	–	–	–	–	–	–	–	–	–	(62,690)	(62,690)
Exchange realignment	–	–	–	997	3	1,225	–	–	–	(917)	1,308
Closing balance	188,457	95,145	127,500	121,210	125,071	91,807	95,061	–	82,058	1,324,165	2,250,474

	As of March 31, 2020										
	Yingke Chuangxin	Guanyou Zhaotai	Jiangsu Weikang	I-Mab	EPS	Taitong	Pingtan Taige Yingke	Huzhou Fuyue Boze	Shanghai Taiyi	Others	Total
	(RMB in thousands)										
Beginning balance	188,457	95,145	127,500	121,210	125,071	91,807	95,061	–	82,058	1,324,165	2,250,474
Purchase of financial assets at FVTPL	–	–	–	–	–	42,511	–	100,000	–	111,587	254,098
Proceeds from disposal of financial assets at FVTPL	–	–	–	–	–	(42,191)	–	–	–	(588)	(42,779)
Gain/(loss) on disposal of financial assets at FVTPL	–	–	–	–	–	10,911	–	–	–	(59)	10,852
Change in investment costs	–	–	–	–	–	11,231	–	100,000	–	110,940	222,171
Fair value gain/(loss) on financial assets at FVTPL	(1,170)	57,250	(6,375)	(5,820)	(22,772)	(3,024)	5,669	–	14,663	18,279	56,700
Exchange realignment	–	–	–	1,949	1,300	1,537	–	–	–	4,045	8,831
Closing balance	187,287	152,395	121,125	117,339	103,599	101,551	100,730	100,000	96,721	1,457,429	2,538,176

Structured deposits and derivative financial instruments represent the wealth management products we purchased from commercial banks in China. Our finance department is responsible for managing our investments in wealth management products. Our investment strategy related to wealth management products aims to minimize the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, and to generate investment returns for the benefits of our shareholders. We primarily invest in wealth management products with relatively low risks and the proposed investment must not interfere with our daily operation and business prospects. We make investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions and the expected profit or potential loss of the investment.

KEY FINANCIAL RATIOS

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

	Year ended December 31,			Three months ended March 31,
	2017	2018	2019	2020
Profitability ratios				
Gross profit margin[(1)]	42.4%	42.7%	46.1%	44.1%
Net profit margin[(2)]	23.4%	28.5%	34.8%	40.1%
Return on equity[(3)]	16.5%	21.4%	23.8%	N/A

	As of December 31,			As of March 31,
	2017	2018	2019	2020
Liquidity ratio				
Current ratio[(4)]	1.75	1.31	1.86	1.79
Leverage ratio				
Gearing ratio[(5)]	0.10	0.19	0.16	0.19

Notes:

(1) Gross profit margin is calculated using gross profit divided by revenue and multiplied by 100%.

(2) Net profit margin is calculated using profit for the year/period divided by revenue and multiplied by 100%.

(3) Return on equity is calculated using profit for the year attributable to equity shareholders of our Company divided by the average of the opening and closing balances of equity attributable to shareholders of our Company in the relevant year and multiplied by 100%.

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

(5) Gearing ratio is calculated using interest-bearing borrowings from banks and other parties divided by total equity.

Our net profit margin increased from 23.4% in 2017 to 28.5% in 2018, primarily due to (i) an increase in our gross profit margin, and (ii) an increase in our fair value gains of financial assets at FVTPL and other gains and losses. Our net profit margin increased from 28.5% in 2018 to 34.8% in 2019, primarily due to (i) an increase in our gross profit margin, (ii) an increase in our other income and other gains and losses and (iii) a decrease in our impairment losses. Our net profit margin further increased from 34.8% in 2019 to 40.1% in the three months ended March 31, 2020, primarily due to (i) an increase in our other income and other gains and losses, and (ii) a decrease in our effective tax rate.

Our return on equity increased from 16.5% in 2017 to 21.4% in 2018, and further to 23.8% in 2019, primarily due to an increase in the net profit attributable to shareholders.

Our current ratio decreased from 1.75 as of December 31, 2017 to 1.31 as of December 31, 2018, mainly attributable to an increase in our current liabilities in 2018, primarily including borrowings, trade and other payables and contract liabilities. Our current ratio increased from 1.31 as of December 31, 2018 to 1.86 as of December 31, 2019, mainly attributable to an increase in our current assets in 2019, primarily including cash and cash equivalents, contract assets and trade, bills and other receivables and prepayments. Our current ratio decreased from 1.86 as of December 31, 2019 to 1.79 as of March 31, 2020, mainly attributable to an increase in our current liabilities in the three months ended March 31, 2020, primarily including borrowings and contract liabilities.

Our gearing ratio increased from 0.10 as of December 31, 2017 to 0.19 as of December 31, 2018, primarily due to the increase in our interest-bearing borrowings. Our gearing ratio decreased from 0.19 as of December 31, 2018 to 0.16 as of December 31, 2019, primarily due to the increase in our total equity. Our gearing ratio increased from 0.16 as of December 31, 2019 to 0.19 as of March 31, 2020, primarily due to the increase in our interest-bearing borrowings.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our working capital, payment for the purchase of property, plant and equipment, our strategic acquisitions and investments and other capital expenditure. During the Track Record Period, we funded our working capital and other capital expenditure requirements through a combination of cash generated from our operations, bank borrowings and net proceeds from share issuances. The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
	(RMB in thousands)				
Net cash generated from operating activities	308,347	509,373	537,551	49,554	44,907
Net cash used in investing activities	(869,001)	(376,004)	(609,370)	(68,194)	(352,333)
Net cash generated from/(used in) financing activities	720,732	45,972	1,352,811	(6,233)	238,356
Net increase/(decrease) in cash and cash equivalents	160,078	179,341	1,280,992	(24,873)	(69,070)
Cash and cash equivalents at the beginning of the year/period	363,646	521,632	698,186	698,186	2,006,926
Effects of exchange rate changes	(2,092)	(2,787)	27,748	(827)	18,174
Cash and cash equivalents at the end of the year/period	521,632	698,186	2,006,926	672,486	1,956,030

Net Cash Generated in Operating Activities

Our cash inflow from operating activities primarily comprises payments received from our customers for our services. Cash outflow from operating activities primarily comprises payments for our costs of services and operating expenses.

In the three months ended March 31, 2020, our net cash generated from operating activities was RMB44.9 million. The difference between our net cash generated from operating activities and our profit before tax primarily resulted from (i) the exclusion of certain non-operating incomes and gains/losses (such as change in fair value of financial assets at FVTPL, gain on disposal of financial assets at FVTPL, gain on disposal of associates, interest income and finance cost), which amounted to RMB138.7 million, (ii) adjustment for non-cash items (such as depreciation and amortization and share-based payment expenses), which amounted to RMB47.9 million and (iii) changes in working capital. Negative change in the working capital accounts mainly included (i) an increase in contract assets of RMB91.9 million, which was primarily due to increase in the number of contracts with our customers where revenue has been recognized but we have not yet billed our customers upon the achievement of certain milestones specified in our customer service agreements or work orders and (ii) an increase in trade, bills and other receivables and prepayments of RMB28.6 million, which was attributable to increased billed amounts due from our customers as a result of our business growth, which was partially offset by a decrease in trade and other payables of RMB60.5 million primarily due to our settlement of trade payables in the first quarter of 2020.

In 2019, our net cash generated from operating activities was RMB537.6 million. The difference between our net cash generated from operating activities and our profit before tax primarily resulted from (i) the exclusion of certain non-operating incomes and gains/losses (such as change in fair value of financial assets at FVTPL, gain on disposal of subsidiaries, gain on disposal of financial assets at FVTPL , interest income and finance cost), which amounted to RMB347.7 million (ii) adjustment for non-cash items (such as depreciation and amortization, impairment losses and share-based payment expenses), which amounted to RMB166.8 million and (iii) changes in working capital. Negative change in the working capital accounts mainly included (i) an increase in contract assets of RMB221.0 million, which was primarily due to increase in the number of contracts with our customers where revenue has been recognized but we have not yet billed our customers upon the satisfaction of certain milestones specified in our customer service agreements or work orders and (ii) an increase in trade, bills and other receivables and prepayments of RMB137.5 million which was attributable to increased billed amounts due from our customers as a result of our business growth, which was partially offset by an increase in trade and other payables of RMB101.2 million primarily due to increased procurement amounts from our suppliers and subcontractors, compensation payable to an increased number of employees, as well as increased other tax payables in line with our business growth.

In 2018, our net cash generated from operating activities was RMB509.4 million. The difference between our net cash generated from operating activities and our profit before tax primarily resulted from (i) the exclusion of certain non-operating incomes and gains/losses

(such as change in fair value of financial assets at FVTPL, gain on disposal of subsidiaries, gain on disposal of financial assets at FVTPL, interest income and finance cost), which amounted to RMB276.1 million (ii) adjustment for non-cash items (such as depreciation and amortization, impairment losses and share-based payment expenses), which amounted to RMB122.5 million and (iii) changes in working capital. Negative change in the working capital accounts mainly included (i) an increase in trade, bills and other receivables and prepayments of RMB98.1 million, which was attributable to increased billed amounts due from our customers as a result of our business growth, and (ii) an increase in contract assets of RMB65.2 million which was primarily due to increase in the number of contracts with our customers where revenue has been recognized but we have not yet billed our customers upon the satisfaction of certain milestones specified in our customer service agreements or work orders, which was partially offset by (i) an increase in trade and other payables of RMB91.7 million primarily due to increased procurement amounts from our suppliers and subcontractors, compensation payable to an increased number of employees, as well as increased other tax payables in line with our business growth and (ii) an increase in contract liabilities of RMB56.7 million, which was primarily due to increase in advanced payments received from such customers under the relevant customer service agreements or work orders.

In 2017, our net cash generated from operating activities was RMB308.3 million. The difference between our net cash generated from operating activities and our profit before tax primarily resulted from (i) the exclusion of certain non-operating incomes and gains/losses (such as change in fair value of financial assets at FVTPL, gain on disposal of subsidiaries, gain on disposal of financial assets at FVTPL, interest income and finance cost), which amounted to RMB117.2 million (ii) adjustment for non-cash items (such as depreciation and amortization, impairment losses and share-based payment expenses), which amounted to RMB57.6 million and (iii) changes in working capital. Negative change in the working capital accounts mainly included (i) an increase in contract assets of RMB152.3 million, which was primarily due to the increase in the number of contracts with our customers where revenue has been recognized but we have not yet billed our customers upon the satisfaction of certain milestones specified in our customer service agreements or work orders and (ii) an increase in trade, bills and other receivables and prepayments of RMB 47.9 million, which was attributable to increased billed amounts due from our customers as a result of our business growth, which was partially offset by an increase in contract liabilities of RMB184.4 million, which was primarily due to increase in advanced payments received from such customers under the relevant customer service agreements or work orders.

Net Cash Used in Investing Activities

Our cash used in investing activities mainly reflects our cash used in payments for purchases of financial assets at FVTPL, as well as property, plant and equipment.

In the three months ended March 31, 2020, our net cash used in investing activities was RMB352.3 million, which was primarily attributable to (i) purchase of financial assets at FVTPL of RMB297.6 million, (ii) acquisition of subsidiaries, net of cash acquired of RMB83.3 million, and (iii) placement of time deposit over three months of RMB69.7 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB111.6 million.

In 2019, our net cash used in investing activities was RMB609.4 million, which was primarily attributable to (i) purchase of financial assets at FVTPL of RMB620.2 million, (ii) purchase of property, plant and equipment of RMB88.6 million, and (iii) acquisition of subsidiaries, net of cash acquired of RMB72.5 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB106.5 million.

In 2018, our net cash used in investing activities was RMB376.0 million, which was primarily attributable to (i) purchase of financial assets at FVTPL of RMB453.8 million, (ii) purchase of property, plant and equipment of RMB75.8 million, (iii) acquisition of subsidiaries, net of cash acquired of RMB29.1 million and (iv) acquisition of associates of RMB25.9 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB219.9 million.

In 2017, our net cash used in investing activities was RMB869.0 million, which was primarily attributable to (i) acquisition of subsidiaries, net of cash acquired of RMB536.0 million, (ii) purchase of financial assets at FVTPL of RMB446.5 million, (iii) acquisition of associates of RMB64.4 million and (iv) purchase of property, plant and equipment of RMB49.3 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB199.8 million.

Net Cash Generated from Financing Activities

Our cash inflow from financing activities mainly comprises bank borrowings and share issuances.

In the three months ended March 31, 2020, our net cash generated from financing activities was RMB238.4 million, which was primarily attributable to proceeds from bank borrowings of RMB408.9 million, partially offset by repayment of bank borrowings of RMB194.7 million.

In 2019, our net cash generated from financing activities was RMB1,352.8 million, which was primarily attributable to (i) proceeds from bank borrowings of RMB1,253.8 million and (ii) net proceeds generated from Frontage Holdings' initial public offering of RMB1,381.9 million, which was partially offset by repayment of bank borrowings of RMB1,102.6 million.

In 2018, our net cash generated from financing activities was RMB46.0 million, which was primarily attributable to proceeds from bank borrowings of RMB616.6 million, which was partially offset by (i) repayment of bank borrowings of RMB259.7 million, (ii) payment for repurchase of shares of RMB248.1 million and (iii) dividends paid to owners of our Company of RMB100.0 million.

In 2017, our net cash generated from financing activities was RMB720.7 million, which was primarily attributable to (i) net proceeds from non-public offering of our A-Shares of RMB607.8 million and (ii) proceeds from bank borrowings of RMB379.6 million, which was partially offset by repayment of bank borrowings of RMB293.3 million.

Working Capital

As we had immaterial inventories during the Track Record Period, we measure our working capital by the aggregate amount of trade and bills receivables and contract assets less the aggregate amount of trade payables and contract liabilities. While the absolute amount of our working capital increased during the Track Record Period in line with our business growth, our working capital cycle remained healthy in our view based on the nature of our business and capital resources. Our working capital cycle was 51 days in 2017, 55 days in 2018, 65 days in 2019 and 94 days in the three months ended March 31, 2020.

The table below sets forth, for the periods indicated, our working capital cycle.

	Year ended December 31,			Three months ended March 31,
	2017	**2018**	**2019**	**2020**
	(number of days)			
Trade receivables, bills receivables and contract assets, net of contract liabilities turnover days	70	64	79	111
Trade payables turnover days	19	9	14	17
Working capital cycle	51	55	65	94

For an ageing analysis and discussion of the turnover days of our trade and bills receivables, contract assets and liabilities and trade payables, please see "Financial Information – Discussion of Selected Items from the Consolidated Statements of Financial Position – Trade, bills and other receivables and prepayments" and "Financial Information – Discussion of Selected Items from the Consolidated Statements of Financial Position – Trade and other payables", respectively.

As of December 31, 2017, 2018 and 2019 and March 31, 2020, we had cash and cash equivalents of RMB521.6 million, RMB698.2 million, RMB2,006.9 million and RMB1,956.0 million, respectively. Our cash and cash equivalents increased significantly in 2019, primarily as a result of the net proceeds generated from Frontage Holdings' initial public offering.

Taking into account the financial resources available to us, including the estimated net proceeds of the Global Offering, cash flow generated from our operations, bank facilities available to us and cash and cash equivalents on hand, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of this Prospectus.

CAPITAL EXPENDITURES

Our principal capital expenditures relate primarily to purchases of property, plant and equipment, and intangible assets. The following table sets forth our capital expenditures for the periods indicated.

	Year ended December 31,			Three months ended March 31,
	2017	2018	2019	2020
	(RMB in thousands)			
Purchases of property, plant and equipment	60,078	88,879	88,600	20,328
Purchases of intangible assets	8,343	2,493	13,717	305
Total	68,421	91,372	102,317	20,633

During the Track Record Period, we financed our capital expenditures primarily with cash generated from operations. We expect to incur RMB381.9 million in capital expenditures in 2020 primarily in relation to the expansion of laboratory facilities of Frontage Group in both China and the United States in relation to its laboratory services. We expect to fund such capital expenditures through cash generated from operations, our existing bank borrowings and the net proceeds from the Global Offering. See also "Future Plans and Use of Proceeds – Use of Proceeds."

Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, market conditions and various other factors.

INDEBTEDNESS

Borrowings

	As of December 31,			As of March 31,	As of May 31,
	2017	2018	2019	2020	2020
					(unaudited)
	(RMB in thousands)				
Current portion:					
Secured and unguaranteed bank loans	14,664	18,302	352,304	357,170	358,165
Unsecured and unguaranteed bank loans	244,780	602,834	512,559	628,359	788,359
Unsecured other borrowing	–	10,295	–	–	–
Total	259,444	631,431	864,863	985,529	1,146,524
Non-current portion:					
Secured and unguaranteed bank loans	3,849	3,432	–	–	–
Unsecured and unguaranteed bank loans	3,774	–	36,500	136,100	136,100
Unsecured other borrowing	9,801	–	–	–	–
Total	17,424	3,432	36,500	136,100	136,100
The carrying amounts of the above borrowings are repayable:					
On demand or with one year	259,444	631,431	864,863	985,529	1,146,524
More than one year, but not exceeding two years	17,424	3,432	1,000	1,400	1,400
More than two years, but not exceeding five years	–	–	35,500	134,700	134,700
Total	276,868	634,863	901,363	1,121,629	1,282,624

Secured and unguaranteed bank loans

We have pledged certain collateral to banking facilities, which carry interests at a variable rate of LIBOR plus a specific margin per annum, with an aggregate amount of RMB32.7 million, RMB34.3 million, RMB390.7 million and RMB397.3 million acquired from the bankers, of which RMB18.5 million, RMB21.7 million, RMB352.3 million and RMB357.2 million were utilized as of December 31, 2017, 2018 and 2019 and March 31, 2020, respectively.

As of May 31, 2020, we had utilized RMB358.2 million from our secured and unguaranteed banking facilities of, and RMB28.5 million remained unutilized under our banking facilities.

Unsecured and unguaranteed bank loans

We obtained financing from banks which carried interests at the fixed rate of ranging from 2.05% to 6.50% per annum. Banks have granted us banking facilities with an aggregate amount of RMB291.2 million, RMB753.0 million, RMB1,747.1 million and RMB1,749.0 million as of December 31, 2017, 2018 and 2019 and March 31, 2020, respectively. Those bank loans outstanding as of December 31, 2017, 2018 and 2019 and March 31, 2020 were RMB248.6 million, RMB602.8 million, RMB549.1 million and RMB764.5 million, respectively.

As of May 31, 2020, we had utilized RMB924.5 million from our unsecured and unguaranteed banking facilities, and RMB1,775.3 million remained unutilized under our banking facilities.

Unsecured other borrowings

The loan from Dr. Song Li was unsecured, unguaranteed and carried interest at the fixed rate of 3.00% per annum, and was repaid in full on April 26, 2019. As of December 31, 2017 and 2018, the balances represented a loan of US$1.5 million and US$1.5 million (equivalent to RMB9.8 million and RMB10.3 million) from Dr. Song Li respectively. Dr. Song Li resigned from our board of directors on April 16, 2018, and became an independent third party after his resignation from the board.

Obligation under Financial Lease

We lease certain of our experiment equipment under finance lease agreements with lease term of two to five years, which expire at various times through December 31, 2024. The leased experiment equipment was capitalized using borrowing rates ranging from 1.41% to 16.06% per annum, with each finance lease liability secured against the associated asset. The follow table below sets forth our obligations under finance leases as of the dates indicated:

	As of December 31,	
	2017	**2018**
	(RMB in thousands)	
Analyzed for reporting purposes as:		
Current liabilities	9,703	12,792
Non-current liabilities	14,929	15,864

For additional details relating to our obligations under finance leases, please see Note 33a of the Accountants' Report set out in Appendix I to this Prospectus.

Lease Liabilities

As of December 31, 2019, March 31, 2020 and May 31, 2020, we have outstanding aggregate unpaid contractual lease payments (for the remainder of relevant lease terms) of RMB182.3 million, RMB304.9 million and RMB308.7 million (excluding contingent rental payments under lease agreements) in relation to the corresponding lease liabilities:

	As of December 31, 2019	**As of March 31, 2020**	**As of May 31, 2020**
			(unaudited)
	(RMB in thousands)		
Current liabilities	50,119	52,621	50,046
Non-current liabilities	132,151	252,313	258,640
Total	182,270	304,934	308,686

Other Long-term Liabilities

We have accrued rent for the rental-free period of RMB3.7 million, RMB3.6 million, nil and nil as of December 31, 2017, 2018 and 2019 and March 31, 2020, respectively.

Our Directors confirm that, as of the Latest Practicable Date, there is no material change in the Company's indebtedness since March 31, 2020.

Contingent Liabilities

During the Track Record Period and up to the Latest Practicable Date, we had no contingent liabilities other than those disclosed in Note 48 of the Accountants' Report set out in Appendix I to this Prospectus.

Indebtedness Statement

Our Directors confirm that as of the Latest Practicable Date, the agreements under our borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no material defaults in bank and other borrowings, nor did we breach any covenants (that were not waived) during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in obtaining credit facilities, or withdrawal of facilities or requests for early repayment.

Save as otherwise disclosed under sections headed "-Indebtedness" and "-Contractual Obligations", we did not have any outstanding loan, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments or other contingent liabilities as of May 31, 2020.

Our Directors also confirm that, as of the Latest Practicable Date, there is no material change in the Company's indebtedness since May 31, 2020. Our capital commitments are related to purchase of equipment and the expansion and enhancement of our facilities. We expect to satisfy our capital commitments using net proceeds to be received from the Global Offering, cash from operations and bank facilities available to us.

CONTRACTUAL OBLIGATIONS

Capital Commitments

Our capital commitments are related to our equity investments in certain investment funds as well as purchase of property, plant and equipment for the expansion and enhancement of our facilities. We expect to satisfy our capital commitments using cash from operations, net proceeds to be received from the Global Offering and bank borrowings available to us.

The following table below sets forth our capital commitments under non-cancellable contracts as of the dates indicated.

	As of December 31,			As of March 31,
	2017	2018	2019	2020
	(RMB in thousands)			
Commitment for equity investments in funds or companies	227,500	280,373	383,539	356,828
Acquisition of property, plant and equipment	–	–	2,697	–

Operating Lease Commitments

Operating lease payments represents rentals payable for certain of our office premises and laboratories, of the number of properties we lease under non-cancellable agreements. The lease terms under those agreements are between two and ten years, majority of which are renewable at the end of the applicable lease period at the then market rate. The table below set forth the total future minimum lease payments under our non-cancellable lease agreements as of the dates indicated.

The following table sets forth our commitments for future lease payments under our premises which fall due as indicated.

	As of December 31,	
	2017	**2018**
	(RMB in thousands)	
With one year	33,560	41,571
In the second to fifth year inclusive	50,170	90,954
Over five years	8,566	32,368
Total	92,296	164,893

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, except as disclosed in Notes 46 and 48 of the Accountants' Report set out in Appendix I to this Prospectus, we had no off-balance sheet commitments and arrangements.

RELATED PARTY TRANSACTIONS

We had the following transactions with related parties during the Track Record Period.

Related Party Transactions

Fee paid to related parties for services

	Year ended December 31,			Three months ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
			(RMB in thousands)		
Shanghai Mosim Medical Technology Co., Ltd.	–	–	11,694	–	–
Teddy Clinical Research Laboratory	–	6,382	8,513	3,043	648
Frontage Suzhou	–	89	–	–	–
FJ Pharma LLC	–	–	518	–	–
Tigerise Inc.	–	–	–	–	746
Total	–	6,471	20,725	3,043	1,394

Revenue from related parties

	Year ended December 31,			Three months ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
	(RMB in thousands)				
Frontage Suzhou	2,104	1,970	10,954	–	–
FJ Pharma LLC	816	1,386	1,592	491	5
Frontida	2,125	–	–	–	–
Total	5,045	3,356	12,546	491	5

Our Group as guarantor

	As of December 31,			As of March 31,
	2017	**2018**	**2019**	**2020**
	(RMB in thousands)			
	Guarantee amount			
Frontida	84,945	–	–	–
Frontage Suzhou	–	3,000	–	–

Interest expense on loan from a related party

	Year ended December 31,			Three months ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
	(RMB in thousands)				
Dr. Song Li	527	228	–	–	–
Total	527	228	–	–	–

The loan from Dr. Song Li was settled in full on April 26, 2019. See "– Indebtedness – Borrowings – Unsecured Other Borrowings" for more details.

Disposal of a subsidiary

	Year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
				(unaudited)	
			(RMB in thousands)		
Hangzhou Yibai Health Management Co., Ltd.	–	–	–	–	5,000
Total	–	–	–	–	5,000

The transactions above were carried out in accordance with the terms agreed with the counterparties.

See also Note 49 to the accountants' report set out in Appendix I to this Prospectus for our related party transactions and balances as at December 31, 2017, 2018 and 2019 and March 31, 2020 for more details of our related party transactions and related party balances.

It is the view of our Directors that each of the related party transactions set out in note 49 to the accountants' report set out in Appendix I to this Prospectus (i) was conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties and (ii) does not distort our Track Record Period results or make our historical results not otherwise reflective of future performance.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to a variety of market risks, including currency risk, interest rate risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details, including relevant sensitivity analysis, see Note 39 to the Accountants' Report set out in Appendix I to this Prospectus.

Currency Risk

Certain entities in our Group have foreign currency sales, capital expenditure, cash and cash equivalents and borrowings, which expose us to foreign currency risk. We enter into derivative financial instruments to manage our exposure to currency risk, including forward foreign exchange contracts. The following table sets forth the carrying amounts of our foreign currency denominated monetary assets (financial asset at FVTPL, trade, bills and other receivables, and cash and cash equivalents) and liabilities (trade and other payables, and borrowings) at of the dates indicated:

	As of December 31,			As of March 31,
	2017	2018	2019	2020
	(RMB in thousands)			
Assets				
US$	155,480	287,021	407,693	429,227
Japanese Yen ("JPY")	–	–	125,071	103,599
Liabilities				
US$	38,260	–	226,938	31,177
JPY	–	–	124,163	126,988

See also Note 39 to the accountants' report set out in Appendix I to this Prospectus for the impact on profit before tax from currency risk as of December 31, 2017, 2018 and 2019 and March 31, 2020.

Interest Rate Risks

We are exposed to fair value interest rate risks in relation to our restricted bank deposits, note receivables, loan receivables, structured deposits, cash and cash equivalents, obligations under finance leases/lease liabilities and borrowings. Borrowing agreements include a mix of fixed and variable rate loans, the exposure in relation to fixed rate agreements is considered to be minimal.

We are also exposed to cash flow interest rate risks in relation to variable rate borrowings. Our cash flow interest rate risks are mainly related to the fluctuation of the LIBOR. The variable rate borrowings are RMB35.2 million, RMB21.7 million, RMB352.3 million and RMB357.2 million as of December 31, 2017, 2018 and 2019 and March 31, 2020, respectively. If the interest rate had been 50 basis points higher/lower and all other variables were held constant, our profit before tax would decrease/increase by RMB0.2 million, RMB0.1 million, RMB1.8 million and RMB1.8 million for each of the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, respectively.

We currently do not have an interest rate hedging policy to mitigate the interest rate risks. Our management monitors our interest rate exposure and will consider hedging significant interest rate risks should the need arise.

Credit Risks

Our maximum exposure to credit risks as of December 31, 2017, 2018 and 2019 and March 31, 2020 which will cause a financial loss to us due to failure to discharge an obligation by the counterparties equals the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position. Credit terms are granted to our customers who are in good credit conditions. In order to minimize the credit risks, our management has designated a team responsible for determination of credit limits and other

monitoring procedures to ensure that follow-up actions are taken to recover overdue customer bills. In addition, our directors review the recoverability of each significant trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our credit risks are significantly reduced.

We have no significant concentration of credit risks associated with trade receivables, with exposure spread over a large number of counterparties and customers. We expect that there is no significant credit risks associated with cash deposits and structured deposits since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties. We also expect that there is no significant credit risk associated with amounts due from related parties since counterparties are mainly related parties with good reputation.

Liquidity Risks

We manage our liquidity risks by monitoring and maintaining a level of cash and cash equivalents and unused banking facilities deemed adequate by management to finance our operations and mitigate the effects of fluctuations in cash flows. See Note 39 to the accountants' report set out in Appendix I to this Prospectus for details.

DIVIDEND

Dividend Policy

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

	For the year ended December 31,		
	2017	**2018**	**2019**
	(RMB in thousands)		
Final dividend proposed of RMB0.20, RMB0.35 and RMB0.278 per ordinary share in respect of the years ended December 31, 2017, 2018 and 2019	100,035	174,638	208,069

On April 15, 2020, our Directors approved our plan to distribute a cash dividend of RMB208.1 million (tax included) to the holders of our A Shares. Such plan was further approved by holders of our A Shares at our 2019 annual general meeting held on May 12, 2020. We paid this dividend in May 2020 with our available cash resources. Our remaining accumulated undistributed profits before the Global Offering would be shared among our existing and new Shareholders.

We currently do not have any dividend policy. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and applicable law. Our Shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board. In addition, our Board may from time to time authorize such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. Although the calculation of our distributable profits is in accordance with PRC GAAP or IFRS, whichever is lower, we do not expect such difference between distributable profits calculated under PRC GAAP and IFRS to be material or have any substantive impact on any dividend to be declared. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of net profits calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign invested enterprises, such as some of our subsidiaries in China, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of March 31, 2020, we had distributable reserves of RMB2,625.5 million, which were available for distribution to our equity shareholders.

LISTING EXPENSES

Our listing expenses mainly include underwriting fees and commissions and professional fees paid to legal, accounting and other advisors for their services rendered in relation to the Listing and the Global Offering. Assuming full payment of the discretionary incentive fee, the estimated total listing expenses (based on the mid-point of the Offer Price Range and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately RMB371.7 million, of which an estimated amount of RMB9.0 million is expected to be expensed through the statement of profit or loss and the remaining amount of RMB362.7 million is expected to be recognized directly as a deduction from equity upon the Listing.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to the shareholders as of March 31, 2020 as the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets had the Global Offering been completed as of March 31, 2020 or any future dates.

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as at March 31, 2020	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of March 31, 2020**	**Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share**	
	RMB'000 (Note 1)	*RMB'000 (Note 2)*	*RMB'000*	*RMB (Note 3)*	*HK$ (Note 4)*
Based on an Offer Price of HK$100.00 per Share	3,106,252	9,279,863	12,386,115	14.46	16.01
Based on an Offer Price of HK$88.00 per Share	3,106,252	8,159,941	11,266,193	13.15	14.56

Notes:

(1) The audited consolidated net tangible assets of our Group attributable to owners of our Company as at March 31, 2020 is extracted from the Accountants' Report set out in Appendix I to this Prospectus, which is based on the audited consolidated net assets of our Group attributable to owners of our Company of RMB4,546.6 million as of March 31, 2020 with an adjustment for intangible assets and goodwill of RMB84.8 million and RMB1,355.6 million, respectively, as of March 31, 2020.

(2) The estimated net proceeds from the Global Offering are based on 107,065,100 Offer Shares and the indicative Offer Price of HK$88.00 (equivalent to RMB79.50) and HK$100.00 (equivalent to RMB90.34) per Offer Share, being the low-end and high-end, respectively, assuming no exercise of Over-allotment Option, after deduction of the underwriting fees, commissions and other listing related expenses, paid or payable by our Company in connection with the Global Offering.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share is calculated based on 856,532,761 Shares in issue immediately following the completion of the Global Offering assuming (i) the Global Offering had been completed on March 31, 2020 and (ii) no exercise of the Over-allotment Option.

(4) For the purpose of unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share, the amounts in Hong Kong dollar are converted into RMB at the rate of RMB0.90337 to HK$1, which was the exchange rate prevailing on July 18, 2020 with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been to Hong Kong dollar, or vice versa, at that rate or any other rates at all.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at March 31, 2020 to reflect any trading results or other transactions of our Group entered into subsequent to March 31, 2020.

Please refer to "Appendix II – Unaudited Pro Forma Financial Information" for further details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this Prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since March 31, 2020, the end of the period reported on in the Accountants' Report set out in Appendix I to this Prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to disclosure required under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See "Business – Growth" for a detailed description of our future plans and strategies.

USE OF PROCEEDS

The net proceeds from the Global Offering which the Company will receive, after deducting the underwriting commissions, the discretionary incentive fee (assuming the full payment of the discretionary incentive fee) and the estimated expenses in relation to the Global Offering (assuming the Over-allotment Option is not exercised), will be:

- approximately HK$9,032.8 million, assuming an Offer Price of HK$88.00 (being the minimum Offer Price);

- approximately HK$9,652.6 million, assuming an Offer Price of HK$94.00 (being the mid-point of the Offer Price Range); or

- approximately HK$10,272.5 million, assuming an Offer Price of HK$100.00 (being the maximum Offer Price).

The Company intends to use the net proceeds of HK$9,652.6 million, assuming an Offer Price of HK$94.00 (being the mid-point of the Offer Price Range), from the Global Offering (assuming the Over-allotment Option is not exercised) for the following purposes:

Allocation of the estimated net proceeds	Proposed main purposes
15%, or approximately HK$1,447.9 million	Organically expand and enhance our service offerings and capabilities across clinical trial solutions and clinical-related services to meet the rising demands for our services in overseas markets, including (i) approximately HK$723.9 million to invest in our expansion in the United States; (ii) approximately HK$362.0 million to invest in our expansion in Europe; and (iii) approximately HK$362.0 million to invest in our expansion in other regions of Asia Pacific. Specifically: • **United States**: To meaningfully expand our existing clinical trial operations team with the goal of being capable of running small-to medium-sized single-region and multi-region clinical trials by recruiting additional qualified talents; to expand our existing data management and statistical analysis team by recruiting additional qualified talents; and selectively recruiting talents to add other local-based services to better serve our U.S.-based customers. In addition, we plan to build up certain capabilities and services not currently offered by our Group, such as (i) enhanced scientific and technical expertise in areas such as gene and cell therapies, and (ii) new emerging clinical and related services such as real-world evaluation and risk-based monitoring. • **Europe**: To recruit qualified talents and expand into other developed markets in Europe such as the United Kingdom, Germany and France to conduct clinical trials and offer other local-based clinical-related services to better serve our customers in these regions and our Chinese customers looking to enter the European markets.

Allocation of the estimated net proceeds	Proposed main purposes
	• **Other regions of Asia Pacific**: To continue to focus on key Asia Pacific regions where we currently offer clinical trial operation services including Australia, Japan, and Singapore by recruiting additional qualified talents to better serve our customers. In addition, we plan to further expand our presence in India to support offshore services delivered to other regions such as data management and statistical analysis.
	To achieve the above expansion strategies, we plan to recruit (i) entry level professionals with a suitable academic and industry background, such as medical-related trainings for clinical trial operations, biostatistics trainings for data management, chemistry trainings for laboratory services, (ii) experienced talents who are able to enhance our business operations and (iii) management with industry expertise, global exposure and a strategic mindset. We will also use the proceeds to invest in employee training and development programs to provide tailored professional and technical training to our employees to equip them with the latest industry and regulatory knowledge.
	As we continue to cultivate our talent pool, diversify our service offerings and grow our business organically across different markets, we expect to prudently use this amount within a period of 24-36 months from the Listing.

Allocation of the estimated net proceeds	Proposed main purposes
40%, or approximately HK$3,861.1 million	Fund potential acquisitions of attractive overseas clinical CROs that are complementary to our existing businesses as part of our global expansion plan. When selecting acquisition targets, we will consider various criteria including (i) the target's ability to achieve synergies with our business operations, (ii) its geographic locations, (iii) size and growth potential, (iv) size and quality of the target's existing customer base, (v) operating history and track record of growth, (vi) scientific and technical expertise and (vii) financial performance. With the purposes of further enhancing our overseas presence for clinical trial services, we will seek suitable targets engaging in clinical CRO business in overseas markets, with a valuation of approximately US$300 million or above, over 10 years of operating history, over 1,000 employees, and high-quality existing customer base. In terms of geographic locations, we plan to seek suitable targets that mainly operate in developed overseas markets with large customer bases. By strengthening our presence in such developed markets through acquisitions, we believe we will be able to better serve both of our multinational and domestic customers and further enhance our brand recognition throughout the world.

Allocation of the estimated net proceeds	Proposed main purposes
	As of the Latest Practicable Date, we have not identified any specific acquisition target, or entered into any agreements, commitments or understandings with respect to any such transaction, except as disclosed in "Waivers from Strict Compliance with the Listing Rules – Waiver in respect of companies acquired/to be acquired after the Track Record Period." After the Global Offering and with the receipt of the net proceeds, we plan to significantly increase our focus on identifying desirable acquisition targets and related business opportunities. We will designate specific internal corporate development personnel to focus on sourcing, evaluating and executing potential acquisitions for the Group. While from time to time, our customers, shareholders and business partners may also refer potential acquisition opportunities to us, we plan to have our corporate development personnel proactively engage in regular dialogues with external advisors such as investment banks to assist us with identifying and executing potential acquisition transactions. With these efforts, we will aim to quickly seize opportunities and secure acquisitions of suitable potential targets, through leveraging our strong industry knowledge, financial capabilities and execution capabilities, in accordance with the strategies and criteria described above. We will seek to acquire suitable target businesses when such opportunities arise within a period of 12 to 24 months from the Listing, subject to market conditions and the opportunistic nature of business acquisitions. After evaluating a specific acquisition target and prior to making any acquisition decisions, we will form a task force consisting of the relevant personnel to assess the proposal based on our acquisition rationale, strategic plans, financial budget and funding resources, before the proposal is provided to our Directors and (if required) our shareholders for approval.

Allocation of the estimated net proceeds	Proposed main purposes
20%, or approximately HK$1,930.5 million	Foster our biopharmaceutical R&D ecosystem through making minority investments in companies with innovative business models and growth potential, such as biotech companies, healthcare IT companies, hospitals, medical device and diagnostic research companies. Towards this goal, we plan to use the net proceeds of the Global Offering to make minority investments in suitable companies in the healthcare or healthcare-related industry, including (i) HK$1,158.3 million (representing 60% of the net proceeds for investment purposes) in the PRC and (ii) HK$772.2 million (representing 40% of the net proceeds for investment purposes) million in overseas markets. • When selecting investment targets of innovative biotech and medical device companies, we will primarily seek suitable targets at early stages of their development, with a typical investment amount of approximately RMB10 million to RMB50 million for an individual target company (based on the average investment amount of our historical investments), which may, in the future, vary for each particular investment target. By investing in such innovative biopharmaceutical and medical device R&D companies, we seek to fund their innovative R&D efforts with a goal to forge long-term cooperative relationships and promote innovation in the global biopharmaceutical industry. • When selecting investment targets of start-ups with technologies or services complementary to our business, we will primarily seek suitable targets at early stages of their technology development, with varying investment amounts based on potential business collaborations on a case-by-case basis, taking into account their technologies, services and geographic coverage. Such target companies may include cloud-based centralized clinical trial platforms, advanced data analytics and laboratory automation, and other emerging technologies.

Allocation of the estimated net proceeds	Proposed main purposes
	• We may also invest in certain investment funds. When selecting investment targets of investment funds, we will primarily seek suitable targets with a focus that is similar to the criteria when we make minority investments and with successful investment track records in the PRC and global healthcare industry, with a typical investment amount of approximately RMB25 million to RMB100 million for an individual target company (based on the average investment amount of our historical investments), which may, in the future, vary substantially for each particular investment target.
	As of the Latest Practicable Date, we have not identified any material investment target, or entered into any agreements, commitments or understandings with respect to any such transaction, except as disclosed in "Waivers from Strict Compliance with the Listing Rules – Waiver in respect of companies acquired/to be acquired after the Track Record Period." Given the opportunistic nature of investments, we are not in a position to specify a time frame for the use of any of the net proceeds from the Global Offering for any potential investments. As part of our ongoing strategic planning, we regularly source and evaluate potential opportunities for minority investments in the healthcare industry, through engaging in discussions with various industry participants and monitoring latest trends in the healthcare industry and investment community. We will continue to do so after the Listing as we believe we will benefit from our enhanced brand name after the Listing and the net proceeds of the Global Offering will further enrich our investment resources and capabilities. Based on our investment strategies and criteria described above, we will focus on continuing to diversify our investment portfolios in the long run taking into account the uniqueness of each investment opportunity as well as our own financial and market conditions at the time of such transactions to determine the best use of any net proceeds from the Global Offering for such investments within a period of 36 to 48 months from the Listing.

Allocation of the estimated net proceeds	Proposed main purposes
	Leveraging our extensive industry network and deep industry insights, our senior management, together with our investment professionals, will identify, analyze and evaluate potential investment and acquisition opportunities. Prior to making any investment decisions, our Investment Committee will assess the proposal based on our investment focus, strategic plans, financial budget and funding resources, before the proposal is provided to our Directors and (if required) our shareholders for approval. From time to time, our customers, shareholders and business partners may also refer potential acquisition opportunities to us and additionally, we may engage external advisors to assist us with identifying and executing potential investment transactions.
10%, or approximately HK$965.3 million	To repay certain of our outstanding borrowings as of May 31, 2020, including (i) a total of RMB358.2 million of existing overseas borrowings, which will mature within one year from the dates of such loans, with the weighted average annual interest rate of 5.14%; and (ii) a total of RMB924.5 million of other outstanding borrowings, which will mature within two months to three years from the dates of such loans, with the weighted average annual interest rate of 3.99%. The proceeds of our outstanding borrowings have been used for general corporate purposes.

Allocation of the estimated net proceeds	Proposed main purposes
5%, or approximately HK$482.6 million	To develop and implement technologies to further enhance the quality and efficiency of our comprehensive service offerings. Our initiatives to develop and implement new technologies include: • **Overall technology platform and data infrastructure**: we plan to invest in enhancing our overall technology platform and data infrastructure to better support our various operational needs, thereby providing our customers with more efficient and technology-driven services. In particular, we plan to invest in (i) advanced data analytical capabilities, which could allow us to further digitalize our services (e.g., data-driven patient recruitment, site selection, and trial feasibility studies), and (ii) adoption of artificial intelligence technology to our service offerings including clinical trial operations, which could allow us to increase our efficiency and reduce the time and cost for our customers (e.g. artificial intelligence can meaningfully reduce human workload in areas such as clinical data input and analysis). To achieve this, we plan to make capital expenditures to upgrade the capacity, scalability and adaptability of our existing IT infrastructure and develop or purchase advanced devices and software solutions and recruit skilled and experienced talents in data science and artificial intelligence.

Allocation of the estimated net proceeds	Proposed main purposes
	• **Cloud-based centralized clinical trial platform**: we plan to invest in building a cloud-based centralized clinical trial platform to enable a more convenient, coordinated and efficient clinical trial process. A centralized clinical trial platform could meaningfully increase the efficiency of the overall clinical trial process by offering various stakeholders a centralized point of access to retrieve and review relevant documentations, initiate clinical trial sites, recruit patients, and follow up with patients. The cloud-based feature also facilitates an online work environment that enables remote clinical trial management. Under this initiative, we will invest in developing and implementing advanced cloud technologies to upgrade and integrate our different systems such as clinical trial management system (CTMS) and electronic data capture (EDC) system, while ensuring strict compliance with applicable laws and regulations. To achieve this, we plan to recruit skilled and experienced talents in cloud computing, data engineering and regulatory affairs, as well as develop or purchase advanced software solutions and devices. To implement these initiatives, we will keep abreast of the latest technology trends, market conditions and take into account our budgets and growth strategies while making investments to drive the technology advancement of our Group. Given our long-term commitment to technology advancement, we expect to use this amount in a prudent, sustainable manner within a period of 12 to 36 months from the Listing.
10%, or approximately HK$965.3 million	Working capital and general corporate purposes

Consistent with our investment focus described in "Business – Our Strategic Acquisitions and Investments," we select acquisition/investment targets in assessment of their sizes, operating history, technology and expertise and financial performance. We would also consider the location, operational capacity and scale, reputation, quality of the existing management and staff, corporate culture, and customer base. In particular, we believe our geographic footprint, projected demand from our customers, and our current capacity and scale are primary considerations for us to effectively capture growth opportunities. We will continue to assess opportunities based on the above factors, the focus of which will vary depending on customer demand, market conditions and industry trends. Following the acquisition, we would take certain integration measures to implement our own standards on the management system as well as best practice to ensure that the companies that we have acquired will be operated under our same standards and can share in our resources and information across our platform, to seek to achieve the desired synergies with our existing platform.

The above allocation of the net proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated offer price range. To the event that our net proceeds are either more or less than expected, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the proceeds in interest-bearing accounts with licensed commercial banks or financial institutions in the PRC or Hong Kong. We will comply with the PRC laws relating to foreign exchange registration and proceeds remittance.

If the Over-allotment Option is exercised in full, the additional net proceeds which the Company will receive, after deducting underwriting commissions, the discretionary incentive fee (assuming the full payment of the discretionary incentive fee) and the estimated expenses in relation to the Global Offering, will be:

- approximately HK$1,363.7 million, assuming an Offer Price of HK$88.00 (being the minimum Offer Price);

- approximately HK$1,456.7 million, assuming an Offer Price of HK$94.00 (being the mid-point of the Offer Price Range); or

- approximately HK$1,549.6 million, assuming an Offer Price of HK$100.00 (being the maximum Offer Price).

The additional net proceeds will be allotted to the above purposes on a pro rata basis in the event that the Over-allotment Option is exercised.

HONG KONG UNDERWRITERS

Merrill Lynch (Asia Pacific) Limited
Haitong International Securities Company Limited
CLSA Limited
China International Capital Corporation Hong Kong Securities Limited
UBS AG Hong Kong Branch
Jefferies Hong Kong Limited
CMB International Capital Limited
Credit Suisse (Hong Kong) Limited
Fosun Hani Securities Limited
ICBC International Securities Limited
Orient Securities (Hong Kong) Limited

UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Representatives (on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 5,888,600 Hong Kong Offer Shares and the International Offering of initially 101,176,500 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this Prospectus as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on July 27, 2020. Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may, by giving notice to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect if:

(a) there develops, occurs, exists or comes into effect:

(i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, large scale outbreaks of diseases, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities, acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting Hong Kong, the PRC, the United States, the United Kingdom or the European Union (collectively, the "**Relevant Jurisdictions**");

(ii) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market matters or conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, investment markets, interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange;

(iv) any general moratorium on commercial banking activities in the PRC (imposed by the People's Bank of China), Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority) or any of the other Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;

(v) any new law or regulation or any change or development involving a prospective change or any event or circumstance likely to result in a change or development involving a prospective change in (or in the interpretation or application by any court or any competent administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign or supranational of) existing law or regulation, in each case in or affecting any of the Relevant Jurisdictions;

(vi) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, in any of the Relevant Jurisdictions applicable to the business operations of our Group;

(vii) a change or development involving a prospective change in or affecting taxes or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions;

(viii) an order or petition for the winding-up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group;

(ix) any litigation, action, writ, suit and proceeding (including any investigation or inquiry by or before any authority) or claim of any third party being threatened or instigated against any member of our Group;

(x) any contravention by our Company or any member of our Group of any applicable laws and regulations, including the Listing Rules, the Shenzhen Stock Exchange Listing Rules, the PRC Company Law and the Special Regulations;

(xi) any non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations; or

(xii) any change or development or event involving a prospective change, or a materialization of, any of the risks set out in the section headed "Risk Factors";

(xiii) there is a moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in the A Shares on the Shenzhen Stock Exchange,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(1) results or will or may result in a material adverse change in or affecting the condition (financial or otherwise), business, operations, general affairs, management, earnings, prospects, assets and liabilities, financial position, shareholders' equity or results of operations of our Group, taken as a whole;

(2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications for the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering;

(3) makes or will make or is likely to make it inadvisable, inexpedient or impracticable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering; or

(4) has or will or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof,

and provided that in respect of any epidemic, pandemic, large scale outbreaks of diseases, civil commotion, public disorder or hostilities existing at the date of the Hong Kong Underwriting Agreement referred to in paragraph (i), the Joint Global Coordinators shall only be entitled to terminate the Hong Kong Underwriting Agreement in accordance with such paragraph if, in their sole opinion (acting reasonably), there has been a material escalation in any such epidemic, pandemic, large scale outbreaks of diseases, civil commotion, public disorder or hostilities after the date of the Hong Kong Underwriting Agreement; or

(b) there has come to the notice of the Joint Global Coordinators that:

(i) any statement contained in this prospectus, the Application Forms, the formal notice in connection with the Hong Kong Public Offering and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (the "**Offering Documents**") (including any supplement or amendment thereto but excluding information relating to the Underwriters) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions when taken as a whole;

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or misstatement in, any of the Offering Documents;

(iii) there is a breach of, or any event or circumstance rendering untrue, incorrect or misleading in any respect, any of the representations or warranties given by our Company in the Hong Kong Underwriting Agreement;

(iv) there is an event, act or omission which gives or is likely to give rise to any material liability of our Company pursuant to the indemnities given by our Company in the Hong Kong Underwriting Agreement;

(v) there is a material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Joint Sponsors, the Hong Kong Underwriters or the International Underwriters);

(vi) there is any material adverse change in or a material adverse effect on, or any development involving a prospective material adverse change in or material adverse effect on, or affecting the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, profits, losses, earnings, results of operations, performance, position or condition, financial or otherwise, of our Group taken as a whole;

(vii) there is a notice of the withdrawal or cancellation or proposed withdrawal or cancelation of the listing of the A Shares on the Shenzhen Stock Exchange;

(viii) the approval of the Listing Committee of the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering, other than subject to customary conditions, is not granted on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld;

(ix) any person (other than any of the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;

(x) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(xi) any Executive Director vacates his or her office, any Director is being charged with an indictable offense or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company or there is the commencement by any governmental, political or regulatory body of any investigation or other action against any Director in his or her capacity as such or any member of our Group or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action.

LOCK-UP ARRANGEMENTS

Undertakings by our Company, Dr. Ye and Ms. Cao to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by Dr. Ye and Ms. Cao

Pursuant to Rule 10.07(1) of the Listing Rules, each of Dr. Ye and Ms. Cao has irrevocably and unconditionally undertaken to the Stock Exchange that he/she will not (and will procure the relevant registered holder(s), if any, will not), in the period commencing on the date by reference to which disclosure of his/her shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which he/she is shown by this prospectus to be the beneficial owner(s), save as permitted under the Listing Rules.

Notwithstanding the undertaking above, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of Dr. Ye and Ms. Cao is permitted to pledge or charge his/her Shares or other securities of our Company beneficially owned by him/her in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) (the "**Secured Party**") for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules (a "**Permitted Encumbrance**") and the Secured Party may enforce the Permitted Encumbrance subject to the following undertakings. Each of Dr. Ye and Ms. Cao hereby further severally, irrevocably and unconditionally undertakes to the Stock Exchange that within the period commencing on the date by reference to which disclosure of his/her shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, he/she will:

(a) when he and/or she grants a Permitted Encumbrance, immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and

(b) when he and/or she receives indications, either verbal or written, from the Secured Party that any of securities of our Company that are pledged or charged by him and/or her will be disposed of, immediately inform our Company in writing of such indications.

Undertakings by our Company pursuant to the Hong Kong Underwriting Agreement

Our Company has undertaken to the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Hong Kong Underwriters and each of them not to (save for the issue, offer or sale of the Offer Shares by our Company pursuant to the Global Offering, including pursuant to the exercise of the Over-allotment Option), without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules (and only after the consent of any relevant PRC authority (if required) has been obtained), at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date falling six months after the Listing Date (the "**First Six-Month Period**"):

(i) offer, allot, issue, sell, accept subscription for, contract or agree to allot, issue or sell, assign, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any H Shares or other equity securities of our Company, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other equity securities of our Company); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any H Shares or other equity securities of our Company, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any H Shares or other equity securities of our Company); or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or contract to or agree to announce, or publicly disclose that our Company will or may enter into any such transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any such transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of any H Shares or other equity securities of our Company or any interest in any of the foregoing, or, in cash or otherwise (whether or not the issue of such H Shares or other equity securities of our Company will be completed within the First Six-Month Period).

Undertakings by Dr. Ye and Ms. Cao pursuant to lock-up undertaking deeds

Each of Dr. Ye and Ms. Cao has undertaken to our Company, the Joint Global Coordinators, the Joint Sponsors, the International Underwriters and the Hong Kong Underwriters that, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators during the First Six-Month Period, he/she will not, and will procure that no company controlled by him/her or any nominee or trustee holding in trust for him/her will:

(a) offer, pledge, charge, sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant, or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company) beneficially owned by him/her as of the Listing Date (the "**Locked-up Shares**"); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Locked-up Shares; or

(c) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(d) offer to or contract to or agree to or publicly disclose that he/she will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such Shares or other equity securities of our Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other equity securities will be completed within the First Six-Month Period).

Notwithstanding the undertaking above, neither Dr. Ye nor Ms. Cao is prevented from using the Shares beneficially owned by him/her as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, provided that (i) he/she immediately informs our Company, the Joint Sponsors and the Joint Global Coordinators of such pledge or charge together with the number of Shares so pledged or charged, and (ii) when he/she receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company, the Joint Sponsors and the Joint Global Coordinators of such indications.

Hong Kong Underwriters' Interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any H Shares or any securities of any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any H Shares or any securities of any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Company expects to enter into the International Underwriting Agreement with the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds to the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into or terminated, the Global Offering will not proceed. See the section headed "Structure of the Global Offering – The International Offering" in this Prospectus.

Over-allotment Option

The Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which the Company may be required to issue up to an aggregate of 16,059,700 H Shares representing not more than 15% of the number of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. See the section headed "Structure of the Global Offering – Over-allotment Option" in this Prospectus for further details.

Commissions and Expenses

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Joint Global Coordinators and the Joint Bookrunners may receive a discretionary incentive fee of up to 1% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable by the Company to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK$94.00 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the full exercise of the Over-allotment Option) will be approximately HK$405.1 million.

The aggregate underwriting commissions and incentive fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$464.4 million (assuming an Offer Price of HK$94.00 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the full exercise of the Over-allotment Option) and will be paid by the Company.

Indemnity

The Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by them of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, loan financing, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities, co-investments and/or instruments of or with the Company or members of our Group and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering". Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, loan financing and other services to the Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions. Certain of the Syndicate Members or their respective affiliates may also be involved in joint venture arrangements or other co-investments with members of our Group.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Merrill Lynch (Asia Pacific) Limited, Haitong International Securities Company Limited, CLSA Limited, China International Capital Corporation Hong Kong Securities Limited, UBS AG Hong Kong Branch and Jefferies Hong Kong Limited are the Joint Global Coordinators of the Global Offering.

The listing of the H Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the H Shares to be issued as mentioned in this Prospectus.

107,065,100 Offer Shares will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 5,888,600 H Shares (subject to reallocation) in Hong Kong as described in "– The Hong Kong Public Offering" below; and

(b) the International Offering of initially 101,176,500 H Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in "– The International Offering" below.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 12.5% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 14.1% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering.

References in this Prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 5,888,600 H Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 5.5% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 0.7% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "– Conditions of the Global Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B (with any odd lot being allocated to pool A). The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 2,944,300 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, in the event of over-subscription, the alternative clawback mechanism shall be applied.

If the International Offering is fully subscribed or oversubscribed and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 14 times or more but less than 48 times, (b) 48 times or more but less than 96 times and (c) 96 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 8,565,300 Offer Shares (in the case of (a)), 11,777,200 Offer Shares (in the case of (b)) and 23,019,000 Offer Shares (in the case of (c)), representing approximately 8.0%, approximately 11.0% and approximately 21.5% of the total number of Offer Shares initially available under the Global Offering, respectively (the "**Modified PN18 Clawback**"). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if (a) the International Offering is undersubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed or (b) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is oversubscribed by less than 15 times of the total number of Offer Shares initially available under the Hong Kong Public Offering, then the Joint Global Coordinators may only reallocate Offer Shares from the International Offering to the Hong Kong Public Offering other than pursuant to Practice Note 18 of the Listing Rules on the following conditions in accordance with Guidance Letter HKEX-GL91-18 (the "**Allocation Cap**"):

(i) the maximum total number of Offer Shares that may be reallocated from the International Offering to the Hong Kong Public Offering shall not be more than double the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering (i.e. 11,777,200 Offer Shares); and

(ii) the final Offer Price shall be fixed at the bottom of the indicative Offer Price range stated in this Prospectus.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate. The Allocation Cap is not triggered.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators, subject to the Modified PN18 Clawback and the Allocation Cap (as applicable).

Details of any reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement which is expected to be published on Thursday, August 6, 2020.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$100.00 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$10,100.77 for one board lot of 100 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "– Pricing and Allocation" in this section below, is less than the maximum Offer Price of HK$100.00 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 101,176,500 H Shares being offered by the Company and representing approximately 94.5% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 11.8% of the total Shares in issue immediately following the completion of the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "– Pricing and Allocation" in this section below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Group and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "– The Hong Kong Public Offering – Reallocation" in this section above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to an aggregate of 16,059,700 H Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 1.8% of the total Shares in issue immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken: (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of the Company; (b) may be discontinued at any time; and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes: (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (c) purchasing, or agreeing to purchase, the H Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares, (e) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the H Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the H Shares;

(d) no stabilizing action can be taken to support the price of the H Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Sunday, August 30, 2020, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;

(e) the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

(f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

In order to effect stabilization actions, the Stabilizing Manager will arrange cover of up to an aggregate of 16,059,700 H Shares, representing up to 15% of the initial Offer Shares, through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be paid on the Listing Date. Both the size of such cover and the extent to which the Over-allotment Option can be exercised will depend on whether arrangements can be made with investors such that a sufficient number of H Shares can be delivered on a delayed basis. If no investor in the International Offering

agrees to the delayed delivery arrangements, no stabilizing actions will be undertaken by the Stabilizing Manager and the Over-allotment Option will not be exercised.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-Allocation

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by exercising the Over-allotment Option in full or in part, by using H Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Friday, July 31, 2020 and, in any event, no later than Thursday, August 6, 2020, by agreement between the Joint Representatives (on behalf of the Underwriters), the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$100.00 per Offer Share and is expected to be not less than HK$88.00 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK$100.00 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$10,100.77 for one board lot of 100 Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this Prospectus.**

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered and/or the Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than

the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of the Company and the Stock Exchange at **www.tigermedgrp.com** and **www.hkexnews.hk**, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Representatives (on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Representatives (on behalf of the Underwriters) and the Company, will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in "How to Apply for Hong Kong Offer Shares – D. Publication of Results".

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Representatives (on behalf of the Underwriters) and the Company agreeing on the Offer Price.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in *"Underwriting"*.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

(b) the Offer Price having been agreed between the Joint Representatives (on behalf of the Underwriters) and the Company;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this Prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Representatives (on behalf of the Underwriters) and the Company on or before Thursday, August 6, 2020, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company on the websites of the Company and the Stock Exchange at **www.tigermedgrp.com** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares – F. Refund of Application Monies" in this Prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Friday, August 7, 2020, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE H SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, August 7, 2020, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, August 7, 2020.

The H Shares will be traded in board lots of 100 Shares each and the stock code of the H Shares will be 3347.

(A) APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. Who Can Apply

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply for Hong Kong Offer Shares online through the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Joint Global Coordinators, as the Company's agent, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares and/or a substantial shareholder of any of the Company's subsidiaries;
- you are a director or chief executive of the Company and/or any of the Company's subsidiaries;
- you are a close associate of any of the above persons;
- you are a connected person of the Company or a person who will become a connected person of the Company immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. Applying for Hong Kong Offer Shares

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **HK eIPO White Form** service in the **IPO App** or at **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Tuesday, July 28, 2020 until 12:00 noon on Friday, July 31, 2020 from:

(a) any of the following offices of the Joint Global Coordinators:

Merrill Lynch (Asia Pacific) Limited
55/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Jefferies Hong Kong Limited
Suite 2201, 22/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

(b) any of the following branches of the receiving bank for the Hong Kong Public Offering:

Bank of China (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	Gilman Street Branch	136 Des Voeux Road Central, Hong Kong
	Central District (Wing On House) Branch	B/F-2/F, Wing On House, 71 Des Voeux Road Central, Hong Kong
Kowloon	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong, Kowloon
	Mei Foo Mount Sterling Mall Branch	Shop N47-49, G/F, Mount Sterling Mall, Mei Foo Sun Chuen, Kowloon
	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei, Kowloon
New Territories	Tai Wai Branch	74-76 Tai Wai Road, Sha Tin, New Territories
	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O, New Territories
	Yuen Long Branch	102-108 Castle Peak Road, Yuen Long, New Territories

You can collect a **YELLOW** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Tuesday, July 28, 2020 until 12:00 noon on Friday, July 31, 2020 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or

- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED – HANGZHOU TIGERMED PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above at the following times:

Tuesday, July 28, 2020	**9:00 a.m. to 5:00 p.m.**
Wednesday, July 29, 2020	**9:00 a.m. to 5:00 p.m.**
Thursday, July 30, 2020	**9:00 a.m. to 5:00 p.m.**
Friday, July 31, 2020	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, July 31, 2020, the last day for applications, or such later time as described in the paragraph headed "– C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this section below.

4. Terms and Conditions of an Application

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully, otherwise your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Articles of Association, Companies (Winding Up and Miscellaneous Provisions) Ordinance and PRC Company Law and the Special Regulations;

(c) confirm that you have read the terms and conditions and application procedures set out in this Prospectus, in the Application Form, in the **IPO App** and on the designated website under the **HK eIPO White Form** service, and agree to be bound by them;

(d) confirm that you have received and read this Prospectus and have relied only on the information and representations in this Prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this Prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering set out in this Prospectus;

(f) agree that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of their or the Company's respective directors, officers, employees, agents or representatives and any other parties involved in the Global Offering (the "**Relevant Persons**") and the **HK eIPO White Form** Service Provider is or will be liable for any information and representations not in this Prospectus (and any supplement to this Prospectus);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

(h) agree to disclose to the Company, the H Share Registrar, the receiving bank and the Relevant Persons any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither the Company nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this Prospectus, in the Application Form, in the **IPO App** and on the designated website under the **HK eIPO White Form** service;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(o) authorize (i) the Company to place your name(s) or the name of HKSCC Nominees on the register of members of the Company as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of

Association and (ii) the Company and/or its agents to send any H Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in *"– Personal Collection"* below to collect the H Share certificate(s) and/or refund check(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering and in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 11,777,200 Offer Shares). Further details of the reallocation are stated in the paragraph headed "Structure of the Global Offering" in this Prospectus;

(r) understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(s) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service by you or by any one as your agent or by any other person; and

(t) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as its agent.

Additional Instructions for YELLOW Application Forms

You should refer to the **YELLOW** Application Form for details.

5. Applying Through the HK eIPO White Form Service

General

Individuals who meet the criteria in "– A. Applications for Hong Kong Offer Shares – 2. Who Can Apply" above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated and registered in their own names through the **IPO App** or the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are set out in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **IPO App** or the designated website at **www.hkeipo.hk** under the **HK eIPO White Form** service (24 hours daily, except on the last day for applications) from 9:00 a.m. on Tuesday, July 28, 2020 until 11:30 a.m. on Friday, July 31, 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, July 31, 2020, the last day for applications, or such later time as described in the paragraph headed "– C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this section below.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application will be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

Only one application may be made for the benefit of any person. If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of

the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. Applying By Giving Electronic Application Instructions to HKSCC via CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a Prospectus from the above address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus; and

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;

- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

- authorize the Company to place HKSCC Nominees' name on the H Share register of the Company as the holder of the Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association, and dispatch H Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;

- confirm that you have received and read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this Prospectus;

- agree that neither the Company nor the Relevant Persons is or will be liable for any information and representations not in this Prospectus (and any supplement to this Prospectus);

- agree to disclose to the Company, the H Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by the Company;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law and the Special Regulations;

- agree with the Company, for itself and for the benefit of each Shareholder and each Director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder and each Director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):

  (a) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each Shareholder) that H shares in the Company are freely transferable by their holders;

- authorize the Company to enter into a contract on its behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this Prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 100 Hong Kong Offer Shares. Instructions for more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

***Time for Inputting Electronic Application Instructions*[(1)]**

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, July 28, 2020	9:00 a.m. to 8:30 p.m.
Wednesday, July 29, 2020	8:00 a.m. to 8:30 p.m.
Thursday, July 30, 2020	8:00 a.m. to 8:30 p.m.
Friday, July 31, 2020	8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, July 28, 2020 until 12:00 noon on Friday, July 31, 2020 (24 hours daily, except on Friday, July 31, 2020, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, July 31, 2020, the last day for applications, or such later time as described in the paragraph headed "– C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this section below.

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. Warning for Electronic Applications

The application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. The Company, the Relevant Persons and the **HK eIPO White Form** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form or (b) go to HKSCC's Customer Service Center to complete an input request form for

electronic application instructions before 12:00 noon on Friday, July 31, 2020, the last day for applications, or such later time as described in the paragraph headed "– C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this section below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees", you must include:

- an account number; or
- some other identification code;

for **each** beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

(B) HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$100.00 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 100 Hong Kong Offer Shares, you will pay HK$10,100.77.

You must pay the maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares under the terms and conditions set out in the Application Forms.

The Application Forms have tables showing the exact amount payable for the numbers of Offer Shares that may be applied for.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 100 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified in the **IPO App** or on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering – Pricing and Allocation" in this Prospectus.

(C) EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, July 31, 2020. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, July 31, 2020 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this Prospectus, an announcement will be made.

(D) PUBLICATION OF RESULTS

The Company expects to announce the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Thursday, August 6, 2020 on the websites of the Company at **www.tigermedgrp.com** and the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the websites of the Company and the Stock Exchange at **www.tigermedgrp.com** and **www.hkexnews.hk**, respectively, by no later than 9:00 a.m. on Thursday, August 6, 2020;

- from "Allotment Result" function in the **IPO App** or the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID function" on a 24 hour basis from 8:00 a.m. on Thursday, August 6, 2020 to 12:00 midnight on Wednesday, August 12, 2020;

- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, August 6, 2020 to Tuesday, August 11, 2020 (excluding Saturday, Sunday and public holiday in Hong Kong); and

- in the special allocation results booklets which will be available for inspection during the opening hours of the receiving bank's designated branches referred to above from Thursday, August 6, 2020 to Saturday, August 8, 2020.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

(E) CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

(i) if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus; or

(ii) if any supplement to this Prospectus is issued, in which case applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(b) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the H Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website at **www.hkeipo.hk**;
- you apply for more than 2,944,300 Hong Kong Offer Shares, being 50% of the 5,888,600 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- the Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- the Underwriting Agreements do not become unconditional or are terminated.

(F) REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in the section headed "Structure of the Global Offering – Conditions of the Global Offering" in this Prospectus are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, August 6, 2020.

(G) DISPATCH/COLLECTION OF H SHARE CERTIFICATES/e-AUTO REFUND PAYMENT INSTRUCTIONS/REFUND CHECKS

You will receive one H Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(a) H Share certificate(s) for all the Hong Kong Offer Shares allocated to you (for applicants on **YELLOW** Application Forms, H Share certificate(s) for the Hong Kong Offer Shares allocated to you will be deposited into CCASS as described below); and

(b) refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for: (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price paid on application in the event that the Offer Price is less than the maximum Offer Price paid on application (including brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% but without interest).

Part of the Hong Kong identity card number/passport number provided by you or the first-named applicant (if you are joint applicants) may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check. Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check.

Subject to arrangement on dispatch/collection of H Share certificates and refund checks as mentioned below, any refund checks and H Share certificate(s) are expected to be posted on or before Thursday, August 6, 2020. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier order(s).

H Share certificates will only become valid at 8:00 a.m. on Friday, August 7, 2020, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade H Shares on the basis of publicly available allocation details or prior to the receipt of the H Share certificates or prior to the H Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(a) If you apply using a WHITE Application Form:

- If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have provided all information required by your Application Form, you may collect your refund check(s) and/or H Share certificate(s) (where applicable) from the H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, August 6, 2020, or any other place or date notified by the Company in the newspapers.

- If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant who is eligible for personal collection, your authorized representative must provide a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

- If you do not personally collect your refund check(s) and/or H Share certificate(s) (where applicable) within the time specified for collection, they will be dispatched promptly to you to the address specified in your Application Form by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Offer Shares on a **WHITE** Application Form, your refund check(s) and/or H Share certificate(s) (where applicable) will be sent to the address specified in your Application Form on or before Thursday, August 6, 2020 by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form:

- If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, please follow the same instructions as described above for the collection of refund check(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address specified in the Application Form on or before Thursday, August 6, 2020 by ordinary post and at your own risk.

- If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or your designated CCASS Participant's stock account as stated in your Application Form on Thursday, August 6, 2020 or, in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

- If you apply as a CCASS Investor Participant, the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Thursday, August 6, 2020 in the manner as described in "– Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, August 6, 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account.

(c) If you apply through HK eIPO White Form service:

- If you apply for 1,000,000 Hong Kong Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your H Share certificate(s) (where applicable) in person from the H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, August 6, 2020, or any other place or date notified by the Company in the newspapers as the date of dispatch or collection of H Share certificates.

- If you do not personally collect your H Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Offer Shares through the **HK eIPO White Form** service, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, August 6, 2020 by ordinary post and at your own risk.

- If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund check(s) by ordinary post and at your own risk.

(d) If you apply by giving electronic application instructions to HKSCC via CCASS:

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, August 6, 2020 or on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card /passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in "– D. Publication of Results" above on Thursday, August 6, 2020. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, August 6, 2020 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, August 6, 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, August 6, 2020.

(H) ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and the Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

The following is the text of a report from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HANGZHOU TIGERMED CONSULTING CO., LTD., MERRILL LYNCH FAR EAST LIMITED, HAITONG INTERNATIONAL CAPITAL LIMITED, CLSA CAPITAL MARKETS LIMITED, AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Hangzhou Tigermed Consulting Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages I-4 to I-151, which comprises the consolidated statements of financial position of the Group as at December 31, 2017, December 31, 2018, December 31, 2019 and March 31, 2020, the statements of the financial position of the Company as at December 31, 2017, December 31, 2018, December 31, 2019 and March 31, 2020, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2019 and the three months ended March 31, 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated July 28, 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's and the Company's financial position as at December 31, 2017, December 31, 2018, December 31, 2019 and March 31, 2020, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended March 31, 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review

Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 17 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.

BDO Limited
Certified Public Accountants
Alfred Lee
Practising Certificate no. P04960

Hong Kong
July 28, 2020

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,			Three months ended March 31,	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	*6*	1,682,504	2,299,534	2,803,309	604,984	654,971
Cost of services		(969,752)	(1,318,199)	(1,511,409)	(335,949)	(366,235)
Gross profit		712,752	981,335	1,291,900	269,035	288,736
Other income	*8*	30,912	22,234	64,149	13,223	14,367
Other gains and losses, net	*9*	113,347	281,107	361,551	99,516	146,828
Impairment losses	*10*	(23,825)	(53,105)	(21,186)	(96)	(4,994)
Selling and marketing expenses		(39,749)	(54,454)	(81,072)	(21,099)	(20,721)
Administrative expenses		(239,106)	(316,423)	(350,510)	(77,022)	(84,328)
Research and development expenses		(49,667)	(88,025)	(124,049)	(31,588)	(34,231)
Share of (losses)/profits of associates	*19*	(6,199)	9,598	(9,768)	(13,496)	(2,823)
Finance costs	*11*	(11,661)	(19,365)	(42,243)	(9,989)	(14,139)
Profit before tax	*12*	486,804	762,902	1,088,772	228,484	288,695
Income tax expense	*13*	(92,647)	(107,653)	(113,839)	(26,587)	(25,726)
Profit for the year/period		394,157	655,249	974,933	201,897	262,969
Other comprehensive income for the year/period						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences arising from translation of foreign operations		(7,777)	5,826	38,420	(7,077)	24,182
Total comprehensive income for the year/period		386,380	661,075	1,013,353	194,820	287,151
Profit for the year/period attributable to:						
Owners of the Company		344,977	576,886	841,247	191,437	263,377
Non-controlling interests		49,180	78,363	133,686	10,460	(408)
		394,157	655,249	974,933	201,897	262,969
Total comprehensive income for the year/period attributable to:						
Owners of the Company		340,228	578,950	870,033	185,683	275,992
Non-controlling interests		46,152	82,125	143,320	9,137	11,159
		386,380	661,075	1,013,353	194,820	287,151
Earnings per share	*16*					
– Basic (RMB)		0.47	0.77	1.13	0.26	0.35
– Diluted (RMB)		0.47	0.77	1.13	0.26	0.35

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2017	2018	2019	As at March 31, 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*20*	206,944	275,919	306,700	318,184
Intangible assets	*21*	12,847	10,816	78,831	84,759
Goodwill	*22*	1,049,027	1,032,927	1,157,831	1,355,589
Payments for leasehold land held for own use under operating leases	*23a*	5,539	5,409	–	–
Right-of-use assets	*23b*	–	–	193,420	314,286
Interests in associates	*19*	90,460	103,293	109,713	64,990
Note receivables	*24*	16,568	–	735	333
Deferred tax assets	*25*	21,707	19,153	91,476	77,606
Financial assets at fair value through profit or loss ("FVTPL")	*26*	890,197	1,481,093	2,250,474	2,538,176
Restricted bank deposits	*29*	3,594	2,059	2,093	2,126
Loan receivable	*30a*	35,000	–	–	–
Other non-current assets	*30b*	23,910	7,195	10,389	12,900
		2,355,793	2,937,864	4,201,662	4,768,949
CURRENT ASSETS					
Inventories	*27*	14	519	1,206	2,413
Trade, bills and other receivables and prepayments	*28a*	299,488	382,695	490,393	510,670
Contract assets	*28b*	468,584	533,811	756,028	842,641
Structured deposits and derivative financial instruments	*26*	76,038	1,002	68,827	43,532
Note receivables	*24*	–	17,651	1,581	1,766
Prepaid income tax		–	10,634	8,066	9,399
Restricted bank deposits	*29*	11,525	4,242	3,127	3,174
Time deposit with original maturity over three months	*29*	–	–	30,160	99,841
Cash and cash equivalents	*29*	521,632	698,186	2,006,926	1,956,030
		1,377,281	1,648,740	3,366,314	3,469,466
CURRENT LIABILITIES					
Trade and other payables	*31a*	158,822	178,102	428,471	427,370
Contract liabilities	*31b*	324,079	380,793	398,240	409,783
Borrowings	*32*	259,444	631,431	864,863	985,529
Income tax payables		30,530	56,862	70,293	64,585
Derivative financial instruments	*26*	4,152	–	–	–
Obligations under finance leases	*33a*	9,703	12,792	–	–
Lease liabilities	*33b*	–	–	50,119	52,621
		786,730	1,259,980	1,811,986	1,939,888
NET CURRENT ASSETS		590,551	388,760	1,554,328	1,529,578
TOTAL ASSETS LESS CURRENT LIABILITIES		2,946,344	3,326,624	5,755,990	6,298,527

	Notes	As at December 31, 2017	As at December 31, 2018	As at December 31, 2019	As at March 31, 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES					
Borrowings	*32*	17,424	3,432	36,500	136,100
Obligations under finance leases	*33a*	14,929	15,864	–	–
Lease liabilities	*33b*	–	–	132,151	252,313
Other long-term liabilities	*34*	3,664	3,554	20,343	14,221
Deferred tax liabilities	*25*	21,779	31,625	45,718	33,208
		57,796	54,475	234,712	435,842
NET ASSETS		2,888,548	3,272,149	5,521,278	5,862,685
CAPITAL AND RESERVES					
Share capital	*35a*	500,177	500,177	749,508	749,468
Treasury shares	*35b*	–	(248,125)	(211,224)	(210,033)
Reserves		2,055,442	2,575,990	3,708,558	4,007,165
Equity attributable to owners of the Company		2,555,619	2,828,042	4,246,842	4,546,600
Non-controlling interests		332,929	444,107	1,274,436	1,316,085
TOTAL EQUITY		2,888,548	3,272,149	5,521,278	5,862,685

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31, 2017	2018	2019	As at March 31, 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*20*	14,623	13,714	13,287	12,852
Intangible assets	*21*	3,012	2,160	3,623	3,359
Right-of-use assets	*23b*	–	–	24,219	20,407
Investments in subsidiaries	*18*	1,733,452	2,021,925	2,369,374	2,585,177
Interests in associates	*19*	56,381	90,092	105,936	60,687
Deferred tax assets	*25*	4,465	6,044	9,284	11,975
Financial assets at FVTPL	*26*	454,097	552,184	570,274	682,133
Other non-current assets	*30b*	–	973	1,380	4,516
		2,266,030	2,687,092	3,097,377	3,381,106
CURRENT ASSETS					
Trade and other receivables and prepayments	*28a*	134,960	162,333	274,409	328,050
Contract assets	*28b*	274,222	289,670	394,706	451,149
Structured deposits and derivative financial instruments	*26*	35,000	1,002	–	–
Restricted bank deposits	*29*	4,401	–	–	–
Cash and cash equivalents	*29*	266,659	123,057	126,988	139,695
		715,242	576,062	796,103	918,894
CURRENT LIABILITIES					
Trade and other payables	*31a*	308,639	340,610	724,541	858,638
Contract liabilities	*31b*	146,286	125,732	78,194	88,051
Borrowings	*32*	221,971	591,094	512,559	628,359
Income tax payables		11,521	21,774	20,732	17,896
Derivative financial instruments	*26*	2,702	–	–	–
Lease liabilities	*33b*	–	–	13,374	12,792
		691,119	1,079,210	1,349,400	1,605,736
NET CURRENT ASSETS/(LIABILITIES)		24,123	(503,148)	(553,297)	(686,842)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,290,153	2,183,944	2,544,080	2,694,264
NON-CURRENT LIABILITIES					
Borrowings	*32*	–	–	36,500	136,100
Lease liabilities	*33b*	–	–	10,139	7,134
Deferred tax liabilities	*25*	9,111	17,487	18,129	19,908
		9,111	17,487	64,768	163,142
NET ASSETS		2,281,042	2,166,457	2,479,312	2,531,122
CAPITAL AND RESERVES					
Share capital	*35a*	500,177	500,177	749,508	749,468
Treasury shares	*35b*	–	(248,125)	(211,224)	(210,033)
Reserves	*36*	1,780,865	1,914,405	1,941,028	1,991,687
TOTAL EQUITY		2,281,042	2,166,457	2,479,312	2,531,122

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital	Share premium	Employee share-based compensation reserve	Statutory reserve	Exchange reserve	Retained earnings	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 35a	*Note 36(a)*	*Note 36(b)*	*Note 36(c)*	*Note 36(d)*	*Note 36(e)*			
Balance at January 1, 2017	474,865	716,331	497	58,623	209	387,354	1,637,879	212,834	1,850,713
Profit for the year	–	–	–	–	–	344,977	344,977	49,180	394,157
Exchange differences arising from translation of foreign operations	–	–	–	–	(4,749)	–	(4,749)	(3,028)	(7,777)
Total comprehensive income for the year	–	–	–	–	(4,749)	344,977	340,228	46,152	386,380
Transferred to statutory reserve	–	–	–	24,707	–	(24,707)	–	–	–
Disposal of subsidiaries *(Note 41(a))*	–	–	–	–	–	–	–	(5,108)	(5,108)
Recognition of share-based payments *(Note 42)*	–	–	1,412	–	–	–	1,412	–	1,412
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	85,490	85,490
Issue of shares *(Note 35a)*	25,312	582,489	–	–	–	–	607,801	–	607,801
Change in equity interests in subsidiaries without change of control	–	–	–	–	–	18,317	18,317	(3,597)	14,720
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	(2,842)	(2,842)
Dividends declared	–	–	–	–	–	(50,018)	(50,018)	–	(50,018)
Balance at December 31, 2017	500,177	1,298,820	1,909	83,330	(4,540)	675,923	2,555,619	332,929	2,888,548

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Share premium	Treasury shares	Employee share-based compensation reserve	Statutory reserve	Exchange reserve	Retained earnings	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 35a	*Note 36(a)*	*Note 35b*	*Note 36(b)*	*Note 36(c)*	*Note 36(d)*	*Note 36(e)*			
Balance at January 1, 2018	500,177	1,298,820	–	1,909	83,330	(4,540)	675,923	2,555,619	332,929	2,888,548
Profit for the year	–	–	–	–	–	–	576,886	576,886	78,363	655,249
Exchange differences arising from translation of foreign operations	–	–	–	–	–	2,064	–	2,064	3,762	5,826
Total comprehensive income for the year	–	–	–	–	–	2,064	576,886	578,950	82,125	661,075
Transferred to statutory reserve	–	–	–	–	41,006	–	(41,006)	–	–	–
Acquisition of a subsidiary *(Note 40(b))*	–	–	–	–	–	–	–	–	43	43
Recognition of share-based payments *(Note 42)*	–	–	–	8,170	–	–	–	8,170	–	8,170
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	30,279	30,279
Change in equity interests in subsidiaries without change of control	–	–	–	–	–	–	33,463	33,463	13,086	46,549
Repurchase of shares	–	–	(248,125)	–	–	–	–	(248,125)	–	(248,125)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(14,355)	(14,355)
Dividends declared *(Note 17)*	–	–	–	–	–	–	(100,035)	(100,035)	–	(100,035)
Balance at December 31, 2018	500,177	1,298,820	(248,125)	10,079	124,336	(2,476)	1,145,231	2,828,042	444,107	3,272,149

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Share premium	Treasury shares	Employee share-based compensation reserve	Statutory reserve	Exchange reserve	Retained earnings	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 35a	*Note 36(a)*	*Note 35b*	*Note 36(b)*	*Note 36(c)*	*Note 36(d)*	*Note 36(e)*			
Balance at January 1, 2019	500,177	1,298,820	(248,125)	10,079	124,336	(2,476)	1,145,231	2,828,042	444,107	3,272,149
Profit for the year	–	–	–	–	–	–	841,247	841,247	133,686	974,933
Exchange differences arising from translation of foreign operations	–	–	–	–	–	28,786	–	28,786	9,634	38,420
Total comprehensive income for the year	–	–	–	–	–	28,786	841,247	870,033	143,320	1,013,353
Transferred to statutory reserve	–	–	–	–	64,350	–	(64,350)	–	–	–
Acquisition of subsidiaries *(Note 40(c))*	–	–	–	–	–	–	–	–	20,599	20,599
Disposal of subsidiaries *(Note 41(c))*	–	–	–	–	–	–	–	–	(3,857)	(3,857)
Recognition of share-based payments *(Note 42)*	–	–	–	41,404	–	–	–	41,404	–	41,404
Shares transferred under Share Purchase Scheme *(as defined in Note 42(c))*	–	–	93,845	–	–	–	–	93,845	–	93,845
Bonus issue	249,560	(247,646)	(1,914)	–	–	–	–	–	–	–
Cancellation of shares	(229)	(6,590)	6,819	–	–	–	–	–	–	–
Repurchase of shares	–	–	(61,849)	–	–	–	–	(61,849)	–	(61,849)
Contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	26,677	26,677
Recognition of deferred tax assets related with share-based payments	–	–	–	44,895	–	–	–	44,895	–	44,895
Change in equity interests in subsidiaries without change of control *(Note)*	–	–	–	–	–	–	605,110	605,110	698,828	1,303,938
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(55,238)	(55,238)
Dividends declared *(Note 17)*	–	–	–	–	–	–	(174,638)	(174,638)	–	(174,638)
Balance at December 31, 2019	749,508	1,044,584	(211,224)	96,378	188,686	26,310	2,352,600	4,246,842	1,274,436	5,521,278

Note:

During the year ended December 31, 2019, shareholding percentage of Frontage Holdings (as defined in Note 18) decreased by 17.15% as a result of initial public offering on the Main Board of the Stock Exchange. The difference between the net proceeds received and the amount of adjustments to the non-controlling interests of RMB614,891,000 was credited to retained earnings.

	Attributable to owners of the Company									
	Share capital	Share premium	Treasury shares	Employee share-based compensation reserve	Statutory reserve	Exchange reserve	Retained earnings	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 35a	*Note 36(a)*	*Note 35b*	*Note 36(b)*	*Note 36(c)*	*Note 36(d)*	*Note 36(e)*			
Balance at January 1, 2019	500,177	1,298,820	(248,125)	10,079	124,336	(2,476)	1,145,231	2,828,042	444,107	3,272,149
Profit for the period	–	–	–	–	–	–	191,437	191,437	10,460	201,897
Exchange differences arising from translation of foreign operations	–	–	–	–	–	(5,754)	–	(5,754)	(1,323)	(7,077)
Total comprehensive income for the period	–	–	–	–	–	(5,754)	191,437	185,683	9,137	194,820
Transferred to statutory reserve	–	–	–	–	26,769	–	(26,769)	–	–	–
Disposal of subsidiaries *(Note 41(c))*	–	–	–	–	–	–	–	–	(5,087)	(5,087)
Recognition of share-based payments *(Note 42)*	–	–	–	1,907	–	–	–	1,907	–	1,907
Repurchase of shares	–	–	(61,849)	–	–	–	–	(61,849)	–	(61,849)
Change in equity interests in subsidiaries without change of control	–	–	–	–	–	–	(104)	(104)	(11)	(115)
Balance at March 31, 2019 (unaudited)	500,177	1,298,820	(309,974)	11,986	151,105	(8,230)	1,309,795	2,953,679	448,146	3,401,825

	Attributable to owners of the Company									
	Share capital	Share premium	Treasury shares	Employee share-based compensation reserve	Statutory reserve	Exchange reserve	Retained earnings	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 35a	*Note 36(a)*	*Note 35b*	*Note 36(b)*	*Note 36(c)*	*Note 36(d)*	*Note 36(e)*			
Balance at January 1, 2020	749,508	1,044,584	(211,224)	96,378	188,686	26,310	2,352,600	4,246,842	1,274,436	5,521,278
Profit for the period	–	–	–	–	–	–	263,377	263,377	(408)	262,969
Exchange differences arising from translation of foreign operations	–	–	–	–	–	12,615	–	12,615	11,567	24,182
Total comprehensive income for the period	–	–	–	–	–	12,615	263,377	275,992	11,159	287,151
Transferred to statutory reserve	–	–	–	–	4,033	–	(4,033)	–	–	–
Acquisition of subsidiaries *(Note 40(d))*	–	–	–	–	–	–	–	–	12,152	12,152
Recognition of share-based payments *(Note 42)*	–	–	–	11,955	–	–	–	11,955	–	11,955
Exercise of share options granted by a subsidiary	–	–	–	(1,697)	–	–	4,784	3,087	4,515	7,602
Cancellation of shares	(40)	(1,151)	1,191	–	–	–	–	–	–	–
Contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	24,803	24,803
Change in equity interests in subsidiaries without change of control	–	–	–	–	–	–	8,724	8,724	(10,980)	(2,256)
Balance at March 31, 2020	749,468	1,043,433	(210,033)	106,636	192,719	38,925	2,625,452	4,546,600	1,316,085	5,862,685

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
OPERATING ACTIVITIES					
Profit before tax	486,804	762,902	1,088,772	228,484	288,695
Adjustments for:					
Depreciation for property, plant and equipment	27,469	55,648	50,273	11,030	12,134
Amortisation of intangible assets	4,751	5,492	7,367	1,588	4,395
Amortisation of payments for leasehold land held for own use under operating leases	130	130	–	–	–
Depreciation of right-of-use assets	–	–	46,562	10,361	14,454
Impairment losses under expected credit losses ("ECL") model	13,825	20,044	21,186	96	4,994
Share of losses/(profits) of associates	6,199	(9,598)	9,768	13,496	2,823
Gain on disposal of subsidiaries	(14,733)	(1,073)	(73,747)	(52,828)	(6,743)
Gain on disposal of associates	(7,309)	(3,551)	(20,850)	(559)	(70,011)
Loss on written off of intangible assets	150	–	–	–	–
(Gain)/loss on disposal of property, plant and equipment	(42)	406	385	134	14
Impairment loss of interest in an associate	–	14,061	–	–	–
Impairment of goodwill	10,000	19,000	–	–	–
Change in fair value of financial assets at FVTPL	(60,851)	(149,098)	(184,996)	(32,088)	(56,700)
Interest income from bank deposits	(8,040)	(7,802)	(25,462)	(1,273)	(9,742)
Interest income from structured deposits	(4,278)	(1,544)	(1,372)	(387)	(648)
Finance costs	11,661	19,365	42,243	9,989	14,139
Share-based payment expenses	1,412	8,170	41,404	1,907	11,955
Loss/(gain) arising from derivative financial instruments	8,190	(6,166)	–	–	–
Gain on disposal of financial assets at FVTPL	(34,674)	(112,107)	(76,072)	(15,891)	(10,852)
Fair value change of contingent consideration payables	(11,237)	–	–	–	(1,015)
Dividend received from financial assets at FVTPL	(2,216)	–	(17,601)	(10,540)	–
Bargain purchase gain	–	(4,926)	–	–	–
Operating cash flows before movements in working capital	427,211	609,353	907,860	163,519	197,892
Increase in inventories	(33)	(180)	(493)	(62)	(1,207)
(Increase)/decrease in trade, bills and other receivables and prepayments	(47,927)	(98,095)	(137,544)	(21,046)	28,585
Increase in contract assets	(152,286)	(65,227)	(220,989)	(167,695)	(91,873)
Settlement of derivative financial instruments	(4,038)	1,012	1,002	1,002	–
Increase/(decrease) in trade and other payables	6,040	91,711	101,241	(3,756)	(60,478)
Increase in contract liabilities	184,359	56,714	8,351	103,397	7,789
Decrease in other long-term liabilities	(397)	(110)	–	–	–
Cash generated from operations	412,929	595,178	659,428	75,359	80,708
Income tax paid	(104,582)	(85,805)	(121,877)	(25,805)	(35,801)
NET CASH GENERATED FROM OPERATING ACTIVITIES	308,347	509,373	537,551	49,554	44,907

	Year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
INVESTING ACTIVITIES					
Cash inflow/(outflow) from disposal of subsidiaries	18,202	(17,437)	34,435	24,622	(157)
Acquisition of subsidiaries, net of cash acquired	(535,971)	(29,072)	(72,514)	–	(83,288)
Proceeds from disposal of an associate	7,655	2,307	15,597	958	–
Acquisition of associates	(64,432)	(25,897)	–	–	(654)
Proceeds from disposal of property, plant and equipment	12,327	2,149	1,659	20	8
Purchase of property, plant and equipment	(49,293)	(75,815)	(88,600)	(18,171)	(20,328)
Purchase of intangible assets	(8,343)	(2,493)	(13,717)	(2,483)	(305)
Proceeds from disposal of financial assets at FVTPL	199,800	219,944	106,496	35,859	111,606
Purchase of financial assets at FVTPL	(446,484)	(453,846)	(620,177)	(106,432)	(297,630)
Proceeds from loan receivable	–	35,000	–	–	–
(Increase)/decrease in prepayment for acquisition of property, plant and equipment	(2,803)	(2,468)	(3,274)	5,903	(2,511)
Settlement of consideration payable	–	(46,350)	–	–	–
Advance to a third party	–	–	(2,316)	–	–
Proceeds from note receivables	268	–	17,651	–	217
Dividend income from financial assets at FVTPL	2,216	–	17,601	10,540	–
(Placement)/withdrawal of restricted bank deposits, net	(14,292)	8,818	1,115	3,330	–
Placement of time deposit over three months	–	–	(30,160)	(24,000)	(69,681)
Interest received	12,149	9,156	26,834	1,660	10,390
NET CASH USED IN INVESTING ACTIVITIES	(869,001)	(376,004)	(609,370)	(68,194)	(352,333)
FINANCING ACTIVITIES					
Proceeds from bank borrowings	379,605	616,560	1,253,827	262,859	408,900
Repayment of bank borrowings	(293,255)	(259,662)	(1,102,561)	(176,104)	(194,666)
Interest paid on borrowings	(10,579)	(18,141)	(32,522)	(7,929)	(11,247)
Repayment of obligations under finance leases/lease liabilities	(9,108)	(14,534)	(45,509)	(13,101)	(14,519)
Interest paid on obligations under finance leases/lease liabilities	(1,082)	(1,224)	(9,721)	(2,060)	(2,892)
Proceeds from loan from a related party (Note 44(b))	–	31,441	–	–	–
Proceeds from grant of restricted share under Restricted Share Scheme (as defined in Note 42(c)(i)), net	–	–	146,391	–	23,192
Proceeds from transfer of shares under Share Purchase Scheme (as defined in Note 42(c)(ii))	–	–	93,845	–	–
Capital injection from non-controlling interests	85,490	16,310	26,677	–	24,803
Change in equity interest in subsidiaries without change of control	14,720	46,549	1,381,868	(115)	(2,256)
Proceeds from exercise of share options granted by a subsidiary	–	–	–	–	7,602
Issue of share capital	607,801	–	–	–	–
Payment for repurchase of shares	–	(248,125)	(61,849)	(61,849)	–
Dividends paid to non-controlling interests	(2,842)	(14,355)	(55,238)	–	–
Dividends paid to owners of the Company	(50,018)	(100,035)	(173,352)	–	–
Issue costs paid by a subsidiary	–	(8,812)	(69,045)	(7,934)	–
Issue costs paid	–	–	–	–	(561)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	720,732	45,972	1,352,811	(6,233)	238,356
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	160,078	179,341	1,280,992	(24,873)	(69,070)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	363,646	521,632	698,186	698,186	2,006,926
Effects of exchange rate changes	(2,092)	(2,787)	27,748	(827)	18,174
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD, REPRESENTED BY BANK BALANCES AND CASH	521,632	698,186	2,006,926	672,486	1,956,030

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was established in the People's Republic of China (the "PRC") on December 25, 2004 as a joint stock limited liability company. On August 17, 2012, the Company's shares were listed on the ChiNext ("創業板") of the Shenzhen Stock Exchange with stock code 300347. Its registered office and the principal place of business activities is located at F1.15, Dongguan Plaza, No. 618 Jiangnan Avenue, Binjiang District, Hangzhou, 310053, PRC.

The Company is principally engaged in investment holding and Contract Research Organisation ("CRO") services during the Track Record Period. The principal business activities of the Group during the Track Record Period is engaged in the contract research organisation services.

Dr. Ye Xiaoping and Ms. Cao Xiaochun are acting in concert and are the largest shareholders of the Company.

The functional currency of the Company is RMB, which is the same as the presentation currency of the Historical Financial Information.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes the applicable disclosures requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

The consolidated financial statements of the Group for the years ended December 31, 2017, 2018 and 2019 were prepared in accordance with China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by BDO China Shu Lun Pan Certified Public Accountants LLP, certified public accountants registered in the PRC, in accordance with the China Auditing Standards issued by China Auditing Standards Board.

3. APPLICATION OF NEW AND REVISED IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRSs which are effective for the financial period beginning on January 1, 2018, including IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments", throughout the Track Record Period except that the Group adopted IFRS 16 "Leases" and International Financial Reporting Interpretations Committee 23 "Uncertainty over Income Tax Treatments" on January 1, 2019. The accounting policies for leases which confirm with IFRS 16 that are applicable from January 1, 2019 onwards and International Accounting Standard ("IAS") 17 "Leases" which are applicable for each of the years ended December 31, 2017 and 2018 are set out in Note 4 below.

The Group has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the years ended December 31, 2017 and 2018, as permitted under the specific transitional provisions in IFRS 16. The reclassifications and the adjustments arising from IFRS 16 are therefore recognised in the opening consolidated statement of financial position on January 1, 2019.

Upon adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.67%.

For leases previously classified as finance leases under IAS 17, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

The following table reconciles the operating lease commitments as disclosed in Note 45 as at December 31, 2018 to the opening balance for lease liabilities recognised as at January 1, 2019:

	RMB'000
Operating lease commitments at December 31, 2018	164,893
Less: Value added tax included in operating lease commitments	(11,757)
Operating lease commitments excluded value added tax as at December 31, 2018	153,136
Less : commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before December 31, 2019	(2,059)
– leases of low-value assets	(2,998)
	148,079
Less: total future interest expense	(23,591)
Present value of remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019	124,488
Add: finance lease liabilities recognised as at December 31, 2018	28,656
Total lease liabilities recognised at January 1, 2019	153,144

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at December 31, 2018. For all these right-of-use assets, the Group has applied IAS 36 "Impairment of Assets" at January 1, 2019 to assess if there was any impairment as on that date.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The recognised right-of-use assets as at January 1, 2019 relate to the following types of assets:

	RMB'000
Buildings	121,883
Experiment equipment	40,717
Leasehold land	5,409
Others	645
	168,654

The change in accounting policy affected the following items on the consolidated statement of financial position at January 1, 2019:

- right-of-use assets – increased by RMB168,654,000;
- property, plant and equipment – decreased by RMB40,717,000;
- payments for leasehold land held for own use under operating leases – decreased by RMB5,409,000;
- trade, bills and other receivables and prepayments – decreased by RMB1,594,000;
- other long-term liabilities – decreased by RMB3,554,000;
- obligations under finance leases – decreased by RMB28,656,000; and
- lease liabilities – increased by RMB153,144,000.

The Group has also applied the following practical expedients:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- exclude initial direct cost from measuring the right-of-use assets at the date of initial application;
- use hindsight in determining the lease terms if the contracts contain option to extend or terminate the leases; and
- account for each lease component and any associated non-lease components as a single lease component.

On January 1, 2020, the Group applied IFRS 3 "Definition of Business", amendment to IAS 1 and IAS 8 "Definition of Material" which were effective for the financial period beginning on January 1, 2020. The adoption of these pronouncements does not have any significant impact to the Group's accounting policies and consolidated financial performance and position.

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs and interpretations that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
IFRS 17	Insurance Contracts[2]
Amendments to IFRS 16	COVID-19-Related Rent Concession[3]

1 Effective for annual periods beginning on or after a date to be determined

2 Effective for annual periods beginning on or after January 1, 2021

3 Effective for annual periods beginning on or after June 1, 2020

The directors of the Company anticipate that application of the above new and amendments to IFRSs will have no material impact to the Group's financial performance and consolidated financial positions and/or on the disclosures in future consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are within the scope of IAS 17 and IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an interest in an associate or a joint venture.

Business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits", respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition date amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised other comprehensive income and measured under IFRS 9/IAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit ("CGU") (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

The Group's policy for goodwill arising on the acquisition of an associate is described below. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss on the statements of financial position of the Company.

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not to control or to have joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an interest in an associate is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associates other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An interest in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the interest in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When there is objective evidence that the investment in an associate is impaired, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's Historical Financial Information only to the extent of interests in the associate that are not related to the Group.

The Company's interest in associates are accounted for in the financial statements using the equity method.

Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Revenue is recognised when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring products or services to a customer ("transaction price").

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which Group has received consideration (or an amount of consideration is due) from the customer.

Generally, significant payment terms are disclosed within the contents of a given contract and are in the form of either milestone payment terms representing a percentage of the total budgeted contract price or corresponding directly with the value to the customer of the Group's performance. Revenues recognised in excess of billings are recognised as contract assets and disclosed in the consolidated statements of financial position as contract assets. Amounts billed in accordance with contracted payment schedules but in excess of revenues earned are recognised as contract liabilities and disclosed in the consolidated statements of financial position as contract liabilities.

Contracts are terminable by the customers upon proper notice specified within the contracts, generally 30 to 90 days. A termination fee is generally assessed in addition to the Group being entitled to compensation equivalent to the efforts and costs incurred to satisfy any performance obligations.

To the extent the transaction price includes variable consideration, the Group estimates the amount of variable consideration that should be included in the transaction price utilising the most likely amount to which the Group expects to be entitled. Variable consideration is included in the transaction price if, in the Group's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the Group's anticipated performance and all information (historical, current and forecasted) that is reasonably available. Sales, value added, and other taxes collected on behalf of third parties are excluded from revenue.

The transaction price also includes reimbursable expenses (i.e. out-of-pocket expenses, outside consultants and other reimbursable expenses). Reimbursable expenses which do not represent a transfer of goods or services to the customer are not distinct. Such reimbursable expenses are included in total transaction price for the contract and allocated to individual performance obligations which are satisfied over time.

Contracts with customers may contain multiple performance obligations. For such arrangements, the transaction price is allocated to each performance obligation based on the estimated relative standalone selling prices of the promised products or services underlying each performance obligation, inclusive of reimbursable expenses.

When the sum of the stand-alone transaction prices of those products or services exceeds the promised consideration in a contract, the Group recognises a discount on that particular contract. If the entity does not have observable evidence that the entire discount relates to one or more, but not all performance obligations under the specific contract, the discount is proportionately applied to all performance obligations under a contract.

The Group has different contractual arrangements with different customers under two different fee models: fee-for-service ("FFS") model or full-time-equivalent ("FTE") model. Under both fee models, the Group typically enters into a master service agreement with customers and receives payments in accordance with a pre-agreed payment schedule pursuant to the master service agreement. Under the FFS approach, the Group receives payments in accordance with a payment schedule specified in the relevant contract or work order. Under the FTE approach, the Group designates employees for the projects at a fixed rate per FTE employee per period of time.

Certain revenue from clinical-related and laboratory services segment are under the FFS model, and the revenue is recognised at a point in time when the Group transfers the control for services/deliverable units at point in time and has right to payment from the customers for the services performed upon finalisation, or upon the delivery and acceptance of the deliverable units.

Certain revenue from clinical trial solutions segment and clinical-related and laboratory services segment are under the FFS model, and the revenue is recognised over time, as the Group's performance has created an asset with no alternative use and the Group has an enforceable right for payments for performance completed to date.

Certain revenue from clinical trial solutions segment and clinical-related and laboratory services segment are under the FTE model. For services under the FTE model, the Group designates employees for the projects at a fixed rate per FTE employee per period of time. The customer simultaneously receives and consumes benefits provided by Group's performance. Therefore, the revenue is recognised over time at the amount to which the Group has the right to invoice for the performance completed to date (i.e. FTE billable amounts, which are calculated based on the number of the employees assigned to the project and the amount of time employees worked), usually in the form of a monthly statement.

The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, the Group generally measures its progress using either cost-to-cost (input method) or units produced/services transferred to the customer to date (output method). The Group uses the known cost measure of progress when it best depicts the transfer of value to the customer which occurs as the Group incurs costs on its contract, generally related to fixed fee service contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue is recorded proportionally as costs are incurred. The units produced/services transferred to the customer to date measure of progress is generally related to rate per unit contracts or contracts for the delivery of services, as the extent of progress towards completion is measured based on discrete service or time-based increments, such as samples tested or services transferred.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued for each period by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

A. Policies applied from January 1, 2019

The Group as lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statements of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term less than 12 months and leases of low-value assets. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statements of financial position.

Right-of-use asset

The right-of-use asset is recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group accounts for leasehold land and buildings which are held for own use under IAS 16 as right-of-use assets and are carried at depreciated cost. Other than the above right-of-use assets, the Group also has leased a number of properties and experiment equipment under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which are held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

The right-of-use asset is subsequently depreciated using the straight-line method from the date of initial application over the shorter of the remaining lease term or the useful life of the underlying asset. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	2-10 years
Experiment equipment	3-5 years
Leasehold land	50 years
Others	3-5 years

In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

B. Policies applicable prior to January 1, 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under a finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred. There were no borrowing costs eligible to be capitalised into property, plant and equipment during the Track Record Period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expense the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire property, plant and equipment are recognised as deferred revenue in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

The Group participates in the following defined contribution schemes:

(a) A state-managed retirement benefit scheme in the PRC pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the scheme.

(b) A defined contribution plan in the USA pursuant to which the Group matches 50 cents for every dollar contributed by each qualifying member of staff up to 4% of their salary. The maximum match is 2% of the qualifying member of staff's gross pay.

(c) The Group's subsidiary in South Korea entered into a defined contribution plan with Kookmin Bank, Woori Bank and Sinhan Bank. The defined contribution is recognised as retirement benefits regardless of the results of the pension plan.

(d) For the mandatory provident fund scheme in Hong Kong, the Group's contributions are set at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance and are expensed as incurred.

Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payment transactions

Equity-settled share-based payments to employees (including directors of the Company) are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based transaction (without taking into consideration all non-market vesting condition) is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (employee share-based compensation reserve). At the end of each reporting period, the Group reviews its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the employee share-based compensation reserve.

When the share options are exercised, the amount previously recognised in the employee share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the employee share-based compensation reserve will be transferred to retained earnings.

Taxation

Income tax expense represents the sum of the current tax and deferred tax.

Current tax

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profits nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries or associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Payments for leasehold land held for own use under operating leases

A. Policies applied from January 1, 2019

These assets are reclassified as right-of-use assets and accounted for using accounting policy under heading "Leasing".

B. Policies applied prior to January 1, 2019

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

Property, plant and equipment

Property, plant and equipment other than construction in progress ("CIP") are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Freehold land	Indefinite useful life
Buildings	10-40 years
Leasehold improvements	5 years
Experiment equipment	5-10 years
Furniture, fixtures and equipment	5 years
Transportation equipment	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Prior to January 1, 2019, assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives. From January 1, 2019, these assets are reclassified as right-of-use assets and accounted for using accounting policy under heading "Leasing".

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Software	5-10 years
Trademark	1 year
Customer relationship	4-7 years
Customer backlog	2-5 years
Non-competition clause	3-5 years
Others	5 years

The useful life of software is based on the directors' view, considering historical experience with similar products as well as anticipation of future events which may impact their lives such as changes in technology. Amortisation is calculated using the straight-line method over expected life of 5 – 10 years.

Customer relationship acquired in business combinations is recognised at fair value at the acquisition dates. The useful life of customer relationship reflects directors' view of the average economic life of the customer relationship and is assessed by reference to annual attrition rate. Amortisation is calculated using the straight-line method over expected life of 4 – 7 years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. There were no costs incurred in relation to projects in the development phase, as defined under IAS 38 "Intangible Assets", during the Track Record Period.

Impairment losses on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of value in use and fair value less costs of disposal. In assessing value in use, the estimated future cash flows of the asset (or the cash-generating unit) are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or the cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or the cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the contracted selling price less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL (as defined on page I-6), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model, whereby changes in fair value, interest income calculated using the effective interest rate method and foreign exchange gains and losses are recognised in profit or loss. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income ("FVOCI"), as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

Impairment loss on financial assets

The Group recognises a loss allowance for ECL (as defined on page I-14) on financial assets which are subject to impairment under IFRS 9 "Financial Instruments". The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and always recognises lifetime ECL for trade receivables and contract assets. The ECL on these financial assets are assessed collectively using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other financial instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in the credit risk since initial recognition or evidence that a financial asset is credit-impaired, then the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate obtained from economic expert reports, financial analysts and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, or the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default to have occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occur sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the relevant weighting.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis to cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables, other receivables are each assessed as a separate group. Note receivables are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated statements of profit or loss and other comprehensive income.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Treasury shares

Own equity instruments which held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the consolidated statements of profit or loss and other comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

  (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

  (vi) The entity is controlled or jointly controlled by a person identified in (a).

  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

  (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, judgements and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Judgements in determining performance obligations and timing of satisfaction of performance obligations

Performance obligation determination

In making their judgements, the directors of the Company considered the detailed criteria for recognition of revenue set out in IFRS 15. In determining performance obligations, the directors of the Company consider whether the customer benefits from each service on its own and whether it is distinct in the context of the contract. Specifically, when concluding a contract has multiple performance obligations, the directors of the Company consider that the individual performance obligation is regularly sold separately and the service is separately identifiable from other promises within the contract.

Timing of satisfaction of performance obligations

The directors of the Company have determined that certain performance obligations are satisfied over time. The key judgement is that the Group's performance does not create an assets with alternative future use since the Group cannot redirect the asset for use on another customer, and the contract terms specify the Company has enforceable right to payments for performance completed up to date.

Depends on which better depicts the transfer of value to the customer, the directors of the Company make judgement to measure the progress of the projects using either cost-to-cost (input method) or units services transferred to the customer to date (output method).

Judgements in determining if entities are accounted for as subsidiaries

Certain group entities are general partners of the underlying funds, in which the general partners hold less than 50% of their equity interests in these funds, and these funds are nevertheless accounted for as subsidiaries. General partner is primarily the fund manager of the underlying funds. In assessing whether the Group has control over these funds, the following considerations are taken into account:

- The scope of the Group's decision-making authority over the funds
- The Group's exposure to variability of returns from other interests that it holds in the funds
- The rights held by third parties
- The remuneration to which the Group as the fund manager is entitled in accordance with remuneration agreement(s).

Based on the above relevant facts and circumstances, the directors consider that the Group has a wide ranging discretion regarding the scope of decision making rights on the underlying funds, significant exposure to variable returns of the underlying funds and there was no substantive removal rights held by third parties throughout the Track Record Period. Accordingly, the directors consider that the Group has control over these funds and these funds are accounted for as subsidiaries of the Company.

Judgements in determining if entities are accounted for as associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not to control or to have joint control. If the entity holds, directly or indirectly less than 20% of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. To determinate whether the Group has significant influence over the investee involve significant judgements.

Judgements in determining if entities are accounted for as financial assets at FVTPL

The Group has certain investments, in which it holds more than 20% of their equity interests or voting right during the Track Record Period. The directors of the Company consider that the Group has no significant influence, joint control nor control over the entities based on the fact that the Group does not participate in any operating and financial policies of the entities and exercise its influence on the operating and financial policies in the board of directors of the entities. The Group therefore accounted for these entities as financial assets at FVTPL.

Key sources of estimation uncertainty

Fair value measurements for financial assets at FVTPL and derivative financial instruments

The Group has investments in a wide variety of companies during the Track Record Period as set out in Note 26. The Group accounts for these financial instruments as financial assets at FVTPL. For those investments with no quoted market prices in an active market, their fair values are estimated by using valuation techniques. These techniques include those further described in Note 39 under the heading "Fair value management". Valuation techniques are certified by independent and recognised business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, some inputs, such as probability of redemption of preference shares, require management estimates and assumptions, which are reviewed periodically and adjusted if necessary. Should any of the estimates and assumptions be changed, it may lead to a change in the fair value of the financial assets. The carrying amounts of financial assets at FVTPL at December 31, 2017, 2018 and 2019 and March 31, 2020 were RMB966,235,000, RMB1,482,095,000, RMB2,319,301,000 and RMB2,581,708,000, respectively.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of value in use or fair value less costs of disposal. The value-in-use calculation requires the directors of the Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amounts of goodwill as at December 31, 2017, 2018 and 2019 and March 31, 2020 were RMB1,049,027,000, RMB1,032,927,000, RMB1,157,831,000 and RMB1,355,589,000, respectively and impairment losses of RMB10,000,000, RMB19,000,000, nil, nil (unaudited) and nil were recognised for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, respectively. Details of the impairment loss calculation are set out in Note 22.

Useful lives and estimated impairment on property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The Group regularly reviews whether there are any indications of impairment and recognises an impairment loss if the carrying amount of an asset is lower than its recoverable amount. The Group tests for impairment for property, plant and equipment whenever there is an indication that the asset may be impaired. The recoverable amounts have been determined based on the higher of value in use and fair value less costs of disposal. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

Fair value of share-based compensation

The share-based compensation expense is measured based on the fair value of the share rewards as calculated under the Black-Scholes or binomial option pricing model. Management is responsible for determining the fair value of the share options granted to employees. The key assumptions used to determine the fair value of the share unit awards at the grant date include share price on measurement date, expected volatility and risk-free interest rate. Changes in these assumptions could significantly affect the fair value of share awards and hence the amount of compensation expenses the Group recognises in the consolidated financial statements.

Useful lives and residual values of intangible assets

The Group's management determines the useful lives, residual values and related amortisation charges for its intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions and may vary significantly as a result of technical innovations and keen competitions from competitors, resulting in higher amortisation charge and/or write-off or write-down of technically obsolete assets when useful lives are less than previously estimated. The Group will increase the amortisation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of interests in associates

Determining impairment of interests in associates requires an estimation of the value in use of the investments. The value-in-use calculation requires directors of the Company to estimate the future cash flows expected to arise from the investments and a suitable discount rate in order to calculate present value. Where actual cash flows are less than expected, a material impairment may arise. Details of the impairment calculation in relation to interest in an associate are set out in Note 19.

Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in Note 37.

6. REVENUE

The Group's revenue streams are categorised as follows:

– Clinical trial solutions consist of clinical trial operation services and other core clinical services directly associated with clinical trial operations such as medical writing, translation and registration services, and pharmacovigilance services.

– Clinical-related and laboratory services consist of ancillary services that provide the necessary support to clinical trial operations, including analytical services (e.g., data management and statistical analysis, and medical imaging), logistical and execution support services (e.g., site management), administrative assistance (e.g., patient recruitment), consulting services (e.g., good manufacturing practice ("GMP") consulting), as well as laboratory services (e.g., drug metabolism and pharmacokinetics ("DMPK"), safety and toxicology, bioanalytical, and chemistry, manufacturing and controls ("CMC") services).

An analysis of the Group's revenue is as follows:

	Year ended December 31,			Three months ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Clinical trial solutions	750,438	1,107,636	1,346,672	277,277	302,561
Clinical-related and laboratory services	932,066	1,191,898	1,456,637	327,707	352,410
	1,682,504	2,299,534	2,803,309	604,984	654,971

	Year ended December 31,			Three months ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Overtime					
Clinical trial solutions	750,438	1,107,636	1,346,672	277,277	302,561
Clinical-related and laboratory services	826,837	1,094,862	1,436,678	307,748	352,410
	1,577,275	2,202,498	2,783,350	585,025	654,971
At a point in time					
Clinical-related and laboratory services	105,229	97,036	19,959	19,959	–
	1,682,504	2,299,534	2,803,309	604,984	654,971

	Year ended December 31,			Three months ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
FFS	1,641,676	2,246,090	2,748,169	601,136	637,543
FTE	40,828	53,444	55,140	3,848	17,428
	1,682,504	2,299,534	2,803,309	604,984	654,971

Transaction price allocated to future performance obligations

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) were RMB2,773,804,000, RMB3,683,328,000, RMB5,011,160,000 and RMB5,300,111,000 as at December 31, 2017, 2018 and 2019 and March 31, 2020, respectively. Management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as of the end of each reporting period during the Track Record Period will be recognised within 3 years from the end of each reporting period.

The following table provides information about trade and bills receivables, contract assets and contract liabilities from contracts with customers.

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables (Note 28a)	214,955	295,413	406,669	394,126
Contract assets (Note 28b)	468,584	533,811	756,028	842,641
Contract liabilities (Note 31b)	(324,079)	(380,793)	(398,240)	(409,783)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed because the rights are conditioned on the Group's future performance in archiving specified milestones of the contract at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customers.

The contract liabilities mainly relate to the advance consideration received from customers.

7. SEGMENT INFORMATION

Operating segments are determined based on the Group's internal reports which are submitted to Chief Executive Officer, being the chief operating decision maker ("CODM") of the Group, for the purpose of performance assessment and resources allocation. This is also the basis upon which the Group is organised and managed.

No segment assets and liabilities are presented as they were not regularly provided to the CODM for the purpose of resource allocation and performance assessment.

The following are the Group's reportable segments under IFRS 8 "Operating Segments":

– Clinical trial solutions

– Clinical-related and laboratory services

Segment revenues and results

The following is an analysis of the Group's revenue by reportable segments.

For the year ended December 31, 2017

	Clinical trial solutions	Clinical-related and laboratory services	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue	750,438	932,066	1,682,504
Gross profit	253,021	459,731	712,752
Unallocated amounts:			
Other income			30,912
Other gains and losses, net			113,347
Impairment losses			(23,825)
Selling and marketing expenses			(39,749)
Administrative expenses			(239,106)
Research and development expenses			(49,667)
Share of losses of associates			(6,199)
Finance costs			(11,661)
Profit before tax			486,804

For the year ended December 31, 2018

	Clinical trial solutions	Clinical-related and laboratory services	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue	1,107,636	1,191,898	2,299,534
Gross profit	416,779	564,556	981,335
Unallocated amounts:			
Other income			22,234
Other gains and losses, net			281,107
Impairment losses			(53,105)
Selling and marketing expenses			(54,454)
Administrative expenses			(316,423)
Research and development expenses			(88,025)
Share of profits of associates			9,598
Finance costs			(19,365)
Profit before tax			762,902

For the year ended December 31, 2019

	Clinical trial solutions	Clinical-related and laboratory services	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue	1,346,672	1,456,637	2,803,309
Gross profit	578,774	713,126	1,291,900
Unallocated amounts:			
Other income			64,149
Other gains and losses, net			361,551
Impairment losses			(21,186)
Selling and marketing expenses			(81,072)
Administrative expenses			(350,510)
Research and development expenses			(124,049)
Share of losses of associates			(9,768)
Finance costs			(42,243)
Profit before tax			1,088,772

For the three months ended March 31, 2019

	Clinical trial solutions	Clinical-related and laboratory services	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
Revenue	277,277	327,707	604,984
Gross profit	113,082	155,953	269,035
Unallocated amounts:			
Other income			13,223
Other gains and losses, net			99,516
Impairment losses			(96)
Selling and marketing expenses			(21,099)
Administrative expenses			(77,022)
Research and development expenses			(31,588)
Share of losses of associates			(13,496)
Finance costs			(9,989)
Profit before tax			228,484

For the three months ended March 31, 2020

	Clinical trial solutions	Clinical-related and laboratory services	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue	302,561	352,410	654,971
Gross profit	141,363	147,373	288,736
Unallocated amounts:			
Other income			14,367
Other gains and losses, net			146,828
Impairment losses			(4,994)
Selling and marketing expenses			(20,721)
Administrative expenses			(84,328)
Research and development expenses			(34,231)
Share of losses of associates			(2,823)
Finance costs			(14,139)
Profit before tax			288,695

The accounting policies of reportable segments are the same as the Group's accounting policies described in Note 4.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and gross profit are presented.

Geographical information

An analysis of the Group's revenue from external customers, analysed by region, is presented below:

	Year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue from external customers					
– PRC	797,776	1,246,245	1,600,125	308,847	376,602
– Other overseas countries and regions	884,728	1,053,289	1,203,184	296,137	278,369
	1,682,504	2,299,534	2,803,309	604,984	654,971

Information about the Group's non-current assets by geographical location of the assets are presented below:

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets excluding financial assets and deferred tax assets				
– PRC	827,668	863,867	1,150,040	1,288,503
– Other overseas countries and regions	541,450	571,692	706,844	862,530
	1,369,118	1,435,559	1,856,884	2,151,033

Information about major customers

Since no revenue from sale to a single customer amounted to 10% or more of the Group's revenue during the Track Record Period, no major customer information is presented in accordance with IFRS 8 "Operating Segments".

8. OTHER INCOME

	Year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest income from bank deposits	8,040	7,802	25,462	1,273	9,742
Interest income from structured deposits	4,278	1,544	1,372	387	648
Government grants	12,845	10,570	18,800	703	3,781
Dividend income from financial assets at FVTPL	2,216	–	17,601	10,540	–
Others	3,533	2,318	914	320	196
	30,912	22,234	64,149	13,223	14,367

9. OTHER GAINS AND LOSSES, NET

	Year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Net foreign exchange (loss)/gain	(7,159)	4,592	6,271	(1,716)	1,521
Loss on written off of intangible assets	(150)	–	–	–	–
Gain/(loss) on disposal of property, plant and equipment	42	(406)	(385)	(134)	(14)
Change in fair value of financial assets at FVTPL	60,851	149,098	184,996	32,088	56,700
Fair value change of contingent consideration payables (Notes 31a(d) and 34(b))	11,237	–	–	–	1,015
Bargain purchase gain (Note 40(b)(i))	–	4,926	–	–	–
Gain on disposal of subsidiaries (Note 41)	14,733	1,073	73,747	52,828	6,743
Gain on disposal of associates	7,309	3,551	20,850	559	70,011
Gain on disposal of financial assets at FVTPL	34,674	112,107	76,072	15,891	10,852
(Loss)/gain arising from derivative financial instruments (Note 26(b))	(8,190)	6,166	–	–	–
	113,347	281,107	361,551	99,516	146,828

10. IMPAIRMENT LOSSES

	Year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Impairment losses under ECL model, net of reversal					
Trade receivables	11,944	16,550	8,509	(3,405)	(709)
Contract assets	1,012	(1,427)	17,516	5,648	5,260
Other receivables	869	4,921	(4,839)	(2,147)	443
	13,825	20,044	21,186	96	4,994
Other impairment losses					
Goodwill (Note 22)	10,000	19,000	–	–	–
Interest in an associate (Note 19)	–	14,061	–	–	–
	10,000	33,061	–	–	–
	23,825	53,105	21,186	96	4,994

11. FINANCE COSTS

	Year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest expense on bank borrowings	10,052	17,458	32,418	7,854	11,247
Interest expense on loan from a related party	527	228	–	–	–
Interest expense on loan from other borrowing	–	455	104	75	–
Interest on finance leases/lease liabilities	1,082	1,224	9,721	2,060	2,892
	11,661	19,365	42,243	9,989	14,139

12. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

	Year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Depreciation for plant and equipment	27,469	55,648	50,273	11,030	12,134
Amortisation of intangible assets	4,751	5,492	7,367	1,588	4,395
Amortisation of leasehold land held for own use under operating leases	130	130	–	–	–
Depreciation of right-of-use assets	–	–	46,562	10,361	14,454
Staff costs (including directors' emoluments):					
– Salaries and other benefits	548,075	766,141	955,438	244,972	281,571
– Retirement benefits scheme contributions	67,011	81,435	122,420	28,223	32,289
– Share-based payment expenses	1,412	8,170	41,404	1,907	11,955
	616,498	855,746	1,119,262	275,102	325,815
Auditors' remuneration	3,300	2,660	1,700	–	–
Short-term leases with application of recognition exemption	–	–	3,813	315	1,906
Leases of low-value assets with application of recognition exemption	–	–	337	70	288
Total minimum lease payments for leases previously classified as operating leases under IAS 17 (note)	24,027	30,099	–	–	–

Note:

The Group initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

13. INCOME TAX EXPENSE

	Year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current tax:					
– PRC Enterprise Income Tax ("EIT")	57,323	74,393	101,239	14,350	21,114
– U.S. income tax	35,252	11,145	32,990	5,047	4,022
– Korean income tax	–	1,348	6,574	738	663
– Others	1,091	1,658	4,035	3,376	379
Under/(over) provision of current tax in prior year/period	5,604	888	(5,105)	(57)	(148)
	99,270	89,432	139,733	23,454	26,030
PRC withholding tax	–	4,704	–	–	–
Deferred tax:					
– Current year/period (Note 25)	(6,623)	13,517	(25,894)	3,133	(304)
Total income tax expense	92,647	107,653	113,839	26,587	25,726

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the standard EIT rate of the PRC subsidiaries is 25%. For the PRC subsidiaries approved as High and New Technology Enterprise by the relevant government authorities, they are subject to a preferential rate of 15%. Funds established as partnerships in the PRC are not taxable entities and EIT will apply at the partner's level. For non-resident enterprises without any establishment in the PRC, they are subject to withholding income tax rate of 10% for their income from the PRC.

The group entities incorporated in the United State of America (the "USA") is subject to Federal Corporate Tax and State Income Tax. The tax rate for Federal Income Tax was 35% for the year ended December 31, 2017. On December 22, 2017, the 2017 Tax Cuts and Jobs Act was enacted, which reduces the federal corporate tax rate to 21% from 35% and is effective on January 1, 2018. The income subject to tax in a specific state (i.e. state taxable income) is calculated based on the federal taxable income with state tax adjustments, which is then allocated or apportioned to the respective states (i.e. percentage of taxable income that should be apportioned or specially allocated to the respective states in which the Group operates).

The group entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020. On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group's Hong Kong subsidiaries with estimated assessable profits for its annual reporting periods ending on or after April 1, 2018.

The group entities incorporated in Korea, Taiwan, India, Australia, Romania, Malaysia, Canada, Switzerland and Singapore are subject to the tax rates at 20%, 17%, 25%, 30%, 1%, 20%, 26%, 17.77% and 17%, respectively, during the Track Record Period.

The group entities incorporated in the Cayman Islands are not subject to income or capital gains tax under the law of the Cayman Islands.

The group entities established in the British Virgin Islands ("BVI") are not subject to income tax or capital gains tax under the law of the BVI.

The income tax expense for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Three months ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before tax	486,804	762,902	1,088,772	228,484	288,695
Tax at the applicable tax rate of 25%	121,701	190,726	272,193	57,121	72,174
Tax effect of share of losses/(profits) of associates	1,550	(2,400)	2,442	3,374	652
Tax effect of income not taxable for tax purpose	(9,843)	(42,019)	(76,571)	(23,855)	(44,880)
Tax effect of expenses not deductible for tax purpose	30,910	34,860	21,054	2,569	14,692
Under/(over) provision of current tax in prior year/period	5,604	888	(5,105)	(57)	(148)
Effect of research and development expenses that are additionally deducted	(2,564)	(3,383)	(21,580)	(5,912)	(6,192)
Effect of deductible temporary differences and tax losses not recognised as deferred tax assets	681	–	–	1,789	3,589
Utilisation of deductible temporary differences and tax losses previously not recognised	(819)	(397)	(4,579)	(232)	–
Tax at concessionary rate	(36,957)	(57,930)	(57,946)	(9,190)	(13,004)
PRC withholding tax	–	4,704	–	–	–
Effect on deferred tax assets or liabilities resulting from change in applicable tax rate	(1,450)	13	(484)	306	–
Effect of different tax rate of subsidiaries operating in other jurisdictions	(18,881)	(18,988)	(13,763)	(1,409)	(1,423)
Others	2,715	1,579	(1,822)	2,083	266
Income tax expense	92,647	107,653	113,839	26,587	25,726

Non-taxable income mainly represent the fair value gains and gain on disposal of financial assets at FVTPL recognised by funds established as partnerships in the PRC. Funds established as partnerships in the PRC are not taxable entities and EIT will apply at the partners' level.

Non-deductible expenses mainly represent expenses or losses that exceed the tax deductible limitation such as entertainment, impairment losses, accrued expenses, share-based payment expenses and listing expenses incurred by Frontage Holdings.

14. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the emoluments paid or payable to the directors and supervisors of the Company for the services provided to the Group during the Track Record Period are as follows:

Year ended December 31, 2017

	Directors' fee	Salaries and other benefits	Performance-based bonus	Retirement benefit scheme contributions	Share-based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:						
Dr. Ye Xiaoping	516	–	54	1	–	571
Ms. Cao Xiaochun	424	–	82	49	–	555
Mr. Gary Edward Rieschel (note (a))	–	–	–	–	–	–
Dr. Song Li	2,418	–	–	–	–	2,418
Ms. Yin Zhuan	310	–	–	–	–	310
Independent non-executive Directors:						
Ms. Chen Zhimin	96	–	–	–	–	96
Mr. Zeng Su	96	–	–	–	–	96
Mr. Zheng Bijun (note (b))	53	–	–	–	–	53
Mr. Zhang Binghui (note (c))	56	–	–	–	–	56
Supervisors:						
Mr. Hu Xubo	–	–	–	–	–	–
Ms. Mo Shuang (note (d))	77	–	–	19	–	96
Ms. Shi Xiaoli	348	–	37	39	–	424
Ms. Ying Xinpin (note (e))	53	–	8	12	–	73
	4,447	–	181	120	–	4,748

Year ended December 31, 2018

	Directors' fee	Salaries and other benefits	Performance-based bonus	Retirement benefit scheme contributions	Share-based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:						
Dr. Ye Xiaoping	630	–	82	2	–	714
Ms. Cao Xiaochun	534	–	94	54	–	682
Dr. Song Li (note (f))	843	–	–	–	–	843
Ms. Yin Zhuan	360	–	–	–	–	360
Independent non-executive Directors:						
Ms. Chen Zhimin	96	–	–	–	–	96
Mr. Zeng Su	96	–	–	–	–	96
Mr. Zheng Bijun	96	–	–	–	–	96
Supervisors:						
Mr. Hu Xubo (note (g))	–	–	–	–	–	–
Ms. Mo Shuang	130	–	28	33	–	191
Ms. Shi Xiaoli	452	–	56	48	–	556
Ms. Wang Xiaobo (note (h))	451	–	70	54	–	575
	3,688	–	330	191	–	4,209

Year ended December 31, 2019

	Directors' fee	Salaries and other benefits	Performance-based bonus	Retirement benefit scheme contributions	Share-based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:						
Dr. Ye Xiaoping	735	–	82	1	–	818
Ms. Cao Xiaochun	634	–	94	56	–	784
Ms. Yin Zhuan	753	–	–	–	158	911
Independent non-executive Directors:						
Ms. Chen Zhimin	96	–	–	–	–	96
Mr. Zeng Su	96	–	–	–	–	96
Mr. Zheng Bijun	96	–	–	–	–	96
Supervisors:						
Ms. Mo Shuang	150	–	28	35	–	213
Ms. Shi Xiaoli	530	–	56	44	–	630
Ms. Wang Xiaobo	617	–	70	56	117	860
	3,707	–	330	192	275	4,504

Three months ended March 31, 2019

	Directors' fee	Salaries and other benefits	Performance-based bonus	Retirement benefit scheme contributions	Share-based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Executive Directors:						
Dr. Ye Xiaoping	184	–	82	1	–	267
Ms. Cao Xiaochun	158	–	94	14	–	266
Ms. Yin Zhuan	30	–	–	–	–	30
Independent non-executive Directors:						
Ms. Chen Zhimin	24	–	–	–	–	24
Mr. Zeng Su	24	–	–	–	–	24
Mr. Zheng Bijun	24	–	–	–	–	24
Supervisors:						
Ms. Mo Shuang	14	–	28	9	–	51
Ms. Shi Xiaoli	130	–	56	11	–	197
Ms. Wang Xiaobo	153	–	70	14	–	237
	741	–	330	49	–	1,120

Three months ended March 31, 2020

	Directors' fee	Salaries and other benefits	Performance-based bonus	Retirement benefit scheme contributions	Share-based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:						
Dr. Ye Xiaoping	196	–	88	1	–	285
Ms. Cao Xiaochun	168	–	102	13	–	283
Ms. Yin Zhuan	189	–	–	–	68	257
Independent non-executive Directors (note (i)):						
Ms. Chen Zhimin (note (j))	24	–	–	–	–	24
Mr. Zeng Su (note (k))	24	–	–	–	–	24
Mr. Zheng Bijun	24	–	–	–	–	24
Supervisors (note (l)):						
Ms. Mo Shuang (note (d))	46	–	43	8	–	97
Ms. Shi Xiaoli (note (m))	154	–	60	9	–	223
Ms. Wang Xiaobo (note (h))	153	–	91	13	50	307
	978	–	384	44	118	1,524

Notes:

(a) Mr. Gary Edward Rieschel decided to retire due to advancement of age and resigned on June 13, 2017.

(b) Mr. Zheng Bijun was appointed on August 23, 2017.

(c) Mr. Zhang Binghui resigned on June 13, 2017 as he had served as an independent director for more than six successive years and could not be elected as an independent director on another session of the board under the relevant PRC laws and regulations.

(d) Ms. Mo Shuang was appointed on June 7, 2017 and resigned on April 22, 2020 to devote more attention to her responsibilities as senior legal manager of the Company.

(e) Ms. Ying Xinpin resigned on June 7, 2017 to devote more attention to her responsibilities as senior human resources manager of the Company.

(f) Dr. Song Li resigned on April 16, 2018 to devote more attention to his responsibilities and to maintain his independence as honorary chairman of Frontage Holdings Group and chief executive officer of Frontage Labs.

(g) Mr. Hu Xubo resigned on April 20, 2018. He was a supervisor nominated by QM8 Limited, a previous minority shareholder of the Company and resigned in April 2018 for personal reasons after QM8 Limited ceased to be a shareholder of the Company.

(h) Ms. Wang Xiaobo was appointed on May 15, 2018 and resigned on April 22, 2020. She serves as head of translation department (翻譯部總監) of the Company and was not elected for another term as a PRC company seeking a listing on an overseas stock exchange should increase the number of external supervisors who do not hold positions within the Company pursuant to the relevant PRC laws and regulations.

(i) Dr. Yang Bo and Mr. Liu Kai Yu Kenneth were appointed as independent non-executive directors of the Company on April 22, 2020.

(j) Ms. Chen Zhimin resigned as independent non-executive director of the Company on April 22, 2020 and was appointed as supervisor on April 22, 2020.

(k) Mr. Zeng Su resigned on April 22, 2020 as he had served as an independent director for more than five successive years and cannot serve the full fourth session of the board. He took the opportunity to step down from his role as a director.

(l) Mr. Zhang Binghui and Mr. Wu Baolin were appointed as supervisors on April 22, 2020.

(m) Ms. Shi Xiaoli resigned on April 22, 2020. She serves as the head of the data resources department of the Company and was not elected for another term as a PRC company seeking a listing on an overseas stock exchange should increase the number of external supervisors who do not hold positions within the Company pursuant to the relevant PRC laws and regulations.

As advised and confirmed by the Company, the above resignations have no material adverse impact on the Group's operations and financial performance. Furthermore, as advised and confirmed by the Company, there have not been any disagreements or disputes between each of the former directors or supervisors and the Group.

15. FIVE HIGHEST PAID INDIVIDUALS

The five individuals with the highest emoluments in the Group during the Track Record Period include one director of the Company, details of whose remuneration are set out in Note 14 above. The emoluments of the five highest paid individuals during the Track Record Period were as follows:

	Year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries and other benefits	7,320	10,103	12,020	3,489	3,028
Performance-based bonus	3,450	1,486	8,048	–	–
Retirement benefits scheme contributions	106	120	138	47	42
Share-based compensation	1,605	850	8,747	1,026	818
	12,481	12,559	28,953	4,562	3,888

The emoluments of the five highest paid individuals were within the following bands:

	Number of individuals				
	Year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
				(Unaudited)	
Nil to HK$1,000,000	–	–	–	4	5
HK$1,000,000 to HK$1,500,000	–	–	–	1	–
HK$2,500,001 to HK$3,000,000	1	1	–	–	–
HK$3,000,001 to HK$3,500,000	2	3	–	–	–
HK$3,500,001 to HK$4,000,000	1	1	–	–	–
HK$4,000,001 to HK$4,500,000	1	–	–	–	–
HK$5,500,001 to HK$6,000,000	–	–	1	–	–
HK$6,000,001 to HK$6,500,000	–	–	2	–	–
HK$6,500,001 to HK$7,000,000	–	–	1	–	–
HK$7,000,001 to HK$8,000,000	–	–	1	–	–
	5	5	5	5	5

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any emoluments during the Track Record Period.

16. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share attribute to owners of the Company is based on the following data:

	Year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit for the year/period attributed to owners of the Company	344,977	576,886	841,247	191,437	263,377
Effect of cash dividend distributed to holders whose restricted shares are expected to be unlocked (note (i))	–	–	(1,286)	–	–
Earnings for the purpose of calculating basic earnings per share	344,977	576,886	839,961	191,437	263,377

Number of shares:

	Year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
				(Unaudited)	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	735,244,872	749,922,762	741,399,813	739,839,676	744,606,603

(b) Diluted earnings per share

The calculation of the diluted earnings per share attribute to owners of the Company is based on the following data:

	Year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit for the year/period attributed to owners of the Company	344,977	576,886	841,247	191,437	263,377
Effect of share options issued by subsidiaries (note (ii))	(620)	(530)	(4,495)	(435)	(894)
Earnings for the purpose of calculating diluted earnings per share	344,357	576,356	836,752	191,002	262,483

Number of shares:

	Year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
				(Unaudited)	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	735,244,872	749,922,762	741,399,813	739,839,676	744,606,603
Effect of dilutive potential ordinary shares in respect of outstanding restricted share under Restricted Share Scheme (as defined in Note 42(c)(i)) (note (i))	–	–	1,571,256	–	3,182,789
Weighted average number of ordinary shares for the purpose of diluted earnings per share	735,244,872	749,922,762	742,971,069	739,839,676	747,789,392

Notes:

(i) The effect of cash dividend distributed to restricted shares holders and dilutive potential ordinary shares is related to the Restricted Share Scheme launched by the Company that disclosed in Note 42(c)(i).

(ii) The effect of share options issued by subsidiaries is related to the share options issued by Frontage Holdings (as defined in Note 18) and Fantastic Bioimaging (as defined in Note 42(d)) that disclosed in Notes 42(a) and 42(d), respectively. For the share options that issued by DreamCIS (as defined in Note 18) that disclosed in Note 42(b), it is not considered for the calculation of diluted earnings per share as the exercise price is higher than the fair value of the stock price.

(iii) The weighted average number of ordinary shares shown above has been adjusted for the issue of new shares as set out in Note 35a and treasury shares as set out in Note 35b, after taking into account the retrospective adjustment on the assumption that the bonus issue (as disclosed in Note 35a) had been in effect on January 1, 2017.

17. DIVIDENDS

During the Track Record Period, the Company declared cash dividends to its shareholders as follows:

	Year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Final dividend proposed after the end of the reporting period of RMB0.20, RMB0.35 and RMB0.278 per ordinary share in respect of the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020	100,035	174,638	208,069	–	–

The final dividend proposed after the end of each of the Track Record Period has not been recognised as a liability at the end of each of the Track Record Period.

18. INVESTMENTS IN SUBSIDIARIES

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Company				
Investments in subsidiaries				
–Unlisted shares, at cost	1,733,452	2,021,925	2,369,374	2,585,177

The Company had direct and indirect equity interests in the following principal subsidiaries during the Track Record Period:

Name of subsidiaries	Place and date of incorporation/ establishment	Authorised share capital/ registered capital	Equity interests attributable to the Group as at December 31, 2017		December 31, 2018		December 31, 2019		March 31, 2020		Principal activities
			Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	
			%	%	%	%	%	%	%	%	
上海泰格醫藥科技有限公司 Shanghai Tigermed Consulting Co Ltd *(note (a))*	PRC, January 6, 2006	RMB5,000,000	100.00	–	100.00	–	100.00	–	100.00	–	Clinical development service
美斯達(上海)醫藥開發有限公司 MacroStat (China) Clinical Research Co., Ltd ("MacroStat") *(note (a))*	PRC, November 16, 2005	RMB1,440,585	100.00	–	100.00	–	100.00	–	100.00	–	Data management and statistical analysis
杭州思默醫藥科技有限公司 Hangzhou Simo Co., Ltd. *(note (a))*	PRC, May 27, 2011	RMB17,627,000	100.00	–	100.00	–	100.00	–	100.00	–	Site management organisation and patient recruitment services
嘉興泰格數據管理有限公司 Jiaxing Tigermed Data Management Co., Ltd. *(note (a))*	PRC, April 2, 2010	RMB176,083,600	100.00	–	100.00	–	100.00	–	100.00	–	Data management and statistical analysis
香港泰格醫藥科技有限公司 Hong Kong Tigermed Co., Limited ("Tigermed HK")	Hong Kong, September 14, 2011	HKD640,755,481	100.00	–	100.00	–	100.00	–	100.00	–	Investment holding
上海晟通國際物流有限公司 Shanghai Shengtong International Logistics Co., Ltd ("Shanghai Shengtong") *(note (a),(j))*	PRC, September 18, 2017	RMB11,667,000	55.00	–	55.00	–	–	–	–	–	Cold-chain logistics service
杭州泰格股權投資合夥企業(有限合夥) Hangzhou Tigermed Equity Investment Partnership *(note (a))*	PRC, April 22, 2016	RMB750,000,000	99.40	0.60	99.40	0.60	99.40	0.60	99.40	0.60	Investment management

Name of subsidiaries	Place and date of incorporation/ establishment	Authorised share capital/ registered capital	Equity interests attributable to the Group as at December 31, 2017		December 31, 2018		December 31, 2019		March 31, 2020		Principal activities
			Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	
			%	%	%	%	%	%	%	%	
泰州泰格捷通醫藥科技有限公司 Taizhou Tigermed-Jyton Medical Tech. Co., Ltd. ("Jietong Tigermed") (previously known as 泰州捷通泰瑞醫藥科技有限公司 *(note (a),(b))*	PRC, December 18, 2014	RMB4,000,000	100.00	–	100.00	–	100.00	–	100.00	–	Clinical development service
TG SKY Investment Ltd. *(note (c))*	BVI, November 23, 2017	United State dollar ("US$")50,000	100.00	–	100.00	–	100.00	–	100.00	–	Investment holding
北醫仁智(北京)醫學科技發展有限公司 Beijing Medical Development Co., Ltd. ("Beiyi") *(note(a))*	PRC, August 31, 2011	RMB6,500,000	100.00	–	100.00	–	100.00	–	100.00	–	Clinical trial operation and regulatory and registration services
漯河煜康投資中心(有限合夥) Luohe Yukang Investment Center Partnership ("Luohe Yukang") *(note (a),(i))*	PRC, March 3, 2016	RMB124,000,000	25.02	–	35.70	–	24.19	–	24.19	–	Equity holding
石河子市泰譽股權投資合夥企業(有限合夥) Shihezi Taiyu Equity Investment Partnership ("Shihezi Taiyu") (previously known as: 杭州泰譽股權投資合夥企業(有限合夥)) *(note (a),(i))*	PRC, July 13, 2015	RMB150,000,000	13.33	–	13.33	0.41	13.33	1.00	13.33	1.00	Equity holding
Frontage Holdings Corporation ("Frontage Holdings") *(note (d),(e))*	Cayman Islands, April 16, 2018	US$50,000	–	–	–	68.60	–	51.45	–	51.45	Investment holding
Frontage Laboratories, Inc., ("Frontage Labs") *(note (d),(e))*	USA, April 24, 2004	US$20,000	–	70.65	–	68.60	–	51.45	–	51.45	Bioanalytical, CMC and DMPK services
Tigermed-BDM Inc., ("Tigermed BDM")	USA, May 26, 1999	US$30	–	86.79	–	85.87	–	100.00	–	100.00	Data management, statistics, SAS project management
北京康利華諮詢服務有限公司 Beijing Canny Consulting Inc. *(note (a))*	PRC, September 5, 2000	RMB1,000,000	–	51.00	–	51.00	39.57	51.00	41.88	51.00	GMP consulting, medical registration and regulatory affairs, with a focus on regulatory compliance of drugs, health foods and cosmetics
DreamCIS Inc. ("DreamCIS") *(note (f))*	Korea, April 27, 2000	KRW2,011,860,000	–	87.55	–	87.55	–	87.75	–	87.75	CRO

Name of subsidiaries	Place and date of incorporation/ establishment	Authorised share capital/ registered capital	Equity interests attributable to the Group as at December 31, 2017		December 31, 2018		December 31, 2019		March 31, 2020		Principal activities
			Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	
			%	%	%	%	%	%	%	%	
Bright Sky Resources Investment Ltd	BVI, July 2, 2015	US$1	–	100.00	–	100.00	–	100.00	–	100.00	Investment holding
北京捷通康諾醫藥科技有限公司 Beijing Jyton and Kannel Medical Tech. Co., Ltd. *(note (a))*	PRC, April 28, 2003	RMB1,000,000	–	100.00	–	100.00	–	100.00	–	100.00	Medical device consulting, pharmaceuticals and regulations consulting, clinical trials and recruiting services
Croley Martell Holdings, Inc. *(note (g))*	USA, February 6, 2017	US$2,000	–	–	–	68.60	–	51.45	–	51.45	Investment holding
Concord Biosciences, LLC ("Concord") *(note (g))*	USA, December 29, 1999	–	–	–	–	68.60	–	51.45	–	51.45	Safety and toxicology services
上海方達生物技術有限公司 Shanghai Frontage Biotech Co. Ltd. ("Shanghai Frontage Biotech") *(note (a),(h))*	PRC, May 24, 2016	RMB1,000,000	–	70.65	–	–	–	–	–	–	Bioanalytical services
仁智(蘇州)醫學研究有限公司 Beijing Medical Development (Suzhou) Co., Ltd *(note (a))*	PRC, June 6, 2013	RMB10,000,000	–	100.00	–	100.00	–	100.00	–	100.00	Clinical development service
方達醫藥技術(上海)有限公司 Frontage Laboratories (Shanghai) Co., Ltd. ("Frontage Shanghai") *(note (a))*	PRC, August 2, 2005	US$43,550,500	–	70.65	–	68.60	–	51.45	–	51.45	Bioequivalence and laboratory services
北京雅信誠醫學信息科技有限公司 Beijing Yaxincheng Medical InfoTech Co. Ltd. ("Beijing Yaxincheng") *(note (a), Note 40(c)(i))*	PRC, July 20, 2000	RMB2,000,000	–	–	–	–	55.00	–	55.00	–	DMPK services
方達醫藥技術(蘇州)有限公司 Frontage Laboratories (Suzhou) Co., Ltd. ("Frontage Suzhou") *(note (a),(k), Note 40(c)(ii))*	PRC, January 7, 2014	RMB10,000,000	–	–	–	–	–	38.59	–	38.59	CMC operations in the PRC
RMI Laboratories, LLC ("RMI") *(Note 40(c)(iii))*	USA, September 15, 2008	–	–	–	–	–	–	51.45	–	51.45	DMPK services
BRI Biopharmaceutical Research Inc. ("BRI") *(Note 40(c)(iv))*	Canada, February 4, 1999	Canadian dollar ("CAD") 5,000,000	–	–	–	–	–	51.45	–	51.45	DMPK services
上海謀思醫藥科技有限公司 Shanghai Mosim Medical Technology Co., Ltd. ("Mosim") *(note (a), Note 40(d)(i))*	PRC October 14, 2015	RMB1,000,000	–	–	–	–	–	–	60.00	–	CRO services

Notes:

(a) The English names of the subsidiaries registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

(b) On May 22, 2017, the Group acquired 100% of equity interests of Jietong Tigermed. Details of the acquisition are set out in Note 40(a).

(c) In November 2017, the Group incorporated TG SKY Investment Ltd. in the BVI with the registered capital of US$50,000.

(d) In April 2018, Frontage Labs and its subsidiaries carried out reorganisation in order to fulfill the listing requirements of the Stock Exchange. Accordingly, the Group has incorporated Frontage Holdings as holding company of Frontage Labs and its subsidiaries (collectively the "Frontage Holdings Group") in the Cayman Islands. Frontage Holdings has listed on the Main Board of the Stock Exchange since May 30, 2019.

(e) During the year ended December 31, 2018, the Group disposed 2% equity interests of Frontage Labs. After completion of the share transfer, the Group holds 68.60% equity interests in Frontage Holdings. Upon the listing of Frontage Holdings on the Stock Exchange, the shareholding held by the Group diluted to 51.45%.

(f) In September 2017, the Company further acquired 0.21% and, in November 2017, the Company disposed 10.59% equity interests of DreamCIS. After completion of the share transfer, the Group holds 87.55% equity interests in DreamCIS.

(g) On April 1, 2018, the Group acquired 100% of the equity interests of Croley Martell Holdings, Inc and its subsidiaries (collectively "Concord Group"), details of the acquisition are set out in Note 40(b)(i).

(h) On April 27, 2018, the Group disposed its 100% equity interests in Shanghai Frontage Biotech. Details of the disposal of this subsidiary are set out in Note 41(b).

(i) In March 2016, the Group entered into an investment agreement with a number of independent third parties to establish Luohe Yukang, which is principally engaged in equity holding of investments. Pursuant to relevant investment agreement, the Group, through its subsidiary, is acting as a general partner and fund manager, and those independent third parties are acting as limited partners. The Group, as a general partner and fund manager, has the power to direct the relevant activities of the fund through the appointment and involvement of investment committee and is functioning as a principal, and limited partners have no substantive power to remove the Group as the general partner. The Group is also significantly exposed to variable returns through its involvement in investment committee. Therefore, the directors of the Company consider that the Group has control over Luohe Yukang throughout the Track Record Period and accounted for as subsidiary of the Company.

In July 2015, the Group entered into an investment agreement with a number of independent third parties to establish Shihezi Taiyu, which is principally engaged in equity holding of investments. Pursuant to relevant investment agreement, the Group, through its subsidiary, is acting as a general partner and fund manager, and those independent third parties are acting as limited partners. The Group, as a general partner and fund manager, has the power to direct the relevant activities of the fund through the appointment and involvement of investment committee and is functioning as a principal, and limited partners have no substantive power to remove the Group as the general partner. The Group is also significantly exposed to variable returns through its involvement in investment committee. Therefore, the directors of the Company consider that the Group has control over Shihezi Taiyu throughout the Track Record Period and accounted for as subsidiary of the Company.

(j) On March 20, 2019, the Group disposed in aggregate of 20% equity interests in a non-wholly owned subsidiary, Shanghai Shengtong. Details of the disposal of this subsidiary are set out in Note 41(c)(i).

(k) As at 31 December 2019, Frontage Suzhou was 75% owned by Frontage Shanghai, which was in turn a 51.45% owned subsidiary of the Company. Accordingly, the directors of the Company consider that the Company has control over Frontage Suzhou.

Summarised financial information in relation to the subsidiaries with material non-controlling interests (the "NCIs") before intra-group elimination is presented below:

The Frontage Holdings Group

	Year ended December 31,			Three months ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue	473,142	556,756	694,842	163,223	171,052
Profit for the year/period	68,467	75,300	127,544	24,339	16,250
Total comprehensive income for the year/period	58,599	87,449	144,987	18,786	45,381
Profit allocated to NCI	21,108	21,602	52,809	7,642	7,889
Dividends paid to NCI	–	–	–	–	–
Cash flows from operating activities	45,526	151,779	127,523	27,638	57,636
Cash flows used in investing activities	(47,405)	(76,600)	(86,420)	(20,917)	(18,581)
Cash flows from/(used in) financing activities	7,194	8,903	1,285,147	(1,979)	(1,692)
Net cash inflows	5,315	84,082	1,326,250	4,742	37,363

	As at December 31,			As at March 31,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	198,202	303,271	1,691,087	1,738,195
Non-current assets	175,496	228,380	508,286	659,956
Current liabilities	(128,083)	(204,070)	(202,840)	(228,209)
Non-current liabilities	(48,151)	(28,112)	(145,900)	(270,608)
Net assets	197,464	299,469	1,850,633	1,899,334
Accumulated NCI	57,956	94,033	898,482	922,127

DreamCIS

	Year ended December 31,			Three months ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue	94,677	117,443	137,573	29,520	30,497
(Loss)/profit for the year/period	(6,644)	20,904	25,829	6,226	5,014
Total comprehensive income for the year/period	(5,623)	20,978	27,512	5,412	(624)
(Loss)/profit allocated to NCI	(827)	2,603	3,163	775	614
Dividends paid to NCI	–	–	–	–	–
Cash flows from operating activities	9,796	29,679	26,650	8,918	2,232
Cash flows from/(used in) investing activities	431	(5,807)	(25,279)	(18,016)	(17)
Cash flows used in financing activities	(1,787)	(6,117)	(2,822)	(382)	(1,144)
Net cash inflows/(outflows)	8,440	17,755	(1,451)	(9,480)	1,071

	As at December 31,			As at March 31,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	73,529	103,851	144,618	128,426
Non-current assets	9,202	4,476	13,512	12,329
Current liabilities	(63,084)	(66,388)	(85,976)	(70,371)
Non-current liabilities	(2,414)	(2,094)	(4,222)	(2,859)
Net assets	17,233	39,845	67,932	67,525
Accumulated NCI	2,145	4,961	8,320	8,270

All of the subsidiaries, except as stated below, adopted December 31 as their financial year end date.

Except for those subsidiaries incorporated as limited partnership which are not required to prepare financial statements for statutory purpose, the statutory financial statements of subsidiaries in the PRC for the years ended December 31, 2017, 2018 and 2019 were prepared in accordance with relevant accounting principles and financial regulations applicable in the PRC and were audited by BDO China Shu Lun Pan Certified Public Accountants LLP, 上海德義致遠會計師事務所 and Suzhou Easthigh Certified Public Accountants.

The statutory financial statements of DreamCIS for the years ended December 31, 2017, 2018 and 2019 were prepared in accordance with Korean International Financial Reporting Standards and were audited by Ernst & Young Han Young for the years ended December 31, 2017 and 2018, and audited by KPMG Samjong Accounting Corp for the year ended December 31, 2019.

The statutory financial statements of Tigermed HK for the years ended December 31, 2017, 2018 and 2019 were prepared in accordance with Hong Kong Financial Reporting Standards and were audited by Profit Spill CPA & Co.

The statutory financial statements of Tigermed India Data Solutions Private Limited for the years ended March 31, 2017, 2018, 2019 and 2020 were prepared in accordance with the accounting principles generally accepted in India, including the Accounting prescribed under Section 133 of the Act, were audited by Kishore P & Co.

No statutory audited financial statements were prepared for certain entities established in the Cayman Islands, USA, Taiwan, Australia, Romania, Malaysia, Canada, Switzerland and Singapore since their date of incorporation as they are incorporated in a jurisdiction where there are no statutory audit requirements or exempted from statutory audit requirements.

19. INTERESTS IN ASSOCIATES

	As at December 31,			As at March 31,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
At the beginning of the year/period	32,643	90,460	103,293	109,713
Additions (notes (b) to (f),(i))	64,432	25,897	42,090	654
Disposal and transfer (notes (c),(d),(h))	(346)	(8,858)	(22,013)	(42,611)
Share of post-acquisition (losses)/profits	(6,199)	9,598	(9,768)	(2,823)
Impairment provision (note (g))	–	(14,061)	–	–
Dividend declared by an associate	–	–	(3,960)	–
Exchange realignment	(70)	257	71	57
At the end of the year/period	90,460	103,293	109,713	64,990

	As at December 31,			As at March 31,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Company				
At the beginning of the year/period	7,358	56,381	90,092	105,936
Additions (notes (b) to (f))	47,000	25,897	42,090	–
Disposal and transfer	(346)	–	(11,088)	(42,611)
Share of post-acquisition profits/(losses)	2,369	7,814	(11,198)	(2,638)
Dividend declared by an associate	–	–	(3,960)	–
At the end of the year/period	56,381	90,092	105,936	60,687

The Group had interests in the following principal associates during the Track Record Period:

Name of associates	Place of incorporation/ establishment	Authorised capital/ registered capital	Proportion of ownership interest held by the Group as at December 31, 2017	December 31, 2018	December 31, 2019	March 31, 2020	Principal activities
Frontida Biopharm, Inc. ("Frontida") *(note (b), Note 44(b))*	USA	US$6,013	30.00%	–	–	–	CRO services
上海觀合醫藥科技有限公司 Teddy Clinical Research Laboratory (Shanghai) Limited ("Shanghai Guanhe") *(note (a),(c))*	PRC	RMB51,813,471	50.00%	40.00%	36.67%	36.67%	Central laboratory service
杭州頤柏健康管理有限公司 Hangzhou Yibai Health Management Co., Ltd. ("Hangzhou Yibai") *(note (a),(d))*	PRC	RMB90,153,000	49.47%	49.47%	41.44%	39.10%	Clinical research service
益新泰格(南通)醫藥科技有限公司 EPS Tigermed (Nantong) Co., Ltd. ("Nantong Yixin") *(note (a),(e))*	PRC	US$16,666,700	–	40.00%	40.00%	40.00%	Medical devices and related products sales service
蘇州益新泰格醫藥科技有限公司 EPS Tigermed (Suzhou) Co., Ltd. ("Suzhou Yixin") *(note (a),(f))*	PRC	RMB9,803,900	–	49.00%	49.00%	49.00%	Clinical data management and analysis service
Frontage Suzhou *(note (h), Note 40(c)(ii))*	PRC	RMB10,000,000	49.04%	49.04%	–	–	CMC operations in the PRC
Mosim *(note (i))*	PRC	RMB1,000,000	–	–	33.00%	–	CRO services
FJ Pharma LLC	USA	US$2,000,000	49.00%	49.00%	49.00%	49.00%	CRO services
Tigerise Inc. ("Tigerise") *(note (j))*	Japan	Japanese Yen ("JPY") 20,000,000	–	–	–	50.00%	CRO services

Notes:

(a) The English names of the associates registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

(b) During the year ended December 31, 2017, the Group subscribed an additional 14% of equity interests of Frontida through five different purchases of tranches of shares. The total cash consideration was US$2,804,000 (equivalent to RMB17,432,000). On March 1, 2018, Frontage Labs sold its 30% equity interest in Frontida to Dr Song Li for an aggregate consideration of US$5,367,000 (equivalent to RMB35,952,000).

(c) The Group owned 50% equity interests in Shanghai Guanhe during the year ended December 31, 2017. The directors of the Company considered that the Group has significant influence over this entity based on the following factors: (1) the Group has appointed 2 directors (including the chairman who did not have special voting right) to the board of directors (total 5 directors), with the other 3 directors appointed by the other shareholder, who owned another 50% equity interests in Shanghai Guanhe; and (2) the appointed directors actively participate in the policy-making process of the entity and the decision making of relevant activities are based on simple majority voting. The directors of the Company concluded that the Company only had significant influence and no control over Shanghai Guanhe. During the year ended December 31, 2018, upon additional capital contribution being made by an independent third party, the registered capital of Shanghai Guanhe was enlarged from RMB40,000,000 to RMB50,000,000 and the Group's equity interests in Shanghai Guanhe was diluted from 50% to 40%. On March 15, 2019, the Group disposed 2% of the shareholding in Shanghai Guanhe at a cash consideration of approximately RMB1,400,000. On the same day, upon additional capital contribution being made by an independent third party, the registered capital of Shanghai Guanhe was enlarged from RMB50,000,000 to RMB51,813,471. Upon completion of the disposal transaction and additional capital contribution, the Group's equity interests in Shanghai Guanhe was reduced from 40% to 36.67%.

(d) In 2017, the Group acquired 49.47% of the equity interests of Hangzhou Yibai for consideration of RMB47,000,000 settled in cash. During the year ended December 31, 2019, upon additional capital contribution being made by an independent third party, the registered capital of Hangzhou Yibai was enlarged from RMB71,250,000 to RMB83,028,000 and the Group's equity interests in Hangzhou Yibai was diluted from 49.47% to 41.44%. During the three months ended March 31, 2020, upon additional capital contribution being made by an independent third party, the registered capital of Hangzhou Yibai was enlarged from RMB83,028,000 to RMB90,153,000 and the Group's equity interests in Hangzhou Yibai was diluted from 41.44% to 39.10%, resulting in a gain on deemed disposal of approximately RMB2,262,000. Immediately upon completion of the capital contribution, Hangzhou Yibai continued to be classified as an associate.

(e) Nantong Yixin was established in the PRC on August 1, 2013 and is 40% owned by the Group and the remaining 60% are owned by an independent third party.

(f) Suzhou Yixin was established in the PRC on October 26, 2011 and is 49% owned by the Group and the remaining 51% are owned by an independent third party.

(g) During the year ended December 31, 2018, due to the continued losses generated by Frontida, a triggering event occurred, the Group conducted a full impairment analysis being performed on the recoverable amount of the investment, which is determined based on the fair value less cost of disposal of the investment. The carrying amount of the investment in Frontida was reduced to its recoverable amount of RMB8,858,000 and an impairment loss of RMB14,061,000 was recognised during the year ended December 31, 2018. The investment was measured at fair value based on Level 3 hierarchy using the mix of income approach and market approach. The discount rate used in the measuring the amount of fair value was 45%.

(h) During the year ended December 31, 2019, the Group entered into an agreement to acquire 25.96% of the equity interests of Frontage Suzhou from an independent third party for a total cash consideration of RMB14,434,000, thereafter Frontage Suzhou became an indirect non-wholly owned subsidiary of the Company and the financial results, assets and liabilities of Frontage Suzhou is consolidated into the consolidated financial statements of the Group. Please refer to Note 40(c)(ii) for details.

(i) In April 2019, the Group appointed one of the four board members in the board of directors of Mosim, that enables the Group to influence the relevant activities of Mosim, which was previously accounted for as financial asset at FVTPL. The directors of the Company consider the Group has significant influence over Mosim after the appointment of the director representing the Group and the investment has therefore been classified as an interest in an associate. During the year ended December 31, 2019, the broad of directors of Mosim proposed the payment of a dividend of RMB12,000,000 to its shareholders. Based on the shareholding held by the Group, the Group is entitled to a dividend of RMB3,960,000. As at December 31, 2019, the amount was not yet settled. On January 9, 2020, the Group further acquired 27% equity interests in Mosim, which then become a subsidiary of the Company (see Note 40(d)(i) for details).

(j) Tigerise was established in Japan during the three months ended March 31, 2020 and is 50% owned by the Group and the remaining 50% is owned by an independent third party. The Group appointed two out of six board members in the board of the directors of Tigerise, which enables the Group to significantly influence the relevant activities of Tigerise. The directors of the Company consider the Group has significant influence over Tigerise and the investment has therefore been classified as an interest in an associate.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Aggregate information of associates that are not individually material

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate carrying amount of the Group's associates in the Historical Financial Information	90,460	103,293	109,713	64,990

	For the year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Share of (losses)/profits and total comprehensive income of associates	(6,199)	9,598	(9,768)	(13,496)	(2,823)

20. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Freehold land	Buildings	Leasehold improvements	Experiment equipment	Furniture, fixtures and equipment	Transportation equipment	Total
	RMB"000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Group								
COST								
As at January 1, 2017	–	–	92,624	8,955	196,451	48,696	9,461	356,187
Additions	–	–	–	4,383	47,857	7,405	433	60,078
Acquired through business combination *(Note 40(a))*	–	–	–	1,164	–	228	39	1,431
Derecognised on disposal of subsidiaries *(Note 41(a))*	–	–	(3,056)	(2,028)	(8,544)	(478)	–	(14,106)
Disposals	–	–	–	–	(8,773)	(4,665)	(1,060)	(14,498)
Exchange realignment	–	–	–	–	(9,392)	101	22	(9,269)
As at December 31, 2017 and January 1, 2018	–	–	89,568	12,474	217,599	51,287	8,895	379,823
Additions	–	–	93	5,936	75,368	6,931	551	88,879
Acquired through business combination *(Note 40(b))*	–	11,486	15,063	–	16,669	1,023	96	44,337
Derecognised on disposal of subsidiaries *(Note 41(b))*	–	–	–	–	(14,091)	(100)	–	(14,191)
Disposals	–	–	–	–	(6,546)	(2,561)	(917)	(10,024)
Exchange realignment	–	1,073	1,498	–	10,500	458	15	13,544
As at December 31, 2018	–	12,559	106,222	18,410	299,499	57,038	8,640	502,368
Transfer to right-of-use assets	–	–	–	–	(57,623)	–	–	(57,623)
As at January 1, 2019	–	12,559	106,222	18,410	241,876	57,038	8,640	444,745
Additions	22,309	–	–	15,067	45,965	4,793	466	88,600
Acquired through business combination *(Note 40(c))*	–	–	15,937	1,320	10,195	1,761	349	29,562
Transfer from capitalised leases *(Note 23b)*	–	–	–	–	8,727	–	–	8,727
Derecognised on disposal of subsidiaries *(Note 41(c))*	–	–	(93)	(3,956)	(3,717)	(319)	(3,564)	(11,649)
Disposals	–	–	–	–	(15,744)	(2,774)	(292)	(18,810)
Exchange realignment	–	207	271	–	7,505	78	(2)	8,059
As at December 31, 2019 and January 1, 2020	22,309	12,766	122,337	30,841	294,807	60,577	5,597	549,234
Additions	13,794	–	–	–	5,904	630	–	20,328
Acquired through business combination *(Note 40(d))*	–	–	–	–	242	–	233	475
Transfer from capitalised leases *(note 23b)*	–	–	–	–	3,237	–	–	3,237
Transfer	(4,192)	–	–	–	1,913	2,279	–	–
Derecognised on disposal of subsidiaries *(Note 41(d))*	–	–	–	–	–	(19)	–	(19)
Disposals	–	–	–	–	(812)	(58)	–	(870)
Exchange realignment	308	199	261	–	1,947	(8)	(16)	2,691
As at March 31, 2020	32,219	12,965	122,598	30,841	307,238	63,401	5,814	575,076

	Construction in progress	Freehold land	Buildings	Leasehold improvements	Experiment equipment	Furniture, fixtures and equipment	Transportation equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Group								
DEPRECIATION AND IMPAIRMENT								
As at January 1, 2017	–	–	5,989	7,561	112,678	28,488	4,726	159,442
Provided for the year	–	–	2,603	1,557	17,952	4,137	1,220	27,469
Eliminated on disposal of subsidiaries *(Note 41(a))*	–	–	(169)	(1,629)	(4,638)	(130)	–	(6,566)
Eliminated on disposals	–	–	–	–	(432)	(813)	(968)	(2,213)
Exchange realignment	–	–	–	–	(5,652)	385	14	(5,253)
As at December 31, 2017 and January 1, 2018	–	–	8,423	7,489	119,908	32,067	4,992	172,879
Provided for the year	–	–	5,043	2,533	44,101	3,046	925	55,648
Eliminated on disposal of subsidiaries *(Note 41(b))*	–	–	–	–	(571)	(10)	–	(581)
Eliminated on disposals	–	–	–	–	(4,513)	(2,085)	(871)	(7,469)
Exchange realignment	–	–	33	–	5,696	238	5	5,972
As at December 31, 2018	–	–	13,499	10,022	164,621	33,256	5,051	226,449
Transfer to right-of-use assets	–	–	–	–	(16,906)	–	–	(16,906)
As at January 1, 2019	–	–	13,499	10,022	147,715	33,256	5,051	209,543
Provided for the year	–	–	4,446	3,407	33,628	7,573	1,219	50,273
Transfer from capitalised leases *(Note 23b)*	–	–	–	–	4,907	–	–	4,907
Eliminated on disposal of subsidiaries *(Note 41(c))*	–	–	(13)	(1,974)	(1,096)	(185)	(2,975)	(6,243)
Eliminated on disposals	–	–	–	–	(14,173)	(2,426)	(167)	(16,766)
Exchange realignment	–	–	13	–	811	–	(4)	820
As at December 31, 2019 and January 1, 2020	–	–	17,945	11,455	171,792	38,218	3,124	242,534
Provided for the period	–	–	1,233	1,033	7,551	2,010	307	12,134
Transfer from capitalised leases *(Note 23b)*	–	–	–	–	2,235	–	–	2,235
Eliminated on disposal of subsidiaries *(Note 41(d))*	–	–	–	–	–	(4)	–	(4)
Eliminated on disposals	–	–	–	–	(804)	(44)	–	(848)
Exchange realignment	–	–	34	–	1,175	(352)	(16)	841
As at March 31, 2020	–	–	19,212	12,488	181,949	39,828	3,415	256,892
NET BOOK VALUE								
As at December 31, 2017	–	–	81,145	4,985	97,691	19,220	3,903	206,944
As at December 31, 2018	–	12,559	92,723	8,388	134,878	23,782	3,589	275,919
As at December 31, 2019	22,309	12,766	104,392	19,386	123,015	22,359	2,473	306,700
As at March 31, 2020	32,219	12,965	103,386	18,353	125,289	23,573	2,399	318,184

The net carrying amount of property, plant and equipment includes the following assets held under finance leases (Note 33a).

	As at December 31,	
	2017	**2018**
	RMB'000	*RMB'000*
Experiment equipment	25,187	40,717

	Buildings	Leasehold improvements	Experiment equipment	Furniture, fixtures and equipment	Transportation equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Company						
COST						
As at January 1, 2017	9,006	–	4,513	7,269	1,603	22,391
Additions	–	–	–	3,862	–	3,862
Disposals	–	–	(158)	(755)	–	(913)
As at December 31, 2017 and January 1, 2018	9,006	–	4,355	10,376	1,603	25,340
Additions	–	–	–	2,014	167	2,181
Disposals	–	–	(77)	(1,055)	(414)	(1,546)
As at December 31, 2018 and January 1, 2019	9,006	–	4,278	11,335	1,356	25,975
Additions	–	2,029	646	801	–	3,476
Disposals	–	–	(125)	(749)	–	(874)
As at December 31, 2019 and January 1, 2020	9,006	2,029	4,799	11,387	1,356	28,577
Additions	–	–	386	122	–	508
Disposals	–	–	–	(39)	–	(39)
As at March 31, 2020	9,006	2,029	5,185	11,470	1,356	29,046
DEPRECIATION AND IMPAIRMENT						
As at January 1, 2017	3,118	–	612	4,890	364	8,984
Provided for the year	428	–	837	897	305	2,467
Eliminated on disposals	–	–	(30)	(704)	–	(734)
As at December 31, 2017 and January 1, 2018	3,546	–	1,419	5,083	669	10,717
Provided for the year	428	–	840	1,378	226	2,872
Eliminated on disposals	–	–	(20)	(915)	(393)	(1,328)
As at December 31, 2018 and January 1, 2019	3,974	–	2,239	5,546	502	12,261
Provided for the year	428	676	1,019	1,384	259	3,766
Eliminated on disposals	–	–	(96)	(641)	–	(737)
As at December 31, 2019 and January 1, 2020	4,402	676	3,162	6,289	761	15,290
Provided for the period	107	169	214	379	64	933
Eliminated on disposals	–	–	–	(29)	–	(29)
As at March 31, 2020	4,509	845	3,376	6,639	825	16,194
NET BOOK VALUE						
As at December 31, 2017	5,460	–	2,936	5,293	934	14,623
As at December 31, 2018	5,032	–	2,039	5,789	854	13,714
As at December 31, 2019	4,604	1,353	1,637	5,098	595	13,287
As at March 31, 2020	4,497	1,184	1,809	4,831	531	12,852

21. INTANGIBLE ASSETS

	Software	Trademark	Customer relationship	Customer backlog	Non-competition clause	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Group							
COST							
As at January 1, 2017	22,465	–	–	–	–	–	22,465
Additions	8,343	–	–	–	–	–	8,343
Acquired through business combination *(Note 40(a))*	1,657	–	–	–	–	–	1,657
Written off	(210)	–	–	–	–	–	(210)
Exchange realignment	343	–	–	–	–	–	343
As at December 31, 2017 and January 1, 2018	32,598	–	–	–	–	–	32,598
Additions	2,472	–	–	–	–	21	2,493
Acquired through business combination *(Note 40(b))*	178	628	–	–	–	–	806
Written off	(68)	–	–	–	–	–	(68)
Exchange realignment	(13)	59	–	–	–	–	46
As at December 31, 2018 and January 1, 2019	35,167	687	–	–	–	21	35,875
Additions	13,717	–	–	–	–	–	13,717
Acquired through business combination *(Note 40(c))*	20,762	–	29,314	6,195	5,417	–	61,688
Exchange realignment	(54)	11	–	–	–	–	(43)
As at December 31, 2019 and January 1, 2020	69,592	698	29,314	6,195	5,417	21	111,237
Additions	305	–	–	–	–	–	305
Acquired through business combination *(Note 40(d))*	6,208	–	2,126	–	2,126	–	10,460
Exchange realignment	(126)	11	(496)	22	42	–	(547)
As at March 31, 2020	75,979	709	30,944	6,217	7,585	21	121,455
AMORTISATION							
As at January 1, 2017	14,788	–	–	–	–	–	14,788
Charge for the year	4,751	–	–	–	–	–	4,751
Eliminated on written off	(60)	–	–	–	–	–	(60)
Exchange realignment	272	–	–	–	–	–	272
As at December 31, 2017 and January 1, 2018	19,751	–	–	–	–	–	19,751
Charge for the year	4,995	493	–	–	–	4	5,492
Eliminated on written off	(68)	–	–	–	–	–	(68)
Exchange realignment	(138)	22	–	–	–	–	(116)
As at December 31, 2018 and January 1, 2019	24,540	515	–	–	–	4	25,059
Charge for the year	6,123	175	332	450	270	17	7,367
Exchange realignment	(28)	8	–	–	–	–	(20)
As at December 31, 2019 and January 1, 2020	30,635	698	332	450	270	21	32,406
Charge for the period	2,509	–	895	982	9	–	4,395
Exchange realignment	(153)	11	23	13	1	–	(105)
As at March 31, 2020	32,991	709	1,250	1,445	280	21	36,696

	Software	Trademark	Customer relationship	Customer backlog	Non-competition clause	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NET BOOK VALUE							
As at December 31, 2017	12,847	–	–	–	–	–	12,847
As at December 31, 2018	10,627	172	–	–	–	17	10,816
As at December 31, 2019	38,957	–	28,982	5,745	5,147	–	78,831
As at March 31, 2020	42,988	–	29,694	4,772	7,305	–	84,759

	Software
	RMB'000
Company	
COST	
As at January 1, 2017	7,843
Additions	2,388
As at December 31, 2017 and January 1, 2018	10,231
Additions	281
As at December 31, 2018 and January 1, 2019	10,512
Additions	2,417
As at December 31, 2019, January 1, 2020 and March 31, 2020	12,929
AMORTISATION	
As at January 1, 2017	5,919
Charge for the year	1,300
As at December 31, 2017 and January 1, 2018	7,219
Charge for the year	1,133
As at December 31, 2018 and January 1, 2019	8,352
Charge for the year	954
As at December 31, 2019 and January 1, 2020	9,306
Charge for the period	264
As at March 31, 2020	9,570
NET BOOK VALUE	
As at December 31, 2017	3,012
As at December 31, 2018	2,160
As at December 31, 2019	3,623
As at March 31, 2020	3,359

22. GOODWILL

	Year ended December 31,			Three months ended March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
COST				
At the beginning of year/period	614,281	1,071,147	1,074,047	1,197,951
Acquisition of subsidiaries *(Note 40)*	456,866	2,900	142,861	197,758
Disposal of subsidiaries *(Note 41)*	–	–	(18,957)	–
At the end of the year/period	1,071,147	1,074,047	1,197,951	1,395,709
IMPAIRMENT				
At the beginning of year/period	12,120	22,120	41,120	40,120
Impairment loss recognised *(Note 10)*	10,000	19,000	–	–
Impairment loss released upon disposal of a subsidiary *(Note 41)*	–	–	(1,000)	–
At the end of the year/period	22,120	41,120	40,120	40,120
CARRYING VALUE				
At the end of the year/period	1,049,027	1,032,927	1,157,831	1,355,589

Goodwill acquired through business combinations is allocated to the following CGUs for impairment testing:

- Jietong Tigermed CGU;
- Frontage Holdings Group CGU;
- Mosim CGU;
- DreamCIS CGU;
- Beiyi CGU;
- Beijing Yaxincheng CGU;
- Frontage Suzhou CGU;
- 泰州康利華醫藥科技有限公司 Taizhou Kanglihua Pharmaceutical Technology Co., Ltd ("Taizhou Kanglihua") CGU;
- Tigermed BDM CGU;
- Biotranex, LLC ("Biotranex") CGU;
- MacroStat CGU;
- RMI CGU;
- BRI CGU;
- Opera Contract Research Organisation S.R.L. ("Opera") CGU;
- 台灣泰格國際醫藥股份有限公司 Taiwan International Pharmaceutical Co., Ltd ("Taiwan Tigermed") CGU; and
- Shanghai Shengtong CGU.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Jietong Tigermed CGU	456,866	456,866	456,866	456,866
Frontage Holdings Group CGU	268,001	268,001	268,001	268,001
Mosim CGU	–	–	–	185,952
DreamCIS CGU	128,700	128,700	128,700	128,700
Beiyi CGU	131,620	112,620	112,620	112,620
Beijing Yaxincheng CGU	–	–	99,350	99,350
Frontage Suzhou CGU	–	–	27,646	27,646
Taizhou Kanglihua CGU	18,407	18,407	18,407	18,407
Tigermed BDM CGU	15,091	15,091	15,091	15,091
Biotranex CGU	–	–	–	11,806
MacroStat CGU	11,512	11,512	11,512	11,512
RMI CGU	–	–	8,876	8,876
BRI CGU	–	–	6,989	6,989
Opera CGU	–	2,900	2,900	2,900
Taiwan Tigermed CGU	873	873	873	873
Shanghai Shengtong CGU	17,957	17,957	–	–
	1,049,027	1,032,927	1,157,831	1,355,589

Apart from the recoverable amounts mentioned below which have been determined by their respective fair value less costs of disposal, the recoverable amounts of other CGUs have been determined based on value-in-use calculations using pre-tax cash flow projections, which is based on financial budgets approved by management.

At December 31, 2017 and 2018, the recoverable amount of Shanghai Shengtong CGU was determined by its fair value less costs of disposal with reference to a sales and purchase agreement entered between a non-controlling shareholder of Shanghai Shengtong and two independent third parties during the year ended December 31, 2017. The directors of the Company are of opinion that the consideration could be considered as fair value as the agreement was entered with independent third parties on an arm's length basis. On March 8, 2019, the Group disposed 20% equity interests in Shanghai Shengtong to another independent third parties at cash consideration of RMB28,000,000, and recognised a gain on disposal of RMB52,828,000 during the year ended December 31, 2019. Please refer to Note 41(c)(i) for details.

At December 31, 2019 and March 31, 2020, the recoverable amount of Frontage Holdings Group CGU was determined by its fair value less costs of disposal with reference to the market price of the shares of Frontage Holdings listed on the Stock Exchange (see Note 18(d)).

Frontage Suzhou, RMI and BRI were all acquired by the Group before the end of the year ended December 31, 2019. At December 31, 2019, the recoverable amounts of Frontage Suzhou CGU, RMI CGU and BRI CGU were determined by their fair value less costs of disposal with reference to respective sales and purchase agreements in connection with respective acquisitions. The directors of the Company are of the opinion that the considerations could be considered as fair value as the agreements were entered into with independent third parties on an arm's length basis.

Biotranex was acquired by the Group on March 31, 2020. At March 31, 2020, the recoverable amount of Biotranex CGU was determined by its fair value less costs of disposal with reference to the sales and purchase agreement in connection with the acquisition. The directors of the Company are of the opinion that the consideration could be considered as fair value as the agreement was entered with an independent third party on an arm's length basis.

Assumptions were used in the value-in-use calculations of other CGUs as at December 31, 2017, 2018 and 2019 and March 31, 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

The cash flow projections were based on financial budgets covering a period approved by management as follows:

Jietong Tigermed CGU	5 years
Frontage Holdings Group CGU	5 years
Mosim CGU	5 years
DreamCIS CGU	5 years
Beiyi CGU	5 years
Beijing Yaxincheng CGU	5 years
Frontage Suzhou CGU	5 years
Taizhou Kanglihua CGU	5 years
Tigermed BDM CGU	5 years
MacroStat CGU	5 years
RMI CGU	5 years
BRI CGU	5 years
Opera CGU	5 years
Taiwan Tigermed CGU	5 years

The cash flow projections beyond the 5-year period are extrapolated using expected growth rates of revenue as follows:

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	%	%	%	%
Jietong Tigermed CGU	0.0	0.0	5.0	5.0
Frontage Holdings Group CGU	0.0	0.0	N/A	N/A
Mosim CGU	N/A	N/A	N/A	5.0
DreamCIS CGU	5.0	0.0	0.0	5.0
Beiyi CGU	0.0	0.0	0.0	0.0
Beijing Yaxincheng CGU	N/A	N/A	0.0	5.0
Frontage Suzhou CGU	N/A	N/A	N/A	3.0
Taizhou Kanglihua CGU	0.0	0.0	5.0	5.0
Tigermed BDM CGU	5.0	5.0	5.0	5.0
MacroStat CGU	0.0	0.0	0.0	0.0
RMI CGU	N/A	N/A	N/A	3.0
BRI CGU	N/A	N/A	N/A	3.0
Opera CGU	N/A	0.0	5.0	5.0
Taiwan Tigermed CGU	0.0	0.0	3.0	3.0

This growth rate is based on the relevant industry growth forecast and does not exceed the average long-term growth rate for the relevant industry.

The discount rates applied to the cash flow projections are as follows:

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	%	%	%	%
Jietong Tigermed CGU	15.2	15.3	15.3	16.5
Frontage Holdings Group CGU	22.0	22.0	N/A	N/A
Mosim CGU	N/A	N/A	N/A	16.6
DreamCIS CGU	15.4	16.0	18.3	20.8
Beiyi CGU	14.3	14.9	15.3	16.6
Beijing Yaxincheng CGU	N/A	N/A	15.3	16.6
Frontage Suzhou CGU	N/A	N/A	N/A	22.0
Taizhou Kanglihua CGU	17.2	17.3	17.4	18.8
Tigermed BDM CGU	21.5	22.4	22.0	23.0
MacroStat CGU	15.2	15.3	15.3	16.5
RMI CGU	N/A	N/A	N/A	20.0
BRI CGU	N/A	N/A	N/A	20.0
Opera CGU	N/A	17.6	17.4	18.8
Taiwan Tigermed CGU	15.5	15.7	15.3	17.6

The discount rates used are pre-tax and reflect specific risk relating to the relevant units.

The discount rate is the expected return of the Group's assets that reflects current market assessments of the time value of money and the specific risk associated with the CGU, after taking into account the weighted average cost of equity and debt.

In determining the discount rate for the goodwill assessment of Frontage Holdings Group CGU for the years ended December 31, 2017 and 2018, the directors of the Company had taken into account the capital structure of Frontage Holdings Group CGU and general situation in bioanalytical, CMC and DMPK industry. In the opinion of the directors of the Company, there was no significant change in the business environment in the industry and the capital structure of Frontage Holdings Group CGU and therefore, the discount rate remained stable.

Other key assumptions for the value-in-use calculations related to the estimation of cash inflows/outflows include budgeted sales and gross margins, such estimation is based on the CGU's past performance and management's expectations for the market development.

According to the results of the impairment testing on major CGUs, the estimated recoverable amounts of the major CGUs exceed their carrying amount (i.e. the headroom (note (a)) as below:

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Jietong Tigermed CGU	80,666	92,652	93,892	41,703
Frontage Holdings Group CGU	145,656	160,366	3,646,621	1,963,919
Mosim CGU *(note (e))*	N/A	N/A	N/A	31,203
DreamCIS CGU	39,521	56,738	65,641	51,468
Beiyi CGU *(note (b))*	N/A	N/A	62,800	58,751
Beijing Yaxincheng CGU *(note (c))*	N/A	N/A	22,255	27,767

The directors of the Company also performed sensitivity analysis based on the assumptions that expected growth rate of revenue or pre-tax discount rate would be changed by taking into accounts the volatility of the business and industry in which the acquirees are engaged, and changes in market price of the shares for listed equity securities. Had the following estimated key assumptions for the forecast period been changed as below, the headroom would decrease to the amounts as follows:

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Jietong Tigermed CGU				
– Expected growth rate of revenue decrease by 5%	39,750	46,116	51,342	536
– Pre-tax discount rate increase by 1%	49,008	55,586	59,261	6,982
Frontage Holdings Group CGU *(note (d))*				
– Expected growth rate of revenue decrease by 5%	91,144	38,394	N/A	N/A
– Pre-tax discount rate increase by 1%	110,549	125,635	N/A	N/A
– Market price of the share decrease by 10%	N/A	N/A	3,226,621	1,686,632
Mosim CGU *(note (e))*				
– Expected growth rate of revenue decrease by 5%	N/A	N/A	N/A	13,653
– Pre-tax discount rate increase by 1%	N/A	N/A	N/A	10,997
DreamCIS CGU				
– Expected growth rate of revenue decrease by 5%	2,844	30,163	63,484	28,826
– Pre-tax discount rate increase by 1%	26,949	46,795	57,041	44,144
Beiyi CGU *(note (b))*				
– Expected growth rate of revenue decrease by 5%	N/A	N/A	15,084	44,378
– Pre-tax discount rate increase by 1%	N/A	N/A	50,646	48,816
Beijing Yaxincheng CGU *(note (c))*				
– Expected growth rate of revenue decrease by 5%	N/A	N/A	9,978	4,729
– Pre-tax discount rate increase by 1%	N/A	N/A	6,678	13,156

Notes:

(a) The headroom of each CGU is calculated based on its recoverable amount deducting its carrying amount and goodwill allocated.

(b) During the years ended December 31, 2017 and 2018, the directors of the Company have determined that there were impairment losses of RMB10,000,000 and RMB19,000,000, respectively, in relation to goodwill allocated to Beiyi CGU (under clinical trial solutions segment) as the recoverable amount of the CGU is less than its carrying amount. The estimated recoverable amount of the CGU is determined based on cash flow projections by reference to the valuation carried out by an external independent valuer. The valuer measured that the recoverable amounts of Beiyi CGU were approximately RMB131,620,000 and RMB112,620,000 which are RMB10,000,000 and RMB19,000,000 less than its carrying amounts before impairment as at December 31, 2017 and 2018 respectively.

(c) The Group acquired Beijing Yaxincheng in July 2019 (Note 40(c)(i)), and therefore there was no goodwill recognised as at December 31, 2017 and 2018.

(d) At December 31, 2019 and March 31, 2020, the recoverable amount of Frontage Holdings Group CGU was determined by its fair value less costs of disposal.

(e) The Group acquired Mosim in January 2020 (Note 40(d)(i)), and therefore there was no goodwill recognised as at December 31, 2017, 2018 and 2019.

Based on the above assessment and the historical results, the directors of the Company have not identified any reasonably possible change in the key assumptions on which the recoverable amount is based that would cause the carrying amounts of the major CGUs to exceed their respective recoverable amounts as of the end of each of the Track Record Period.

23a. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	Year ended December 31,	
	2017	**2018**
	RMB'000	*RMB'000*
Group		
At the beginning of year	5,669	5,539
Amortisation	(130)	(130)
At the end of the year	5,539	5,409

The balance as at January 1, 2019 was reclassified as leasehold land under right-of-use assets (see Note 23b) upon adoption of IFRS 16.

23b. RIGHT-OF-USE ASSETS

	Leasehold land	**Buildings**	**Experiment equipment**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Group					
As at January 1, 2019					
Carrying amount	5,409	121,883	40,717	645	168,654
As at December 31, 2019 and January 1, 2020					
Carrying amount	5,279	147,457	39,576	1,108	193,420
As at March 31, 2020					
Carrying amount	5,246	247,504	60,628	908	314,286
For the year ended December 31, 2019					
Depreciation charge	130	37,022	9,042	368	46,562
For the three months ended March 31, 2019					
Depreciation charge (unaudited)	33	7,909	2,355	64	10,361
For the three months ended March 31, 2020					
Depreciation charge	33	11,556	2,635	230	14,454

The consolidated statements of profit or loss and other comprehensive income contain the following amounts relating to leases:

	Year ended 31 December	Three months ended March 31,	
	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
		(Unaudited)	
Group			
Depreciation of right-of-use assets	46,562	10,361	14,454
Expenses relating to short-term leases and other lease with lease terms ended within 12 months from the date of initial application of IFRS 16	3,813	315	1,906
Expense relating to leases of low-value assets, excluding short-term leases of low-value asset	337	70	288
Total cash outflow for leases	55,230	15,161	17,411
Additions to right-of-assets	74,628	16,668	133,774
Acquired through business combination *(Note 40(c))*	2,173	–	–
Transferred from capitalised lease to property, plant and equipment *(Note 20)*	(3,820)	(3,324)	(1,002)
Disposal	(567)	–	–
Derecognised on disposal of subsidiaries *(Note 41(c), (d))*	(2,531)	–	(415)
Exchange realignment	1.445	(1,594)	2,963

	Buildings
	RMB'000
Company	
As at January 1, 2019	
Carrying amount	22,268
As at December 31, 2019 and January 1, 2020	
Carrying amount	24,219
As at March 31, 2020	
Carrying amount	20,407
For the year ended December 31, 2019	
Depreciation charge	14,506
For the three months ended March 31, 2019	
Depreciation charge (unaudited)	3,036
For the three months ended March 31, 2020	
Depreciation charge	3,812

	Year ended 31 December	Three months ended March 31,	
	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
		(Unaudited)	
Company			
Depreciation of right-of-use assets	14,506	3,036	3,812
Expenses relating to short-term leases and other lease with lease terms ended within 12 months from the date of initial application of IFRS 16	1,803	315	–
Total cash outflow for leases	16,532	4,258	3,867
Additions to right-of-use assets	16,457	7,478	–

For the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, the Group leases various offices and experiment equipment for its operations. Lease contracts are entered into for fixed term of 2 years to 10 years. Certain leases of experiment equipment were accounted for as finance leases during the years ended December 31, 2017 and 2018 and carried interest ranged from 1.41% to 16.06% per annum. Upon application of IFRS 16, the assets previously under finance leases were reclassified to right-of-use assets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Restrictions or covenants on lease

Lease liabilities of RMB182,270,000 and RMB304,934,000 are recognised with related right-of-use assets of RMB193,420,000 and RMB314,286,000 as at December 31, 2019 and March 31, 2020, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases committed

As at March 31, 2020, the Group entered into a new lease for a leased property that have not yet commenced, with non-cancellable period of 10 years, excluding period under extension options. The total future undiscounted cash flows over the non-cancellable period amounted to RMB51,900,000.

24. NOTE RECEIVABLES

Amount as at December 31, 2017 and 2018 represents a note receivable due from Frontage Clinical Services Inc ("Frontage Clinical"), a former subsidiary of the Company, which was issued with principal amount of US$2,509,000 (equivalent to approximately RMB16,399,000 and RMB17,461,000 as at December 31, 2017 and 2018, respectively). The note receivable is due and settled on August 29, 2019, which originally carried interest at 1% per annum and subsequent changed to 3% per annum from September 2017.

As at December 31, 2017 and 2018, interest receivable amounting to RMB169,000 and RMB190,000, respectively, is included in note receivables.

Amount as at December 31, 2019 represents a note receivable due from a third party with principal amount of US$332,000 (equivalent to RMB2,316,000). The note receivable will be collected according to its payment schedule from January 1, 2020 to May 31, 2021, which carried interest at 6% per annum. During the three months ended March 31, 2020, an amount of US$36,000 (equivalent to RMB217,000) was received.

25. DEFERRED TAXATION

Group

The following is a summary of the deferred tax balances of the Group for financial reporting purposes:

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	21,707	19,153	91,476	77,606
Deferred tax liabilities	(21,779)	(31,625)	(45,718)	(33,208)
	(72)	(12,472)	45,758	44,398

The followings are the major deferred tax assets and liabilities recognised and movements thereon before offsetting during the Track Record Period:

	Change in fair value of financial assets at FVTPL	Impairment allowance	Depreciation difference	Stock compensation	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At as January 1, 2017	(4,869)	7,436	(16,415)	1,380	5,239	(7,229)
(Charged)/credit to profit or loss *(Note 13)*	(4,242)	(328)	15,726	(1,380)	(3,153)	6,623
Acquisition of subsidiaries *(Note 40(a))*	–	742	–	–	–	742
Disposal of subsidiaries *(Note 41(a))*	–	(208)	–	–	–	(208)
As at December 31, 2017 and January 1, 2018	(9,111)	7,642	(689)	–	2,086	(72)
(Charged)/credit to profit or loss *(Note 13)*	(8,376)	6,930	(13,346)	2,799	(1,524)	(13,517)
Acquisition of subsidiaries *(Note 40(b))*	–	(113)	2,027	–	(359)	1,555
Disposal of subsidiaries *(Note 41(b))*	–	(438)	–	–	–	(438)
As at December 31, 2018 and January 1, 2019	(17,487)	14,021	(12,008)	2,799	203	(12,472)
(Charged)/credit to profit or loss *(Note 13)*	(642)	1,474	3,095	6,121	15,846	25,894
Charged to reserves	–	–	–	44,895	–	44,895
Acquisition of subsidiaries *(Note 40(c))*	–	865	(13,424)	–	–	(12,559)
As at December 31, 2019 and January 1, 2020	(18,129)	16,360	(22,337)	53,815	16,049	45,758
(Charged)/credit to profit or loss *(Note 13)*	(1,779)	(1,297)	26,271	(9,286)	(13,605)	304
Acquisition of subsidiaries *(Note 40(d))*	–	156	(1,820)	–	–	(1,664)
As at March 31, 2020	(19,908)	15,219	2,114	44,529	2,444	44,398

As at December 31, 2017, 2018 and 2019 and March 31, 2020, the Group had unused tax losses of RMB18,427,000, RMB9,559,000, RMB19,247,000 and RMB19,701,000, respectively, available to offset against future profits. As at December 31, 2017, 2018 and 2019 and March 31, 2020, unused tax losses of RMB9,442,000, RMB4,022,000, RMB13,710,000 and RMB13,926,000 had been recognised in deferred tax assets, while RMB8,985,000, RMB5,537,000, RMB5,537,000 and RMB5,775,000 had not been recognised as at December 31, 2017, 2018 and 2019 and March 31, 2020, respectively, due to the unpredictability of future profit streams.

Deferred taxation has not been provided for in the Historical Financial Information in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB355,399,000, RMB578,995,000, RMB763,358,000 and RMB919,395,000, respectively, as at December 31, 2017, 2018 and 2019 and March 31, 2020 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Company

The following is the analysis of the deferred tax balances of the Company for financial reporting purposes:

	As at December 31,			As at March 31,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	4,465	6,044	9,284	11,975
Deferred tax liabilities	(9,111)	(17,487)	(18,129)	(19,908)
	(4,646)	(11,443)	(8,845)	(7,933)

The followings are the major deferred tax assets and liabilities recognised and movements thereon during the Track Record Period:

	Change in fair value of financial assets at FVTPL	**Impairment allowance**	**Stock compensation**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At as January 1, 2017	(4,869)	3,628	697	(544)
(Charged)/credit to profit or loss	(4,242)	837	(697)	(4,102)
As at December 31, 2017 and January 1, 2018	(9,111)	4,465	–	(4,646)
(Charged)/credit to profit or loss	(8,376)	1,579	–	(6,797)
As at December 31, 2018 and January 1, 2019	(17,487)	6,044	–	(11,443)
(Charged)/credit to profit or loss	(642)	757	2,483	2,598
As at December 31, 2019 and January 1, 2020	(18,129)	6,801	2,483	(8,845)
(Charged)/credit to profit or loss	(1,779)	1,268	1,423	912
As at March 31, 2020	(19,908)	8,069	3,906	(7,933)

26. FINANCIAL ASSETS AT FVTPL, STRUCTURED DEPOSITS AND DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Financial assets				
Non-current assets				
Financial assets at FVTPL				
- Listed equity securities	13,637	12,643	134,957	231,068
- Unlisted equity investments	514,511	661,596	1,040,304	958,220
- Unlisted fund investments	362,049	806,854	1,075,213	1,348,888
	890,197	1,481,093	2,250,474	2,538,176
Current assets				
Structured deposits *(note (a))*	76,038	–	68,827	43,532
Derivatives financial instruments *(note (b))*	–	1,002	–	–
	76,038	1,002	68,827	43,532
Financial liabilities				
Current liabilities				
Derivatives financial instruments *(note (b))*	4,152	–	–	–
	4,152	–	–	–

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Company				
Financial assets				
Non-current assets				
Financial assets at FVTPL				
-Unlisted equity investments	227,208	276,722	293,704	294,833
-Unlisted fund investments	226,889	275,462	276,570	387,300
	454,097	552,184	570,274	682,133
Current assets				
Structured deposits	35,000	–	–	–
Derivatives financial instruments *(note (b))*	–	1,002	–	–
	35,000	1,002	–	–

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Current liabilities				
Derivatives financial instruments *(note (b))*	2,702	–	–	–
	2,702	–	–	–

Notes:

(a) Structured deposits

The Group entered into series of structured contracts with banks and other financial institutions in the PRC. The investments are yield enhancement deposits with expected but not guaranteed rates of return. The expected rates of return ranged from 2.2% to 4.3%, 2.8% to 3.2% and 1.55% to 3.60% per annum for the years ended December 31, 2017 and 2019 and the three months ended March 31, 2020, respectively, which were determined by reference to the returns of the underlying investments. The directors of the Company considered the structured deposits shall be classified as financial assets at FVTPL and the amount paid for the structured deposits approximates its fair value at the end of each reporting period.

(b) Derivative financial instruments

The Group also entered into several foreign exchange forward contracts with banks in order to manage the Group's foreign currency exposure in related to US$ against RMB and did not elect to adopt hedge accounting for those contracts. The major terms of these contracts as at December 31, 2017 and 2018 presented in the Historical Financial Information are as follows:

Group

	Outstanding foreign currency forward contracts	Average strike rate	Foreign currency	Notional value	(Liabilities)/ assets at fair value
			US$'000	*RMB'000*	*RMB'000*
As at December 31, 2017 *(note (i))*	**Buy US$** Less than 3 months	6.80	14,335	97,434	(4,152)
As at December 31, 2018 *(note (ii))*	**Buy US$** Less than 3 months	6.34	4,000	25,360	1,002

Notes:

(i) For the year ended December 31, 2017, losses under forward foreign exchange contracts of RMB8,190,000 was recognised in other gains and losses.

(ii) For the year ended December 31, 2018, gains under forward foreign exchange contracts of RMB6,166,000 was recognised in other gains and losses.

Company

	Outstanding foreign currency forward contracts	Average strike rate	Foreign currency	Notional value	(Liabilities)/ assets at fair value
			US$'000	*RMB'000*	*RMB'000*
As at December 31, 2017	**Buy US$** Less than 3 months	6.82	9,335	63,700	(2,702)
As at December 31, 2018	**Buy US$** Less than 3 months	6.34	4,000	25,360	1,002

27. INVENTORIES

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Raw materials and consumables	14	519	1,206	2,413

28a. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Trade receivables				
- Third parties	242,755	339,029	454,991	442,422
- Related parties *(note (a))*	–	–	20	117
Less: loss allowance for trade receivables	(27,800)	(44,350)	(52,859)	(51,938)
	214,955	294,679	402,152	390,601
Bills receivable				
- Third parties	–	734	4,517	3,525
Other receivables				
- Third parties	61,418	53,738	69,602	76,696
- Related parties *(note (a))*	2,654	2,243	123	286
Less: loss allowance for other receivables	(10,936)	(15,857)	(11,018)	(11,461)
	53,136	40,124	58,707	65,521
Prepayments				
- Third parties	31,397	47,158	25,017	31,357
Deferred issue costs	–	–	–	19,666
	31,397	47,158	25,017	51,023
	299,488	382,695	490,393	510,670

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Company				
Trade receivables				
- Third parties	42,881	67,808	225,232	109,616
- Subsidiaries *(note (b))*	34,260	35,483	15,254	163,674
Less: loss allowance for trade receivables	(7,223)	(12,007)	(16,312)	(21,136)
	69,918	91,284	224,174	252,154
Other receivables				
- Third parties	25,127	14,338	23,657	2,774
- Subsidiaries *(Note (b))*	33,327	52,902	29,778	57,612
Less: loss allowance for other receivables	(1,887)	(2,037)	(8,250)	(8,907)
	56,567	65,203	45,185	51,479
Prepayments				
- Third parties	8,475	5,846	5,050	4,751
Deferred issue costs	–	–	–	19,666
	8,475	5,846	5,050	24,417
	134,960	162,333	274,409	328,050

Notes:

(a) Details of the trade, bills and other receivables and prepayments due from related parties are set out in Note 49(2).

(b) During the Track Record Period, the amounts due from subsidiaries were unsecured, repayable on demand and interest free.

The Group allows a credit period ranging from 30 to 90 days to its customers. The following is an aging analysis of trade receivables (net of allowance for impairment losses), presented based on the invoice dates, at the end of each Track Record Period:

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Within 90 days	187,361	249,145	358,910	317,710
91 to 180 days	15,937	24,726	29,071	38,626
181 days to 1 year	8,440	15,359	8,193	28,188
Over 1 year	3,217	5,449	5,978	6,077
	214,955	294,679	402,152	390,601

Movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9 for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020:

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of year/period	15,856	27,800	44,350	52,859
Provided	11,944	16,550	8,509	–
Reversed	–	–	–	(709)
Written off	–	–	–	(212)
At the end of year/period	27,800	44,350	52,859	51,938

The Company allows a credit period ranging from 30 to 90 days to its customers. The following is an age analysis of trade receivables (net of allowance for impairment losses), presented based on the invoice dates, at the end of each Track Record Period:

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Company				
Within 90 days	65,705	79,737	217,770	243,244
91 to 180 days	2,777	2,978	4,766	5,039
181 days to 1 year	1,414	8,464	1,213	3,634
Over 1 year	22	105	425	237
	69,918	91,284	224,174	252,154

Movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9 for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020:

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of year/period	2,426	7,223	12,007	16,312
Provided	4,797	4,784	4,305	4,824
At the end of year/period	7,223	12,007	16,312	21,136

Note: Reversal of allowance of ECL is due to the Company's recovery of receivables.

28b. CONTRACT ASSETS

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Contract assets				
- Third parties	487,788	553,197	793,049	884,922
- Related parties	1,728	119	–	–
Less: loss allowance for contract assets	(20,932)	(19,505)	(37,021)	(42,281)
	468,584	533,811	756,028	842,641

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Company				
Contract assets				
- Third parties	291,686	307,197	415,480	474,893
Less: loss allowance for contract assets	(17,464)	(17,527)	(20,774)	(23,744)
	274,222	289,670	394,706	451,149

Changes in contract assets primarily relate to timing invoicing.

Details of the contract assets due from related parties are set out in Note 49(2).

Movement in lifetime ECL that has been recognised for contract assets in accordance with the simplified approach set out in IFRS 9 for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020:

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
At the beginning of year/period	19,920	20,932	19,505	37,021
Provided	1,012	–	17,516	5,260
Reversed	–	(1,427)	–	–
At the end of year/period	20,932	19,505	37,021	42,281
Company				
At the beginning of year/period	17,084	17,464	17,527	20,774
Provided	380	63	3,247	2,970
At the end of year/period	17,464	17,527	20,774	23,744

29. CASH AND CASH EQUIVALENTS/RESTRICTED BANK DEPOSITS

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Cash and cash equivalents *(note (a))*	521,632	698,186	2,006,926	1,956,030
Time deposit with original maturity over three months *(note (d))*	–	–	30,160	99,841
Restricted bank deposits				
Portion classified as current assets *(note (b))*	11,525	4,242	3,127	3,174
Non-current portion *(note (c))*	3,594	2,059	2,093	2,126
	15,119	6,301	5,220	5,300

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Company				
Cash and cash equivalents *(note (a))*	266,659	123,057	126,988	139,695
Restricted bank deposits *(note (b))*	4,401	–	–	–

Notes:

(a) At the end of each reporting period, cash and cash equivalents of the Group comprised of bank balances and cash held. Bank balances carried interest at prevailing market interest rates which ranged from 0.30% to 0.385%, 0.30% to 0.385%, 0.30% to 0.385% and 0.30% to 0.385% per annum as at December 31, 2017 and 2018 and 2019 and March 31, 2020, respectively.

(b) As at December 31, 2017, 2018 and 2019 and March 31, 2020, certain bank deposits with balances of RMB4,401,000, nil, nil and nil was pledged to secure general banking facilities granted to the Group and the Company (Note 32).

As at December 31, 2017, 2018 and 2019 and March 31, 2020, certain bank deposits with balances of RMB7,124,000, RMB1,441,000, nil and nil were placed in a bank to as a deposit for the issuance of derivative financial instruments by the Group (Note 26).

As disclosed in Note 48(c), as at December 31, 2018, RMB2,700,000 deposit was restricted and held at a bank in the PRC as a reserve under litigation.

As part of the acquisition of Concord by the Group, US$680,000 (equivalent to RMB4,700,000) of cash was placed in a bank escrow account for settlement of existing environmental related liabilities and other general expenditures for Concord, and thus the amount is restricted. As at December 31, 2017, 2018 and 2019 and March 31, 2020, the remaining amount in the escrow account were nil, US$15,000, nil and nil (equivalent to nil, RMB101,000, nil and nil).

On August 20, 2019, the Group entered into an agreement to expand a lab in Pennsylvania, the USA. As part of the agreement, US$1,370,000 (equivalent to RMB9,557,000) was placed in a bank escrow account for funding the expenditures for such expansion, and the amount is restricted. As at December 31, 2019 and March 31, 2020, the remaining amount in the escrow account is US$440,000 and US$448,000 respectively (equivalent to RMB3,127,000 and RMB3,174,000 respectively), which is included in restricted bank deposits.

(c) The Group entered into a lease agreement for a property located in Secaucus, New Jersey, the USA with a lease term ending in 2027. As part of the lease agreement, a letter of credit of US$550,000 (equivalent to RMB3,594,000) is required as a guarantee over the term of the lease and therefore the Group obtained a letter of credit of US$550,000 (equivalent to RMB3,594,000) from a bank and in return placed an equal amount to the bank as a pledged deposit for the letter of credit during the year ended December 31, 2017. In 2018, the cash deposit that was required as a guarantee was reduced to US$300,000 (equivalent to RMB2,059,000, RMB2,093,000 and RMB2,126,000 as at December 31, 2018 and 2019 and March 31, 2020 respectively). The pledged bank deposit as of December 31, 2017, 2018 and 2019 and March 31, 2020 carried fixed interest rate of 0.55% per annum and was classified as a long-term asset.

(d) Time deposits with original maturity over three months represent fixed deposits with maturity more than three months from the date of acquisition which carried interest at prevailing market rates ranging from 1.60% to 2.15% and 1.55% to 3.60% as at December 31, 2019 and March 31, 2020 respectively.

30a. LOAN RECEIVABLE

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Loan receivable	35,000	–	–	–

The amount represents three-year secured loan to independent third party. The loan is interest bearing at 9% per annum and repayable on or before February 23, 2020. The loan was secured by personal credit guarantee provided by an independent third party and the loan was early repaid during the year ended December 31, 2018.

At the end of each Track Record Period, loan receivable was schedule to repay as follows:

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
2 to 3 years	35,000	–	–	–

30b. OTHER NON-CURRENT ASSETS

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Prepayment for acquisition of financial assets at FVTPL	19,609	–	–	–
Prepayment for acquisition of property, plant and equipment	4,301	7,195	10,389	12,900
	23,910	7,195	10,389	12,900

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Company				
Prepayment for acquisition of property, plant and equipment	–	973	1,380	4,516

31a. TRADE AND OTHER PAYABLES

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Trade payables				
- Third parties	23,956	42,475	72,709	58,662
- Related parties *(note (a))*	–	1,550	2,482	184
	23,956	44,025	75,191	58,846
Other payables				
- Third parties	30,595	41,574	40,002	58,272
- Related parties *(note (a))*	3,151	2,476	854	779
- Consideration payables *(notes (c), (d) and (e))*	46,350	–	–	5,576
- Contingent consideration payables *(Note 34(b))*	–	–	–	7,781
- Restricted share repurchase payable *(Note 42(c)(i))*	–	–	146,391	169,583
- Dividend payable	–	–	1,286	1,286
- Accrued listing expenses and issue costs	–	–	–	19,105
- Salary and bonus payables	42,767	67,948	122,653	65,128
- Other taxes payable	12,003	22,079	42,094	41,014
	134,866	134,077	353,280	368,524
	158,822	178,102	428,471	427,370

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Company				
Trade payables				
- Third parties	61	8,524	21,152	21,743
- Related parties *(note (b))*	–	1,550	–	–
- Subsidiaries	–	–	–	–
	61	10,074	21,152	21,743
Other payables				
- Third parties	12,709	7,393	17,242	17,197
- Subsidiaries *(note (b))*	276,929	309,207	486,512	604,160
- A related party *(note (b))*	–	–	161	–
- Consideration payables *(note (d))*	11,863	–	–	–
- Restricted share repurchase payable *(Note 42(c)(i))*	–	–	146,391	169,583
- Dividend payable	–	–	1,286	1,286
- Accrued listing expenses and issue costs	–	–	–	19,105
- Salary and bonus payables	6,433	9,956	37,653	8,913
- Other taxes payable	644	3,980	14,144	16,651
	308,578	330,536	703,389	836,895
	308,639	340,610	724,541	858,638

Notes:

(a) Details of the trade and other payables due to related parties are set out in Note 49(2).

(b) During the Track Record Period, the amounts due to subsidiaries and related parties were unsecured, repayable on demand and interest free.

(c) Consideration payable for acquisition of Frontage Labs

Included in consideration payables as at December 31, 2017 represents the consideration payable for the acquisition of 67% of share capital of Frontage Labs amounting to RMB34,487,000.

Pursuant to the relevant acquisition agreement, the final consideration amounting to US$5,250,000 (equivalent to approximately RMB34,487,000) (the "Frontage Final Consideration") is subject to downward adjustment in respect of the guarantee profit as described in the acquisition agreement. Under the acquisition agreement, in the event that the audited consolidated profit after tax of Frontage Labs attributable to owners of Frontage Labs for the period from January 1, 2014 to December 31, 2017 (the "Frontage FY 2014-2017 Net Profit") is less than US$26,480,000 (equivalent to approximately RMB173,946,000) (the "Frontage Guarantee Profit"), the final consideration shall adjusted downward based on the difference between 110% of the Frontage FY 2014-2017 Net Profit and the Frontage Guarantee Profit.

During the year ended December 31, 2017, the adjusted consolidated profit of Frontage Labs was higher than the Frontage Guarantee Profit. As a result, there is no downward adjustment on the final consideration. The consideration payable was fully settled during the year ended December 31, 2018.

(d) Consideration payable for acquisition of Beiyi

The amount has also included the consideration payable for the acquisition of 100% of Beiyi, amounting to RMB11,863,000 as at December 31, 2017.

Pursuant to the relevant acquisition agreement, the final consideration amounting to RMB23,100,000 (the "Beiyi Final Consideration") is subject to downward adjustment in respect of the guarantee profit as described in the acquisition agreement. Under the acquisition agreement, in the event that i) the audited consolidated profit after tax of Beiyi attributed to the owners of Beiyi for the year ended December 31, 2015 is less than RMB11,000,000 and/or ii) the audited consolidated profit after tax of Beiyi attributable to owners of Beiyi for the period from January 1, 2016 to December 31, 2017 (the "Beiyi FY 2016-2017 Net Profit") is less than RMB29,040,000 (the "Beiyi Guarantee Profit"), the Beiyi Final Consideration shall adjusted downward as defined in the sales and purchase agreement but should not exceed RMB23,100,000.

During the years ended December 31, 2017, the Beiyi FY 2016-2017 Net Profit was lower than the Beiyi Guarantee Profit. As a result, there was downward adjustment on the Beiyi Final Consideration. The downward adjustment amounted to RMB11,237,000 was credited to the profit or loss during the year ended December 31, 2017 (see Note 9). The consideration payable was fully settled during the year ended December 31, 2018.

(e) Consideration payable for acquisition of Biotranex

As at March 31, 2020, included in consideration payable was an amount of US$787,000 (equivalent to RMB5,576,000) arising from the acquisition of Biotranex on March 31, 2020. Please refer to Note 40(d)(ii) for details.

Payment terms with suppliers are mainly on credit ranging from 30 to 60 days from invoice date. The following is an age analysis of trade payables presented based on invoice date at the end of each of the reporting period:

	As at December 31,			As at March 31,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Within 90 days	16,769	28,529	64,311	48,027
91 days to 1 year	6,729	14,902	6,699	9,957
Over 1 year	458	594	4,181	862
	23,956	44,025	75,191	58,846

	As at December 31,			As at March 31,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Company				
Within 90 days	–	1,550	21,152	21,743
91 days to 1 year	52	8,281	–	–
Over 1 year	9	243	–	–
	61	10,074	21,152	21,743

31b. CONTRACT LIABILITIES

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Contract liabilities				
- Third parties	324,079	380,783	398,230	409,463
- Related parties	–	10	10	320
	324,079	380,793	398,240	409,783

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Company				
Contract liabilities				
- Third parties	146,266	125,160	77,863	87,559
- Subsidiaries	20	572	331	492
	146,286	125,732	78,194	88,051

Details of contract liabilities which are related parties are set out in Note 49(2).

Changes in contract liabilities primarily relate to the Group's and the Company's performance of services under the contracts. Revenue of RMB118,761,000, RMB275,467,000, RMB302,344,000 and RMB104,703,000 of the Group were recognised for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020 that were included in the contract liabilities at the beginning of the relevant years/periods, respectively. Revenue of RMB56,872,000, RMB124,343,000, RMB85,447,000 and RMB19,941,000 of the Company were recognised for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020 that were included in the contract liabilities at the beginning of the relevant years/periods, respectively.

32. BORROWINGS

Group

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion				
Secured and unguaranteed bank loans *(note (a))*	14,664	18,302	352,304	357,170
Unsecured and unguaranteed bank loans *(note (b))*	244,780	602,834	512,559	628,359
Loan from an independent third party *(note (c))*	–	10,295	–	–
	259,444	631,431	864,863	985,529

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current portion				
Secured and unguaranteed bank loans *(note (a))*	3,849	3,432	–	–
Unsecured and unguaranteed bank loans *(note (b))*	3,774	–	36,500	136,100
Loan from a related party *(note (c))*	9,801	–	–	–
	17,424	3,432	36,500	136,100
Total borrowings	276,868	634,863	901,363	1,121,629
Loan interest at rate per annum in the range of	2.43% to 5.87%	3.63% to 5.31%	3.63% to 6.50%	2.05% to 6.50%

Total current and non-current borrowings were scheduled to repay as follows:

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
On demand or within one year	259,444	631,431	864,863	985,529
More than one year, but not exceeding two years	17,424	3,432	1,000	1,400
More than two years, but not exceeding five years	–	–	35,500	134,700
	276,868	634,863	901,363	1,121,629

Company

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion				
Unsecured and unguaranteed bank loans *(note (d))*	221,971	591,094	512,559	628,359
Non-current portion				
Unsecured and unguaranteed bank loans *(note (d))*	–	–	36,500	136,100
Loan interest at rate per annum in the range of	4.35%	4.79% to 5.22%	4.20% to 4.90%	2.05% to 4.75%

Total current and non-current borrowings were scheduled to repay as follows:

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
On demand or within one year	221,971	591,094	512,559	628,359
More than one year, but not exceeding two years	–	–	1,000	1,400
More than two years, but not exceeding five years	–	–	35,500	134,700
	221,971	591,094	549,059	764,459

The carrying amounts of the Group's and the Company's current interest-bearing bank borrowing approximate to their fair values.

Details of loan from a related party are set out in Note 49(2).

Notes:

(a) The Group has pledged certain collateral, including all assets of Frontage Labs, shares in Frontage Holdings, an investment in financial asset through FVTPL and the restricted bank deposits in Note 29, to aggregate banking facilities of RMB32,671,000, RMB34,316,000, RMB390,673,000 and RMB397,319,000 acquired from the bankers, of which RMB18,513,000, RMB21,734,000, RMB352,304,000 and RMB357,170,000 were utilised as at 31 December 2017, 2018 and 2019 and March 31, 2020 respectively.

(b) At December 31, 2017, 2018 and 2019 and March 31, 2020, the Group had banking facilities to the extent of RMB291,164,000, RMB753,012,000, RMB1,747,084,000 and RMB1,748,989,000 respectively. The aforesaid bank loans outstanding as at December 31, 2017, 2018 and 2019 and March 31, 2020 were RMB248,554,000, RMB602,834,000, RMB549,059,000 and RMB764,459,000 respectively.

(c) At December 31, 2017 and 2018, the balances represented a loan of US$1,500,000 and US$1,500,000 (equivalent to RMB9,801,000 and RMB10,295,000) from Dr. Song Li respectively. The loan from Dr. Song Li was unsecured, unguaranteed and carried interest at the fixed rate of 3.00% per annum. The loan was repaid in full on April 26, 2019. Dr. Song Li resigned from the director of the Company on April 16, 2018 and became an independent third party after his resignation.

(d) At December 31, 2017, 2018 and 2019 and March 31, 2020, the Company had banking facilities to the extent of RMB255,287,000, RMB723,854,000, RMB1,747,084,000 and RMB1,748,989,000 respectively. The aforesaid bank loans outstanding as at December 31, 2017, 2018 and 2019 and March 31, 2020 were RMB221,971,000, RMB591,094,000, RMB549,059,000 and RMB764,459,000 respectively.

At December 31, 2017, 2018 and 2019 and March 31, 2020, the Company had issued guarantees to banks to secured banking facilities granted to certain subsidiaries to the extent of RMB29,768,000, RMB25,726,000, nil and nil respectively. The aforesaid bank loans outstanding as at December 31, 2017, 2018 and 2019 and March 31, 2020 were RMB20,474,000, RMB11,740,000, nil and nil respectively.

(e) The Group has aggregated banking facilities of RMB56,768,000, RMB162,760,000, RMB1,236,394,000 and RMB1,024,679,000 which were unutilised as at 31 December 2017, 2018 and 2019 and March 31, 2020 respectively.

33a. OBLIGATIONS UNDER FINANCE LEASES

	As at December 31,	
	2017	**2018**
	RMB'000	*RMB'000*
Group		
Analysed for reporting purposes as:		
Current liabilities	9,703	12,792
Non-current liabilities	14,929	15,864
	24,632	28,656

The Group leases certain of its experiment equipment under finance lease agreements with lease term of two to five years, which expire at various times through December 31, 2024. The leased experiment equipment were capitalised using borrowing rates ranging from 1.41% to 16.06% per annum, with each finance lease liability secured against the associated asset.

	Minimum lease payments As at December 31,		Present value of minimum lease payments As at December 31,	
Group	**2017**	**2018**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	10,522	13,827	9,703	12,792
Within a period of more than one year but no more than two years	8,303	10,460	7,844	9,935
Within a period of more than two years but no more than five years	7,298	6,248	7,085	5,929
	26,123	30,535	24,632	28,656
Less: future interest expenses	(1,491)	(1,879)		
Present value of lease liabilities	24,632	28,656		
Less: Amounts due for settlement within twelve months (shown under current liabilities)			(9,703)	(12,792)
Amounts due for settlement after twelve months (shown under non-current liabilities)			14,929	15,864

The finance lease liabilities were reclassified as lease liabilities (Note 33b) upon adoption of IFRS 16 on January 1, 2019.

33b. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's and the Company's lease liabilities at the end of the reporting period:

	As at December 31, 2019	As at March 31, 2020
	RMB'000	*RMB'000*
Group		
Within one year	50,119	52,621
Within a period of more than one year but within two years	29,428	40,887
Within a period of more than two years but within five years	50,802	103,783
Within a period of more than five years	51,921	107,643
	182,270	304,934
Less: Amounts due for settlement with 12 months shown under current liabilities	(50,119)	(52,621)
Amount due for settlement after 12 months shown under non-current liabilities	132,151	252,313

	As at December 31, 2019	As at March 31, 2020
	RMB'000	*RMB'000*
Company		
Within one year	13,374	12,792
Within a period of more than one year but within two years	6,764	4,814
Within a period of more than two years but within five years	3,375	2,320
	23,513	19,926
Less: Amounts due for settlement with 12 months shown under current liabilities	(13,374)	(12,792)
Amount due for settlement after 12 months shown under non-current liabilities	10,139	7,134

Note: The Group and the Company have initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at January 1, 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at December 31, 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to IFRS 16 are set out in Note 3.

34. OTHER LONG-TERM LIABILITIES

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Deferred rent *(note (a))*	3,664	3,554	–	–
Contingent consideration payables *(note (b),(c))*	–	–	20,343	14,221
	3,664	3,554	20,343	14,221

Notes:

(a) Balances as at December 31, 2017 and 2018 represent accrued rent for the rental-free period which were adjusted to right-of-use assets upon the initial application of IFRS 16. Details of the adjustments were set out in Note 3.

(b) As at December 31, 2019, the amount represented contingent consideration payables arising from the acquisitions of RMI and BRI in amounts of US$2,279,000 (equivalent to RMB15,900,000) and CAD832,000 (equivalent to RMB4,443,000), respectively. Please refer to Notes 40(c)(i) and (ii) for details. The directors of the Company considered there was no material change in fair value of the contingent consideration payable as the respective acquisitions occurred in late 2019 and there was no significant change of BRI and RMI operations and market environment since the acquisitions up to December 31, 2019.

As at March 31, 2020, the contingent consideration payable was re-measured at fair value and a fair value gain of RMB1,015,000 was recorded (see Note 9). Further, as at March 31, 2020, an aggregate amount of US$867,000 (equivalent to RMB6,144,000) and CAD328,000 (equivalent to RMB1,637,000) was reclassified as short-term payables as these amounts fall due within one year (see Note 31a). The balances of US$1,321,000 (equivalent to RMB9,362,000) and CAD430,000 (equivalent to RMB2,145,000) remained as long-term payable.

(c) As at March 31, 2020, included in contingent consideration payable was an amount of US$383,000 (equivalent to RMB2,714,000) arising from the acquisition of Biotranex on March 31, 2020. Please refer to Note 40(d)(ii) for details. The directors of the Company considered there was no material change in fair value of the contingent consideration payable as the acquisition occurred on March 31, 2020 and there was no significant change of Biotranex's operations and market environment since the acquisition.

35a. SHARE CAPITAL

	Number of ordinary shares	Authorised shares	Issued and paid shares
		RMB'000	*RMB'000*
Group and Company			
As at January 1, 2017	474,865,167	474,865	474,865
Issue of shares *(note (a))*	25,311,370	25,312	25,312
As at December 31, 2017 and January 1, 2018, December 31, 2018 and January 1, 2019	500,176,537	500,177	500,177
Bonus issue *(note (b))*	249,559,635	249,560	249,560
Cancellation of shares *(note (c))*	(228,573)	(229)	(229)
As at December 31, 2019 and January 1, 2020	749,507,599	749,508	749,508
Cancellation of shares *(note (c))*	(39,938)	(40)	(40)
As at March 31, 2020	749,467,661	749,468	749,468

Notes:

(a) On May 21, 2017, the Company entered into placing agreements with five independent third parties for the subscription of a total of 25,311,370 new ordinary shares of the Company at RMB24.89 per share. The subscription was completed on May 25, 2017 and the Company received proceeds of approximately RMB607,801,000, net of share placing expense paid to placing agents. The aggregate nominal value of the placing shares issued was approximately RMB25,312,000 and the amount of proceeds in excess of aggregate nominal value of RMB582,489,000 was accounted for in the share premium.

(b) On April 25, 2019, the directors of the Company proposed a bonus issue on the basis of five bonus shares for every ten existing shares held. The bonus issue was approved by the shareholders on May 17, 2019 and 249,559,635 bonus shares were issued on July 1, 2019.

(c) During the year ended December 31, 2019 and the three months ended March 31, 2020, some of the Company's original incentive recipients resigned and lost their right to receive incentive, therefore, the Company repurchased and cancelled the restricted share previously held by the incentive recipients (228,573 shares and 39,938 shares, respectively) with a deduction from the treasury shares of RMB6,819,000 and RMB1,191,000, respectively, including a reduction of RMB229,000 and RMB40,000, respectively, in share capital, and RMB6,590,000 and RMB1,151,000, respectively, in share premium.

35b. TREASURY SHARES

	As at December 31,						As at March 31,	
	2017		2018		2019		2020	
	Number of shares	Cost of acquisition	Number of shares	Cost of acquisition	Number of shares	Cost of acquisition	Number of shares	Cost of acquisition
		RMB'000		*RMB'000*		*RMB'000*		*RMB'000*
Group and Company								
Balance brought forward	–	–	–	–	5,432,873	248,125	6,570,338	211,224
Repurchase of shares *(note (a))*	–	–	5,432,873	248,125	1,572,959	61,849	–	–
Bonus issue *(note 35a(b))*	–	–	–	–	1,913,882	1,914	–	–
Shares transferred under Share Purchase Scheme *(as defined in Note 42(c)(ii))* *(note (b))*	–	–	–	–	(2,120,803)	(93,845)	–	–
Cancellation of shares *(Note 35a(c))*	–	–	–	–	(228,573)	(6,819)	(39,938)	(1,191)
Balance carried forward	–	–	5,432,873	248,125	6,570,338	211,224	6,530,400	210,033

Notes:

(a) The Company acquired its own shares in the open market which are held as treasury shares.

(b) During the year ended December 31, 2019, the Company has adopted the Share Purchase Scheme. On June 20, 2019, 2,120,803 shares previously repurchased by the Company was transferred to the Share Purchase Scheme by way of non-trade transfer at RMB44.25 per share. Details of the Share Purchase Scheme are set out in Note 42(c)(ii).

36. RESERVES MOVEMENT OF THE COMPANY

	Share premium	Employee share-based compensation reserve	Statutory reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2017	716,331	–	48,134	283,699	1,048,164
Profit for the year	–	–	–	200,230	200,230
Transfer to statutory reserve	–	–	17,619	(17,619)	–
Issue of shares *(Note 35a(a))*	582,489	–	–	–	582,489
Dividends declared and paid *(Note 17)*	–	–	–	(50,018)	(50,018)
As at December 31, 2017 and January 1, 2018	1,298,820	–	65,753	416,292	1,780,865
Profit for the year	–	–	–	233,575	233,575
Transfer to statutory reserve	–	–	17,930	(17,930)	–
Dividends declared and paid *(Note 17)*	–	–	–	(100,035)	(100,035)
As at December 31, 2018 and January 1, 2019	1,298,820	–	83,683	531,902	1,914,405
Profit for the year	–	–	–	438,941	438,941
Transfer to statutory reserve	–	–	55,016	(55,016)	–
Recognition of share-based payments *(Note 42(c))*	–	16,556	–	–	16,556
Bonus issue *(Note 35a(b))*	(247,646)	–	–	–	(247,646)
Cancellation of shares *(Note 35a(c))*	(6,590)	–	–	–	(6,590)
Dividends declared *(Note 17)*	–	–	–	(174,638)	(174,638)
As at December 31, 2019 and January 1, 2020	1,044,584	16,556	138,699	741,189	1,941,028
Profit for the period	–	–	–	42,323	42,323
Transfer to statutory reserve	–	–	4,033	(4,033)	–
Recognition of share-based payment *(note 42(c))*	–	9,487	–	–	9,487
Cancellation of shares *(Note 35a(c))*	(1,151)	–	–	–	(1,151)
As at March 31, 2020	1,043,433	26,043	142,732	779,479	1,991,687

Notes:

(a) Share premium:

The amount represents capital contribution in excess of nominal value of share capital.

(b) Employee share-based compensation reserve:

The amount represents the fair value of the actual or estimated number of unexercised share options granted by the group entities and recognised in accordance with the accounting policy adopted for share-based payments.

(c) Statutory reserve:

In accordance with the articles of association of subsidiaries established in the PRC, these subsidiaries are required to transfer 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve shall be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

The Commercial Code of the Republic of Korea requires DreamCIS to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid, until such reserve equals 50% of its issued capital. The reserve is not available for the payment of cash dividends, but may be transferred to issued capital, or used to reduce accumulated deficit, if any.

(d) Exchange reserve:

The amount represents gains/losses arising on retranslating the net assets of foreign operations into presentation currency of the Group.

(e) Retained earnings:

Cumulative net gains and losses recognised in profit or loss.

37. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of each reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of the financial position.

In order to minimise credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate exposure is spread amongst approved counterparties.

For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix as at December 31, 2017, 2018 and 2019 and March 31, 2020 within lifetime ECL (not credit impaired) estimated based on the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The Group's current credit risk grading framework comprises the following categories:

Category	Description
Current	The counterparty has an invoice that is current at reporting date
Within 90 days	The counterparty has an invoice that is past due within 90 days of the reporting date
91 to 180 days	The counterparty has an invoice that is past due within 91 to 180 days of the reporting date
181 days to 1 year	The counterparty has an invoice that is past due within 181 days to 1 year at reporting date
Over 1 year	The counterparty has an invoice that is past due over 1 year at reporting date

The following table details the risk profile of the Group's trade receivables and contract assets:

As at December 31, 2017	Current	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
	Not credit impaired			Credit impaired		
Expected credit loss rate	4.3%	6.0%	38.6%	64.1%	86.3%	
Gross carrying amount (RMB'000)	652,185	47,233	16,793	9,837	6,223	732,271
Loss allowance (RMB'000)	(27,741)	(2,825)	(6,488)	(6,305)	(5,373)	(48,732)
	624,444	44,408	10,305	3,532	850	683,539

As at December 31, 2018	Current	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
	Not credit impaired			Credit impaired		
Expected credit loss rate	4.0%	6.3%	36.9%	59.0%	73.8%	
Gross carrying amount (RMB'000)	749,536	93,124	18,923	12,993	17,769	892,345
Loss allowance (RMB'000)	(30,226)	(5,868)	(6,983)	(7,666)	(13,112)	(63,855)
	719,310	87,256	11,940	5,327	4,657	828,490

As at December 31, 2019	Current	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
	Not credit impaired			Credit impaired		
Expected credit loss rate	4.6%	5.0%	15.1%	51.5%	79.1%	
Gross carrying amount (RMB'000)	1,066,927	102,157	34,050	17,131	27,795	1,248,060
Loss allowance (RMB'000)	(48,843)	(5,092)	(5,147)	(8,815)	(21,983)	(89,880)
	1,018,084	97,065	28,903	8,316	5,812	1,158,180

As at March 31, 2020	Current	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
	Not credit impaired			Credit impaired		
Expected credit loss rate	4.6%	5.3%	16.0%	45.3%	82.4%	
Gross carrying amount (RMB'000)	1,133,804	112,759	37,259	16,733	26,906	1,327,461
Loss allowance (RMB'000)	(52,577)	(5,938)	(5,944)	(7,583)	(22,177)	(94,219)
	1,081,227	106,821	31,315	9,150	4,729	1,233,242

For other receivables, management of the Group makes periodic individual assessment on the recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group measures the loss allowance equal to 12m ECL, unless when there are indicators that the financial asset is credit-impaired, the Group recognises lifetime ECL.

The Group recognises lifetime ECL for other receivables when there is evidence indicating (i) there has been significant increase in credit risk since initial recognition; (ii) the asset is credit-impaired but the Group has realistic prospect of recovery; or (iii) the debtor is in severe financial difficulty.

The table below details the credit risk exposures of the Group's other receivables which are subject to ECL assessment:

As at December 31, 2017	Expected credit loss rate	Gross amounts	Loss allowance
		RMB'000	*RMB'000*
not credit-impaired	3.5%	39,150	1,370
credit-impaired	38.4%	24,922	9,566
		64,072	10,936

As at December 31, 2018	Expected credit loss rate	Gross amounts	Loss allowance
		RMB'000	*RMB'000*
not credit-impaired	4.8%	29,649	1,410
credit-impaired	54.9%	26,332	14,447
		55,981	15,857

As at December 31, 2019	Expected credit loss rate	Gross amounts	Loss allowance
		RMB'000	*RMB'000*
not credit-impaired	5.0%	35,289	1,764
credit-impaired	26.9%	34,436	9,254
		69,725	11,018

As at March 31, 2020	Expected credit loss rate	Gross amounts	Loss allowance
		RMB'000	*RMB'000*
not credit-impaired	5.0%	50,696	2,457
credit-impaired	34.3%	26,286	9,004
		76,982	11,461

For the purposes of impairment assessment, bills receivables and other financial assets that are subject to impairment and financial guarantee contracts are considered to have low credit risk as the counterparties to these items have no historical default record. Accordingly, for the purpose of impairment assessment for these items assets, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for bills receivables and other financial assets that are subject to impairment and financial guarantee contracts, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the bills receivables and other financial assets that are subject to impairment and financial guarantee contracts occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the ECL allowance is insignificant at December 31, 2017, 2018 and 2019 and March 31, 2020.

38. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities comprising the Group will be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of obligations under finance leases/lease liabilities, borrowings (net of cash and cash equivalents) and equity attributable to owners of the Company (comprising capital and reserves).

Management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts.

The Group monitors the following key covenant ratios which were applied to the credit facilities in use during the Track Record Period, to ensure compliance with the agreed target ratios as required by the underlying agreements:

- For the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020 – net worth, maximum leverage ratio (which was defined as total funded debt to earnings before interest, taxes, depreciation and amortisation ("EBITDA"), tested quarterly on a rolling four quarter basis) and debt service coverage (which was defined as EBITDA less cash distributions less maintenance capital expenditures (15% of additions in property, plant and equipment).

39. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Financial assets				
Financial assets at amortised cost	876,019	1,057,675	2,509,998	2,522,917
Financial assets at FVTPL	966,235	1,482,095	2,319,301	2,581,708
	1,842,254	2,539,770	4,829,299	5,104,625
Financial liabilities				
Financial liabilities at amortised cost	448,319	819,542	1,470,010	1,805,138
Financial liabilities at FVTPL	4,152	–	20,343	22,002
	452,471	819,542	1,490,353	1,827,140

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Company				
Financial assets				
Financial assets at amortised cost	397,545	279,544	396,347	443,328
Financial assets at FVTPL	489,097	553,186	570,274	682,133
	886,642	832,730	966,621	1,125,461
Financial liabilities				
Financial liabilities at amortised cost	529,966	927,724	1,282,969	1,626,372
Financial liabilities at FVTPL	2,702	–	–	–
	532,668	927,724	1,282,969	1,626,372

Financial risk management objectives and policies

The Group's major financial assets and liabilities include note receivables, financial assets at FVTPL, restricted bank deposits, loan receivable, prepayment for acquisition of financial assets at FVTPL, trade, bills and other receivables, structured deposits, derivative financial instruments, time deposit with original maturity over three months, cash and cash equivalents, trade and other payables, borrowings, other long-term liabilities and obligations under finance leases/lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk, interest rate risk and price risk. There has been no change in the Group's exposure to these risks or the manner in which it managed and measured the risks during each of the reporting period.

Currency risk

Several subsidiaries of the Company have foreign currency sales, capital expenditure, cash and cash equivalents and borrowings, which expose the Group to foreign currency risk.

The subsidiaries are mainly exposed to foreign currency of US$.

The Group enters into a derivative financial instruments to manage its exposure to currency risk, including forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets (financial assets at FVTPL, trade, bills and other receivables, cash and cash equivalents) and liabilities (trade and other payables, and borrowings) at the end of each reporting period are summarised as follows:

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Assets				
US$	155,480	287,021	407,693	429,227
JPY	–	–	125,071	103,599
Liabilities				
US$	38,260	–	226,938	31,177
JPY	–	–	124,163	126,988

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against foreign currencies, the foreign currencies with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A positive number below indicates an increase in profit before tax where foreign currencies strengthens 5% against RMB. For a 5% weakening of foreign currencies against RMB, there would be an equal and opposite impact on profit before tax.

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Impact on profit before tax				
US$	5,861	14,351	9,038	19,903
JPY	–	–	45	(1,169)

For the foreign exchange forward contracts at December 31, 2017 and 2018, the sensitivity analysis has been estimated based on the contracts outstanding at the end of reporting period. When the relevant market forward exchange rate of US$ against RMB strengthens/weakens by 5%, the potential effect on profit before tax for the years ended December 31, 2017 and 2018 would increase/decrease by approximately RMB4,664,000 and RMB1,319,000 respectively.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year/period end exposure does not reflect the exposure during the year/period.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its restricted bank deposits, note receivables, loan receivables, structured deposits, cash and cash equivalents, obligations under finance leases/lease liabilities and borrowings. Borrowing agreements include a mix of fixed and variable rate loans, the exposure in relation to fixed rate agreements is considered to be minimal.

The Group is also exposed to cash flow interest rate risk in relation to variable rate borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the London Inter-Bank offered rate ("LIBOR").

For the variable rate bank borrowings, the Group currently does not have an interest rate hedging policy to mitigate interest rate risk. Nevertheless, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise. The variable rate borrowings are RMB35,214,000, RMB21,734,000, RMB352,304,000 and RMB357,170,000 at the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, respectively.

If the interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax would decrease/increase by RMB176,000, RMB109,000, RMB1,762,000 and RMB1,786,000 for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, respectively. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

Price risk

The Group is exposed to equity price risk through its investment in equity securities and fund investments measured at FVTPL (see Note 26).

The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective instruments at FVTPL had been 5% higher/lower, profit before tax for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020 would increase/decrease by RMB44,510,000, RMB74,055,000, RMB112,524,000 and RMB126,909,000 as a result of the changes in fair value of financial assets at FVTPL.

Credit risk

As at the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

Credit terms are granted to customers who are in good credit reputation. In order to minimise the credit risk, management has designated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the directors of the Company review the recoverability of each significant trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk associated with trade receivables, with exposure spread over a large number of counterparties and customers.

The Group expects that there is no significant credit risk associated with cash deposits and structured deposits since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group also expects that there is no significant credit risk associated with amounts due from related parties since counterparties are mainly related parties with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents and unused banking facilities deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity and interest risk table

	Weighted average interest rate	On demand or less than one year	One to five years	Over five years	Total undiscounted cash flows	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Group						
As at December 31, 2017						
Trade and other payables	N/A	146,819	–	–	146,819	146,819
Borrowings	4.24%	270,944	18,195	–	289,139	276,868
Obligations under finance leases	4.42%	10,522	15,601	–	26,123	24,632
Total		428,285	33,796	–	462,081	448,319
Financial guarantees issued *(Note 49(1)(c))*	N/A	84,945	–	–	84,945	–
Maximum amount guaranteed		84,945	–	–	84,945	–
As at December 31, 2018						
Trade and other payables	N/A	156,023	–	–	156,023	156,023
Borrowings	4.75%	662,953	3,603	–	666,556	634,863
Obligations under finance leases	4.59%	13,827	16,708	–	30,535	28,656
Total		832,803	20,311	–	853,114	819,542
Financial guarantees issued *(Note 49(1)(c))*	N/A	3,000	–	–	3,000	–
Maximum amount guaranteed		3,000	–	–	3,000	–
As at December 31, 2019						
Trade and other payables	N/A	386,377	–	–	386,377	386,377
Borrowings	5.00%	910,404	38,422	–	948,826	901,363
Lease liabilities	5.70%	52,642	139,039	912	192,593	182,270
Other long-term liabilities	N/A	–	20,343	–	20,343	20,343
Total		1,349,423	197,804	912	1,548,139	1,490,353
Financial guarantees issued	N/A	13,200	–	–	13,200	–
Maximum amount guaranteed		13,200	–	–	13,200	–

	Weighted average interest rate	On demand or less than one year	One to five years	Over five years	Total undiscounted cash flows	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at March 31, 2020						
Trade and other payables	N/A	386,356	–	–	386,356	386,356
Borrowings	4.49%	1,031,874	142,500	–	1,174,374	1,121,629
Lease liabilities	5.70%	55,521	153,243	113,888	322,652	304,934
Other long-term liabilities	N/A	–	14,221	–	14,221	14,221
Total		1,473,751	309,964	113,888	1,897,603	1,827,140
Financial guarantees issued	N/A	13,200	–	–	13,200	–
Maximum amount guaranteed		13,200	–	–	13,200	–

	Weighted average interest rate	On demand or less than one year	One to five years	Total undiscounted cash flows	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Company					
As at December 31, 2017					
Trade and other payables	N/A	307,995	–	307,995	307,995
Borrowings	4.35%	232,066	–	232,066	221,971
Total		540,061	–	540,061	529,966
Financial guarantees issued	N/A	29,768	–	29,768	–
Maximum amount guaranteed		29,768	–	29,768	–
As at December 31, 2018					
Trade and other payables	N/A	336,630	–	336,630	336,630
Borrowings	4.82%	621,006	–	621,006	591,094
Total		957,636	–	957,636	927,724
Financial guarantees issued	N/A	25,726	–	25,726	–
Maximum amount guaranteed		25,726	–	25,726	–

	Weighted average interest rate	On demand or less than one year	One to five years	Total undiscounted cash flows	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2019					
Trade and other payables	N/A	710,397	–	710,397	710,397
Lease liabilities	5%	14,231	10,646	24,877	23,513
Borrowings	4.38%	536,018	38,170	574,188	549,059
Total		1,260,646	48,816	1,309,462	1,282,969
Financial guarantees issued	N/A	13,200	–	13,200	–
Maximum amount guaranteed		13,200	–	13,200	–
As at March 31, 2020					
Trade and other payables	N/A	841,987	–	841,987	841,987
Borrowings	4.09%	655,187	141,911	797,098	764,459
Lease liabilities	5.00%	13,482	7,528	21,010	19,926
Total		1,510,656	149,439	1,660,095	1,626,372
Financial guarantees issued	N/A	13,200	–	13,200	–
Maximum amount guaranteed		13,200	–	13,200	–

The following table details the Group's and the Company's liquidity analysis for derivative financial instruments. The table has been drawn up based on the undiscounted cash inflows and outflows on those derivatives that settled on a net basis. When the amount payable or receivable is not fixed, the amount disclosed have been determined by reference to the projected foreign exchange rate.

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Net settled				
– foreign exchange forward contracts				
Less than one year	4,152	–	–	–

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Company				
Net settled				
– foreign exchange forward contracts				
Less than one year	2,702	–	–	–

Fair value measurement

This note provides information about how the Group determines fair value of the following financial assets that are measured at fair value on a recurring basis.

(i) Fair value of the Group's and the Company's financial assets and liabilities that are measured at fair value on a recurring basis

Group

Financial assets/(liabilities)	Fair value at December 31, 2017	Fair value at December 31, 2018	Fair value at December 31, 2019	Fair value at March 31, 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*				
Group								
Listed equity securities at fair value	13,637	12,643	134,957	231,068	Level 1	Quoted market transaction prices	N/A	N/A
Unlisted equity investments at fair value	514,511	661,596	1,040,304	958,220	Level 3	Market multiples with an adjustment of discount lack of marketability	Discount for lack of marketability	The higher the discount for lack of marketability, the lower the valuation
						Equity value allocation model	Seniority	The higher the seniority, the higher the valuation
							IPO probability	The higher the IPO probability, the higher the valuation
						Discounted cash flows – Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying assets	Expected growth rate	The higher the expected growth rate, the higher the valuation
							Discount rate	The higher the discount rate, the lower the valuation
						Latest transaction prices/ consideration for shares transfer in similar equity interest	Consideration due to timing, condition of sale and terms of agreement, size and nature of similar business to derive estimated value	The higher the value of similar transactions, the higher the valuation

Financial assets/(liabilities)	Fair value at December 31, 2017	December 31, 2018	December 31, 2019	March 31, 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*				
Unlisted fund investments at fair value	362,049	806,854	1,075,213	1,348,888	Level 3	Net asset value of underlying investments	Net assets	The higher the net asset value, the higher the valuation
Structured deposits	76,038	–	68,827	43,532	Level 2	Discounted cash flows – Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying assets	N/A	N/A
Foreign currency forward contracts	(4,152)	1,002	–	–	Level 2	Discounted cash flows – Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying assets	N/A	N/A
Contingent consideration payables	–	–	(20,343)	(22,002)	Level 3	Discounted cash flows – Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying assets	Expected growth rate	The higher the expected growth rate, the higher the valuation
							Discount rate	The higher the discount rate, the lower the valuation

Company

Financial assets/(liabilities)	Fair value at December 31, 2017	December 31, 2018	December 31, 2019	March 31, 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*				
Company								
Unlisted equity investments at fair value	227,208	276,722	293,704	294,833	Level 3	Market multiples with an adjustment of discount lack of marketability	Discount for lack of marketability	The higher the discount for lack of marketability, the lower the valuation
						Equity value allocation model	Seniority	The higher the seniority, the higher the valuation
							IPO probability	The higher the IPO probability, the higher the valuation
						Discounted cash flows – Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying assets	Expected growth rate	The higher the expected growth rate, the higher the valuation
							Discount rate	The higher the discount rate, the lower the valuation
						Latest transaction prices/ consideration for shares transfer in similar equity interest	Consideration due to timing, condition of sale and terms of agreement, size and nature of similar business to derive estimated value	The higher the value of similar transactions, the higher the valuation
Unlisted fund investments at fair value	226,889	275,462	276,570	387,300	Level 3	Net asset value of underlying investments	Net assets	The higher the net asset value, the higher the valuation
Structured deposit	35,000	–	–	–	Level 2	Discounted cash flows – Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying assets	N/A	N/A
Foreign currency forward contracts	(2,702)	1,002	–	–	Level 2	Discounted cash flows – Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying assets	N/A	N/A

There were no transfers between level 1 and level 2 during the Track Record Period.

Notes:

The following is the sensitivity analysis of level 3 fair value measurement to change in key unobservable inputs:

(a) Discount for lack of marketability

A 5% increase/decrease in the discount for lack of marketability while holding all other variables constant would decrease/increase the fair value of the unlisted equities by RMB13,354,000, RMB18,172,000, RMB26,018,000 and RMB24,272,000 as at December 31, 2017, 2018 and 2019 and March 31, 2020, respectively, in the Group.

A 5% increase/decrease in the discount for lack of marketability while holding all other variables constant would decrease/increase the fair value of the unlisted equities by RMB7,815,000, RMB9,499,000, RMB11,609,000 and RMB11,314,000 as at December 31, 2017, 2018 and 2019 and March 31, 2020, respectively, in the Company.

(b) IPO probability

A 5% increase/decrease in the IPO probability while holding all other variables constant would increase/decrease the fair value of the unlisted equities by RMB3,412,000, RMB7,454,000, RMB14,012,000 and RMB12,593,000 as at December 31, 2017, 2018 and 2019 and March 31, 2020, respectively, in the Group.

A 5% increase/decrease in the IPO probability while holding all other variables constant would increase/decrease the fair value of the unlisted equities by nil, RMB217,000, RMB248,000 and RMB241,000 as at December 31, 2017, 2018 and 2019 and March 31, 2020, respectively, in the Company.

(c) Net asset value

A 5% increase/decrease in the net asset value while holding all other variables constant would increase/decrease the fair value of the unlisted funds by RMB18,102,000, RMB40,343,000, RMB53,761,000 and RMB67,444,000 as at December 31, 2017, 2018 and 2019 and March 31, 2020, respectively, in the Group.

A 5% increase/decrease in the net asset value while holding all other variables constant would increase/decrease the fair value of the unlisted funds by RMB11,344,000, RMB13,773,000, RMB13,829,000 and RMB19,365,000 as at December 31, 2017, 2018 and 2019 and March 31, 2020, respectively, in the Company.

(ii) Reconciliation of level 3 fair value measurements

Details of reconciliation of financial assets and financial liabilities at FVTPL measured at Level 3 fair value measurement are set out as below:

	Contingent consideration payables	Unlisted equity investments at fair value	Unlisted fund investments at fair value
	RMB'000	*RMB'000*	*RMB'000*
Group			
As at January 1, 2017	(59,525)	292,511	165,495
Acquisitions	–	194,955	197,360
Disposals	–	(8,925)	(22,329)
Changes in fair value	11,237	35,970	21,523
Transfer to consideration payables	46,350	–	–
Exchange realignment	1,938	–	–
As at December 31, 2017 and January 1, 2018	–	514,511	362,049
Acquisitions	–	63,956	407,859
Disposals	–	(25,711)	(5,458)
Changes in fair value	–	108,332	42,404
Exchange realignment	–	508	–
As at December 31, 2018 and January 1, 2019	–	661,596	806,854
Acquisitions	–	390,185	226,165
Disposals and transfer	–	(115,967)	(42,147)
Acquisition through business combinations	(20,343)	–	–
Changes in fair value	–	103,748	83,959
Exchange realignment	–	742	382
As at December 31, 2019 and January 1, 2020	(20,343)	1,040,304	1,075,213
Acquisitions	–	58,818	195,280
Disposals	–	–	(31,927)
Acquisition through business combination	(2,714)	–	–
Changes in fair value	1,015	(22,023)	107,229
Transfer to Level 1	–	(121,210)	–
Exchange realignment	40	2,331	3,093
As at March 31, 2020	(22,002)	958,220	1,348,888
Company			
As at January 1, 2017	(23,100)	137,612	127,606
Acquisitions	–	85,558	105,110
Disposals	–	(8,120)	(22,329)
Changes in fair value	11,237	12,158	16,502
Transfer to consideration payables	11,863	–	–
As at December 31, 2017 and January 1, 2018	–	227,208	226,889
Acquisitions	–	9,672	36,240
Disposals	–	(1,070)	(5,009)
Changes in fair value	–	40,912	17,342
As at December 31, 2018 and January 1, 2019	–	276,722	275,462
Acquisitions	–	71,400	–
Disposals and transfer	–	(43,946)	(29,887)
Changes in fair value	–	(10,472)	30,995
As at December 31, 2019 and January 1, 2020	–	293,704	276,570
Acquisitions	–	–	100,000
Changes in fair value	–	1,129	10,730
As at March 31, 2020	–	294,833	387,300

Of the total gains or losses for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, included in profit or loss, RMB68,730,000, RMB150,736,000, RMB187,707,000 and RMB86,221,000, respectively, were unrealised fair value gains related to financial instruments at FVTPL on Level 3 fair value measurement held as at December 31, 2017, 2018 and 2019 and March 31, 2020. Fair value gains or losses on contingent consideration payables and on financial assets at FVTPL are presented in Note 9.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's and the Company's financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

40. ACQUISITION OF SUBSIDIARIES

During the Track Record Period, the Group continued to actively seek for investment opportunities through acquisitions and has completed several acquisitions of subsidiaries.

(a) For the year ended December 31, 2017

Name of subsidiary acquired	Vendor	Percentage of equity interests acquired	Principal activity	Date of completion
Jietong Tigermed *(as defined in Note 18)*	Independent third parties	100%	Medical device consulting, pharmaceuticals and regulations consulting, clinical trials and recruiting services	May 22, 2017

On April 12, 2016, a sales and purchase agreement was entered between (i) the Group and (ii) the shareholders of Jietong Tigermed in relation to the acquisition of 100% equity interests in Jietong Tigermed and its subsidiaries (the "Jietong Tigermed Acquisition"). This acquisition has been accounted for using the acquisition method.

The Jietong Tigermed's business was acquired to fill a strategic gap in the Group's clinical service offering, with this acquisition the Group expands its revenue streams to include pharmaceutical logistics supply chain management, which will allow the Group to offer a comprehensive clinical trial service in the PRC.

During the year ended December 31, 2017, all of the conditions precedent under the sales and purchase agreement have been fulfilled. Jietong Tigermed became a direct wholly-owned subsidiary of the Company thereafter.

The total consideration of the Jietong Tigermed Acquisition is RMB600,000,000. During the year ended December 31, 2017, the first installment of RMB540,000,000 has been settled in cash. The second installment of RMB60,000,000 (the "Jietong Tigermed Final Consideration") was subject to adjustment in respect of the profit guarantee as described in the sales and purchase agreement.

Under the sales and purchase agreement, in the event that (i) the audited consolidated profit after tax of Jietong Tigermed attributed to the owners of Jietong Tigermed for the year ended December 31, 2016 (the "Jietong Tigermed FY2016 Net Profit") is less than RMB40,000,000 (the "Jietong Tigermed FY2016 Profit Guarantee"), and (ii) the audited consolidated profit after tax attributed to the owners of Jietong Tigermed for the period from January 1, 2017 to December 31, 2018 (the "Jietong Tigermed FY2017-2018 Net Profit") is less than RMB105,600,000 (the "Jietong Tigermed FY2017-2018 Profit Guarantee"), the Jietong Tigermed Final Consideration should be adjusted downward as defined in the sales and purchase agreement but should not exceed RMB60,000,000.

In the event that the audited consolidated profit after tax of Jietong Tigermed attributed to the owners of Jietong Tigermed for period from January 1, 2016 to December 31, 2018 exceeds RMB160,160,000 (the "Jietong Tigermed Profit Target"), the Jietong Tigermed Final Consideration should be adjusted upward based on the difference the audited profit and the Jietong Tigermed Profit Target but should not exceed RMB60,000,000.

As at acquisition date, it was noted that the Jietong Tigermed FY2016 Net Profit is lower than the Jietong Tigermed FY2016 Profit Guarantee and the downward adjustment had already exceeded RMB60,000,000. The directors of the Company considered that the possibility of the settlement of Jietong Tigermed Final Consideration is remote and no contingent consideration payable was recognised at the date of acquisition.

During the years ended December 31, 2017 and 2018, it was noted that the Jietong Tigermed FY2017-2018 Net Profit is lower than Jietong Tigermed FY2017-2018 Profit Guarantee. The directors of the Company had re-assessed the possibility of the settlement of Jietong Tigermed Final Consideration and considered the possibility of settlement is remote. No contingent consideration payable was recognised at each of the end of the Track Record Period and there was no fair value changes has been recognised in relation to the Jietong Tigermed Acquisition during the Track Record Period.

Acquisition-related costs amounting to RMB3,300,000 are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition.

Details of the fair value of identifiable assets and liabilities acquired are as follows:

	Fair value
	RMB'000
Property, plant and equipment	1,431
Intangible assets	1,657
Other non-current assets	199
Deferred tax assets	742
Loan receivable	35,000
Trade and other receivables	69,676
Cash and cash equivalents	4,029
Trade and other payables	(27,700)
Tax payables	(1,900)
Net assets acquired	83,134

	RMB'000
Cash consideration paid	540,000
Less: Fair value of net assets acquired	(83,134)
Goodwill	456,866

Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	540,000
Less: Cash and cash equivalents acquired	(4,029)
	535,971

The fair value of trade and other receivables at the date of acquisition amounted to RMB69,676,000.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Since the acquisition date, Jietong Tigermed has contributed RMB56,728,000 to the Group's revenue and a profit of RMB16,498,000 to the overall result of the Group for the year ended December 31, 2017. If the acquisition had occurred on January 1, 2017, the Group's revenue would have been RMB1,711,569,000 and the profit of the Group would have been RMB396,686,000 for the year ended December 31, 2017.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2017, nor is it intended to be a projection of future results.

(b) For the year ended December 31, 2018

	Name of subsidiary acquired	Vendor	Percentage of equity interests acquired	Principal activity	Date of completion
(i)	Concord Group *(as defined in Note 18)*	An independent third party	100%	Safety and toxicology services	April 1, 2018
(ii)	Opera *(as defined in Note 22)*	An independent third party	51.17%	Clinical trials business	September 1, 2018

(i) Acquisition of Concord

On April 1, 2018, Frontage Labs, a wholly-owned subsidiary of the Company, acquired 100% equity interests in Croley Martell Holdings, Inc, a Delaware corporation, from an independent third party for a cash consideration of US$4,317,000 (equivalent to approximately RMB27,109,000). Croley Martell Holdings, Inc owns 100% equity interests in Concord and Concord Holdings, LLC, whose principal activities are to provide safety and toxicology to supplement the Group's existing clinical trial services division. This acquisition has been accounted for using the acquisition method.

The Concord Group's business was acquired to fill a strategic gap in the Group's clinical service offering, with this acquisition the Group expands its revenue streams to include safety and toxicology services, which will allow the Group to offer a complete clinical service testing offering in the USA.

Acquisition-related costs amounting to US$8,000 (equivalent to approximately RMB54,000) are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition.

Details of the fair value of identifiable assets and liabilities are as follows:

	Fair value
	RMB'000
Property, plant and equipment	44,304
Intangible assets	806
Other non-current assets	426
Deferred tax assets	1,555
Inventories	325
Trade and other receivables	6,585
Contract assets	13,155
Cash and cash equivalents	822
Trade and other payables	(32,005)
Obligation under a finance lease	(3,938)
Net assets acquired	32,035

	RMB'000
Cash consideration paid	27,109
Less: Fair value of net assets acquired	(32,035)
Bargain purchase gain	(4,926)

Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	27,109
Less: Cash and cash equivalents acquired	(822)
	26,287

The fair value of trade and other receivables at the date of acquisition amounted to RMB6,585,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB6,986,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was RMB401,000.

The bargain purchase gain arose from the Group's acquisition of the interest in Concord Group. The gain arose as a result of the Group negotiating a good price when acquiring Concord, due to the prior owners not being able to profitably operate a business of this nature. This led to a negotiation during which the Group was able to agree a cash consideration that was below the assessed net fair value of the assets acquired and liabilities assumed.

Since the acquisition date, Concord Group has contributed RMB56,138,000 to the Group's revenue and a loss of RMB2,219,000 to the overall result of the Group for the year ended December 31, 2018. If the acquisition had occurred on January 1, 2018, the Group's revenue would have been RMB2,318,766,000 and the profit of the Group would have been RMB652,736,000 for the year ended December 31, 2018.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

(ii) Acquisition of Opera

On July 26, 2018, Tigermed HK, a direct wholly-owned subsidiary of the Company, entered into a subscription agreement to subscribe 51.17% of enlarged issued share capital in Opera. Opera and its subsidiaries are principally engaged in the provision of clinical research activities for pharma industry, medical devices manufacturers and food supplement companies. This acquisition has been accounted for using the acquisition method.

The subscription was satisfied by cash consideration of Euro364,000 (equivalent to approximately RMB2,946,000) in the year ended December 31, 2018.

In completing the acquisition, the combined resources upon the acquisition would enable the Group to expand the exposure in the CRO market in Europe.

During the year ended December 31, 2018, all the conditions precedent under the subscription agreement have been fulfilled. Opera became an indirect non-wholly owned subsidiary of the Company thereafter.

Acquisition-related costs amounting to US$25,000 (equivalent to approximately RMB168,000) are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition.

Details of the fair value of identifiable assets and liabilities are as follows:

	Fair value
	RMB'000
Property, plant and equipment	33
Trade and other receivables	385
Cash and cash equivalents	161
Trade payables	(490)
Non-controlling interests	(43)
	46

	RMB'000
Cash consideration paid	2,946
Less: Fair value of net assets acquired	(46)
Goodwill	2,900
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	2,946
Less: Cash and cash equivalents acquired	(161)
	2,785

The fair value of trade and other receivables at the date of acquisition amounted to RMB385,000, which is approximately the contractual amounts of those trade and other receivables acquired.

The non-controlling interests recognised at the acquisition date was measured at 48.83% of the net assets acquired.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Since the acquisition date, Opera has contributed RMB1,021,000 to the Group's revenue and a loss of RMB506,000 to the overall result of the Group for the year ended December 31, 2018. If the acquisition had occurred on January 1, 2018, the Group's revenue would have been RMB2,299,725,000 and the profit of the Group would have been RMB654,627,000 for the year ended December 31, 2018.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

(c) For the year ended December 31, 2019

Name of subsidiary acquired	Vendor	Percentage of equity interests acquired	Principal activity	Date of completion
Beijing Yaxincheng	An independent third party	20%	Medical translation	July 1, 2019
Frontage Suzhou	An independent third party	25.96%	Chemistry, manufacturing and controls operations in the PRC	October 25, 2019
RMI	Independent third parties	100%	Metabolite profiling and identification services	October 31, 2019

Name of subsidiary acquired	Vendor	Percentage of equity interests acquired	Principal activity	Date of completion
BRI	An independent third party	100%	Preclinical drug discovery and development of contract research services	December 13, 2019

(i) Acquisition of Beijing Yaxincheng

On April 18, 2017, the Group completed the acquisition of 35% equity interest in Beijing Yaxincheng (the "Yaxincheng First Acquisition") for a cash consideration of RMB50,400,000 from an independent third party. The Group accounted for its interest in Beijing Yaxincheng as financial asset through FVTPL as the directors of the Company consider that the Group has no significant influence, joint control nor control over Beijing Yaxincheng based on the fact that the Group does not participate in any operating and financial policies of Beijing Yaxincheng and exercise its influence on the operating and financial policies in the board of directors of Beijing Yaxincheng.

On July 1, 2019, a sales and purchase agreement was entered between (i) the Company, and (ii) the shareholder of Beijing Yaxincheng in relation to the acquisition of additional 20% equity interests in Beijing Yaxincheng (the "Yaxincheng 20% Acquisition").

During the year ended December 31, 2019, all of the conditions precedent under the sales and purchase agreement were fulfilled. Beijing Yaxincheng became a direct non-wholly owned subsidiary of the Company thereafter.

The Beijing Yaxincheng's business was acquired to fill a strategic gap in the Group's clinical service offering, with this acquisition the Group expands its revenue streams to include medical translation, which will allow the Group to offer a complete clinical trial service in the PRC.

The total consideration was satisfied by cash consideration of RMB43,200,000 in the year ended December 31, 2019.

This transaction was accounted for as a business combination achieved in stages. The Group remeasured its previously held interest in Beijing Yaxincheng on the acquisition date and recognised a gain of RMB25,200,000 on the fair value change of previously held interests, which is included in gain on disposal of financial assets of FVTPL in Note 9.

The fair value of previously held interests in Beijing Yaxincheng at the date of the Yaxincheng 20% Acquisition was estimated with reference to the sales and purchase in relation of this acquisition. The directors of the Company are of opinion that the consideration could be considered as fair value as the agreement was entered with the independent third party on an arm's length basis.

Acquisition-related costs amounting to RMB20,000 are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition.

Details of the fair value of identifiable assets and liabilities are as follows:

	Fair value
	RMB'000
Property, plant and equipment	16,354
Intangible assets – software	14,300
Right-of-use assets	2,173
Trade and other receivables	17,015
Cash and cash equivalents	5,837
Trade and other payables	(9,339)
Contract liabilities	(4,098)
Tax payable	(958)
Lease liabilities	(2,173)
Deferred tax liabilities	(3,747)
Non-controlling interests	(15,914)
Net assets acquired	19,450

	RMB'000
Cash consideration paid	43,200
Fair value of previously held interests in Beijing Yaxincheng	75,600
Less: Fair value of net assets acquired	(19,450)
Goodwill	99,350
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	43,200
Less: Cash and cash equivalents acquired	(5,837)
	37,363

The fair value of trade and other receivables at the date of acquisition amounted to RMB17,015,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB17,907,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was RMB892,000.

The non-controlling interest recognised at the acquisition date was measured at 45% of the net assets acquired.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Since the acquisition date, Beijing Yaxincheng has contributed RMB31,378,000 to the Group's revenue and a profit of RMB5,550,000 to the overall result of the Group for the year ended December 31, 2019. If the acquisition had occurred on January 1, 2019, the Group's revenue would have been RMB2,851,320,000 and the profit of the Group would have been RMB987,351,000 for the year ended December 31, 2019.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2019, nor is it intended to be a projection of future results.

(ii) Acquisition of Frontage Suzhou

On October 25, 2019, the Group acquired additional 25.96% of the equity interests of Frontage Suzhou, a former associate of the Company, for a cash consideration of RMB14,434,000 from an independent third party. Such acquisition was made so as to expand the Group's CMC business in the PRC. This acquisition has been accounted for using the acquisition method.

Upon the completion of the above transaction, Frontage Suzhou became an indirect non-wholly owned subsidiary of the Company.

Acquisition-related costs amounting to RMB35,000 are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been preliminarily allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition. The preliminary purchase price allocation is subject to further refinement and may require adjustments to arrive at the final purchase price allocation. These adjustments will primarily relate to intangible assets and income tax-related items. Management expects the purchase price allocation to be completed in the second quarter of 2020.

Details of the fair value of identifiable assets and liabilities are as follows:

	Fair value
	RMB'000
Property, plant and equipment	9,723
Intangible assets – customer relationship	8,700
Intangible assets – customer backlog	4,800
Intangible assets – software	175
Deferred tax assets	865
Trade and other receivables	9,806
Cash and cash equivalents	10,242
Trade and other payables	(13,205)
Contract liabilities	(10,218)
Tax payable	(124)
Deferred tax liabilities	(2,025)
Non-controlling interests	(4,685)
Net assets acquired	14,054

	RMB'000
Cash consideration paid	14,434
Fair value of previously held interests in Frontage Suzhou	27,266
Less: Fair value of net assets acquired	(14,054)
Goodwill	27,646

Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	14,434
Less: Cash and cash equivalents acquired	(10,242)
	4,192

The fair value of trade and other receivables at the date of acquisition amounted to RMB9,806,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB10,278,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was RMB472,000.

The non-controlling interests recognised at the acquisition was measured at 25% of the net asset acquired.

The Group remeasured its previously held interests in Frontage Suzhou on the acquisition date and recognised a gain of RMB16,288,000 on the fair value change of previously held interests, which is included in gain on disposal of associates in Note 9. The fair value of the 49.04% equity interests was estimated by applying an income approach. The following were the key model inputs used in determining the fair value:

- assumed discount rate of 21%;
- assumed long-term sustainable growth rate of 3%; and
- assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interests in Frontage Suzhou.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Since the acquisition date, Frontage Suzhou has contributed RMB5,403,000 to the Group's revenue and a profit of RMB211,000 to the overall result of the Group for the year ended December 31, 2019. If the acquisition had occurred on January 1, 2019, the Group's revenue would have been RMB2,827,535,000 and the profit of the Group would have been RMB977,210,000 for the year ended December 31, 2019.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2019, nor is it intended to be a projection of future results.

(iii) Acquisition of RMI

On October 31, 2019, the Group acquired entire equity interests of RMI for consideration of US$4,800,000 (equivalent to RMB33,486,000) (the "RMI Acquisition"). RMI is engaged in providing quantitative and qualitative drug metabolism services for pharmaceutical and biotechnology companies. In completing the RMI Acquisition, the Group will expand its capacity with additional scientists, equipment, and facilities to be used in the provision of existing and novel services to its customers, effectively expand the current client base that the Group currently serves in this specific field, with the potential to increase the Group's revenue generated through this highly specialised service.

The acquisition has been accounted for using the acquisition method. During the year ended December 31, 2019, all of the conditions precedent under the sales and purchase agreement were fulfilled, and RMI became an indirect subsidiary of the Company thereafter.

The total consideration of the RMI Acquisition is subject to downward adjustment in respect of the guarantee to a maximum of US$2,500,000 (equivalent to RMB17,440,000) if:

(a) the audited EBITDA of RMI from November 1, 2019 to December 31, 2019 is less than US$240,000 (equivalent to RMB1,674,000) (the "RMI FY2019 Profit Target"), and;

(b) the audited EBITDA of RMI in fiscal year of 2020 is less than US$1,600,000 (equivalent to RMB11,162,000) (the "RMI FY2020 Profit Target"), and;

(c) the audited revenue of RMI in fiscal year of 2021 is less than US$3,800,000 (equivalent to RMB26,510,000) (the "RMI FY2021 Revenue Target"), and;

(d) the audited revenue of RMI in fiscal year of 2022 is less than US$5,000,000 (equivalent to RMB34,881,000) (the "RMI FY2022 Revenue Target").

The total consideration shall be satisfied by way of cash by the Group in the following manners:

(a) initial consideration as to US$2,000,000 (equivalent to RMB13,952,000) payable by completion;

(b) second consideration as to a maximum of US$300,000 (equivalent to RMB2,093,000) (if the RMI FY2019 Profit Target is attained) is payable within 60 days after the completion of the RMI Acquisition;

(c) third consideration as to a maximum of US$1,000,000 (equivalent to RMB6,976,000) (if the RMI FY2020 Profit Target is attained) is payable within 30 days from the fiscal year end of 2020; and

(d) forth consideration as to a maximum of US$750,000 (equivalent to RMB5,232,000) (if the RMI FY2021 Revenue Target is attained) is payable within 30 days from the fiscal year end of 2021; and

(e) final consideration as to a maximum of US$750,000 (equivalent to RMB5,232,000) (if the RMI FY2022 Revenue Target is attained) is payable within 30 days from the fiscal year ended of 2022.

The expected future economic benefits that will flow out of the Group arising from such arrangement are considered as a contingent consideration. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in the business combination.

Acquisition-related costs amounting to RMB112,000 are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been preliminarily allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition. The preliminary purchase price allocation is subject to further refinement and may require adjustments to arrive at the final purchase price allocation. These adjustments will primarily relate to intangible assets and income tax-related items. Management expects the purchase price allocation to be completed in the second quarter of 2020.

Details of the fair value of identifiable assets and liabilities are as follows:

	Fair value
	RMB'000
Property, plant and equipment	1,076
Intangible assets – customer relationship	10,464
Intangible assets – customer backlog	1,395
Intangible assets – non-competition clause	4,883
Intangible assets – software	6,279
Trade and other receivables	3,790
Cash and cash equivalents	665
Trade and other payables	(263)
Deferred tax liabilities	(5,220)
Net assets acquired	23,069

	RMB'000
Cash consideration paid	16,045
Contingent consideration payable (Note 34)	15,900
Less: Fair value of net assets acquired	(23,069)
Goodwill	8,876
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	16,045
Less: Cash and cash equivalents acquired	(665)
	15,380

The fair value of trade and other receivables at the date of acquisition amounted to RMB3,790,000, which is approximately the contractual amounts of those trade and other receivables acquired.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Since the acquisition date, RMI has contributed RMB2,867,000 to the Group's revenue and a profit of RMB927,000 to the overall result of the Group for the year ended December 31, 2019. If the acquisition had occurred on January 1, 2019, the Group's revenue would have been RMB2,821,619,000 and the profit of the Group would have been RMB979,285,000 for the year ended December 31, 2019.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2019, nor is it intended to be a projection of future results.

(iv) Acquisition of BRI

On December 13, 2019, the Group acquired entire equity interests of BRI for consideration of CAD4,200,000 (equivalent to RMB22,437,000) (the "BRI Acquisition"). BRI is engaged in providing science-driven drug discovery and IND/NDA-enabling studies for pharmaceutical and biotechnology companies. In completing the BRI Acquisition, the combined resources upon the acquisition will enable the Group to become a global leader in providing DMPK services to our existing and new clients in pharmaceutical and agrochemical industries, and further the Group's goal to establish new centers of excellence in DMPK throughout North America and the PRC.

This acquisition has been accounted for using the acquisition method. During the year ended December 31, 2019, all of the conditions precedent under the sales and purchase agreement were fulfilled, and BRI became an indirect subsidiary of the Company thereafter.

The total consideration of the BRI Acquisition is subject to downward adjustment in respect of the guarantee to a maximum of CAD1,200,000 (equivalent to RMB6,344,000) if:

(a) the audited revenue of BRI in fiscal year of 2020 is less than CAD3,300,000 (equivalent to RMB17,629,000) (the "BRI FY2020 Revenue Target"), and;

(b) the audited revenue of BRI in fiscal year of 2021 is less than CAD3,630,000 (equivalent to RMB19,392,000) (the "BRI FY2021 Revenue Target"), and;

(c) the audited revenue of BRI in fiscal year of 2022 is less than CAD3,990,000 (equivalent to RMB21,315,000) (the "BRI FY2022 Revenue Target).

The total consideration shall be satisfied by way of cash by the Group in the following manners:

(a) initial consideration as to CAD3,000,000 (equivalent to RMB16,026,000) payable by completion;

(b) second consideration as to a maximum of CAD500,000 (equivalent to RMB2,671,000) (if the BRI FY2020 Revenue Target is attained) is payable within 95 days from the fiscal year end of 2020;

(c) third consideration as to a maximum of CAD400,000 (equivalent to RMB2,137,000) (if the BRI FY2021 Revenue Target is attained) is payable within 95 days from the fiscal year end of 2021; and

(d) final consideration as to a maximum of CAD300,000 (equivalent to RMB1,603,000) (if the BRI FY2022 Revenue Target is attained) is payable within 95 days from the fiscal year ended of 2022.

The expected future economic benefits that will flow out of the Group arising from such arrangement are considered as a contingent consideration. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in the business combination.

Acquisition-related costs amounting to RMB398,000 are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been preliminarily allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition. The preliminary purchase price allocation is subject to further refinement and may require adjustments to arrive at the final purchase price allocation. These adjustments will primarily relate to intangible assets and income tax-related items. Management expects the purchase price allocation to be completed in the second quarter of 2020.

Details of the fair value of identifiable assets and liabilities are as follows:

	Fair value
	RMB'000
Property, plant and equipment	2,409
Intangible assets – customer relationship	10,150
Intangible assets – non-competition clause	534
Intangible assets – software	8
Inventories	207
Trade and other receivables	2,126
Contract assets	1,228
Prepaid income tax	2,608
Cash and cash equivalents	447
Trade and other payables	(3,428)
Contract liabilities	(377)
Deferred tax liabilities	(2,432)
Net assets acquired	13,480

	RMB'000
Cash consideration paid	16,026
Contingent consideration payable (Note 34)	4,443
Less: Fair value of net assets acquired	(13,480)
Goodwill	6,989
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	16,026
Less: Cash and cash equivalents acquired	(447)
	15,579

The fair value of trade and other receivables at the date of acquisition amounted to RMB2,126,000, which is approximately the contractual amounts of those trade and other receivables acquired.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Since the acquisition date, BRI has contributed RMB495,000 to the Group's revenue and a profit of nil to the overall result of the Group for the year ended December 31, 2019. If the acquisition had occurred on January 1, 2019, the Group's revenue would have been RMB2,809,322,000 and the profit of the Group would have been RMB974,947,000 for the year ended December 31, 2019.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2019, nor is it intended to be a projection of future results.

(d) For the three months ended March 31, 2020

Name of subsidiary acquired	Vendor	Percentage of equity interests acquired	Principal activity	Date of completion
Mosim	Independent third parties	27%	CRO services	January 9, 2020
Biotranex	An independent third party	100%	DMPK services to pharmaceutical and agrichemical industries	March 31, 2020

(i) Acquisition of Mosim

On January 9, 2020, the Group acquired additional 27% of the equity interests in Mosim, a former associate of the Company, for a cash consideration of RMB91,558,000 from independent third parties. Such acquisition was made so as to expand the Group's CMC business in the PRC. This acquisition has been accounted for using the acquisition method.

Upon the completion of the above transaction, Mosim became a direct non-wholly owned subsidiary of the Company.

Acquisition-related costs amounting to RMB10,000 are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been preliminarily allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition. The preliminary purchase price allocation is subject to further refinement and may require adjustments to arrive at the final purchase price allocation. These adjustments will primarily relate to intangible assets and income tax-related items. Management expects the purchase price allocation to be completed in the second quarter of 2020.

Details of the fair value of identifiable assets and liabilities are as follows:

	Fair value
	RMB'000
Property, plant and equipment	233
Intangible assets – software	6,208
Deferred tax assets	156
Trade and other receivables	20,552
Cash and cash equivalents	16,154
Trade and other payables	(5,495)
Contract liabilities	(3,754)
Tax payables	(2,747)
Deferred tax liabilities	(927)
Non-controlling interests	(12,152)
Net assets acquired	18,228

	RMB'000
Cash consideration paid	91,558
Fair value of previously held interests in Mosim	112,622
Less: Fair value of net assets acquired	(18,228)
Goodwill	185,952

Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	91,558
Less: Cash and cash equivalents acquired	(16,154)
	75,404

The fair value of trade and other receivables at the date of acquisition amounted to RMB20,552,000, which is approximately the contractual amounts of those trade and other receivables acquired.

The non-controlling interest recognised at the acquisition date was measured at 40% of the net assets acquired.

The Group remeasured its previously held interests in Mosim on the acquisition date and recognised a gain of RMB67,749,000 on the fair value change of previously held interests, which is included in gain on disposal of associates in Note 9. The fair value of the 33% equity interests was estimated with reference to the sales and purchase in relation of this acquisition. The directors of the Company are of opinion that the consideration could be considered as fair value as the agreement was entered with the independent third parties on an arm's length basis.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Since the acquisition date, Mosim has contributed RMB6,960,000 to the Group's revenue and a profit of RMB1,665,000 to the overall result of the Group for the three months ended March 31, 2020. If the acquisition had occurred on January 1, 2020, the Group's revenue would have been RMB655,665,000 and the profit of the Group would have been RMB262,088,000 for the three months ended March 31, 2020.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

(ii) Acquisition of Biotranex

On March 31, 2020, the Group acquired entire equity interests of Biotranex for consideration of US$2,600,000 (equivalent to RMB18,422,000) (the "Biotranex Acquisition"). Biotranex is engaged in providing quantitative and qualitative drug metabolism services for pharmaceutical and biotechnology companies. In completing the Biotranex Acquisition, the Group will expand its capacity and enable the Group to move towards becoming a global leader in providing DMPK services to the existing and new clients in pharmaceutical and agrichemical industries.

The acquisition has been accounted for using acquisition methods. During the three months ended March 31, 2020, all of the conditions precedent under the sales and purchase agreement were fulfilled, and Biotranex became an indirect subsidiary of the Company thereafter.

The total consideration of the Biotranex Acquisition is subject to downward adjustment in respect of the guarantee to a maximum of US$600,000 (equivalent to RMB4,251,000) if:

(a) the audited EBITDA for the nine months ending December 31, 2020 is less than US$105,000 (equivalent to RMB744,000) (the "Biotranex FY2020 Profit Target"); and

(b) the audited EBITDA of Biotranex in fiscal year of 2021 is less than US$400,000 (equivalent to RMB2,834,000) (the "Biotranex FY2021 Profit Target"); and

(c) the audited EBITDA of Biotranex in fiscal year of 2022 is less than US$500,000 (equivalent to RMB3,543,000) (the "Biotranex FY2022 Profit Target").

In case if the total audited EBITDA from April 1, 2020 to December 31, 2022 is less than US$1,005,000 (equivalent to RMB7,121,000) (the "Biotranex Profit Target") but is equal to or exceeds US$495,000 (equivalent to RMB3,507,000), the total consideration of the Biotranex Acquisition is subject to downward adjustment based on the difference the audited profit and the Biotranex Profit Target.

The total consideration shall be satisfied by way of cash by the Group in the following manners:

(a) initial consideration as to US$1,250,000 (equivalent to RMB8,857,000) payable by completion;

(b) second consideration as to a maximum of US$375,000 (equivalent to RMB2,657,000) payable within 6 months after the completion of the Biotranex Acquisition;

(c) third consideration as to a maximum of US$200,000 (equivalent to RMB1,417,000) (if the Biotranex FY2020 Profit Target is attained) is payable by March 31, 2021; and

(d) fourth consideration as to a maximum of US$200,000 (equivalent to RMB1,417,000) (if the Biotranex FY2021 Profit Target is attained) is payable by March 21, 2022; and

(e) fifth consideration as to a maximum of US$200,000 (equivalent to RMB1,417,000) (if the Biotranex FY2022 Profit Target is attained) is payable by March 31, 2023; and

(f) final consideration as to a maximum of US$375,000 (equivalent to RMB2,657,000) if the payment is mutually agreed by the Group and the seller.

The expected future economic benefits that will flow out of the Group arising from such arrangement are considered as a contingent consideration. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in the business combination.

Acquisition-related costs amounting to RMB69,000 are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been preliminarily allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition. The preliminary purchase price allocation is subject to further refinement and may require adjustments to arrive at the final purchase price allocation. These adjustments will primarily relate to intangible assets and income tax-related items. Management expects the purchase price allocation to be completed in the first quarter of 2021.

Details of the fair value of identifiable assets and liabilities are as follows:

	Fair value
	RMB'000
Property, plant and equipment	242
Intangible assets – customer relationship	2,126
Intangible assets – non-competition clause	2,126
Trade and other receivables	1,015
Cash and cash equivalents	973
Trade and other payables	(248)
Deferred tax liabilities	(893)
Net assets acquired	5,341

	RMB'000
Cash consideration paid	8,857
Consideration payable	5,576
Contingent consideration payable	2,714
Less: Fair value of net assets acquired	(5,341)
Goodwill	11,806

Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	8,857
Less: Cash and cash equivalents acquired	(973)
	7,884

The fair value of trade and other receivables at the date of acquisition amounted to RMB1,015,000, which is approximately the contractual amounts of those trade and other receivables acquired.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Since the acquisition date, Biotranex has contributed nil to the Group's revenue and profit before tax to the overall result of the Group for the three months ended March 31, 2020. If the acquisition had occurred on January 1, 2020, the Group's revenue would have been RMB656,821,000 and the profit of the Group would have been RMB263,863,000 for the three months ended March 31, 2020.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

41. DISPOSAL OF SUBSIDIARIES

During the Track Record Period, the Group disposed several subsidiaries to concentrate on its core businesses. The following tables summarised these transactions:

(a) For the year ended December 31, 2017

	Name of subsidiary disposed	Percentage of equity interests disposed of	Principal activity	Date of disposal
(i)	上海泰格醫藥諮詢有限公司 Shanghai Tigermed Medical Consulting Co., Ltd. ("Shanghai Consulting")	51%	Clinical development service	June 1, 2017
(ii)	湖南泰新醫藥科技有限公司 Hunan Taixin Pharmaceutical Technology Co., Ltd ("Hunan Taixin")	74.5%	Clinical development service	December 1, 2017

Notes: The English names of the subsidiaries registered in the PRC represents the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

(i) Disposal of Shanghai Consulting (上海泰格醫藥諮詢有限公司)

On June 1, 2017, the Group disposed 51% equity interests in a non-wholly owned subsidiary, Shanghai Consulting (上海泰格醫藥諮詢有限公司), which is engaged in provision of clinical development service in the PRC, to an independent third party at a consideration of RMB1,749,000.

A summary of the effects of the disposal of Shanghai Consulting (上海泰格醫藥諮詢有限公司) at the date of disposal is as follows:

	RMB'000
Property, plant and equipment	129
Deferred tax assets	24
Trade and other receivables	1,252
Cash and cash equivalents	1,844
Tax payables	(95)
Non-controlling interests	(1,546)
Net assets disposed	1,608

	RMB'000
Consideration received	1,749
Less: net assets disposed	(1,608)
Gain on disposal of a subsidiary	141
Net cash outflow arising on disposal of a subsidiary:	
Cash received	1,749
Less: Cash and cash equivalents disposal of	(1,844)
	(95)

(ii) Disposal of Hunan Taixin

On December 1, 2017, the Group disposed 74.5% equity interests in a non-wholly owned subsidiary, Hunan Taixin, which is engaged in provision clinical development service in the PRC, to an independent third party at a consideration of RMB25,000,000.

A summary of the effects of the disposal of Hunan Taixin at the date of disposal is as follows:

	RMB'000
Property, plant and equipment	7,411
Inventories	79
Deferred tax assets	184
Trade and other receivables	1,986
Cash and cash equivalents	6,703
Trade and other payables	(1,449)
Tax payables	(944)
Non-controlling interests	(3,562)
Net assets disposed	10,408

	RMB'000
Consideration received	25,000
Less: net assets disposed	(10,408)
Gain on disposal of a subsidiary	14,592
Net cash inflow arising on disposal of a subsidiary:	
Cash received	25,000
Less: Cash and cash equivalents disposed of	(6,703)
	18,297

(b) For the year ended December 31, 2018

Name of subsidiary disposed	Percentage of equity interests disposed of	Principal activity	Date of disposal
Shanghai Frontage Biotech (as defined in Note 18)	100%	Bioanalytical services	April 27, 2018
蘇州方達生物技術有限公司 Suzhou Frontage Biotech Co. Ltd. ("Suzhou Frontage Biotech")	100%	Bioanalytical services	April 28, 2018

Notes: The English names of the subsidiaries registered in the PRC represents the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

On April 27, 2018 and April 28, 2018, the Group disposed its entire equity interests in Shanghai Frontage Biotech and Suzhou Frontage Biotech (the "Relevant Companies") to an independent third party at an aggregate consideration of RMB4,900,000. The Relevant Companies are engaged in provision of bioanalytical services in the PRC.

A summary of the effects of the disposal of Relevant Companies at the date of disposal is as follows:

	RMB'000
Property, plant and equipment	13,610
Financial assets at FVTPL	364
Trade and other receivables	31,982
Cash and cash equivalents	22,337
Deferred tax assets	438
Trade and other payables	(64,904)
Net assets disposed	3,827

	RMB'000
Consideration received	4,900
Less: net assets disposed	(3,827)
Gain on disposal of subsidiaries	1,073
Net cash outflow arising on disposal of subsidiaries:	
Cash received	4,900
Less: Cash and cash equivalents disposed of	(22,337)
	(17,437)

In addition, Frontage Shanghai entered into agreements with the Relevant Companies under which Frontage Shanghai agreed to provide certain services to the Relevant Companies in order to help them perform and complete their existing customer contracts, and Frontage Shanghai will receive fees from the Relevant Companies for providing such services.

In light of the above arrangements, save for these existing customer contracts, the Relevant Companies do not hold any assets or businesses related to the Group's business. All necessary PRC regulatory approvals for the transfer of the shares in the Relevant Companies have been obtained and the above disposal of the Relevant Companies was properly and legally completed.

(c) For the year ended December 31, 2019

	Name of subsidiary disposed	Percentage of equity interests disposed of	Principal activity	Date of disposal
(i)	Shanghai Shengtong	20%	Cold-chain logistics service	March 20, 2019
(ii)	杭州泰格捷通檢測技術有限公司 Hangzhou Tigermed Jietong ("Hangzhou Tigermed Jietong")	50%	Clinical development service	June 20, 2019

(i) Disposal of Shanghai Shengtong

On March 20, 2019, the Group disposed in aggregate of 20% equity interests in a non-wholly owned subsidiary, Shanghai Shengtong, which is engaged in provision logistics service in the PRC, to two independent third parties, 寧波虹瑞企業管理合夥企業(有限合夥) and 楊從登 at a consideration of RMB20,000,000 and RMB8,000,000 respectively. The Group retains 35% of issued share capital of Shanghai Shengtong. The directors of the Company consider that the Group has no significant influence, joint control nor control over the entity of direct investment after the disposal based on the fact that the Group does not participate in any operating and financial policies of the entity and exercise its influence on the operating and financial policies in the board of directors of the entity. It has been classified as a financial asset at fair value through profit or loss and measured at fair value at the initial recognition of the retained interest.

A summary of the effects of the disposal of Shanghai Shengtong at the date of disposal is as follows:

	RMB'000
Property, plant and equipment	946
Other non-current assets	80
Trade and other receivables	30,320
Cash and cash equivalents	3,378
Borrowings	(11,740)
Trade and other payables	(5,942)
Contract liabilities	(5,414)
Tax payables	(326)
Non-controlling interests	(5,087)
	6,215
Goodwill	17,957
Net assets disposed	24,172

	RMB'000
Consideration received	28,000
Fair value of remaining interests in Shanghai Shengtong	49,000
Less: net assets disposed	(24,172)
Gain on disposal of a subsidiary	52,828
Net cash inflow arising on disposal of a subsidiary:	
Cash received	28,000
Less: Cash and cash equivalents disposed of	(3,378)
	24,622

(ii) Disposal of Hangzhou Tigermed Jietong

On June 20, 2019, the Group disposed 50% equity interests in a non-wholly owned subsidiary, Hangzhou Tigermed Jietong, which is engaged in provision clinical development service in the PRC, to an independent third party, 寧波玖達投資管理合夥企業(有限合夥), at a consideration of RMB10,000,000. The Group retains 30% of issued share capital of Hangzhou Tigermed Jietong. The directors of the Company consider that the Group has no significant influence, joint control nor control over the entity of direct investment based on the fact that the Group does not participate in any operating and financial policies of the entities and exercise its influence on the operating and financial policies in the board of directors of the entities. It has been classified as a financial asset at fair value through profit or loss and measured at fair value at the initial recognition of the retained interest.

A summary of the effects of the disposal of Hangzhou Tigermed Jietong at the date of disposal is as follows:

	RMB'000
Property, plant and equipment	4,460
Right-of-use assets	2,531
Inventories	13
Trade and other receivables	686
Cash and cash equivalents	187
Trade and other payables	(11,250)
Contract liabilities	(183)
Tax payables	(5)
Lease liabilities	(2,588)
Non-controlling interests	1,230
Net liabilities disposed	(4,919)

	RMB'000
Consideration received	10,000
Fair value of remaining interests in Hangzhou Tigermed Jietong	6,000
Add: net liabilities disposed	4,919
Gain on disposal of a subsidiary	20,919

	RMB'000
Net cash inflow arising on disposal of a subsidiary:	
Cash received	10,000
Less: Cash and cash equivalents disposed of	(187)
	9,813

(d) For the three months ended March 31, 2020

Name of subsidiary disposed	Percentage of equity interests disposed of	Principal activity	Date of disposal
Chengdu Xinsheng Tigermed Technology Company Limited 成都市鑫盛泰格醫藥科技有限公司 ("Chengdu Tigermed") *(note)*	100%	Clinical development service	January 10, 2020

Note:

The English name of the subsidiary registered in the PRC represents the best efforts made by management of the Company to translate its Chinese name as it does not have an official English name.

During the three months ended March 31, 2020, the Group disposed all equity interests in a wholly owned subsidiary, Chengdu Tigermed, which is engaged in provision of clinical development service in the PRC, to an associate, Hangzhou Yibai, at a consideration of RMB5,000,000.

A summary of the effects of the disposal of Chengdu Tigermed at the date of disposal is as follows:

	RMB'000
Property, plant and equipment	15
Right-of-use assets	415
Trade and other receivables	145
Cash and cash equivalents	157
Trade and other payables	(2,020)
Lease liabilities	(438)
Tax payables	(17)
Net liabilities disposed	(1,743)

	RMB'000
Consideration receivable	5,000
Add: net liabilities disposed	1,743
Gain on disposal of a subsidiary	6,743
Net cash outflow arising on disposal of a subsidiary:	
Cash received	–
Less: Cash and cash equivalents disposed of	(157)
	(157)

42. SHARE-BASED PAYMENT

During the Track Record Period, the Company and its subsidiaries launched and adopted as few share option schemes to its employees. Details of the schemes are as follow:

(a) Frontage Holdings:

2008 and 2015 share incentive plans

Frontage Labs adopted 2 Pre-IPO share incentive plans respectively in 2008 and 2015 (collectively referred as the "Frontage Labs Schemes") for the primary purpose of attracting, retaining and motivating the directors and employees of the Frontage Labs and its subsidiaries. Under the Frontage Labs Schemes, the directors of Frontage Labs may grant up to 9,434,434 share options under the 2008 share incentive plan and 12,000,000 share options under the 2015 share incentive plan to eligible employees, including the directors and employees of Frontage Labs and its subsidiaries, to subscribe for shares in Frontage Labs. Each option granted has a contractual term of 5 to 10 years and vesting on the anniversary one year after grant date.

On September 14, 2017, Frontage Labs granted a total 1,995,000 share options under the 2015 share incentive plan to the eligible employees at an exercise price of US$0.57 (equivalent to RMB3.80) per share.

On April 17, 2018, Frontage Holdings, Frontage Labs and corresponding employees entered into an agreement pursuant to which Frontage Labs has assigned, and Frontage Holdings has assumed, the rights and obligations of Frontage Labs under the Frontage Labs Schemes. The total outstanding share options under the Frontage Labs Schemes as at December 31, 2018 were 4,035,000 shares.

On February 28, 2019, Frontage Holdings granted a total 7,990,000 share options under the 2015 share incentive plan to the eligible employees at an exercise price of US$2.00 (equivalent to RMB13.80) per share.

Pursuant to the capitalisation issue completed on May 11, 2019 (the "Frontage Capitalisation Issue"), the number of options granted to an eligible employee under the Frontage Labs Schemes were adjusted to ten times of the original number of options held by that grantee. Accordingly, the exercise price was adjusted to 10% of the original exercise price.

Set out below are details of the movements of the outstanding options granted under the Frontage Labs Schemes during the Track Record Period, retroactively reflecting the Frontage Capitalisation Issue:

	Year ended December 31,						Three months ended March 31,			
	2017		2018		2019		2019		2020	
	Weighted average exercise price (RMB)	*Number*	*Weighted average exercise price (RMB)*	*Number*	*Weighted average exercise price (RMB)*	*Number*	*Weighted average exercise price (RMB)*	*Number*	*Weighted average exercise price (RMB)*	*Number*
							(Unaudited)	(Unaudited)		
Outstanding at beginning of year/period	0.33	23,200,000	0.34	41,350,000	0.36	40,350,000	0.36	40,350,000	1.05	115,650,000
Granted during the year/period	0.38	19,950,000	–	–	1.38	79,900,000	1.38	79,900,000	–	–
Forfeited during the year/period	0.33	(1,800,000)	–	–	0.83	(4,600,000)	0.48	(2,950,000)	1.38	(2,575,000)
Exercised during the year/period	–	–	0.33	(1,000,000)	–	–	–	–	0.81	(9,180,000)
Outstanding at end of year/period	0.34	41,350,000	0.36	40,350,000	1.05	115,650,000	1.03	117,300,000	1.07	103,895,000
Options exercisable		21,400,000		33,700,000		76,750,000		31,200,000		67,570,000
Weighted average contractual life (years)		9.0		8.0		5.5		5.81		4.28

The exercise price of options outstanding ranges from US$0.016 to US$0.2 (equivalent to RMB0.11 to RMB1.38).

The estimated fair value of the share options granted were approximately US$1,023,000 and US$5,001,000 (equivalent to RMB6,684,000 and RMB34,605,000), respectively for 2017 and 2019 grants. The fair value was calculated using the Black-Scholes model. The major inputs into the model are as follows by taking into account of the Frontage Capitalisation Issue:

Grant date	2017	2019
Share price	US$0.09 (equivalent to RMB0.58)	US$0.22 (equivalent to RMB1.52)
Exercise price	US$0.06 (equivalent to RMB0.38)	US$0.20 (equivalent to RMB1.38)
Expected volatility	70.0%	30.0%
Expected life (years)	5.5	5.0
Risk-free interest rate	1.9%	2.5%
Expected dividend yield	–	–

Share price is determined as the total fair value of Frontage Labs'/Frontage Holdings' consolidated equity divided by the total number of shares. To determine the fair value of Frontage Labs'/Frontage Holdings' equity value as of grant dates, the Group used primarily the discounted cash flow method under the income approach, using cash flow projections based on financial forecasts approved by management covering a five-year period as appropriate and a discount rate of 22% and 18% for the options granted during the years ended December 31, 2017 and 2019, respectively. Management assessment is that the Frontage Holdings Group will arrive at a stable growth stage after five-year period. Cash flows beyond that five-year period have been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Frontage Holdings Group operates. The result from the income approach was cross checked with the market approach, which incorporates certain assumptions, including the market performance of comparable listed companies, as well as the financial results and growth trends of Frontage Labs/Frontage Holdings to derive the total equity of Frontage Labs/Frontage Holdings.

The risk-free interest rate was based on market yield rate of United States Government Bonds with the term corresponding to the contractual life of the options. Expected volatility was determined by using the historical volatility of the comparable companies.

Changes in variables and assumptions may result in changes in the fair values of the share options.

The Group recognised total expense of approximately RMB1,412,000, RMB8,043,000, RMB23,169,000, RMB1,868,000 (unaudited) and RMB1,447,000 for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020 in relation to share options granted under the Frontage Labs Schemes.

2018 share incentive plan

On May 11, 2019, the board of directors of Frontage Holdings approved an incentive plan to grant share options, restricted share units and any other types of award to eligible employees, including the directors and employees of the Frontage Holdings Group. The total number of shares in respect of which the awards may be granted pursuant to the 2018 share incentive plan and any other equity-based incentive plans of Frontage Holdings, being 10% of the shares of Frontage Holdings. No awards have been granted under the 2018 share incentive plan by March 31, 2020.

(b) DreamCIS:

DreamCIS adopted a share incentive plan in 2018 (the "DreamCIS Scheme") for the primary purpose of attracting, retaining and motivating the directors and employees of DreamCIS. Under the DreamCIS Scheme, the directors of DreamCIS may grant up to 402,372 share options under the share incentive plan to eligible employees, including the directors and employees of DreamCIS, to subscribe for shares in DreamCIS.

Each option granted has a contractual term of 5 years.

Pursuant to the capitalisation issue completed during the year ended December 31, 2019 (the "DreamCIS Capitalisation Issue"), all the then outstanding share options granted and the exercise price are adjusted on a one-to-four basis.

Set out below are details of the movements of the outstanding options granted under the DreamCIS Scheme during the Track Record Period, retroactively reflecting the DreamCIS Capitalisation Issue:

	Year ended December 31,				Three months ended March 31,			
	2018		2019		2019		2020	
	Weighted average exercise price (RMB)	*Number*	*Weighted average exercise price (RMB)*	*Number*	*Weighted average exercise price (RMB)*	*Number*	*Weighted average exercise price (RMB)*	*Number*
					(Unaudited)	(Unaudited)		
Outstanding at beginning of year/period	–	–	30.5	224,240	30.5	224,240	43.0	304,460
Granted during the year/period	30.5	261,360	64.4	127,276	–	–	–	–
Forfeited during the year/period	30.5	(37,120)	39.6	(47,056)	–	–	–	–
Outstanding at end of year/period	30.5	224,240	43.0	304,460	30.5	224,240	43.0	304,460
Options exercisable		–		–		–		–
Weighted average contractual life (years)		4.21		3.65		3.96		3.40

The exercise price of options outstanding ranges from KRW5,000 to KRW10,680 (equivalent to RMB30.5 to RMB64.4).

The estimated fair value of the share options granted were approximately KRW61,028,000 and KRW 291,462,000 (equivalent to RMB374,000 and RMB1,758,000), respectively for 2018 and 2019 grants. The fair value was calculated using the binominal model. The major inputs into the model are as follows by taking into account of the DreamCIS Capitalisation Issue:

Grant date	**2018**	**2019**
Share price	KRW2,704 (equivalents to RMB16.5)	KRW9,461 (equivalent to RMB57.1)
Exercise price	KRW5,000 (equivalents to RMB30.5)	KRW10,680 (equivalent to RMB64.4)
Expected volatility	30.3%	29.02%
Expected life (years)	2.0	5.0
Risk-free interest rate	2.22%	1.73%
Expected dividend yield	–	–

Share price is determined as the total fair value of DreamCIS's equity divided by the total number of shares. To determine the fair value of DreamCIS's equity value as of grant dates, the Group used primarily the discounted cash flow method under the income approach, using cash flow projections based on financial forecasts approved by management covering a five-year period as appropriate and a discount rate of 14% and 14.24% for the options granted during the years ended December 31, 2018 and 2019, respectively. Management assessment is that DreamCIS will arrive at a stable growth stage after five-year period. Cash flows beyond that five-year period have been extrapolated using zero growth rate. This growth rate does not exceed the long-term average growth rate for the market in which DreamCIS operates. The result from the income approach was cross checked with the market approach, which incorporates certain assumptions, including the market performance of comparable listed companies, as well as the financial results and growth trends of DreamCIS to derive the total equity of DreamCIS.

The risk-free interest rate was based on the yield of South Korea Treasury Bonds with a maturity life with the term corresponding to the contractual life of the options. Expected volatility was determined by using the historical volatility of the comparable companies.

Change in variables and assumptions may result in change in fair values of the share options.

The Group recognised total expense of approximately RMB127,000, RMB608,000, RMB39,000 (unaudited) and RMB217,000 for the years ended December 31, 2018 and 2019 and the three months ended March 31, 2019 and 2020 in relation to share options granted under the DreamCIS Scheme.

(c) The Company

(i) Restricted Share Scheme

The Company adopted a restricted share scheme in 2019 (the "Restricted Share Scheme") for the primary purpose of attracting, retaining and motivating the directors and employees of the Group. Under the Restricted Share Scheme, the directors of the Company may grant up to 4,859,311 restricted shares under the scheme to eligible employees, including the directors and employees of the Group, to obtain ordinary shares of the Company upon vesting.

The Restricted Share Scheme will be valid and effective for a period of 4 years.

On June 6, 2019, the Group granted 3,827,763 restricted shares to its employees at a price of RMB39.83 per share.

The estimated fair value was approximately RMB44,674,000 for the restricted shares granted in June 2019. The fair value was calculated using the Black-Scholes model.

The lock-up periods and the major inputs the restricted shares granted in June are presented in the table below:

Lock-up period	Timing	Proportion of share exercisable	Share price	Expected volatility	Dividend yield	Risk-free rate
		%	*RMB*	%	%	%
1st lockup period	From the first trading day after 12 months since the registration of granting (i.e. June 6, 2019) to the last trading day within 24 months after the registration of granting.	30	59.38	54.54	0.37	2.6632
2nd lockup period	From the first trading day after 24 months since the registration of granting (i.e. June 6, 2019) to the last trading day within 36 months after the registration of granting.	30	59.38	48.95	0.37	2.7874
3rd lockup period	From the first trading day after 36 months since the registration of granting (i.e. June 6, 2019) to the last trading day within 48 months after the registration of granting.	40	59.38	43.11	0.37	2.9484

Pursuant to the bonus issue completed on July 1, 2019, all the then outstanding restricted share granted and the repurchase price are adjusted accordingly.

On December 9, 2019, the Group further granted 770,894 restricted shares to its employees at a price of RMB31.46 per share.

The estimated fair value was approximately RMB14,235,000 for the restricted shares granted in December 2019. The fair value was calculated using the Black-Scholes model.

The lock-up periods and the major inputs for the restricted shares granted in December are presented in the table below:

Lock-up period	Timing	Proportion of share exercisable	Share price	Expected volatility	Dividend yield	Risk-free rate
		%	*RMB*	%	%	%
1st lockup period	From the first trading day after 12 months since the registration of granting (i.e. December 9, 2019) to the last trading day within 24 months after the registration of granting.	50	62.8	26.11	0.37	1.5
2nd lockup period	From the first trading day after 24 months since the registration of granting (i.e. December 9, 2019) to the last trading day within 36 months after the registration of granting.	50	62.8	26.79	0.37	2.1

Set out below are details of the movements of the outstanding restricted shares granted under the Restricted Share Scheme during the Track Record Period, retroactively reflecting the bonus issue (see Note 35a(b)):

	Year ended December 31,		Three months ended March 31,	
	2019		2020	
	Weighted average exercise price (RMB)	*Number*	*Weighted average exercise price (RMB)*	*Number*
Outstanding at beginning of year/period	–	–	27.15	6,283,965
Granted during the year/period	27.13	6,512,538	–	–
Forfeited during the year/period	26.55	(228,573)	26.55	(39,338)
Outstanding at end of year/period	27.15	6,283,965	27.15	6,244,627
Restricted shares exercisable		–		–
Weighted average contractual life (years)		2.52		2.27

The risk-free interest rate was based on the yield of Chinese Government Bonds with a maturity life with the term corresponding to the contractual life of the restricted shares. Expected volatility was determined by using the historical volatility of the Company's share price over previous years. The effects of time to vest, non-transferability, exercise restrictions and behavioural considerations have been taken into account in the model. The variables and assumptions used in computing the fair value of the restricted shares are based on management's best estimate. The value of restricted shares varies with different variables of certain subjective assumptions.

Change in variables and assumptions may result in change in fair values of the restricted shares.

During the year ended December 31, 2019, upon acceptance of the restricted shares by the employees, a repurchasing obligation, amounting to RMB152,460,000, is recognised as other payable. In 2019, some of the Group's original incentive recipients resigned and lost their right to receive incentives. Therefore, the Group repurchased and cancelled the restricted shares previously held by these incentive recipients. As a result, a total of RMB6,069,000 has been refunded to the original incentive recipients.

During the three months ended March 31, 2020, upon acceptance of the restricted shares by the employees, a repurchasing obligation, amounting to RMB24,252,000, is recognised as other payable. In 2020, some of the Group's original incentive recipients resigned and lost their right to receive incentives. Therefore, the Group repurchased and cancelled the restricted shares previously held by these incentive recipients. As a result, a total of RMB1,060,000 has been refunded to the original incentive recipients.

Under the Restricted Share Scheme, the holders of the restricted shares are entitled to dividend declared by the Company and the dividend will be settled upon the end of lockup period. As at December 31, 2019, a dividend payable of RMB1,286,000 has been recognised.

The Group recognised total expense of approximately RMB13,929,000 and RMB8,361,000 for the year ended December 31, 2019 and the three months ended March 31, 2020 in relation to restricted shares granted under the Restricted Share Scheme.

(ii) Share Purchase Scheme

The Company adopted the share purchase scheme in 2019 (the "Share Purchase Scheme") for the primary purpose of attracting, retaining and motivating the directors and employees of the Group. Under the Share Purchase Scheme, a trust entity has been set up for the scheme and a third party agent with asset management qualifications was engaged by the participants of the scheme.

The minimum and maximum amount of funds to be raised is RMB200,000,000 and RMB500,000,000, respectively, which shall be divided into respective units to be subscribed at RMB1.00 each. The participants of the Share Purchase Scheme are required to pay the subscription funds in one lump sum according to the number of units subscribed.

In the event that a participant terminates employment with the Company due to expiration of his/her service contract, the units he/she has subscribed for and paid subscription monies shall be subject to mandatory transfer to other participants, at a consideration equal to the subscription costs.

The underlying shares of the Share Purchase Scheme are the repurchased shares previously repurchased and held by the Company as treasury shares (Note 35b). The average repurchase price was RMB44.25 per share. On June 20, 2019, 2,120,803 shares previously repurchased by the Company was transferred to the trust unit for Share Purchase Scheme by way of non-trade transfer at RMB44.25 per share. As a result, a consideration of RMB93,845,000 has been received by the Group upon the transfer of treasury shares.

Pursuant to the bonus issue completed on July 1, 2019 (see Note 35a(b)), all the then shares held in the Share Purchase Scheme are adjusted accordingly.

Set out below are details of the movements of the outstanding units granted under the Share Purchase Scheme during the Track Record Period, retroactively reflecting the bonus issue:

	Year ended December 31,		Three months ended March 31,	
	2019		2020	
	Weighted average exercise price (RMB)	*Number*	*Weighted average exercise price (RMB)*	*Number*
Outstanding at beginning of year/period	–	–	44.25	2,120,803
Granted during the year/period	44.25	2,120,803	–	–
Outstanding at end of year/period	44.25	2,120,803	44.25	2,120,803
Units exercisable		–		–
Weighted average contractual life (years)		2.52		2.27

The total fair value of the shares granted under the Share Purchase Scheme at the date of grant was RMB7,720,000. The fair value was determined by reference to the closing share price of the Company at date of grant.

The lock-up periods are presented in the table below:

Lock-up periods	Proportion of share exercisable
	%
June 21, 2019 to June 20, 2020	30
June 21, 2020 to June 20, 2021	30
June 21, 2021 to June 20, 2022	40

Changes in valuations and assumptions may result in changes in fair values of the units.

The shares held by the Share Purchase Scheme in respect of a holder will be unlocked upon the expiry of the lock-up periods. The agent of the Share Purchase Scheme will then sell the relevant unlocked shares on the market at such timing and in such appropriate manner as it determines. The sale proceeds, after deducting the relevant tax and fees, will be distributed to the relevant holders according to the allocations stipulated under the Share Purchase Scheme.

The Group recognised total expense of approximately RMB2,627,000 and RMB1,126,000 for the year ended December 31, 2019 and the three months ended March 31, 2020 in relation to Share Purchase Scheme.

(d) 杭州英放生物科技有限公司 Fantastic Bioimaging Co., Ltd. ("Fantastic Bioimaging")

Fantastic Bioimaging, one of the subsidiaries of the Company, adopted a share incentive plan in 2019 (the "Fantastic Bioimaging Scheme") for the primary purpose of attracting, retaining and motivating the employees of the Fantastic Bioimaging. Under the Fantastic Bioimaging Scheme, employees are entitled to subscribe the restricted shares of Fantastic Bioimaging at the net asset value of Fantastic Bioimaging.

Upon the acceptance of the restricted shares granted, employees are required to have corresponding capital injection to Fantastic Bioimaging.

In the event that a participant terminates employment with Fantastic Bioimaging due to expiration of his/her service contract, the restricted shares he/she has subscribed for shall be returned to Fantastic Bioimaging, and Fantastic Bioimaging shall return the paid subscription monies to the employees.

Each restricted share granted has a contractual term of 3 years.

On September 1, 2019, Fantastic Bioimaging granted 466,667 restricted shares to its employees at a price of RMB1.5 per share.

Set out below are details of the movements of the outstanding restricted shares granted under the Fantastic Bioimaging Scheme during the Track Record Period:

	Year ended December 31,		Three months ended March 31,	
	2019		2020	
	Weighted average exercise price (RMB)	*Number*	*Weighted average exercise price (RMB)*	*Number*
Outstanding at beginning of year/period	–	–	1.5	466,667
Granted during the year/period	1.5	466,667	–	–
Outstanding at end of year/period	1.5	466,667	1.5	466,667
Restricted shares exercisable		–		–
Weighted average contractual life (years)		2.75		2.50

The estimated fair value was approximately RMB7,502,000 for the restricted shares of Fantastic Bioimaging granted in 2019. The fair value was calculated using the Black-Scholes model. The major inputs the restricted shares granted are presented in the table below:

Grant date	2019
Share price	RMB32.158
Exercise price	RMB1.5
Expected volatility	26.6%
Risk-free interest rate	2.1%
Expected dividend yield	–

Share price is determined as the total fair value of Fantastic Bioimaging's equity divided by the total number of shares. The fair value amount of Fantastic Bioimaging was determined with reference to a sales and purchase agreement entered between a non-controlling shareholder of Fantastic Bioimaging and the Group during the year ended December 31, 2019. The directors of the Company are of opinion that the consideration could be considered as fair value as the agreement was entered with independent third party on an arm's length basis.

The risk-free interest rate was based on the yield of Chinese Government Bonds with a maturity life with the term corresponding to the contractual life of the restricted shares.

Changes in variables and assumptions may result in changes in the fair values of the restricted shares.

The Group recognised total expense of approximately RMB1,071,000 and RMB804,000 for the year ended December 31, 2019 and the three months ended March 31, 2020 in relation to restricted shares granted under the Fantastic Bioimaging Scheme.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Borrowings	Obligations under finance leases/lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2017	190,915	24,656	215,571
Financing cash flows			
– Proceeds from bank borrowings	379,605	–	379,605
– Repayment of bank borrowings	(293,255)	–	(293,255)
– Interest paid on borrowings	(10,579)	–	(10,579)
– Repayment of obligations under finance leases	–	(9,108)	(9,108)
– Interest paid on obligations under finance leases	–	(1,082)	(1,082)
Non-cash changes			
– Obligations under finance leases	–	10,785	10,785
– Interest expense recognised	10,579	1,082	11,661
– Exchange realignment	(397)	(1,701)	(2,098)
At December 31, 2017 and January 1, 2018	276,868	24,632	301,500

	Borrowings	Obligations under finance leases/lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
Financing cash flows			
– Proceeds from bank borrowings	616,560	–	616,560
– Repayment of bank borrowings	(259,662)	–	(259,662)
– Interest paid on borrowings	(18,141)	–	(18,141)
– Repayment of obligations under finance leases	–	(14,534)	(14,534)
– Interest paid on obligations under finance leases	–	(1,224)	(1,224)
– Proceed from loan from a related party	31,441	–	31,441
Non-cash changes			
– Acquisition of subsidiaries	–	3,938	3,938
– Obligations under finance leases	–	13,064	13,064
– Interest expense recognised	18,141	1,224	19,365
– Offset with consideration receivable from disposal of an associate	(31,441)	–	(31,441)
– Exchange realignment	1,097	1,556	2,653
At December 31, 2018	634,863	28,656	663,519
Adjustment upon application of IFRS 16	–	124,488	124,488
At January 1, 2019	634,863	153,144	788,007
Financing cash flows			
– Proceeds from bank borrowings	1,253,827	–	1,253,827
– Repayment of bank borrowings	(1,102,561)	–	(1,102,561)
– Interest paid on borrowings	(32,522)	–	(32,522)
– Repayment of lease liabilities	–	(45,509)	(45,509)
– Interest paid on lease liabilities	–	(9,721)	(9,721)
Non-cash changes			
– Acquisition of subsidiaries	–	2,173	2,173
– Purchase of a financial asset at FVTPL	124,841	–	124,841
– Disposal of subsidiaries	(11,740)	(2,588)	(14,328)
– Recognition of lease liabilities	–	74,628	74,628
– Disposal of right-of-use assets	–	(567)	(567)
– Interest expense recognised	32,522	9,721	42,243
– Exchange realignment	2,133	989	3,122
At December 31, 2019 and January 1, 2020	901,363	182,270	1,083,633

	Borrowings	Obligations under finance leases/lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
Financing cash flows			
– Proceeds from bank borrowings	408,900	–	408,900
– Repayment of bank borrowings	(194,666)	–	(194,666)
– Interest paid on borrowings	(11,247)	–	(11,247)
– Repayment of lease liabilities	–	(14,519)	(14,519)
– Interest paid on lease liabilities	–	(2,892)	(2,892)
Non-cash changes			
– Disposal of subsidiaries	–	(438)	(438)
– Recognition of lease liabilities	–	133,774	133,774
– Interest expense recognised	11,247	2,892	14,139
– Exchange realignment	6,032	3,847	9,879
At March 31, 2020	1,121,629	304,934	1,426,563
At January 1, 2019	634,863	153,144	788,007
Financing cash flows			
– Proceeds from bank borrowings	262,859	–	262,859
– Repayment of bank borrowings	(176,104)	–	(176,104)
– Interest paid on borrowings	(7,929)	–	(7,929)
– Repayment of lease liabilities	–	(2,060)	(2,060)
– Interest paid on lease liabilities	–	(13,101)	(13,101)
Non-cash changes			
– Disposal of subsidiaries	(11,740)	–	(11,740)
– Recognition of lease liabilities	–	16,668	16,668
– Interest expense recognised	7,929	2,060	9,989
– Exchange realignment	(585)	–	(585)
At March 31, 2019 (unaudited)	709,293	156,711	866,004

44. MAJOR NON-CASH TRANSACTIONS

(a) The Group entered into finance lease arrangements in respect of experiment equipment with a total capital value at the inception of the lease of RMB10,785,000 and RMB13,064,000 for the years ended December 31, 2017 and 2018 respectively.

(b) On March 1, 2018, Frontage Labs sold the entire 30% equity interests in Frontida to Dr. Song Li, the then director of the Company, for an aggregate consideration of US$5,367,000 (equivalent to approximately RMB33,748,000) which was settled by issuance of a promissory note at the same amount by Dr. Song Li. On March 28, 2018, Frontage Labs entered into a promissory note due to Dr. Song Li for a principal amount of US$5,000,000 (equivalent to approximately RMB31,441,000). The purpose of the promissory note is to finance Frontage Labs for the acquisition of Concord Group, details of which are set out in Note 40(b)(i). In May 2018, Dr. Song Li and Frontage Labs agreed to set off US$5,000,000(equivalent to approximately RMB31,441,000) of the amount owed under the US$5,367,000 (equivalent to approximately RMB33,748,000) promissory note in exchange for cancellation of the US$5,000,000 (equivalent to approximately RMB31,441,000) promissory note. Dr. Song Li discharged his remaining liability under the US$5,367,000 promissory note by making a US$367,000 (equivalent to approximately RMB2,307,000) payment to Frontage Labs on May 22, 2018.

(c) In April 2019, the Group appointed one of the four board members in the board of directors of Mosim, which was previously accounted for as financial asset at FVTPL. The directors of the Company consider the Group has significant influence over Mosim after the appointment of the director representing the Group and the investment cost of RMB42,090,000 has therefore been transferred from investment in financial assets through FVTPL to interest in an associate. Please refer to Note 19(i) for details.

(d) During the year ended December 31, 2019, the Group entered into an agreement to acquire additional 20% equity interests in Beijing Yaxincheng, which was previously accounted for as financial asset at FVTPL. Upon the completion of the acquisition, Beijing Yaxincheng became a non-wholly subsidiary of the Company. Please refer to Note 40(c)(i) for details.

(e) During the year ended December 31, 2019, the Group entered into an agreement to acquire additional 25.96% equity interests in Frontage Suzhou, the then associate of the Company. Upon the completion of the acquisition, Frontage Suzhou became a non-wholly owned subsidiary of the Company. Please refer to Note 40(c)(ii) for details.

(f) During the year ended December 31, 2019, the Group acquired a financial asset through FVTPL amounting to RMB124,841,000. The acquisition of the financial asset was settled by assuming directly related bank borrowing.

(g) During the three months ended March 31, 2020, the Group entered into an agreement to acquire additional 27% equity interests in Mosim, the then associate of the Company. Upon the completion of the acquisition, Mosim became a non-wholly owned subsidiary of the Company. Please refer to Note 40(d)(i) for details.

(h) The Group entered into lease arrangements in respect of offices and experiment equipment with additions of right-of-use assets and lease liabilities at the inception of the lease of RMB74,628,000, RMB16,668,000 (unaudited) and RMB133,774,000 for the year ended December 31, 2019 and the three months ended March 31, 2019 and 2020 respectively.

45. OPERATING LEASES

The Group as leasee

The Group has commitments for future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at December 31,	
	2017	**2018**
	RMB'000	*RMB'000*
Within one year	33,560	41,571
In the second to fifth year inclusive	50,170	90,954
Over five years	8,566	32,368
	92,296	164,893

Operating lease payments represent rentals payable by the Group for certain of its office premises and laboratories.

46. CAPITAL COMMITMENTS

The Group has capital commitments under non-cancellable contracts as follows:

	As at December 31,			As at March 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commitments for the investments in the funds or companies	227,500	280,373	383,539	356,828
Acquisition of property, plant and equipment	–	–	2,697	–

47. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

A defined contribution plan in the USA pursuant to which the Group matches 50 cents for every dollar contributed by each qualifying member of staff up to 4% of their salary. The maximum match is 2% of the qualifying member of staff's gross pay.

A defined contribution plan in Korea pursuant to which the Group pays a fixed amount of contributions to a separate fund and the contributions are recognised as an expense when the employees provide services.

A defined contribution plan in the Hong Kong pursuant to which the an employer and its employee are both required to contribute 5% of the employee's monthly relevant income as mandatory contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes. The maximum level of relevant income for contribution purposes is currently HK$30,000 per month or HK$360,000 per year.

The total cost charged to profit or loss in respect of the above-mentioned schemes amounted to approximately RMB67,011,000, RMB81,435,000, RMB122,420,000, RMB28,223,000 (unaudited) and RMB32,289,000 for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020 respectively.

48. CONTINGENT LIABILITIES

(a) In prior years, Frontage Labs subscribed for certain equity interests in Frontida. As part of the consideration for Frontage Labs' investment in Frontida, Frontage Labs agreed to co-sign a US$17,000,000 (equivalent to approximately RMB117,929,000) non-interest bearing promissory note pursuant to which Frontage Labs and Frontida agreed to be jointly and severally liable to an independent third party. The promissory note was secured by the same assets which were acquired by Frontida from the third party.

As at December 31, 2017, the outstanding balance under the promissory note was US$13,000,000 (equivalent to approximately RMB84,945,000). The Frontage Holdings Group considered the possibility of any outflow in settlement of the promissory note is not probable, and the fair value of the financial guarantee as at inception date is minimal.

In March 2018, the Group disposed its entire shareholding in Frontida. The directors of the Company consider the contingent liability of Frontage Labs as a co-signatory with Frontida of the promissory note in favour of the independent third party and was not extinguished on the disposal of Frontida by Frontage Labs (see Note 44(b)). On December 31, 2018, Frontida made a payment in respect of the outstanding balance of US$13,000,000 (equivalent to approximately RMB89,222,000) in satisfaction of the full balance due of the promissory note. As such, the promissory note has been satisfied and Frontage Labs has no further obligation with respect to this matter.

(b) On August 1, 2018, the Frontage Holdings Group and an independent financial institution that engages in providing guarantee services entered into one-year guarantee contracts in relation to a loan provided by a commercial bank in PRC to Frontage Suzhou, the then associate of the Company. In respect of the guarantee provided by the independent financial institution, Frontage Shanghai agreed to provide a counter-guarantee (pursuant to which it assumes joint liability in respect of all obligations of Frontage Suzhou) in favor of the independent financial institution, which covers a maximum amounts of RMB4,000,000 (including both the principal and the interests). As at December 31, 2018, the total loan drawn down by Frontage Suzhou and the related unpaid interest amounted to RMB3,000,000 and RMB66,000, respectively. The Group considered the possibility of any outflow to settle such guarantee is remote and therefore the fair value of the financial guarantee as at inception date is minimal.

(c) On November 2, 2018, Jie Tong Kang Xin (Beijing) Pharmaceutical Technology Co., Ltd ("Jie Tong Kang Xin"), a subsidiary of the Company, was sued by 浙江天松醫療器械股份有限公司 (Zhejiang Tiansong Medical Equipment Company Limited) for a dispute on service contract, and applied for property preservation under which bank deposit of RMB2,700,000 was restricted (see Note 29(b)). No provision was made as at December 31, 2018 as, in the opinion of the directors of the Company, the possibility of failure in the dispute was remote. The restriction was subsequently removed on March 27, 2019, when Zhejiang Tiansong Medical Equipment Limited Company withdraw the charge.

(d) On May 13, 2019, the Company and a commercial bank in the PRC entered into guarantee contracts in relation to a loan provided by commercial bank to Shanghai Shengtong. In respect of the loan provided by the commercial bank, the Company agreed to provide a guarantee (pursuant to which it assumes joint liability in respect of all obligations of Shanghai Shengtong) in favor of the commercial bank, which covers a maximum amounts of RMB13,200,000. As at December 31, 2019, the total loan drawn down by Shanghai Shengtong amounted to RMB11,740,000. The Group considered the possibility of any outflow to settle such guarantee is remote and therefore the fair value of the financial guarantee as at inception date is minimal.

(e) On August 29, 2019, Jie Tong Kang Xin was sued by Zhejiang Tiansong Medical Equipment Limited Company for the delay in the execution of contract, and applied for a return of deposit of RMB744,000 and a compensation of loss of RMB1,587,000. On November 10, 2019, the litigation was judged and Jie Tong Kang Xin was required to repay deposit of RMB600,000. Jie Tong Kang Xin applied for an appeal on November 28, 2019 and as at December 31, 2019, the appeal was not in trial yet.

No provision was made as at December 31, 2019 as, in the opinion of the directors of the Company, the possibility of failure in the dispute was remote.

49. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances disclosed in Notes 24, 28a, 28b, 31a, 31b and 32, the Group had the following significant transactions and balances with related parties during the Track Record Period:

(1) Related party transactions:

(a) Fee paid to related parties for services

		Year ended December 31,			Three months ended March 31,	
		2017	2018	2019	2019	2020
	Relationship	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Mosim	Associate	–	–	11,694	–	–
Shanghai Guanhe	Associate	–	6,382	8,513	3,043	648
Frontage Suzhou	Associate before October 25, 2019	–	89	–	–	–
FJ Pharma LLC	Associate	–	–	518	–	–
Tigerise	Associate	–	–	–	–	746
		–	6,471	20,725	3,043	1,394

(b) Revenue from related parties

		Year ended December 31,			Three months ended March 31,	
		2017	2018	2019	2019	2020
	Relationship	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Frontage Suzhou	Associate before October 25, 2019	2,104	1,970	10,954	–	–
FJ Pharma LLC	Associate	816	1,386	1,592	491	5
Frontida	(note (c))	2,125	–	–	–	–
		5,045	3,356	12,546	491	5

(c) The Group as guarantor

		As at December 31,			As at March 31,
		2017	2018	2019	2020
		Guarantee amount			Guarantee amount
	Relationship	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Frontida	(note (c))	84,945	–	–	–
Frontage Suzhou	Associate before October 25, 2019	–	3,000	–	–

(d) Interest expense on loan from a related party

		Year ended December 31,			Three months ended March 31,	
		2017	2018	2019	2019	2020
	Relationship	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Dr. Song Li	Director of the Company until his resignation in April 2018	527	228	–	–	–
		527	228	–	–	–

(e) Disposal of a subsidiary

		Year ended December 31,			Three months ended March 31,	
		2017	2018	2019	2019	2020
	Relationship	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Hangzhou Yibai	Associate	–	–	–	–	5,000

The transactions above were carried out in accordance with the terms agreed with the counterparties.

(2) Related party balances:

As at the end of each reporting period, the Group had balances with related parties as follows:

		As at December 31,			As at March 31,
		2017	2018	2019	2020
	Relationship	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables and contract assets *(note (d))*					
FJ Pharma LLC	Associate	–	119	–	–
Frontida	(note (c))	1,728	–	–	–
Mosim	Associate	–	–	20	–
Shanghai Guanhe	Associate	–	–	–	117
		1,728	119	20	117
Other receivables *(note (e))*					
Frontage Suzhou	Associate before October 25, 2019	2,654	2,243	–	–
FJ Pharma LLC	Associate	–	–	123	–
Shanghai Guanhe	Associate	–	–	–	286
		2,654	2,243	123	286
Trade payables *(note (d))*					
Shanghai Guanhe	Associate	–	1,550	2,482	184
Other payables *(note (e))*					
Shanghai Guanhe	Associate	3,125	2,476	854	779
Dr. Song Li	Director of the Company until his resignation in April 2018	26	–	–	–
		3,151	2,476	854	779
Contract liabilities *(note (d))*					
Shanghai Guanhe	Associate	–	10	10	22
Suzhou Yixin	Associate	–	–	–	298
		–	10	10	320
Borrowings					
Dr. Song Li *(note (b))*	Director of the Company until his resignation in April 2018	9,801	–	–	–
		9,801	–	–	–

Notes:

(a) Expect for the loan from a related party, all the above balances with related parties are unsecured, interest free and repayable on demand.

(b) The above loan is unsecured and carries interest at the fixed rate of 3% per annum as at December 31, 2017. The amount due was based on scheduled repayment date set out in the loan agreement.

(c) Frontida was an associate of the Company prior to March 1, 2018 before the Group disposed its shares to Dr. Song Li, the then director of the Company (Note 44(b)). After March 1, 2018, Frontida was still considered as related party of the Group because Dr. Song Li was the director of the Company until April 16, 2018 when Dr. Song Li resigned from his position as director of the Company.

(d) The amounts are trade-related in nature.

(e) The amounts are non-trade in nature. The directors of the Company expected that the balances will be settled prior to the initial listing of the shares of the Company on the Main Board of the Stock Exchange.

(3) Compensation of key management personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

The remuneration of the directors of the Company and other members of key management of the Group during the Track Record Period were as follows:

	Year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Directors' fee, salaries and other benefits	6,724	6,049	5,807	1,146	1,351
Performance-based bonus	503	893	1,169	893	980
Retirement benefit scheme contributions	171	217	317	51	46
Share-based compensation	–	–	275	–	169
	7,398	7,159	7,568	2,090	2,546

The remuneration of key management is determined with reference to the performance of the individuals and market trends.

50. SUBSEQUENT EVENTS

(a) Due to the outbreak of the Novel Coronavirus ("COVID-19") epidemic in China and around the world, certain of the Group's ongoing biopharmaceutical R&D projects in China and overseas, including the clinical trial operations, site management and patient recruitment projects and laboratory services, have been adversely affected. Nevertheless, based on the knowledge of the directors of the Company, up to the date of this report, there had not been any significant delay or cancellation of any of our ongoing projects, issues with collection of customers' receivables, or disputes with customers that have resulted in a material adverse effect to the Group's financial performance due to the COVID-19 outbreak. The Group will continue to pay close attention to the development of the COVID-19 epidemic, and to evaluate the impact of COVID-19 epidemic on the operating activities and financial performance of the Group.

(b) DreamCIS completed its listing on the Korean Securities Dealers Automated Quotations of the Korea Exchange on May 22, 2020.

(c) On July 2, 2020, the Group entered into an agreement to acquire 100% equity interest in ACME Bioscience, Inc. and its subsidiaries (the "Target") for a consideration of US$26,000,000 (equivalent to RMB183,726,000), of which US$11,000,000 (equivalent with RMB77,730,000) will be subjected to the achievements of certain performance targets by the Target for the three years ending December 31, 2022 as set out in the sales and purchase agreement. The purpose of the acquisition is to enable the Group to expand the Group's capabilities of organic synthesis, medicinal chemistry, and process research and development, and will enable the Group to capture growth in the drug discovery and early stage development and other ancillary services.

The above acquisition has been completed subsequent to the end of the Track Record Period upon the fulfilment of the condition of the acquisition. In the moment, it is not practicable to provide an estimate of financial effect of the above acquisition until the Group performs a detailed review.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to March 31, 2020.

The information set forth in this appendix does not form part of the Accountants' Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the independent reporting accountants of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" to this prospectus and the "Accountants' Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set forth here to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as at March 31, 2020 as if the Global Offering had taken place on March 31, 2020.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at March 31, 2020 or at any future dates following the Global Offering. It is prepared based on the consolidated net tangible assets of the Group attributable to owners of the Company as at March 31, 2020 as set out in the Accountants' Report on historical financial information of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at March 31, 2020	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at March 31, 2020**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(note 1)	*(note 2)*		*(note 3)*	*(note 4)*
Based on an Offer Price of HK$100.00 per Share	3,106,252	9,279,863	12,386,115	14.46	16.01
Based on an Offer Price of HK$88.00 per Share	3,106,252	8,159,941	11,266,193	13.15	14.56

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at March 31, 2020 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company of RMB4,546,600,000 as at March 31, 2020 with an adjustment for intangible assets and goodwill of RMB84,759,000 and RMB1,355,589,000, respectively, as at March 31, 2020.

(2) The estimated net proceeds from the Global Offering are based on 107,065,100 Offer Shares and the indicative Offer Price of HK$88.00 (equivalent to RMB79.50) and HK$100.00 (equivalent to RMB90.34) per Offer Share, being the low-end and high-end, respectively, assuming no exercise of Over-allotment Option, after deduction of the underwriting fees, commissions and other listing related expenses, paid or payable by the Company in connection with the Global Offering.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is calculated based on 856,532,761 Shares in issue immediately following the completion of the Global Offering assuming (i) the Global Offering had been completed on March 31, 2020 and (ii) no exercise of the Over-allotment Option.

(4) For the purpose of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share, the amounts in Hong Kong dollar are converted into RMB at the rate of RMB0.90337 to HK$1, which was the exchange rate prevailing on July 18, 2020 with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been to Hong Kong dollar, or vice versa, at that rate or any other rates at all.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at March 31, 2020 to reflect any trading results or other transactions of the Group entered into subsequent to March 31, 2020.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group.

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Hangzhou Tigermed Consulting Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hangzhou Tigermed Consulting Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") prepared by the directors of the Company (the "Directors") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at March 31, 2020 and the related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated July 28, 2020 (the "Prospectus") in connection with the proposed initial public offering of the shares of the Company (the "Global Offering"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Global Offering on the Group's consolidated financial position as at March 31, 2020 as if the Global Offering had taken place at March 31, 2020. As part of this process, information about the Group's consolidated financial position has been extracted by the Directors from the Group's historical financial information as at March 31, 2020, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a prospectus is solely to illustrate the impact of the Global Offering of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at March 31, 2020 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully,

BDO Limited
Certified Public Accountants
Alfred Lee
Practising Certificate no. P04960

Hong Kong
July 28, 2020

TAXATION ON DIVIDENDS

Individual Investor

Pursuant to the *Individual Income Tax Law of the PRC* (《中華人民共和國個人所得税法》) (the "IIT Law"), which was last amended on August 31, 2018 and came into effect on January 1, 2019 and the *Implementation Provisions of the Individual Income Tax Law of the PRC* (《中華人民共和國個人所得税法實施條例》), which was last amended on December 18, 2018 and came into effect on January 1, 2019, for individual income including interest, dividend and bonus, shall pay individual income tax with applicable proportional tax rate of 20%. Unless otherwise provided by the competent financial and taxation authorities under the State Council, all the interest, dividend and bonus are deemed as derived from the PRC whether the payment place is in the PRC. Pursuant to the *Circular on Certain Issues Concerning the Policies of Individual Income Tax* (《關於個人所得税若干政策問題的通知》) promulgated by the Ministry of Finance and the State Administration of Taxation on May 13, 1994, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises.

Enterprise Investors

In accordance with the *Enterprise Income Tax Law of the People's Republic of China* (《中華人民共和國企業所得税法》) (the "EIT Law"), which was amended on December 29, 2018 and became effective on the same date, and the Implementation Provisions of the Enterprise Income Tax Law of the PRC, which came into effect on April 23, 2019 and became effective on the same date, a non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The *Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-Resident Enterprise Shareholders of H Shares* (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》) (Guo Shui Han [2008] No. 897), which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the *Response to Questions on Levying Corporate Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares* (《關於非居民企業取得B股等股票股息徵收企業所得税問題的批覆》) (Guo Shui Han [2008] No. 394), which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit corporate income tax at a rate of 10% on dividends of 2008

and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

Pursuant to the *Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion* (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The *Fourth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation* (《國家税務總局關於<內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排>第四議定書》), which came into effect on December 29, 2015, states that such provisions shall not apply to arrangement made for the primary purpose of gaining such tax benefit. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law documents, such as the *Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements* (《國家税務總局關於執行税收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax agreements or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

TAXATION ON SHARE TRANSFER

Individual Investor

According to the IIT Law and its implementation provisions, gains realized on the sale of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%.

Pursuant to the *Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares* (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the State Administration of Taxation on March 20, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. On December 31, 2009, the MOF, the State Administration of Taxation and CSRC jointly issued the *Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation* (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui Zi [2009] No. 167), which became effective on January 1, 2010, states that individuals' income from the transfer of listed shares on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the *Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies* (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) jointly issued by the above three departments on November 10, 2010).

As of the Latest Practicable Date, no aforesaid provisions have expressly provided that whether individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges. To the knowledge of the Company, in practice, the PRC tax authorities have not levied income tax from non-PRC resident individuals on gains from the transfer of PRC resident enterprises listed on overseas stock exchange. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the *Provisional Regulations of the PRC on Stamp Duty* (《中華人民共和國印花税暫行條例》), which came into effect on October 1, 1988 and amended on January 8, 2011, and the *Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty* (《中華人民共和國印花税暫行條例施行細則》), which came into effect on October 1, 1988, PRC stamp duty only applies to specific proof executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

The PRC currently does not impose any estate duty.

MAJOR TAXES ON THE COMPANY IN THE PRC

Enterprise Income Tax Law

According to the *Enterprise Income Tax Law of the People's Republic of China* (《中華人民共和國企業所得税法》) (the "Enterprise Income Tax Law"), which was amended on December 29, 2018 and became effective on the same date and the *Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China* (《中華人民共和國企業所得税法實施條例》) (Order No. 714 of the State Council), which was amended on April 23, 2019 and became effective on the same date, the applicable enterprise income tax rate of both domestic and foreign-funded enterprises shall be 25%. Enterprises are classified into resident and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its incomes derived from both inside and outside China. The enterprise income tax rate shall be 25%. For a non-resident enterprise having offices or establishments inside China, it shall pay enterprise income tax on its incomes derived from China as well as on incomes that it earns outside China but which has real connection with the said offices or establishments. The enterprise income tax rate shall be 25%. For a non-resident enterprise having no office or establishment inside China, or for a non-resident enterprise whose incomes have no actual connection to its office or establishment inside China, it shall pay enterprise income tax on the incomes derived from China. The enterprise income tax rate shall be 10%.

According to the *Administrative Measures for Determination of High and New Tech Enterprises* (《高新技術企業認定管理辦法》) (No. 32 [2016] of the Ministry of Science and Technology), which was enacted on January 1, 2016, an enterprise which is determined as a high and new tech enterprise may apply for a preferential enterprise income tax rate of 15% pursuant to the Enterprise Income Tax Law of the People's Republic of China and the *Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China* (《中華人民共和國企業所得税法實施條例》). According to the *Notice on Promoting Nationwide the Enterprise Income Tax Policies for Advanced Technology Service Enterprises Across the country* (《關於將技術先進型服務企業所得税政策推廣至全國實施的通知》) (Cai

Shui [2017] No. 79) promulgated by the MOF, the State Administration of Taxation, the MOFCOM, the Ministry of Science and Technology and the NDRC on November 2, 2017, with effect from January 1, 2017, the enterprise income tax shall be levied on certified advanced technology service enterprises at a reduced tax rate of 15% nationwide. The portion of the employee educational expenses of a certified advanced technology service enterprise not exceeding 8% of its total salaries and wages shall be allowed to be deducted in calculating its taxable income; and the excessive portion shall be allowed to be carried forward to the subsequent tax years for deduction.

Value-Added Tax

According to the *Interim Regulations of the PRC on Value-Added Tax* (《中華人民共和國增值税暫行條例》) which was promulgated by the State Council on December 13, 1993, and amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the *Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax* (《中華人民共和國增值税暫行條例實施細則》) which was promulgated by the Ministry of Finance on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011 (collectively, the "VAT Law"), all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 0%, 6%, 11% and 17% for the different goods it sells and different services it provides, except when specified otherwise.

In accordance with the *Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax* (《關於全面推開營業税改徵增值税試點的通知》) (Cai Shui [2016] No. 36), which was promulgated on March 23, 2016 and came into effect on May 1, 2016, upon approval of the State Council, the pilot programme of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016.

According to the *Notice on the Adjustment to VAT Rates* (《關於調整增值税税率的通知》) (Cai Shui [2018] No. 32), promulgated by the MOF and the State Administration of Taxation on April 4, 2018 and became effective as of May 1, 2018, the VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform* (《關於深化增值税改革有關政策的公告》(2019 No. 39 of MOF, State Administration of Taxation and General Administration of Customs), promulgated by the MOF, the State Administration of Taxation and the General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

Shenzhen-Hong Kong Stock Connect Taxation Policy

On November 5, 2016, the Ministry of Finance, the State Taxation Administration and the China Securities Regulatory Commission jointly promulgated the *Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market* (《關於深港股票市場交易互聯互通機制試點有關税收政策的通知》) (the "SZHK Stock Connect Tax Policies"), which clearly set forth tax policies applicable to transactions via SZHK Stock Connect and took effect on December 5, 2016.

According to the SZHK Stock Connect Tax Policies, during China's pilot fiscal reform, the spread gained by mainland individual investors arising from the trade of shares on the Hong Kong Stock Exchange through the SZHK Stock Connect shall be exempted from VAT during China's pilot fiscal reform where the business tax is to be replaced by VAT. The dividends obtained by mainland individual investors from the listing of H-shares on the Hong Kong Stock Exchange via SZHK Stock Connect shall be subject to 20% personal income tax, provided that the H-share companies shall submit application to China Securities Depository and Clearing Corporation Limited ("CSDC"), after which CSDC will furnish them with a roster of the mainland individual investors, and the H-share companies shall withhold personal income tax at a rate of 20%. If, however, dividends are generated from the listing of non-H-shares on the Hong Kong Stock Exchange via SZHK Stock Connect, such personal income tax at the rate of 20% will be deducted by CSDC. In case the individual investors have paid taxes in advance in other jurisdictions by withdrawal in advance, the investors may apply for tax exemption to the tax authority in charge of CSDC by producing tax payment proofs. Dividends gained by mainland securities investment funds via investing in shares listed on the Hong Kong Stock Exchange via SZHK Stock Connect shall be subject to personal income tax according to the aforementioned provisions (as if they are individual investors).

According to the SZHK Stock Connect Tax Policies, gains received by mainland corporate investors in the PRC from their transfer of shares that they have invested in the shares listed in the Hong Kong Stock Exchange via SZHK Stock Connect shall be included in their total revenues and subject to company income tax, and if it is the mainland governmental bodies that earn incomes through trading shares listed on the Hong Kong Stock Exchange via SZHK Stock Connect, these incomes are exempted from VAT as they are now during the pilot period of replacement of business tax by VAT. If mainland company investors gain dividends through investment in shares listed on the Hong Kong Stock Exchange via SZHK Stock Connect, such dividends shall be calculated in the total revenue of the companies and will be subject to income tax accordingly, in which case, a mainland domiciled company legally holding H shares for no less than 12 consecutive months will be exempted from company income tax for the amounts earned from the H shares during such 12-month period, while in case of a H-share company listed on the Hong Kong Stock Exchange, the company shall apply to CSDC, who will provide to it the roster of mainland company investors, upon which the H-share company refrains from deducting income tax from the dividends, and payable income tax shall be declared and paid by the investors themselves; when declaring company income tax, if a mainland company investor has any tax imposed on the dividends deducted by a non-H-share company listed on the Hong Kong Stock Exchange, the investor may apply for tax offset.

According to the SZHK Stock Connect Tax Policies, in case that any mainland investor trades, inherits or gives as gift shares listed on the Hong Kong Stock Exchange, stamp tax will be imposed thereon according to the tax law currently prevalent in Hong Kong SAR, and the both CSDC and Hong Kong Securities Clearing Company Limited may collect the stamp tax on behalf of one another.

TAXATION IN HONG KONG

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the *Regulations of the PRC on Foreign Exchange Control* (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations") and it came into effect on April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to the approval of foreign exchange administration agencies. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and came into effect on August 5, 2008. According to the latest amendment to the Foreign Exchange Control Regulations, PRC will not impose any restriction on international current payments and transfers.

The *Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange* (《結匯、售匯及付匯管理規定》) promulgated by PBOC on June 20, 1996 and effective on July 1, 1996 does not impose any restrictions on convertibility of foreign exchange under current items, while imposing restrictions on foreign exchange transactions under capital account items.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at financial institutions that carries foreign exchange business or operating institutions that carries settlement and sale business, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts opened at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business, or effect exchange and payment at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business.

On October 23, 2014, the State Council issued the *Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters* (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50), which canceled the administrative approval by the SAFE and its branches for matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

On December 26, 2014, the SAFE issued the *Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing* (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54). Pursuant to the notice, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a "special account for overseas listing of domestic company" at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the *Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13) promulgated by the SAFE on February 13, 2015 and imposed on June 1, 2015, two of the administrative examination and approval items, being the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment have been canceled. Instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the *Notice of the State Administration of Foreign Exchange of the PRC on Revolutionize and Regulate Capital Account Settlement Management Policies* (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) issued by the SAFE and came into effect on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of foreign exchange capital, foreign loans and raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

On January 26, 2017, the SAFE issued the *Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance* (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (Hui Fa [2017] No. 3) to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》, the "Constitution"), which was adopted on December 4, 1982 and amended on April 12, 1988, March 29, 1993, March 15, 1999, March 14, 2004 and March 11, 2018. The PRC legal system is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People's Congress (the "NPC") and its Standing Committee are empowered to exercise the legislative power of the State in accordance with the Constitution and the PRC Legislation Law (《中華人民共和國立法法》, the "Legislation Law"), which was adopted on July 1, 2000 and amended on March 15, 2015. The NPC has the power to formulate and amend basic laws governing state organs, civil, criminal and other matters. The Standing Committee of the NPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the matters concerning formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the

rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, People's Bank of China, National Audit Office and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) implemented on June 10, 1981, the Supreme People's Court has the power to give interpretation on issues related to the application of laws in a court trial, and issues related to the application of laws in a prosecution process of a procuratorate should be interpreted by the Supreme People's Procuratorate. If there is any disagreement in principle between Supreme People's Court's interpretations & Supreme People's Procuratorate's interpretations, such issues shall be reported to the Standing Committee of the NPC for interpretation or judgment. The other issues related to laws other than the abovementioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

THE PRC JUDICIAL SYSTEM

Under the Constitution and the Law of Organization of the People's Courts of the PRC (《中華人民共和國人民法院組織法》), which is adopted on January 1, 1980 and amended on September 2, 1983, December 2, 1986, October 31, 2006 and October 26, 2018, the PRC judicial system is made up of the Supreme People's Court, the local people's courts, the military courts and other special people's courts.

The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up civil, criminal and economic divisions, and certain people's courts based on the facts of the region, population and cases. The intermediate people's courts have divisions similar to those of the basic people's courts and may set up other special divisions if needed. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels and special people's courts. The Supreme People's Procuratorate is authorized to supervise the judgment and ruling of the people's courts at all levels which have been legally effective, and the people's procuratorate at a higher level is authorized to supervise the judgment and ruling of a people's court at lower levels which have been legally effective.

A people's court takes the rule of the second instance as the final rule. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgments or rulings of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court finds some definite errors in a legally effective judgment, ruling or conciliation statement of the people's court at any level, or if the people's court at a higher level finds such errors in a legally effective judgment, ruling or conciliation statement of the people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial. If the chief judge of all levels of people's courts finds some definite errors in a legally effective judgment, ruling or conciliation statement, and considers a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》, the "PRC Civil Procedure Law") adopted on April 9, 1991 and amended on October 28, 2007, August 31, 2012 and June 27, 2017 prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. Generally, a civil case is initially heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places substantially connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located, provided that the provisions regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a PRC court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the People's Republic of China is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment on the party.

Where a party applies for enforcement of a judgment or ruling made by a people's court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgement or ruling may also be recognized and enforced by the people's court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, international treaties with the relevant foreign country, which provided for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or against the social and public interests.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND THE MANDATORY PROVISIONS

The PRC Company Law was adopted by the 5th meeting of the Standing Committee of the 8th National People's Congress Session on December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, and October 26, 2018, respectively. The latest revised PRC Company Law was implemented on October 26, 2018.

The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定) (the "Special Regulations") was passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994 and promulgated and implemented on August 4, 1994. The Special Regulations was applicable to the issuance of shares to overseas investors by and listing of joint stock limited companies.

The Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款) (the "Mandatory Provisions") jointly promulgated by the former Securities Commission of the State Council and the former State Commission for Restructuring the Economic System and implemented on August 27, 1994 prescribe that the provisions should be incorporated in the articles of association of joint stock limited companies to be listed in overseas stock exchanges. Accordingly, the contents required by the Mandatory Provisions have been incorporated in the Articles of Association.

Circular issued by the State Council in connection with the adjustments in regulations concerning companies registered in China and listed abroad

On October 22, 2019, the State Council issued the Official Reply of the State Council on the Adjustment of the Notice Period for the General Meeting and Other Matters Applicable to the Overseas Listed Companies (the "State Council Circular No. 97 [2019]") (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)) with effect from October 17, 2019, pursuant to which State Council agreed that companies registered in China and listed abroad shall comply with the PRC Company Law with respect to the notice period, shareholders right to formulate proposals and the procedures for convening a general meeting, and that relevant procedures set forth in Article 20 to Article 22 of the Special Regulations shall no longer apply.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions.

General

A "joint stock limited company" ("company") refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties and with its registered capital divided into shares of equal par value. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of two but no more than 200 people as its promoters, and over half of the promoters must be resident within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up. For companies established by subscription, the registered capital is the total paid-up share capital as registered with the company's registration authorities. If laws, administrative regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreement. After the promoters have subscribed for the capital contribution under the articles of association, a board of directors and a supervisory board shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association with relevant administration for industry and commerce, and other documents as required by the law or administrative regulations.

After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters of the company shall preside over and convene an inauguration meeting within 30 days from the date of the full payment of subscription monies. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days of the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the capacity of a legal person after approval of registration has been given by the relevant administration for industry and commerce and a business license has been issued.

A company's promoter shall be liable for the followings:

(1) the debts and expenses incurred in the establishment process jointly and severally if the company cannot be incorporated;

(2) the refund of subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and

(3) the compensation of any damages suffered by the company as a result of the promoters' fault in the course of its establishment.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation and verification of the fair value of the assets contributed must be carried out.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same. The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value.

A company must obtain the approval of CSRC to offer its shares to the overseas public. According to the Special Regulations and the Mandatory Provisions, the shares issued to foreign investors and listed overseas by a company shall be in registered form, denominated in Renminbi and subscribed for in foreign currency. Shares issued to foreign investors and listed overseas are classified as overseas-listed foreign shares, and those shares issued to investors within the PRC, are known as domestic shares. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas-listed foreign shares, to retain not more than 15% of the aggregate number of such overseas-listed foreign invested shares proposed to be issued in addition to the number of underwritten shares. The issuance of the retained shares is deemed to be a part of this issuance.

Increase in Share Capital

Under the PRC Company Law, where a company is issuing new shares, resolutions shall be passed at shareholder's general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders.

Public offering should be approved by CSRC. After the issue of new share the company has been paid up, the change must be registered with the company registration authorities and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the establishment of a company.

Reduction of Share Capital

When a company needs to reduce its registered capital, it shall prepare a statement of financial position and a property list. The company shall inform its creditors within 10 days and publish an announcement in the newspaper within 30 days after the resolution approving the reduction of registered capital has been passed. Creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts.

Repurchase of Shares

A company shall not purchase its own shares except under any of the following circumstances:

(1) Reducing the registered capital of the company;

(2) Merging with another company that holds its shares;

(3) Using shares for employee stock ownership plan or equity incentives;

(4) A shareholder requesting the company to purchase the shares held by him since he objects to a resolution of the shareholders' meeting on the combination or division of the company;

(5) Using shares for converting convertible corporate bonds issued by the listed company;

(6) It is necessary for a listed company to protect the corporate value and the rights and interests of shareholders.

A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) of the preceding paragraph shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) of the preceding paragraph may, pursuant to the bylaws or the authorization of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing its own shares pursuant to the provisions of the first paragraph of this article, a company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (2) or (4), transfer or cancel them within six months; and while under the circumstance set forth in item (3), (5) or (6), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

A listed company purchasing its own shares shall perform the obligation of information disclosure. A listed company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) shall carry out trading in a public and centralized manner.

Transfer of Shares

Shares held by shareholders may be transferred legally. Under the PRC Company Law, a shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and domiciles of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder. The Mandatory Provision provides that changes due to share transfer should not be made to shareholder registry within 30 days before a shareholders' general meeting or within 5 days before the record date for the purpose of determining entitlements to dividend distributions.

Under the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issuance of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a company include:

(1) to receive dividends and profit distributions in any other form in proportion to the shares they hold;

(2) to lawfully require, convene, preside over or attend general meetings either in person or by proxy and exercise the corresponding voting right;

(3) to supervise, present suggestions on or make inquiries about the operations of the Company;

(4) to transfer, gift or pledge their shares in accordance with the laws, administrative regulations, departmental rules, normative documents and the listing rules of the stock exchange in the place where the stocks of the company are listed, and the articles of association;

(5) to acquire relevant information according to the provisions of the articles of association, including the duplicate of the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, audited financial statements of the company, reports of directors, accounting firms and the Supervisory Committee;

(6) in the event of the termination or liquidation of the company, to participate in the distribution of the remaining property of the company in proportion to the shares held by them;

(7) to require the company to buy their shares in the event of their objection to resolutions of the general meeting concerning merger or division of the company; and

(8) any other shareholders' rights provided for in laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of shareholders include the obligation to abide by the articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

(1) to decide on the company's operational objectives and investment plans;

(2) to elect and remove the directors and supervisors (not being representative(s) of employees) and to decide on the matters relating to the remuneration of directors and supervisors;

(3) to review and approve the reports of the board of directors;

(4) to review and approve the reports of the supervisory board;

(5) to review and approve the company's annual financial budgets and final accounts;

(6) to review and approve the company's profit distribution proposals and loss recovery proposals;

(7) to decide on any increase or reduction of the company's registered capital;

(8) to decide on the issue and listing of corporate bonds and other securities;

(9) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;

(10) to amend the articles of association; and

(11) to exercise any other authority stipulated in the articles of association.

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following:

(1) the number of directors is less than the number stipulated by the PRC Company Law or less than two-thirds of the number specified in the articles of association;

(2) the outstanding losses of the company amounted to one-third of the company's total paid-in share capital;

(3) shareholders individually or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;

(4) the board deems necessary;

(5) the supervisory board proposes to hold; or

(6) any other circumstances as provided for in the articles of association.

A shareholders' general meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board shall convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. A single shareholder who holds, or several shareholders who jointly hold, three percent or more of the shares of the company may submit an interim

proposal in writing to the board of directors ten days before the general meeting is held. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made. The general meeting shall not make any resolution in respect of any matter not set out in the above-mentioned two types of notices. Holders of bearer share certificates who wish to attend a general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

Under the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Under the PRC Company Law, resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company and the other matters must be approved by way of resolution of the general meeting, the directors shall convene a shareholders' general meeting promptly to vote on such matters by shareholders' general meeting.

Minutes shall be prepared in respect of matters considered at the general meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

According to the Mandatory Provisions, the increase or reduction of share capital, the issuance of shares of any class, warrants or other similar securities and bonds, the division, merger, dissolution and liquidation of the company, the amendments to the articles of association and any other matters, which, as resolved by way of an ordinary resolution of the general meeting, may have a material impact on the company and require adoption by way of a special resolution, must be approved through special resolutions by no less than two-thirds of the voting rights held by shareholders (including proxies thereof) present at the meeting.

The Mandatory Provisions require a special resolution to be passed at the general meeting and a class meeting to be held in the event of a variation or derogation of the class rights of a shareholder class. For this purpose, holders of domestic shares and H shares are deemed to be shareholders of different classes.

Board

A company shall have a board, which shall consist of 5 to 19 members. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly reelected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors may exercise its powers:

(1) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;

(2) to implement the resolutions passed by the shareholders at the shareholders' general meetings;

(3) to decide on the company's operational plans and investment proposals;

(4) to formulate proposal for the company's annual financial budgets and final accounts;

(5) to formulate the company's profit distribution proposals and loss recovery proposals;

(6) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(7) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

(8) to decide on the setup of the company's internal management organs;

(9) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;

(10) to formulate the company's basic management system; and

(11) to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist market economic order, or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation;
- a person who is liable for a relatively large amount of debts that are overdue.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions.

Under the PRC Company Law, the board shall appoint a chairman and may appoint a vice chairman.

The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

Supervisory Board

A company shall have a supervisory board composed of not less than three members. The supervisory board shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the supervisory board shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. Directors and senior management shall not act concurrently as supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory board may exercise its powers:

(1) to review the company's financial position;

(2) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or resolutions of the shareholders' general meetings;

(3) when the acts of a director or senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;

(4) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

(5) to submit proposals to the shareholders' general meetings;

(6) to bring actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law; and

(7) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory board may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

The supervisory board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board shall be elected by more than half of the supervisors. According to the Reply of the Overseas Listing Department of CSRC and the Production System Department of the State Commission for Restructuring the Economic System on Opinions Concerning the Supplement and Amendment to Articles of Association by Companies to Be Listed in Hong Kong (《中國證監會海外上市部、國家體改委生產體制司關於到香港上市公司對公司章程作補充修改的意見的函》), which is promulgated and implemented on April 3, 1995, the chairman of the supervisory board shall be selected by more than two-thirds of the supervisors.

The chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the chairman of the supervisory board is incapable of performing or is not performing his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the vice chairman of the supervisory board is incapable of performing or is not performing his/her duties, a supervisor recommended by more than half of the supervisors shall convene and preside over supervisory board meetings.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager, who reports to the board of directors, may exercise his/her powers:

(1) to manage the production and operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;

(2) to arrange for the implementation of the company's annual operation plans and investment proposals;

(3) to formulate proposals for the establishment of the company's internal management organs;

(4) to formulate the fundamental management system of the company;

(5) to formulate the company's specific rules and regulations;

(6) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;

(7) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and

(8) to exercise any other authority granted by the board of directors.

Other provisions in the articles of association on the manager's powers shall also be complied with. The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the articles of association, and carry out their duties of loyalty and diligence.

Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

Directors and senior management are prohibited from:

(1) misappropriating company funds;

(2) depositing company funds into accounts under their own names or the names of other individuals to deposit;

(3) loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the articles of association or without approval of the general meeting or the board of directors;

(4) entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting;

(5) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;

(6) accepting commissions paid by a third party for transactions conducted with the company;

(7) unauthorized divulgence of confidential information of the company; and

(8) other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory board, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least 180 days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisory violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, manager and other senior management shall have duty of loyalty to the company. They are required to faithfully perform their duties, to protect the interests of the company and not to use their positions in the company for their own benefits. The Mandatory Provisions contain detailed stipulations on these duties.

Finance and Accounting

A company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% or more of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium over the nominal value of the shares of the company earned from the issue of share and other income as required by CSRC to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. The capital reserve fund, however, shall not be used to make good the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

Appointment and Retirement of Auditors

Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

The Special Regulations require a company to engage an independent qualified accounting firm to audit the company's annual reports and to review and check other financial reports of the company. The accounting firm's term of office shall commence from the end of the shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Profit Distribution

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided. The Special Regulations require that any dividend and other distribution to shareholders of overseas-listed foreign shares shall be declared and calculated in RMB and paid in foreign currency.

Under the Mandatory Provisions, a company shall make foreign currency payments to shareholders through receiving agents.

Amendments to the Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. Pursuant to the Mandatory Provisions, the company may amend its articles of association according to the laws, administrative regulations and the articles of association. The amendment to articles of association involving content of the Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory department of the State Council authorized by the State Council, while the amendment to articles of association involving matters of company registration must be registered with the relevant authority in accordance with applicable laws.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved for any of the following reasons:

(1) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(2) the shareholders' general meeting has resolved to dissolve the company;

(3) the company is dissolved by reason of its merger or division;

(4) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws;

(5) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders.

In the event of paragraph 1 above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph 1, 2, 4 or 5 above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors or any other person determined by a shareholders' general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court to appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

(1) to sort out the company's assets and to prepare a statement of financial position and an inventory of assets, respectively;

(2) to notify creditors by notice or public notices;

(3) to deal with any outstanding business related to the liquidation;

(4) to pay outstanding tax together with any tax arising during the liquidation process;

(5) to settle claims and liabilities;

(6) to handle the company's remaining assets after its debts have been paid off;

(7) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall report all matters relevant to his claimed creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required statement of financial position and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required statement of financial position and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' general meeting or a people's court for confirmation of its completion. Following such confirmation, the report shall be submitted to the company registration authority to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to discharge their duties in good faith and perform their obligation in compliance with laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their willful or material default.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

Pursuant to the Special Regulations, the shares of a company shall only be listed overseas after obtaining approval from CSRC.

According to Rule 2(6) of the Regulatory Guidelines for the Application Documents and Examination Procedures for the Overseas Share Issuance and Listing by Joint Stock Companies (《關於股份有限公司境外發行股票和上市申報文件及審核程序的監管指引》) promulgated by CSRC (effective from January 1, 2013), the approval documents for overseas stock issuance and listing by the company granted by CSRC shall be valid for a period of 12 months.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

The Mandatory Provisions provide for a separate procedure regarding the loss of share certificates of overseas-listed foreign shares or of H share certificates, details of which are set out in our Articles of Association.

Merger and Division

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective statements of financial position and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a statement of financial position and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

In accordance with the laws, cancelation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

THE PRC SECURITIES LAWS, REGULATIONS

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The Securities Law of the PRC (《中華人民共和國證券法》, the "PRC Securities Law") took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. The PRC Securities Law, which was revised on December 28, 2019 and came into effect on March 1, 2020, is divided into 14 chapters and 226 articles, regulating, among other things, the issue and trading of securities, the listing of securities, and takeovers by listed companies.

Article 224 of the PRC Securities Law provides that domestic enterprises which, directly or indirectly, issue securities or list and trade their securities outside the PRC shall comply with the relevant regulations of the State Council. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "PRC Arbitration Law") was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017, respectively. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement is invalid.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of a company listed in Hong Kong and, in the case of the Listing Rules, also in contracts between the company and each director or supervisor. Pursuant to such clause, whenever a dispute or claim arises from any right or obligation provided in the articles of association, the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the company between (i) a holder of overseas listed foreign shares and the company; (ii) a holder of overseas listed foreign shares and a holder of domestic shares; or (iii) a holder of overseas listed foreign shares and the company's directors,

supervisors or other management personnel, such parties shall be required to refer such dispute or claim to arbitration at either the China International Economic and Trade Arbitration Commission ("CIETAC") or the Hong Kong International Arbitration Center ("HKIAC"). Disputes in respect of the definition of shareholder and disputes in relation to the company's shareholder registry need not be resolved by arbitration. If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. The people's court can issue a ruling prohibiting the enforcement of an arbitral award made by an arbitration commission after verification by collegial bench formed by the people's court if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal or arbitration proceedings, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》, the "New York Convention") adopted on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of China was reached. The Supreme People's Court of China adopted the Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) on June 18, 1999, which went into effect on February 1, 2000. The arrangement reflects the spirit of the New York Convention. Under the arrangements, the awards by the

Mainland arbitral bodies recognized by Hong Kong may be enforced in Hong Kong and the awards by the Hong Kong arbitral bodies according to the Arbitration Ordinance of Hong Kong SAR may also be enforced in the Mainland China. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against public interests of the Mainland, or the court of Hong Kong SAR decides that the enforcement of the arbitral awards in Hong Kong SAR will be against public policies of Hong Kong SAR, the awards may not be enforced.

MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF CORPORATION LAW IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law does not provide for authorized share capital. The Company's registered capital is the amount of its issued share capital. Any increase in the Company's registered capital must be approved by our Shareholders' general meeting and shall be approved by/filed with the relevant PRC governmental and regulatory authorities (if applicable).

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no overvaluation or undervaluation of the assets. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, A Shares of the Company, which are denominated and subscribed for in Renminbi, can be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors, while also being eligible securities under the Northbound Trading Link, A Shares of the Company can be subscribed for and traded by Hong Kong and other overseas investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in a company, and the shares they held in a company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management. There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from (i) the restriction on the Company to issue additional Shares within six months, and (ii) 12-month lockup on controlling shareholders' disposal of Shares, after the Global Offering.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Whereas notice of an extraordinary general meeting must be given not less than 15 days before the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least 30 days prior to the meeting.

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting. Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at Shareholders' Meetings

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes casted by shareholders present in person, or by proxy, at a general meeting.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix VI to this prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

As required by the Hong Kong Listing Rules and the Mandatory Provisions, we have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed shares and domestic listed shares are defined in the Articles of Association as different classes. The special procedures for voting by a class of Shareholders shall not apply in the following circumstances: (i) where we issue, either separately or concurrently in any 12-month period, upon approval by special resolutions passed at a general meeting, A shares and H shares not more than 20% of each of the existing issued A shares and H shares, respectively; (ii) where the plan for the issue of A shares and H

shares upon our establishment is implemented within 15 months following the date of approval or within the valid period of the approval by the securities regulatory authorities under the State Council or within the stated period as stipulated by applicable requirements.

Derivative Action by Minority Shareholders

Under Hong Kong company law, minority shareholders may start a derivative action against directors for their misfeasance committed against the company, if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors for their misfeasance committed against the company in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the supervisors violates as such, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

In addition, the Mandatory Provisions provide us with certain remedies against the Directors, Supervisors and senior management who breach their duties to the Company. In addition, as a condition to the listing of overseas listed foreign Shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking to observe the articles of association in favor of the company. This allows minority Shareholders to take action against our Directors and Supervisors in default.

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong.

The PRC Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders, may not relieve a director or supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a director or supervisor of our assets or the individual rights of other shareholders.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the Special Regulations, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the company.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report.

The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. According to the PRC laws, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the Chinese accounting standards and regulations, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the China accounting standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Receiving Agent

Under the PRC Company Law and Hong Kong laws, dividends once declared will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong laws is six years, while under the PRC laws this limitation period is three years. The Mandatory Provisions require that the relevant company shall appoint a receiving agent for shareholders who hold overseas listed foreign shares, and the receiving agent shall receive on behalf of such holders of shares dividends declared and other monies owed by the company in respect of its overseas listed foreign shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an

intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance. Under PRC law, merger, division, dissolution of the company or the conversion of the corporate form has to be approved by shareholders in general meeting.

Mandatory Transfers

Under the PRC Company Law, a company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the HKIAC or the China International Economic and Trade Arbitration Commission, at the claimant's choice. Such arbitration is final and conclusive.

Remedies of A Company

Under the PRC Company Law, if a director, supervisor or senior management person in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, in compliance with the Hong Kong Listing Rules, remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management) have been set out in the Articles of Association.

Dividends

Pursuant to relevant PRC laws and regulations, the company in certain circumstances shall withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty days (extendable to sixty days in certain circumstances) in a year.

SHARES

Issuance of Shares

The Company shall set up ordinary Shares at any time; according to its needs, the Company may create other classes of Shares upon approval from the authorized department of the State Council.

The Shares of the Company take the form of stocks.

The issuance of the Shares of the Company shall follow the principles of open, fairness and justice, and each share in the same class shall have the same rights. For the same class of share certificate issued at the same time, each share shall be issued on the same conditions and at the same price. Any share subscribed by entity or individual shall pay the same price for each share.

The Board of the Company may make arrangement in accordance with the authorizations under the general meeting for the Company's separate issuance of overseas listed foreign shares (H Shares) and domestic listed domestic shares (A Shares) according to the issue scheme approved by or registered in the securities regulatory authority under the State Council or the departments authorized under the State Council. According to the aforesaid scheme for separate issuance of overseas listed foreign shares (H Shares) and domestic listed domestic shares (A Shares), the Company may issue the shares separately within 15 months or the valid period of its approval document after approval of and registration in the securities regulatory authority under the State Council or the departments authorized under the State Council.

Transfer of Shares

Unless otherwise specified by laws, administrative regulations, regulations of ministries and commissions, normative documents and listing rules for stock exchanges where the Company's Shares are listed, the Shares of the Company may be transferred freely without any lien attached. The transfer of H Shares shall be registered in the shares registration in Hong Kong entrusted by the Company.

The Directors, Supervisors and senior management personnel of the Company shall notify the Company of their holding of Shares in the Company and changes of their holdings. The Shares transferrable by them during each year of their tenures shall not exceed 25% of their total holdings of the same class of Shares of the Company. The Shares in the Company held by them are not transferable within 1 year from the date on which the Company's Shares are listed. The Shares in the Company held by them shall not be transferred within half year of their departure from the Company.

No changes shall be made to the register of Shareholders as a result of a transfer of Shares either within thirty days prior to the date of a general meeting, or within five days before the benchmark date set by the Company for the purpose of distribution of dividends. Where

relevant laws and regulations and the listing rules of the stock exchange places stipulate on the period of closure of the register of shareholders prior to a shareholders' general meeting or the reference date set by the Company for the purpose of distribution of dividends, such provisions shall prevail.

Pledge of Shares

The Company shall not accept its shares as the subject matter of a pledge.

Repurchase of Shares

In the following circumstance, the Company may purchase its issued Shares under the requirements stipulated in laws, administrative regulations, regulations of ministries and commissions, normative documents, the listing rules for stock exchanges where the Company's Shares are listed and the Articles of Association:

(I) reducing the Company's registered capital;

(II) merging with another company holding share certificates in the Company;

(III) using the Shares as employee stock plan or share incentive;

(IV) requiring the Company for acquiring their Shares from Shareholders who have voted against the resolutions passed at a Shareholders' general meeting on the merger or division of the Company;

(V) using the Shares to convert the corporate bonds issued by a listed company that may be converted into share;

(VI) necessary if a listed company wishes to maintain the value of the company and the interests of the shareholders;

(VII) by other circumstances permitted under the laws and administrative regulations.

Except for the circumstances set out above, the Company shall not be engaged in any activities of buying and selling the Shares of the Company.

With the approval of the relevant competent authorities of the State, the Company may repurchase its Shares by the following ways:

(I) repurchasing the Shares by public trading on a stock exchange;

(II) making a repurchase offer to all Shareholders in proportion to their shareholdings;

(III) repurchasing the Shares by agreement without involving a stock exchange; or

(IV) by other means approved by laws, administrative regulations and relevant competent department.

Unless the Company is undergoing liquidation, it shall comply with the following requirements with respect to a repurchase of its outstanding Shares:

(I) for repurchases of Shares by the Company at their par value, payment shall be deducted from the book balance of its distributable profits or from the proceeds of issuance of new Shares for that purpose;

(II) where the Company repurchases its Shares at a premium to its par value, payment up to the par value shall be deducted from the book balance of its distributable profits or from the proceeds of issuance of new Shares for that purpose. Payment of the portion which is in excess of the par value shall be made as follows:

1. if the Shares being repurchased are issued at par value, payment shall be made from the book balance of its distributable profits; or

2. if the Shares being repurchased are issued at a premium to its par value, payment shall be deducted from the book balance of its distributable profits or from the proceeds of issuance of new Shares for that purpose; however, the amount deducted from the proceeds of issuance of new Shares shall not exceed the aggregate amount of the premium received by the Company from the issuance of the Shares so repurchased, nor shall it exceed the amount in the Company's premium account or capital reserve fund account (including premium on the new issue) at the time of such repurchase;

(III) the payments paid by the Company for the following purposes shall be expensed from the Company's distributable profits:

1. acquisition of the rights to repurchase its own Shares;

2. variation of any contracts for the repurchase of its Shares;

3. releasing from its obligations under repurchase contract.

(IV) after the aggregate par value of the canceled Shares is deducted from the Company's registered capital in accordance with the relevant provisions, the amount deducted from the distributable profits used for the repurchase of the Shares at par value shall be credited to the Company's capital reserve fund account.

If it is otherwise provided in laws, administrative regulations and relevant requirements under the securities regulatory authority where the Company's Shares are listed regarding the financial treatment of the repurchase of the Shares, the latter shall prevail.

Financial Assistance for the Acquisition of Shares in Our Company

The Company or its subsidiaries shall not offer any financial assistance at any time by any means to persons who purchase or intend to purchase the Company's Shares. The aforementioned purchasers include both persons who have directly or indirectly assumed obligations due to purchasing the Company's Shares.

The Company or its subsidiaries shall not offer any financial assistance at any time by any means in order to reduce or relieve the obligations of the aforesaid obligors.

The acts listed below are not prohibited by the preceding two paragraphs:

(I) the financial assistance provided by the Company is either genuinely for the interests of the Company and the main purpose of the financial assistance is not to purchase Shares of the Company, or the financial assistance is an incidental part of an overall plan of the Company;

(II) the lawful distribution of the Company's properties in the form of dividends;

(III) the distribution of dividends in the form of Shares;

(IV) the reduction of registered capital, repurchase of Shares, and adjustment of shareholding structure, etc. in accordance with our Articles;

(V) the provision of a loan by the Company within its scope of business and in the ordinary course of business activities (provided that this does not lead to a reduction in the net assets of the Company or that if this causes a reduction, the financial assistance is taken from the Company's distributable profits);

(VI) provision of funds by the Company for an employee shareholding scheme (provided that this does not lead to a reduction in the net assets of the Company or that if there causes a reduction, the financial assistance is taken from the Company's distributable profits).

"Financial assistance" referred to in our Articles shall include, without limitation, the following means:

(I) gifts;

(II) guarantee (including the assumption of liability by the guarantor or the provision of properties by the guarantor to secure the performance of obligations by the obligor), indemnity (other than an indemnity in respect of the Company's neglect or default) or the release or waiver of any rights;

(III) the provision of loans or the entrance into any agreement under which the obligations of the Company are to be fulfilled prior to the obligations of another party, and a change in the parties to, and the assignment of rights arising under such loans or agreement;

(IV) any other form of financial assistance given by the Company when the Company is insolvent, has no net assets, or under any other situations when its net assets would be reduced to a material extent.

The "obligations" referred to in the Articles shall include the obligations of an obligor which have arisen from entering into an agreement or making an arrangement (regardless of whether such agreement or arrangement is enforceable, or whether such obligations are assumed by the obligor individually or jointly with any other person) or any obligations that arise out of changes made in any other way to the obligor's financial condition.

SHAREHOLDERS

Register of Shareholders

The Company shall have a Shareholders register to record the following matters:

(I) the name, address (domicile), occupation or nature of each Shareholder;

(II) the class and number of Shares held by each Shareholder;

(III) the amount paid or payable for the Shares held by each Shareholder;

(IV) the serial number(s) of the share certificate(s) held by each Shareholder;

(V) the date on which each Shareholder is registered as a Shareholder;

(VI) the date on which each Shareholder ceases to be a Shareholder.

The register of Shareholders shall be sufficient evidence to the holding of the Shares of the Company by a Shareholder, except in cases with contrary evidence.

Subject to the Articles of Association and other applicable regulations, once the Shares of the Company are transferred, the name of the transferee shall be listed in the Shareholders' register as the holder of the said Shares.

Transfer of Shares shall be registered at domestic and overseas-listed share transfer register agencies assigned by the Company and recorded in the Shareholders' register.

Changes or corrections to each part of the register of shareholders shall be made in accordance with the laws of the places where each part of the register of shareholders is maintained.

Rights and Obligations of Shareholders

The Shareholders holding ordinary Shares shall enjoy the following rights:

(I) to be entitled to dividends and other forms of distributions in proportion to the number of Shares;

(II) to propose, convene and preside over, to attend or appoint a proxy to attend general meetings and to exercise the corresponding voting rights in accordance with laws;

(III) to supervise the operations of the Company, and to make suggestions and enquiries accordingly;

(IV) to transfer, bestow or pledge of the Shares held by them in accordance with the laws, administrative regulations, regulations of ministries and commissions, normative documents, listing rules for stock exchanges where the Company's Shares are listed and the Articles of Associations;

(V) to obtain relevant information in accordance with our Articles of Associations, including:

1. to obtain the Articles of Associations after paying the production costs thereof;

2. to acquire the right to inspect and duplicate after paying a reasonable charge:

(1) all parts of the register of Shareholders;

(2) personal particulars of each of the Company's directors, supervisors, general manager and other senior management officers including: (a) present and former name and alias; (b) principal address (domicile); (c) nationality; (d) full-time and all other part-time occupations and positions; (e) identification certificate document and its number;

(3) reports on the state of the share capital of the Company;

(4) reports on the number, par value, highest and lowest prices of each class of Shares in relation to any repurchase by the Company of its own Shares since the last accounting year, as well as all the expenses paid by the Company for this purpose (classified as domestic Shares and foreign-invested Shares);

(5) receipts of corporate bonds;

(6) meeting minutes of the general meeting (for inspection by shareholders only) and special resolutions of the Company and resolutions at meetings of the board of directors and board of supervisors;

(7) the latest audited financial statements of the Company, and the reports of the Board, auditors and the Board of Supervisors;

(8) the financial and accounting reports;

(9) duplicate of the latest annual report that has been filed with the administration for industry and commerce or any other competent authorities.

The Company shall maintain the documents set out in Item (1), (3), (4), (6), (7), (8) and (9) described above and any other applicable documents at the address of the Company in Hong Kong in accordance with the requirements of the Hong Kong Listing Rules, for free inspection by the public and shareholders.

(VI) to participate in the distribution of the remaining assets of the Company based on the number of Shares held in the event of the Company's dissolution or liquidation;

(VII) to demand the Company to acquire their Shares (for Shareholders who disagree with the resolutions adopted at a Shareholders' general meeting in relation to the merger or division of the Company);

(VIII) with respect to shareholders individually or jointly hold 3% or above shares of the Company, the right to propose extraordinary resolutions and submit to the convener in written 10 days before the date of general meeting;

(IX) to have other rights conferred in accordance with the laws, administrative regulations, regulations of ministries and commissions, normative documents, listing rules for stock exchanges where the Company's Shares are listed and the Articles of Associations.

The Company shall not exercise any power to freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

The ordinary shareholders of the Company shall assume the following obligations:

(I) to abide by the laws, administrative regulations, regulations of ministries and commissions, normative documents, listing rules for stock exchanges where the Company's Shares are listed and the Articles of Associations;

(II) to pay subscription monies according to the number of shares subscribed and the method of subscription;

(III) not to surrender the shares unless required by the laws and regulations;

(IV) not to abuse the shareholders' rights to impair the interest of the Company or other shareholders, not to abuse the legal person status of the Company or the shareholders' limited liability to impair the interest of creditors of the Company. Shareholders of the Company shall be liable for making compensation for any loss suffered by the Company or other shareholders arising from their abuse of shareholders' rights in accordance with law. Shareholders of the Company who abuse the legal person status of the Company and the shareholders' limited liability to evade debts and seriously impair the interest of creditors of the Company shall be jointly and severally liable for the debts of the Company;

(V) other obligations shall be assumed under the requirements of the laws, administrative regulations, regulations of ministries and commissions, normative documents, listing rules for stock exchanges where the Company's Shares are listed and the Articles of Associations.

Shareholders are not liable to make any further contribution to the share capital other than according to the terms that were agreed by the subscriber of the relevant shares at the time of subscription.

SHAREHOLDERS' GENERAL MEETING

Notice of the General Meeting

The general meetings shall be divided into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year, and be held within 6 months after the end of the previous accounting year.

An extraordinary general meeting shall be convened within two months from the date of occurrence of any of the following events:

(I) the number of Directors is less than the minimum number required by the *Company Law* or less than two-thirds of the number stipulated in the Articles of Associations;

(II) the outstanding loss of the Company is at least one-third of the Company's total paid-up share capital;

(III) when Shareholders who individually or jointly holding more than 10% of the Company's Shares request to do so;

(IV) the Board deems it necessary to convene the meeting;

(V) the Supervisory Committee proposes to convene the meeting;

(VI) any other circumstances as stipulated by laws, administrative regulations, regulations of ministries and commissions, regulatory documents, the listing rules for stock exchanges where the Company's Shares are listed or the Articles of Associations of the Company.

The convener shall inform each shareholder the annual shareholders' general meeting by announcement form 20 business days before the meeting, and shall inform each shareholder the extraordinary shareholders' general meeting by announcement 15 days (and not less than 10 business days) before the meeting. In determining the commencement date and the period, the Company shall not include the date on which the meeting is held and the date on which the notice is given. The above "business days" shall mean the days on which the Hong Kong Stock Exchange is open for business for dealing in securities.

The notice of a Shareholders' general meeting shall:

(I) be issued in writing;

(II) specify the venue, date and time of the meeting;

(III) state the matters and proposals to be deliberated at the meeting;

(IV) provide to Shareholders with all necessary information and explanation to enable Shareholders to make informed decisions on the matters to be discussed. This means that when (including but not limited to) any merger, share repurchase, share capital reorganization or any proposals relating to change in the structure of the Company are involved, the detailed terms of the proposed transaction, copies of the proposed agreement (if any) and detailed explanation as to the cause and effect of such a proposal transaction shall be provided;

(V) if any of the Directors, Supervisors, General Manager and other senior management personnel have material interest in the matters to be discussed, they shall disclose the nature and extent of such interest; and if the effects of the matters to be discussed have a different effect on a Director, Supervisor, General Manager and other senior management personnel as Shareholders compared to other Shareholders of that same class, they shall explain this difference;

(VI) the full text of any proposed special resolution to be voted on at the meeting;

(VII) a prominent statement stating that all Shareholders entitled to attend the meeting and appoint proxy by written to attend and vote on his/her behalf, and such proxy need not be a Shareholder of the Company;

(VIII) the time and venue for delivering the proxy form authorizing the proxy to vote of the relevant meeting;

(IX) specify the date of registration of shareholdings of Shareholders who are entitled to attend the Shareholders' general meeting. The interval between date of registration and the meeting shall not be more than seven working days. The date of registration cannot be changed once confirmed;

(X) the name and phone number of the contact person of the meeting.

For general meetings holding online or otherwise, the time and procedures for voting online or through other means shall be expressly stated in the notice of such meetings.

Any notice and supplementary notice of general meetings shall sufficiently and completely disclose all the details of all proposals, and all information or explanations necessary for the shareholders to make reasonable judgement on the issues to be discussed. If any matter to be discussed requires opinions of the independent directors, the opinions and reasons of the independent directors shall be disclosed together with the issuance of such notice. Matters not specified in the notice of general meetings shall not be resolved at a general meeting.

Functions and Power of the General Meetings and Matters to be Resolved

The Shareholders' general meeting shall be the governing organ of the Company. It may exercise the following functions and powers in accordance with the law:

(I) to decide on the business policies and investment plans of the Company;

(II) to elect and replace Directors and Supervisors which are not appointed as representatives of the employees and to decide on the remuneration of the relevant Directors and Supervisors;

(III) to review and approve reports made by the Board;

(IV) to review and approve reports made by the Supervisory Committee;

(V) to review and approve the Company's proposed annual financial budget, final accounts;

(VI) to review and approve the Company's plans for profit distribution and loss recovery plans;

(VII) to resolve on resolutions concerning the increase or reduction of the Company's registered capital;

(VIII) to resolve on resolutions on the issuance of debentures or other securities and listing;

(IX) to adopt resolutions on the merger, division, dissolution, liquidation or change incorporate form of the Company;

(X) to amend the Articles of Association;

(XI) to resolve on resolutions on the engagement, dismissal or discontinuation of the appointment of accounting firms by the Company;

(XII) to review the proposals raised by the Shareholders severally or jointly representing above 3% of the Company's Shares with voting rights;

(XIII) to consider and approve the guarantees stipulated in the Article 66;

(XIV) to deliberate on the Company's purchase and sale of significant assets within a year which exceeds 30% of the Company's audited total assets of the latest period;

(XV) to deliberate and approve change in application of funds raised;

(XVI) to deliberate on share option incentive plan;

(XVII) to review and approve transactions entered into between the Company and the related persons or connected persons (other than granting of cash assets to the Company and provision of guarantee), where the amount is over RMB10 million (including RMB10 million), and the related party transactions and connected transactions, which account for over 5% (including 5%) of the latest audited absolute net assets of the Company; however, any related party transactions entered into between the Company's Directors, Supervisors and senior management personnel and their spouses shall be submitted to the shareholders' general meeting of the Company for consideration after consideration and approval by the Board of Directors;

(XVIII) to review other issues which should be decided by the Shareholders' general meeting as stipulated by laws, administrative regulations, regulations of ministries and commissions and listing rules for stock exchanges where the Company's Shares are listed or our Articles of Association.

Resolutions at the general meeting shall be divided into ordinary resolutions and special resolutions.

Ordinary resolutions of the general meeting shall be passed by more than half of the voting rights represented by Shareholders (including proxies) present at the meeting. Special resolutions of the general meeting shall be passed by more than 2/3 of the voting rights represented by Shareholders (including proxies) present at the meeting.

The following matters shall be approved by general meeting by ordinary resolutions:

(I) Work reports of the Board of Directors and the Supervisory Committee;

(II) Profit distribution plan and loss recovery plan formulated by the Board of Directors;

(III) Appointment and removal of members of the Board of Directors and members of the Supervisory Committee, their remuneration and method of payment thereof;

(IV) Proposed annual preliminary financial budgets, final account proposals, statements of financial position, statements of profit or loss and other comprehensive income and other financial statements of the Company;

(V) Annual reports of the Company;

(VI) External guarantee provided in Article 66 of the Articles of Association;

(VII) To consider and approve matters relating to changes in the use of proceeds;

(VIII) to resolve on resolutions on the engagement, dismissal or discontinuation of the appointment of accounting firms by the Company;

(IX) Other matters other than those provided by laws, administrative regulations, listing rules of the stock exchange where the Company's shares are listed or special resolutions which shall be approved by the provisions of the Articles of Association.

The following matters shall be approved by general meeting by special resolutions:

(I) increasing or reducing the registered capital of the Company and issuing Shares of any class, equity warrants and other similar securities;

(II) the issuance of corporate bonds;

(III) division, merger, dissolution or liquidation form of the Company;

(IV) amendment to these Articles;

(V) purchase, disposal of major assets or guarantees within 12 consecutive months with value of more than 30% of the total audited assets of the Company for the latest period;

(VI) share incentive schemes;

(VII) matters stipulated by laws, administrative regulations, listing rules for stock exchanges where the Company's Shares are listed or these Articles, or matters which are determined by an ordinary resolution of the general meeting to be of material significance to the Company and are required to be approved by way of special resolutions.

Class Shareholders and their Special Procedures for Voting

Shareholders who hold different classes of Shares shall be class Shareholders.

Class Shareholders shall be entitled to rights and shall bear responsibilities in accordance with laws, administrative regulations and the Articles of Association. Apart from shareholders of other classes of Shares, shareholders of domestic Shares and H Shares are regarded as Shareholders of different classes. If appropriate, the Company shall ensure enough voting rights of the shareholders of preferred Shares.

If the Company proposes to change or nullify the rights of the class Shareholders, this proposal should be passed by a special resolution at the Shareholders' general meeting and passed at the meeting convened according to the relevant Articles of Association by the related class of Shareholders.

The rights of a certain class of Shareholders shall be deemed to be changed or nullified in the following circumstances:

(I) to increase or reduce in the number of the Shares of such class, or increase or reduce the number of the class Shares which enjoy the same or more voting rights, distribution rights or other privileges;

(II) to convert part or whole of the Shares of such class into other class(es), convert part or whole of the Shares of other class(es) into such class, or grant such conversion rights;

(III) to cancel or reduce the rights of such class of Shares to receive accrued dividends or cumulative dividends;

(IV) to reduce or cancel the privileged rights of such class of Shares to acquire dividends or obtain distribution of properties during liquidation of the Company;

(V) to increase, cancel or reduce the conversion, option, voting, transfer or privileged allotment rights of such class of Shares or the rights of such class of Shares to obtain securities issued by the Company;

(VI) to cancel or reduce the rights of such class of Shares to receive amounts payable by the Company in a particular currency;

(VII) to establish new class(es) of Shares with the same or more voting rights, distribution rights or other privileges as compared with those enjoyed by such class of Shares;

(VIII) to impose restriction or additional restrictions on the transfer or ownership of such class of Shares;

(IX) to grant the share subscription options or share conversion options of such class or another class of Shares;

(X) to increase the rights or privileges of other class(es) of Shares;

(XI) any restructuring scheme of the Company that may result in the assumption of disproportionate responsibilities by different classes of Shareholders during the restructuring;

(XII) to revise or nullify the provisions specified in "Special Procedures for Voting by Class Shareholders" in Section VII of the Articles of Association.

Where issues specified in (II) to (VIII), (XI) to (XII) of the preceding provisions are involved, the affected class Shareholders, whether or not they are entitled to vote at Shareholders' general meetings originally, shall have the right to vote at class general meetings. However, the Shareholders with conflicts of interests shall have no voting rights at the meeting for such class of Shareholders.

A resolution of the meeting for a certain class of Shareholders shall be adopted by above 2/3 of the voting Shares represented by Shareholders of such class present at the meeting.

The special voting procedure at a Shareholders' general meeting for class Shareholders shall not apply for the following cases:

(I) upon the approval by way of a special resolution passed by a Shareholders' general meeting, the Company independently or simultaneously issues domestic Shares and overseas listed foreign Shares every 12 months, provided that the amount of each class of Shares intended to be issued is not more than twenty percent of the issued and outstanding Shares of the respective class;

(II) the Company's plan on issuing domestic Shares and overseas listed foreign Shares at the time of establishment, which is completed within 15 months from the date of approval from securities regulatory authority under the State Council or within validity period of the approval documents;

(III) Upon the approval by the securities regulator under the State Council, the domestic Shareholders of the Company will transfer its shares to offshore investors and list such shares on a foreign stock exchange.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT PERSONNEL

Appointment, Removal and Retirement

Directors shall be elected or removed from office at a general meeting, and shall be removed from office prior to the expiry of his term of office by a general meeting. Each term of office of a Director shall be three years, and a Director may be re-elected and re-appointed upon expiry of his/her term of office.

The Board of Directors consists of 6 Directors and 1 chairman, among which, at least 3 shall be independent Directors and shall not be less than one-thirds of all the members of the Board of Directors. At least one of the independent Directors shall possess appropriate accounting or relevant finance management expertise.

The chairman of the Company shall be elected or removed by more than half of all directors of the Board of Directors.

Shareholders holding, severally or jointly, more than 3% Shares of the Company may propose candidates for Directors to the Board of Directors in writing, which may become a written proposal to be submitted to general meetings for election upon verification of qualification by the current Board of Directors.

Shareholders holding, severally or jointly, more than 3% Shares of the Company may propose candidates for Supervisors to the Supervisory Committee in writing, which may become a written proposal to be submitted to general meetings for election upon verification of qualification by the current Supervisory Committee.

A person may not serve as a Director, Supervisor, general manager or other senior management personnel of the Company if such person:

(I) has no civil capacity or has limited civil capacity;

(II) was sentenced for the offense of corruption, bribery, expropriation, misappropriation of property or for disrupting the social and economic order, and less than five years has elapsed since the sentence was served, or has been deprived of political rights due to such crimes, and less than five years has elapsed since the deprivation was completed;

(III) was a former director, factory manager or general manager of a company or enterprise which has been bankrupted for mismanagement or put into liquidation and was personally liable for the winding up of such company or enterprise, and less than three years has elapsed since the date of completion of the bankruptcy and liquidation of the Company or enterprise;

(IV) was a former legal representative of a company or an enterprise which has had its business license revoked for violating the laws, and was personally liable for that revocation, and less than three years has elapsed since the date of revocation;

(V) has comparatively large amount of individual debts that have become overdue and have not been settled;

(VI) has been currently under investigation for criminal offense and which investigation is not yet concluded;

(VII) has been prohibited to enter the capital market by securities regulatory authority under the State Council and the period has not expired;

(VIII) is prohibited from acting as leader of an enterprise by virtue of any laws and administrative regulations;

(IX) is not a natural person;

(X) has been convicted by relevant competent authorities for violation of securities related regulations, where such violation involved fraudulent or dishonest acts, and less than five years has elapsed since the date of such conviction;

(XI) other contents stipulated by laws, administrative regulations, regulations of ministries, normative documents and listing rules of the stock exchange where the Company's shares are listed.

An election, appointment or employment shall be null and void if the Directors and Supervisors are elected or appointed or the senior management personnel is employed in breach of the preceding Article. The Company shall remove any Directors, Supervisors and senior management personnel if they fulfill the circumstance stated in clause I above during their tenure.

The validity of any act by a Director, general manager or other senior management personnel of the Company made on behalf of the Company towards a third party acting in good faith shall not be affected by any non-compliance in regulations of that person's position, election procedure or qualifications.

Functions and Power of the Board of Directors

The Board of Directors shall exercise the following functions and powers:

(I) convening Shareholders' general meetings and reporting its performance at the Shareholders' general meetings;

(II) implementing resolutions of the Shareholders' general meetings;

(III) determining the Company's business plans and investment plans;

(IV) formulating annual financial budget plans and final account plans;

(V) formulating profit distribution plans and plans for recovery of losses of the Company;

(VI) formulating proposals for the increase or reduction of the Company's registered capital, and for the issuance of the Company's debentures or other securities and the listing;

(VII) drafting proposals for the Company's major acquisition, purchase of the Company's Shares or merger, division, dissolving and change in corporate form of the Company;

(VIII) determining investments, acquisition and disposal of assets, pledge of assets, external guarantees issues, entrusted investments, connected transactions and other matters within the authorization scope of Shareholders' general meeting;

(IX) deciding on the Company's internal management structure;

(X) appointing or dismissing the general manager of the Company and the secretary to the Board of Directors of the Company; appointing or dismissing deputy general manager and senior management personnel including person-in-charge of finance of the Company based on the nominations of the general manager, and determining their emoluments, rewards and penalties;

(XI) establishing the basic management system of the Company;

(XII) drafting proposals for the amendment to the Articles of Association;

(XIII) managing the information disclosures of the Company;

(XIV) proposing the engagement or change of the appointment of accounting firms auditing for the Company to the Shareholders' general meeting;

(XV) reviewing work reports of the general manager of the Company and examine his or her work;

(XVI) other functions and powers stipulated by laws, administrative regulations, regulations of ministries and commissions, listing rules for stock exchanges where the Company's Shares are listed and the Articles of Association of the Company.

Saved for clauses (VI), (VII) and (XII), the aforesaid matters proposed by the Board of Directors shall be approved by consent of over two-thirds of the Directors, while the rest shall be approved by consent of over one half of the Directors.

A meeting of the Board of Directors shall be attended by more than half of the Directors, each of whom shall have one vote. Resolutions adopted at the meeting of the Board of Directors must be approved by more than one half of all members of the Directors, unless otherwise required in the Articles of Association. Resolutions of the Board of Directors shall be voted on as per "one person, one vote" system. Where there is an equality of votes cast both for and against a resolution, the chairman shall have the right to cast one more vote.

Functions and Power of the Supervisory Committee

The Company shall have a Supervisory Committee. The Supervisory Committee shall consist of three Supervisors. The Supervisory Committee shall have one chairman. The appointment and removal of the chairman of the Supervisory Committee shall be determined by the affirmative votes of more than 2/3 of the members of the Supervisory Committee. The chairman of the Supervisory Committee shall convene and preside over a meeting of the Supervisory Committee. If the chairman of the Supervisory Committee is unable or fails to perform his/her duties, a supervisor selected by more than one half of all Supervisors shall convene and preside over the meeting of the Supervisory Committee.

The Supervisory Committee shall consist of an appropriate proportion of Shareholder representatives and the Company's employee representatives and the percentage of employee representatives shall not be less than 1/3. The employee representatives of the Supervisory Committee shall be elected by employees of the Company at the employee representatives' meeting, the employee meeting or otherwise democratically.

Each term of office of a Supervisor is 3 years and he may serve consecutive terms if re-elected.

The Supervisory Committee shall be accountable to the Shareholders' general meeting and shall perform the following duties legally:

(I) to review the Company's reports prepared by the Board of Directors and to provide comments in writing;

(II) to review the Company's financial condition;

(III) to supervise the conducts of the Directors and senior management in discharge of their duties and to advise on the dismissal of any Director and senior management who are in breach of laws, administrative regulations, the Articles of Association or resolutions of the Shareholders' general meetings;

(IV) to demand rectification from the Directors and senior management of the Company where their conducts are detrimental to the interests of the Company;

(V) to propose to convene an extraordinary general meeting, and to convene and preside over the Shareholders' general meeting where the Board of Directors fails to perform its duties to convene or preside over a Shareholders' general meeting as required under the Company Law;

(VI) to propose motions at a shareholders' general meeting;

(VII) to represent the Company to negotiate with the Directors and senior management members or bringing actions against Directors and senior management members according to Article 151 of the Company Law;

(VIII) to examine the financial information such as the financial reports, business reports and plans for distribution of profits to be submitted by the Board of Directors to the Shareholders' general meetings, to engage certified public accountants or practicing auditors in the name of the Company to assist in the review whenever queries arise at the expense of the Company;

(IX) to conduct investigations whenever queries or unusual conditions in the operation of the Company arise and, if necessary, to engage professional institutions such as accounting firms and law firms to assist in their work with expenses to be borne by the Company;

(X) to propose for the formulation of and amendment to the profit distribution policy of the Company;

(XI) other functions and powers stipulated by laws, administrative regulations, regulations of ministries and commissions, listing rules for stock exchanges where the Company's Shares are listed and the Articles of Association of the Company.

The Supervisors shall attend meetings of the Board of Directors.

The Supervisory Committee shall meet at least once in every 6 months. Supervisors can propose to convene an extraordinary Supervisory Committee meeting.

Resolutions of the Supervisory Committee shall be passed by more than 2/3 of the Supervisors.

General Manager

The Company shall have one general manager appointed and removed by the Board of Directors.

The general manager shall be accountable to the Board of Directors and shall perform the following duties:

(I) to be in charge of the production, management and operation of the Company, to organize implementation of the resolutions of the Board of Directors, and to report to the Board of Directors;

(II) to organize implementation of annual business plans and investment plans;

(III) to formulate the Company's internal management structure;

(IV) to formulate the basic management system of the Company;

(V) to draft specific regulations of the Company;

(VI) to propose to the Board of Directors appointment or dismissal of deputy general manager and person-in-charge of finance;

(VII) to decide on appointment or dismissal of person-in-charge of management who should otherwise be appointed or dismissed by the Board of Directors;

(VIII) other functions and powers stipulated by the Articles of Association or the Board of Directors.

The general managers shall attend meetings of the Board of Directors.

Secretary to the Board of Directors

The Company shall have a secretary to the Board of Directors, who is a senior management member of the Company. The Company's secretary to the Board of Directors shall be a natural person who possess necessary professional knowledge and experience and be engaged by the Board of Directors. The secretary to the Board of Directors is responsible for the preparation of general meetings and meetings of the Board of Directors of the Company, the keeping of documentation as well as the management of shareholders' information, handling matters relating to information disclosure and other matters.

Emoluments and Compensation for Loss of Office

The Company shall enter into a contract in writing with a Director or Supervisor to determine his/her emoluments subject to prior approval of general meeting. The above emoluments include:

(I) emoluments in respect of his/her service as a Director, Supervisor or senior management of the Company;

(II) emoluments in respect of his/her service as a Director, Supervisor or senior management of a subsidiary of the Company;

(III) emoluments in respect of other services for the management of the Company and its subsidiary; and

(IV) funds received by such Directors or Supervisors as compensation for their loss of office or for their retirement.

A Director or Supervisor may not sue the Company for such benefits due to him on the grounds of the foregoing matters, except for under such contract as mentioned above.

The contract regarding emoluments entered into by and between the Company and its Directors and Supervisors shall provide that in the event of a takeover of the Company, the Company's Directors and Supervisors shall, subject to the prior approval of the Shareholders' general meeting, have the rights to receive compensation or other payment for loss of their office or for their retirement. For the purposes of the preceding paragraph, the term "a takeover of the Company" shall refer to any of the following occasions:

(I) anyone makes a tender offer to all the shareholders;

(II) anyone making a tender offer aims at that the offeror becomes a controlling shareholder which has the same definition as that provided in Article 48 of the Articles of Association.

If the relevant Director or Supervisor fails to comply with this Article, any fund received by him/her shall belong to those persons that have sold their shares as a result of their acceptance of foregoing offer, and the expenses incurred from the distribution of such fund on a pro rata basis shall be borne by the relevant Director and Supervisor and may not be paid out of such fund.

Loans to Directors, Supervisors and Senior Management

The Company shall not, directly or indirectly, provide loans or loan guarantees to the Directors, Supervisors, General Managers and other senior management personnel of the Company and its parent company, nor shall the Company provide the same to their related persons.

The preceding provision shall not apply to the following circumstances:

(I) loans or loan guarantees provided by the Company to its subsidiaries;

(II) loans, loan guarantees or other funds provided by the Company to the Directors, Supervisors, General Managers and other senior management personnel of the Company pursuant to their employment contracts which were adopted by the Shareholders' general meeting, with which the foregoing persons can make payments in the interests of the Company or for the expenses incurred in performing their duties and responsibilities for the Company;

(III) where the normal scope of business of the Company includes the provisions of loans and loan guarantees, loans and loan guarantees can be provided by the Company to the relevant Directors, Supervisors, General Manager and other senior management personnel of the Company and their connected persons, provided that the loans and loan guarantees are provided on normal commercial terms and conditions.

If the Company provides a loan in breach of the provisions above, the person who has received the loan shall repay it immediately regardless of the terms of the loan.

Financial and Accounting System

The Company shall establish its financial and accounting system in accordance with laws, administrative regulations and the provisions of competent departments in PRC.

The Company shall prepared financial reports at the end of each fiscal year and submit it for examination and verification in accordance with the law.

The Company shall prepare its financial statements in accordance with PRC accounting standards and regulations, as well as in accordance with international accounting standards or the accounting standards of the overseas locality where the shares are listed. If there are any material differences between the financial statements prepared in accordance with the two accounting standards, such differences shall be stated in the notes to the financial statements. When distributing the after-tax profits of a given fiscal year, the Company shall take as final the smaller amount of after-tax profits out of the aforesaid two kinds of financial statements.

Any interim results of financial information announced or disclosed by the Company shall be prepared in accordance with PRC accounting standards, rules and regulations as well as in accordance with either international accounting standards or overseas accounting standards of the overseas locality where the shares are listed.

Unless otherwise provided in the Articles of Association of the Company, the Company shall deliver to each shareholder of H-shares in person, or by prepaid mail or by other means permitted by the Hong Kong Stock Exchange at the address registered in the register of shareholders such financial and accounting reports, together with copies of the Board report and the statements of financial position (including each document required to be attached to the statements of financial position as provided by law), the statements of profit or loss and other comprehensive income or the statement of revenues and expenditures or the summary report on finance, not later than 21 days before the date of every annual general meeting of the shareholders.

Procedures on Liquidation

The Company shall be dissolved in the following circumstances:

(I) expiry of term of business stipulated in the Articles of Association of the Company or other dissolved matters stipulated in the Articles of Association of the Company;

(II) if the Shareholders' general meeting resolves to do so;

(III) if a dissolution is necessary as a result of a merger or division of the Company;

(IV) the Company is declared bankrupt pursuant to the law as a result of its inability to pay due debts;

(V) the Company has its business licence legally revoked or is ordered to close down or deregistered;

(VI) where the operation and management of the Company falls into serious difficulties and its continued existence would cause material losses to Shareholders, the Shareholders holding above 10% of the total voting rights of the Company may apply to the people's court to dissolve the Company if there are no other solutions.

If the Board decides that the Company shall be liquidated (except for liquidation resulting from the Company's declaration of bankruptcy), it shall state in the notice of Shareholders' general meeting convened for such purpose that the Board have conducted a comprehensive investigation into the situation of the Company and believes that the Company is able to pay off all its debts within twelve months following the commencement of the liquidation.

After the Shareholders' general meeting adopts a resolution in favor of the liquidation, the functions and powers of the Board of the Company shall be terminated immediately.

The liquidation committee shall follow the instructions of the Shareholders' general meetings and shall report to the Shareholders' general meeting at least once a year on the income and expenditure of the liquidation committee, the business of the Company and the progress of the liquidation, and shall make a final report to the Shareholders' general meeting at the end of the liquidation.

Amendments to the Articles of Association of the Company

In any of the following circumstances, the Company shall amend the Articles of Association:

(I) if upon amendments to the *Company Law* or relevant laws and administrative regulations, any terms contained in the Articles of Association become inconsistent with the provisions of the amended laws and administrative regulations;

(II) a change in the Company causes inconsistence with those contained in the Articles of Association;

(III) a decision made by the Shareholders' general meeting to amend the Articles of Association.

If the amendments to the Articles of Association are subject to approval by relevant competent authorities, the amendments to the Articles of Association adopted at the Shareholders' general meeting shall be reported to the competent authority for approval; if registration matters are involved, the Company shall apply for registration of the changes in accordance with the law.

Resolution of Disputes

The Company shall abide by the following rules for dispute resolution:

(I) If any disputes or claims in relation to the Company's business, with respect to any rights or obligations under the Articles of Association of the Company, the *Company Law* or any other relevant laws and administrative regulations, arise between Shareholders of overseas listed foreign Shares and the Company, between Shareholders of overseas listed foreign Shares and the Company's Directors, Supervisors, General Managers and other senior management personnel of the Company, or between Shareholders of overseas listed foreign Shares and Shareholders of domestic Shares, the parties concerned shall submit such disputes or claims to arbitration.

When the aforementioned disputes or claims are submitted to arbitration, such disputes or claims shall be submitted in their entirety, and all persons (being the Company, the Company's Shareholders, Directors, Supervisors, General Managers and other senior management personnel of the Company) that have a cause of action based on the same grounds or the persons whose participation is necessary for the resolution of such disputes or claims, shall comply with the arbitration.

Disputes with respect to the definition of Shareholders and disputes concerning the register of Shareholders need not be resolved by arbitration.

(II) an applicant may choose for the arbitration to be arbitrated either by the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Center in accordance with its securities arbitration rules. Once a claimant submits a dispute or claim to arbitration, the other party must carry out the arbitration at the arbitration institution selected by the claimant.

If an applicant opts for arbitration by the Hong Kong International Arbitration Center, either party may request for the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Center.

(III) Unless otherwise provided by laws and administrative regulations, the laws of the People's Republic of China shall apply to the settlement of any disputes or claims that are resolved by arbitration described in item (I) above.

(IV) The award of the arbitration institution shall be final and binding upon all parties.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

The predecessor of our Company, Hangzhou Tigermed Limited was incorporated in the PRC on December 15, 2004. On November 4, 2010, upon approval by Hangzhou Administration for Industry and Commerce (杭州市工商行政管理局), it was restructured into a joint-stock company and was renamed as Hangzhou Tigermed Consulting Co. Ltd. (杭州泰格醫藥科技股份有限公司). Since August 17, 2012, our A Shares have been listed on the ChiNext market of the Shenzhen Stock Exchange with the stock code of 300347. Our registered office is located at 1502-1, Dongguan Plaza, No. 618 Jiangnan Avenue, Binjiang District, Hangzhou, 310053, China.

We have established a place of business in Hong Kong at 40th Floor, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong and has registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 23, 2020. Ms. Kwan Sau In has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, we are subject to relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendices IV and V to this Prospectus respectively.

B. Changes in the Share Capital of Our Company

Save as disclosed below, there has been no alteration in our share capital within two years immediately preceding the date of this Prospectus.

On May 17, 2019, as approved by the 2018 annual general meeting of our Company, our Company proposed to distribute dividends and to increase our share capital by way of transfer from capital reserve. At our second extraordinary Shareholders' meeting in 2019 dated July 30, 2019, the following items were approved: (1) on July 1, 2019, we completed implementation of the 2018 dividend distribution plan and our registered capital increased from RMB500,176,537 to RMB749,736,172; (2) due to resignations of grantees under the Restricted Share Scheme, it was agreed for our Company to repurchase and cancel 110,595 restricted Shares which were granted but were still subject to lock up, such that our registered capital decreased from RMB749,736,172 to RMB749,625,577; (3) due to our Company's implementation of the 2018 dividend distribution plan and the repurchase and cancellation of the restricted Shares which were granted but were still subject to lock-up of the aforementioned grantees, the registered capital of our Company increased from RMB500,176,537 to RMB749,625,577, and the total number of shares increased from 500,176,537 Shares to 749,625,577 Shares. The repurchase and cancellation of the restricted Shares aforementioned were procedurally completed on September 3, 2019.

As approved at our Company's third extraordinary Shareholders' meeting in 2019 dated September 10, 2019, due to the resignation of grantees under the Restricted Share Scheme, our Company agreed to repurchase and cancel 68,451 restricted Shares which were granted but were still subject to lock-up, such that our Company's registered capital decreased from RMB749,625,577 to RMB749,557,126. The repurchase and cancellation of the restricted Shares were procedurally completed on November 4, 2019.

As approved at our Company's fourth extraordinary Shareholders' meeting in 2019 dated November 15, 2019, due to the resignation of grantees under the Restricted Share Scheme, our Company agreed to repurchase and cancel 32,682 restricted Shares which were granted but were still subject to lock-up. As approved at our Company's fifth extraordinary Shareholders' meeting in 2019 dated December 27, 2019, due to the resignation of grantees under the Restricted Share Scheme, our Company agreed to repurchase and cancel 16,845 restricted Shares which were granted but were still subject to lock-up. The repurchase and cancellation of the restricted Shares aforementioned were procedurally completed on March 26, 2020, such that our Company's registered capital decreased to RMB749,507,599.

As approved at our Company's first extraordinary Shareholders' meeting in 2020 dated February 7, 2020, due to the resignation of grantees under the Restricted Share Scheme, our Company agreed to repurchase and cancel 20,517 restricted Shares which were granted but were still subject to lock-up such that our Company's registered capital decreased from RMB749,507,599 to RMB749,487,082. The repurchase and cancellation of such restricted Shares were completed on May 11, 2020.

As approved at our Company's second extraordinary Shareholders' meeting in 2020 dated March 13, 2020, due to the resignation of grantees under the Restricted Share Scheme, our Company agreed to repurchase and cancel 19,420 restricted Shares which were granted but were still subject to lock-up such that our Company's registered capital decreased from RMB749,487,082 to RMB749,467,662. The repurchase and cancellation of such restricted Shares were completed on May 11, 2020.

As approved at our Company's fourth extraordinary Shareholders' meeting in 2020 dated April 22, 2020, due to the resignation of a grantee under the Restricted Share Scheme, our Company agreed to repurchase and cancel 12,112 restricted Shares which were granted but were still subject to lock-up such that our Company's registered capital will decrease from RMB749,467,662 to RMB749,455,550. The repurchase and cancellation of such restricted Shares were completed on May 11, 2020.

Upon completion of the Global Offering, but without taking into account any exercise of the Over-allotment Option, our registered capital will increase to RMB856,520,650, comprising 749,455,550 A Shares and 107,065,100 H Shares fully paid up, representing approximately 87.5% and 12.5% of our registered capital, respectively.

C. Shareholders' Resolutions

Pursuant to the Shareholders' meeting held on April 2, 2020, the following resolutions, among others, were duly passed:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued before the exercise of the Over-allotment Option shall not exceed 15% of the enlarged share capital of our Company upon completion of the Global Offering and granting the Underwriters the Over-allotment Option of no more than 15% of the above number of H Shares to be issued;

(c) subject to the completion of the Global Offering, the conditional adoption of the Articles of Association, which shall become effective on Listing Date; and

(d) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

D. Further Information about Our Principal Subsidiaries

The list of our principal subsidiaries as of March 31, 2020 is set out in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus. Save as disclosed below, there has been no alteration in the share capital of any of our principal subsidiaries within the two years immediately preceding the date of this Prospectus.

Hangzhou Tigermed Equity Investment Partnership (杭州泰格股權投資合夥企業(有限合夥))

On July 5, 2018, the registered capital of Hangzhou Tigermed Equity Investment Partnership increased from RMB250 million to RMB400 million. On November 8, 2018, the registered capital of Hangzhou Tigermed Equity Investment Partnership increased from RMB400 million to RMB750 million. On April 26, 2020 the registered capital of Hangzhou Tigermed Equity Investment Partnership increased from RMB750 million to RMB1,100 million.

Shanghai Frontage Biotech Co. Ltd. (上海方達生物技術有限公司)

On November 28, 2019, the registered capital of Shanghai Frontage Biotech Co. Ltd. (上海方達生物技術有限公司) increased from RMB1.00 million to RMB10.00 million.

E. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, please refer to the section headed "Appendix V – Summary of Articles of Association" in this Prospectus.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contract

We have entered into the following contract (not being contracts entered into in the ordinary course of business) within two years preceding the date of this Prospectus, which is or may be material:

(a) the Hong Kong Underwriting Agreement.

B. Our Material Intellectual Property Rights

Trademarks

As of March 31, 2020, our Group has registered the following key trademarks which are material to the business of our Group:

No.	Trademark
1	
2	
3	

As of March 31, 2020, our Group has 52 trademark registrations for, and 36 applications for registrations in countries throughout the world including in all countries in which our Group currently operates. Of these trademarks, members of our Group have 2 trademark registered and 1 applications for registrations in Hong Kong.

Patents

As of March 31, 2020, our Group had registered the following key patents in relation to the business of our Group as a whole:

No.	Patent Registered	Granting Country of Organization	Expiration Date
1	Handheld data acquisition device for clinical trials	PRC	February 18, 2026
2	Data processing device with improved structure	PRC	February 24, 2024
3	Data collector with improved structure	PRC	October 8, 2023
4	An improved data collector	PRC	October 8, 2023

As of March 31, 2020, our Group has 18 patent registrations for, and 13 applications for patent registrations in the PRC.

Domain Names

As of March 31, 2020, the key domain name registration of our Group was tigermedgrp.com.

Software Copyrights

As of March 31, 2020, the key software copyrights in relation to the business of our Group as a whole were:

Copyright name	Place of Registration	Core function
Tigermed Clinical Trial Information Management Software V1.0 (泰格醫藥臨床研究信息管理庫軟件V1.0)	PRC	Extraction, processing and analysis of a large amount of data to support information management.

Copyright name	Place of Registration	Core function
Tigermed Clinical Trial Monitoring Management System Software V2.0 (泰格臨床研究監察報告系統軟件V2.0)	PRC	Supports drafting of clinical monitoring reports, including checklists, enrollment status, tracking of case reports, serious adverse events, protocol violations, research products, laboratory samples, follow-up matters, visit arrangements.
Tigermed Subject Information Management System Software (泰格受試者信息管理系統軟件V2.0)	PRC	To systematically manage clinical trial subject information, including basic particulars, consent forms and subject visits.

As of March 31, 2020, our Group has 377 software copyrights in the PRC.

C. Share Purchase Scheme

As approved by the Shareholders' meeting held on November 29, 2018, our Company established an employee share purchase scheme (the "**Share Purchase Scheme**") in November 2018 (as amended in March 2019). The Share Purchase Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Share Purchase Scheme does not involve any grant of options by our Company to subscribe for new Shares upon our Listing. The following is a summary of the principal terms of the Share Purchase Scheme:

(a) Purpose

The purpose of the Share Purchase Scheme is to foster shared interests between shareholders and employees, enhance corporate governance, attract and retain talent and increase the competitiveness of our Company, thereby promoting sustained, long-term and healthy growth.

(b) Scope of Participants

The Directors (excluding our independent non-executive Directors), Supervisors, senior management and core technical (business) employees of our Company and our subsidiaries (except under circumstances as set out in the scheme rules) are eligible to participate in the Share Purchase Scheme on a voluntarily basis. As of the date of this Prospectus, subscription of the Share Purchase Scheme has closed.

(c) Source of Shares under the Share Purchase Scheme

The Shares underlying the Share Purchase Scheme shall initially be A Shares repurchased by the Company in compliance with the applicable laws and regulations. The total number of Shares underlying the scheme is 2,226,904 A Shares (the "**Scheme Shares**"), representing approximately 0.30% of the total outstanding share capital of our Company as of the Latest Practicable Date. Our Company has completed the repurchase and transferred the Scheme Shares at an average price of RMB44.25 per Scheme Share to an account designated for the Share Purchase Scheme, managed under a collective fund trust plan by an independent qualified trustee appointed by our Company (the "**Trustee**"). The number of Scheme Shares shall not exceed 100 million. As of the date of this Prospectus, our Company has completed its repurchase of A Shares underlying the Share Purchase Scheme.

(d) Source of Funds and Subscription of Units under the Share Purchase Scheme

The source of funds of the holders of interest in the Share Purchase Scheme (the "**Holders**") consists of funds raised from their compensation, self-raised funds and other means as permitted by laws and regulations.

The eligible directors and employees may subscribe for unit(s) in the Share Purchase Scheme. The subscription price per unit is RMB1.00. The total funds raised under the Share Purchase Scheme shall not exceed RMB100 million and therefore the maximum number of the units is 100 million units. No individual Holder shall subscribe for units under the Share Purchase Scheme corresponding to more than 1% of the total issued share capital of our Company.

(e) Term of the Share Purchase Scheme

The initial term of the Share Purchase Scheme spans over 48 months, from November 29, 2018 to November 28, 2022. If the Scheme Shares have not been fully disposed of by the expiry, the term may be extended upon approval by the Holders attending the Holders' meeting with over half of the voting stock held by such attending Holders and approval of the Board. On the other hand, the Share Purchase Scheme may be terminated prior to the expiry if all the Scheme Shares have been fully disposed of.

(f) Lock-up Period

The lock-up period for the Scheme Shares is 12 months commencing from June 21, 2019, being the date of announcement of the completion of transfer of the Scheme Shares to the relevant collective fund trust plan, during which the Trustee shall not dispose of any Scheme Shares.

(g) Restriction on disposal of Scheme Shares

The Trustee shall not dispose of Scheme Shares during certain period prior to and/or following the announcement of results announcement, any event or decision that may have material impact on the share price of our Company and any other circumstances prescribed by the CSRC, stock exchanges or applicable laws and regulations.

(h) Dividend of the Scheme Shares

The Share Purchase Scheme is entitled to the dividend declared on the Scheme Shares.

(i) Administration of the Share Purchase Scheme

The holders' meeting, which all Holders have the right to attend, is the highest management authority of the Share Purchase Scheme. A management committee has been set up for the day-to-day supervision and management of the Share Purchase Scheme (the "**Management Committee**"). The Management Committee comprises three members elected by the Holders' meeting. The chairman of the Management Committee is elected by the majority of the Management Committee. The Management Committee may dispose of Scheme Shares in accordance with the instruction of the Holders of such Shares.

(j) Voting rights

The Management Committee is entitled to exercise the voting rights of the Scheme Shares.

(k) Rights of the Holders

The Holders of the Share Purchase Scheme are entitled to:

(1) share the interests of the assets underlying the Share Purchase Scheme in proportion to his interest in the Share Purchase Scheme;

(2) attend the general meeting of Holders and to exercise the corresponding voting rights; and

(3) exercise other rights stipulated under applicable laws, administrative regulations, or the terms of the Share Purchase Scheme.

(l) Obligations of the Holders

The Holders of the Share Purchase Scheme have the following obligations:

(1) to comply with applicable laws, administrative regulations and provisions of the rules governing the Share Purchase Scheme;

(2) to assume the risks associated with the Share Purchase Scheme in proportion to his interests in the Share Purchase Scheme;

(3) to abide by the resolutions of the general meeting of Holders; and

(4) to assume the obligations under applicable laws, administrative regulations and other obligations stipulated under the terms of the Share Purchase Scheme.

(m) Transfer of Holders' Interests

During the term of the Share Purchase Scheme, except for circumstances specified under the terms of the Share Purchase Scheme, no Holder shall in any way transfer, withdraw, charge, mortgage, pledge or use as guarantee or repayment of debt his interest under the Share Purchase Scheme.

D. Restricted Share Scheme

Under the rules of the Shenzhen Stock Exchange, the Company may adopt various equity incentive schemes at the same time provided that the aggregate number of Shares involved in equity incentive schemes within any validity period shall not exceed 20% of the Company's total share capital.

The following is a summary of the principal terms of the Restricted Share Scheme (the "**Restricted Share Scheme**"), which was passed by way of a Shareholders' meeting on April 10, 2019. The Company has completed registration of the first granting of 3,827,763 restricted A Shares under the Restricted Share Scheme to 429 participants and such granted A Shares were listed on June 21, 2019. On July 1, 2019, the Company carried out an equity distribution, giving out 5 A Shares for every 10 A Shares held. As a result, as approved by the Board on July 12, 2019, the first grant of 3,827,763 restricted A Shares was adjusted to 5,741,644 restricted A Shares. As of the Latest Practicable Date, due to resignations of grantees, the number of participants under the Restricted Share Scheme has reduced to 406 and the number of restricted A Shares granted has been reduced to 5,461,022, accounting for approximately 0.73% of the total outstanding share capital of our Company as of the Latest Practicable Date. On June 22, 2020, upon expiry of the first lock-up period of the first granting of Restricted Shares under the Restricted Share Scheme, the Company unlocked 1,638,306 Shares, accounting for approximately 0.22% of the total outstanding share capital of the Company as of June 22, 2020. The Restricted Share Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Restricted Share Scheme does not involve any grant of options by our Company to subscribe for new Shares upon our Listing. The following is a summary of the principal terms of the Restricted Share Scheme:

(a) Purpose

The purpose of the Restricted Share Scheme is to enhance the remuneration mechanism of our Company and attract and retain talent. The Restricted Share Scheme fosters shared interests between the shareholders, our Company and our core management team, thereby furthering our Company's focus on long-term development.

(b) Scope of Participants

The participants of the Restricted Share Scheme are our core technical (business) employees and certain employees with more than three-year work experience in our Company or our subsidiaries, excluding the Directors, supervisors or members of senior management of our Company and certain persons as stipulated in the scheme.

(c) Term of the Scheme

The validity of the Restricted Share Scheme runs from the date of granting of restricted Shares to when such restricted Shares are no longer under any lock-up or have been repurchased and cancelled. The term of validity shall not exceed 48 months.

(d) Source and Grant of Shares under the Scheme

The Shares underlying the Restricted Share Scheme shall be A Shares purchased by our Company from the secondary market. Our Company shall not grant any restricted Shares during certain periods prior to and/or following the announcement of results announcement, any event or decision that may have a material impact on the share price of our Company and under any other circumstances as prescribed by the CSRC, stock exchanges or applicable laws and regulations.

The participants shall pay the grant price as decided by our Company upon acceptance of the grant. No further consideration has to be paid by the participants for the unlocking of the restricted Shares.

(e) Maximum Number of Shares

The maximum number of shares to be granted to an employee under the Restricted Share Scheme shall not exceed 1% of the total outstanding share capital of our Company at the time of the announcement of the Restricted Share Scheme.

(f) Administration of the Scheme

The Shareholders' meeting is the highest authority of the Restricted Share Scheme. The Board is the managing authority of the Restricted Share Scheme. The board of Supervisors and independent non-executive Directors are the supervising authorities of the Restricted Share Scheme.

(g) Source of Funds to be Used to Purchase the Shares under the Scheme

The source of funds for employees participating in the Restricted Share Scheme consists of funds raised from their compensation, self-raised funds and other methods as permitted by laws and regulations.

(h) Lock-up Period

The lock-up periods for the Shares underlying the Restricted Share Scheme are 12 months, 24 months and 36 months, respectively, commencing from the date the Restricted Shares were first granted. During the lock-up period, the restricted Shares shall not be transferred, used as guarantee or repayment of debt. If the performance of our Company, the relevant participants and other conditions for unlocking are not fulfilled by the relevant participant in the stipulated period, the restricted Shares shall remain under lock-up and the unlocking shall be deferred to the next period. After the lock-up period expires, our Company will unlock the restricted Shares for eligible participants and the remaining restricted Shares will be repurchased and cancelled by our Company.

(i) Dividend rights

When our Company distributes cash dividends, holders under the Restricted Share Scheme receives dividends in proportion to their restricted Shares withholding personal income tax.

(j) Voting rights

Holders under the Restricted Share Scheme are entitled to exercise their voting rights prior and following the unlocking.

E. Summary of Our Certificates, Permits and Licenses

The following table sets forth a summary of the key licenses, permits and certificates that we held and which are necessary for our business as at the Latest Practicable Date:

Holder[4]	Certificate/ Permit/License	Issue Authority	Establishment/ Issue Date	Expiry Date
Beijing Jyton and Kannel Medical Tech. Co., Ltd. (北京捷通康諾醫藥科技有限公司)	business license of medical devices	Jointly by Market Supervision Administration of Chaoyang District, Beijing	August 7, 2019	June 27, 2021
Beijing Jyton and Kannel Medical Tech. Co., Ltd. (北京捷通康諾醫藥科技有限公司)	record of archival filing and registration of foreign trade business	Bureau of Commerce of Chaoyang District, Beijing	September 5, 2019	N/A
Beijing Jyton and Kannel Medical Tech. Co., Ltd. (北京捷通康諾醫藥科技有限公司)	customs record return receipt for consignees and consignors of import and export goods	Jointly by Customs of Chaoyang District, Beijing	September 6, 2019	N/A
Beijing Jyton and Kannel Medical Tech. Co., Ltd. (北京捷通康諾醫藥科技有限公司)	administrative license decision	Jointly by Beijing Foreign Exchange Administration Department of State Administration of Foreign Exchange	September 17, 2019	N/A
Beijing Yaxincheng Medical InfoTech Co., Ltd. (北京雅信誠醫學信息科技有限公司)	labor dispatch operation license	Human Resources and Social Security Bureau of Chaoyang District, Beijing	October 23, 2019	October 22, 2022

[4] To select the key certificates and licenses.

Holder[4]	Certificate/ Permit/License	Issue Authority	Establishment/ Issue Date	Expiry Date
Shihezi Tai'er Equity Investment Partnership (石河子市泰爾股權投資合夥企業(有限合夥))	filing certificate of private investment funds	China Securities Investment Fund Industry Association	April 28, 2018	N/A
Hangzhou Yuding Equity Investment Management Partnership (Limited Partnership) (杭州煜鼎股權投資管理合夥企業(有限合夥))	registration of private investment fund manager	China Securities Investment Fund Industry Association	September 18, 2015	N/A
Hangzhou Taiyu Investment Consulting Co., Ltd. (杭州泰煜投資諮詢有限公司)	registration of private investment fund manager	China Securities Investment Fund Industry Association	December 11, 2017	N/A
Hangzhou Taiyu Phase II Equity Investment Partnership (杭州泰譽二期股權投資基金合夥企業(有限合夥))	certificate of filing of private investment funds	China Securities Investment Fund Industry Association	August 7, 2018	N/A
Luohe Taiyu Ankang Investment Management Center (Limited Partnership) (漯河泰煜安康投資管理中心(有限合夥))	registration of private investment fund manager	China Securities Investment Fund Industry Association	April 25, 2016	N/A
Luohe Yukang Investment Center Partnership (漯河煜康投資中心(有限合夥))	certificate of filing of private investment funds	China Securities Investment Fund Industry Association	June 1, 2016	N/A
Shihezishi Taiyu Equity Investment Partnership(石河子市泰譽股權投資合夥企業(有限合夥))	certificate of filing of private investment funds	China Securities Investment Fund Industry Association	October 10, 2015	N/A
Frontage Shanghai	registration certificate of customs declaration unit of the People's Republic of China	Customs of Pudong New District	June 16, 2015	N/A

Holder[4]	Certificate/ Permit/License	Issue Authority	Establishment/ Issue Date	Expiry Date
Frontage Shanghai	Certificate of Self-reported Inspection and Registration for Enterprise	Shanghai Entry-Exit Inspection and Quarantine Bureau	December 27, 2011	N/A
Frontage Shanghai	High and New Technology Enterprises Certificate	Jointly by Shanghai Science and Technology Commission, Shanghai Finance Bureau, Shanghai Taxation Bureau, Shanghai Local Taxation Bureau	November 23, 2017	November 22, 2020
Frontage Shanghai	Shanghai Pathogenic Microbiology Laboratory filing certificate (BSL-2)	Health Committee of Shanghai Pudong New District, Shanghai	August 9, 2019	N/A
Frontage Shanghai	Shanghai Pathogenic Microbiology Laboratory filing certificate (BSL-2)	Social Development Bureau of Shanghai Pudong New District, Shanghai	October 29, 2008	N/A
Frontage Suzhou	registration certificate of pollutant discharge for fixed pollution sources	Ministry of Ecology and Environment of the People's Republic of China	March 2, 2020	March 1, 2023
Frontage Suzhou	Certificate of Registration of Customs Declaration Units of the People's Republic of China	Suzhou Customs	December 3, 2018	N/A
Frontage Suzhou	record of archival filing and registration of foreign trade business operators	Suzhou Wuzhong Bureau of Commerce	December 3, 2018	N/A
Tigermed	High and New Technology Enterprises Certificate	Jointly by the Department of Science and Technology of Zhejiang Province, the Department of Finance of Zhejiang Province, Zhejiang State Taxation Bureau	November 13, 2017	November 12, 2020

Holder[4]	Certificate/ Permit/License	Issue Authority	Establishment/ Issue Date	Expiry Date
Frontage Labs	U.S. Fish and Wildlife Permit	U.S. Fish and Wildlife Service	June 1, 2020	May 31, 2021
Frontage Labs	U.S. Fish and Wildlife Permit	U.S. Fish and Wildlife Service	February 10, 2020	January 31, 2021
Frontage Labs	Clinical Laboratories Permit	Pennsylvania Department of Health	August 15, 2019	August 15, 2020
Frontage Labs	Pennsylvania Certificate of Licensure (Drug and Device)	Pennsylvania Department of Health	April 24, 2012	July 31, 2021
Frontage Labs	GDUFA Frontage Self ID Statement for financial year 2020	U.S. FDA	Valid for financial year 2021	Valid for financial year 2021
Frontage Labs	DEA Registration Analytical License	Drug Enforcement Administration	August 26, 2019	September 30, 2020
Frontage Labs	DEA Registration Manufacturing License	Drug Enforcement Administration	September 19, 2019	September 30, 2020
Frontage Labs	Radioactive Materials License	Pennsylvania Department of Environmental Protection	September 9, 2019	N/A
Frontage Labs	Radioactive Materials License	Ohio Department of Health	March 31, 2016	October 1, 2021
Frontage Labs	Business License for Distribution of Dangerous Drugs	Ohio State Board of Pharmacy	April 1, 2019	March 31, 2021
Frontage Labs	DHHS Animal Welfare Assurance	Department of Health and Human Services	October 19, 2016	October 31, 2020
Frontage Labs	Permit to receive Soil	Department of Agriculture	November 8, 2018	January 24, 2021

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, (i) compliance of relevant laws of regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

B. Remuneration of Directors and Supervisors

Save as disclosed in the sections headed "Directors, Supervisors and Senior Management" and under "Appendix I – Accountants' Report – Notes to Historical Financial Information – 14. Directors' and Supervisors' Emoluments" in this Prospectus, no Director or Supervisor received other remuneration or benefits in kind from our Company in respect of each of the three financial years ended December 31, 2017, December 31, 2018 and December 31, 2019.

4. DISCLOSURE OF INTERESTS

A. Disclosure of Interests of Directors and Supervisors

Save as disclosed below, immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised, none of our Directors or Supervisors has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to our Company, once the Shares are listed on the Hong Kong Stock Exchange.

(i) Interest in Shares of our Company

Name	Title	Nature of Interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the relevant class	Approximate percentage of shareholding in the total share capital immediately after the Global Offering (assuming that the Over-allotment Option is not exercised)
Dr. Ye[(1)]	Chairman of the Board Executive Director	Beneficial owner Interest of person acting in concert	A Shares	177,239,541	23.65%	20.69%
Ms. Cao[(1)]	Executive Director General manager	Beneficial owner Interest of person acting in concert	A Shares	57,161,774	7.63%	6.67%
Ms. Yin Zhuan	Executive Director Deputy general manager	Beneficial owner	A Shares	10,296,000	1.37%	1.20%

Note:

(1) Dr. Ye and Ms. Cao entered into the Concert Agreement on June 9, 2010 and each of them is deemed to be interested in the A Shares that the other person is interested in under section 317 of the SFO. Dr. Ye holds 177,239,541 of our A Shares, representing 20.69% of our total issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). Ms. Cao holds 57,161,774 of our A Shares, representing 6.67% of our total issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). Therefore, Dr. Ye and Ms. Cao are deemed to be interested in a total of 234,401,315 of our A Shares, representing 31.3% of the total number of A Shares of our Company and 27.4% of our total issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Save as disclosed in this Prospectus, as of the Latest Practicable Date, none of the Directors or Supervisors or their respective spouses and children under 18 years of age had been granted by our Company or had exercised any rights to subscribe for shares or debentures of our Company or any of our associated corporations.

(ii) Interest in shares of our associated corporations

Name	Title	Nature of Interest	Member of our Group	Number and class of shares	Approximate percentage of shareholding
Dr. Ye	Chairman of the Board Executive Director	Beneficial Owner	Tigermed Malaysia Sdn. Bhd.	1 share	1.00%

B. Disclosure of Interests of Substantial Shareholders

For information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see the section headed "Substantial Shareholders" in this Prospectus.

Interests of substantial shareholders in members of our Group (excluding our Company)

Our subsidiaries	Authorized share capital/Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
Taiwan Tigermed Consulting Co., Ltd[(2)]	NT$12,000,000	Hsu Hung-Yen	11.46
Tigermed India Data Solutions Private Limited[(3)]	INR 1,200,000	Mehra Munish	39.01
Romania Opera[(4)]	RON 2,560	Serban Marius Rosu Dionisio Barattini	19.53 19.53
Luohe Yukang Investment Center Partnership (漯河煜康投資中心(有限合夥))[(5)]	RMB124,000,000	Zheng Jianhua (鄭建華)	16.13
Hangzhou Talent MedConsulting Co., Ltd. 杭州泰蘭醫藥科技有限公司	RMB1,000,000	Jiaxing Talent Investment Partnership Limited Partnership (嘉興泰蘭投資合夥企業(有限合夥))	15.00

Our subsidiaries	Authorized share capital/Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
Fantastic Bioimaging	RMB4,666,667	Luxia Liang	22.50
		Jiaxing Fantastic Equity Investment Partnership (limited Partnership) (嘉興英放股權投資合夥企業(有限合夥))	10.00
Beijing Yaxincheng Medical InfoTech Co., Ltd. (北京雅信誠醫學信息科技有限公司)	RMB2,000,000	Tianjin Yaxincheng Enterprise Management Consulting Partnership (Limited Partnership) (天津雅信誠企業管理諮詢合夥企業(有限合夥))	41.00
Jiaxing Clinflash Computer Technology Co., Ltd. (嘉興易迪希電腦技術有限公司)	RMB1,100,000	Shihezi Tailin Equity Investment Limited Partnership (石河子市泰麒股權投資有限合夥企業)	43.55
Hangzhou Taiyu Investment Consulting Co., Ltd. (杭州泰煜投資諮詢有限公司)	RMB5,000,000	Ji Tianrong (紀添榮)	44.00
EPS Tigermed (Jiaxing) Co., Ltd. (嘉興益新泰格醫藥科技有限公司)	RMB30,000,000	EPS International Medical Technology Co., Ltd. (益新國際醫藥科技有限公司)	49.00
Beijing Tigermed Xingrong Investment Management Co., Ltd. (北京泰格興融投資管理有限公司)	RMB10,000,000	Hangzhou Taiyu Investment Consulting Co., Ltd. (杭州泰煜投資諮詢有限公司)	19.00
		Beijing Linkong Xingrong Investment Co., Ltd. (北京臨空興融投資有限公司)	30.00
Hangzhou Yuding Equity Investment Management Partnership (Limited Partnership) (杭州煜鼎股權投資管理合夥企業(有限合夥))	RMB1,500,000	Tang Lei (唐磊)	10.00
Luohe Taiyu Ankang Investment Management Center (Limited Partnership) (漯河泰煜安康投資管理中心(有限合夥))	RMB2,000,000	Zhang Dachao (張大超)	15.00
		Gao Peng (高鵬)	15.00

Our subsidiaries	Authorized share capital/Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
Hangzhou Taiyu Phase II Equity Investment Partnership (杭州泰譽二期股權投資基金合夥企業(有限合夥))	RMB203,100,000	Hangzhou Hi-Tech Venture Capital Management Co., Ltd. (杭州高科技創業投資管理有限公司)	11.32
		SDIC National Venture Capital Investment Fund (Limited Partnership) (國投創合國家新興產業創業投資引導基金(有限合夥))	14.77
Frontage Suzhou 方達醫藥技術(蘇州)有限公司	RMB10,000,000	Zhejiang Jiuzhou Pharmaceutical Co., Ltd. (浙江九洲藥業股份有限公司)	25.00
Shanghai Mosim Medical Technology Co., Ltd. (上海謀思醫藥科技有限公司)	RMB1,000,000	Yang Jin (楊勁)	15.50
		Liu Jili (劉吉莉)	14.90

(1) Taiwan Tigermed Consulting Co., Ltd, a company limited by shares established under the laws of Taiwan on March 12, 2012 and a subsidiary of our Company.

(2) Tigermed India Data Solutions Private Limited, a private limited company established under the laws of India on February 2, 2016, and a subsidiary of our Company. The issued, subscribed and paid-up capital of Tigermed India Data Solutions Private Limited as of the Latest Practicable Date is INR 1,144,980.

(3) Opera Contract Research Organization SRL, a limited liability company established under the laws of Romania on July 20, 2015, and a subsidiary of our Company.

(4) Luohe Yukang Investment Center Partnership (漯河煜康投資中心(有限合夥)), a limited partnership established in the PRC on March 3, 2016, and a subsidiary of our Company.

C. Disclaimers

Save as disclosed in this Prospectus:

(a) none of our Directors or Supervisors has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this Prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group taken as a whole; and

(c) without taking into account any Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at shareholders' meetings of any member of our Group in the Shares or underlying Shares of our Company.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

B. Joint Sponsors

All of Merrill Lynch Far East Limited, Haitong International Capital Limited, CLSA Capital Markets Limited and China International Capital Corporation Hong Kong Securities Limited satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letter entered into between our Company and each of the Joint Sponsors, we have agreed to pay each of the Joint Sponsors a fee of US$250,000 to act as the sponsors of our Company in connection with the proposed listing on the Stock Exchange.

C. Preliminary Expenses

We have not incurred any material preliminary expense.

D. Promoters

Information of our promoters as of the time of our Company's conversion is as follows:

No.	Name
1.	Ye Xiaoping (葉小平)
2.	Cao Xiaochun (曹曉春)
3.	Shi Xiaoli (施笑利)
4.	Xu Jialian (徐家廉)
5.	Gong Yunjie (宮蕓潔)
6.	Chen Wen
7.	Zhang Hongqiao
8.	Yin Zhuan
9.	Zhang Bing
10.	Liu Minzhi
11.	QM8 Limited
12.	Hangzhou Taimo Investment Management Limited (杭州泰默投資管理有限公司)
13.	Hangzhou Taidi Investment Management Limited(杭州泰迪投資管理有限公司)
14.	Ruiqin Investment (上海睿勤投資諮詢有限公司)

Save as disclosed in this Prospectus, within the three years immediately preceding the date of this Prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this Prospectus.

E. Qualification of Experts

The qualifications of the experts, as defined under the Hong Kong Listing Rules, who have given opinions in this Prospectus, are as follows:

Name	Qualification
Merrill Lynch Far East Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) of regulated activities under the SFO
Haitong International Capital Limited	Licensed to conduct type 6 (advising on corporate finance) of regulated activities under the SFO
CLSA Capital Markets Limited	Licensed to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) of regulated activities under the SFO

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of regulated activities as defined under the SFO
BDO Limited	Certified Public Accountants
Jia Yuan Law Offices	PRC legal advisors
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

F. Consents of Experts

Each of the experts named in paragraph E above has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

As of the Latest Practicable Date, none of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

G. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate charged on each of the seller and purchaser is HK$1.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

H. Binding Effect

This Prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

I. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this Prospectus as mentioned in "Appendix I – Accountants' Report – 49. Related Party Transactions and Balances."

J. Miscellaneous

Save as disclosed in this Prospectus:

(a) within the three years immediately preceding the date of this Prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued, or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Company or any of our subsidiaries; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company;

(b) there are no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Prospectus;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) save for our A Shares which are listed on the Shenzhen Stock Exchange and the H Shares to be issued in connection with the Global Offering, none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(g) we are a foreign investment joint stock limited company and are subject to the Foreign Investment Law of the People's Republic of China; and

(h) all necessary arrangements have been made to enable the H shares to be admitted into CCASS for clearing and settlement.

K. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;

(b) a copy of the material contract referred to in the section headed "2. Further Information About Our Business – A. Summary of Our Material Contract" in Appendix VI to this Prospectus; and

(c) the written consents referred to in the section headed "5. Other information – F. Consents of Experts" in Appendix VI to this Prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Davis Polk & Wardwell at 18/F, The Hong Kong Club Building, 3A Chater Road, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

(a) the Articles of Association;

(b) the Accountants' Report from BDO Limited, the text of which is set out in Appendix I to this Prospectus;

(c) the consolidated audited financial statements of our Group for the three years ended December 31, 2017, 2018 and 2019 and three months ended March 31, 2020;

(d) the report from BDO Limited relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this Prospectus;

(e) the material contract referred to in the section headed "2. Further Information About Our Business – A. Summary of Our Material Contract" in Appendix VI to this Prospectus;

(f) the written consents referred to in the section headed "5. Other Information – F. Consents of Experts" in Appendix VI to this Prospectus;

(g) the service contracts referred to in the section headed "3. Further Information About Our Directors and Supervisors – A. Particulars of Directors' and Supervisors' Contracts" in Appendix VI to this Prospectus;

(h) the legal opinions issued by Jia Yuan Law Offices, our legal advisors as to PRC law in respect of the general matters and property interests of our Group;

(i) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed "Industry Overview" in this Prospectus;

(j) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations;

(k) the Shenzhen Stock Exchange Listing Rules, together with an unofficial English translation; and

(l) the terms of the Share Purchase Scheme and the Restricted Share Scheme.

杭州泰格醫藥科技股份有限公司

Hangzhou Tigermed Consulting Co., Ltd.