



凱萊英醫藥集團(天津)股份有限公司
Asymchem Laboratories (Tianjin) Co., Ltd.

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

Stock Code: 6821

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

**Goldman
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Joint Bookrunners and Joint Lead Managers

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交銀國際
BOCOM International

IMPORTANT

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



Asymchem Laboratories (Tianjin) Co., Ltd.

凱萊英醫藥集團(天津)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	:	18,415,400 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	1,841,600 H Shares (subject to reallocation)
Number of International Offer Shares	:	16,573,800 H Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	:	HK\$410.00 per H Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and 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	:	6821

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Goldman Sachs



Joint Bookrunners and Joint Lead Managers



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 "Appendix VII – Documents Delivered to the Registrar of Companies in Hong Kong and on display," 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 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 Global Coordinators (for themselves and on behalf of the Underwriters) and the Company on the Price Determination Date, which is expected to be on or about Friday, December 3, 2021 and, in any event, not later than Tuesday, December 7, 2021. The Offer Price is expected to be not more than HK\$410.00 per Offer Share and is expected to be not less than HK\$350.00 per Offer Share, unless otherwise announced.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate and with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus 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 Offer Shares being offered under the Global Offering and/or the indicative Offer Price range will be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and on the website of the Company at www.asymchem.com. See "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for further details.

We are incorporated, and most of our businesses are operated, in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments 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 PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix V – Summary of the Articles of Association." Potential investors should consider carefully all the information set out in this prospectus and, in particular, the matters discussed in the abovementioned sections.

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" for such grounds. It is important that you refer to that section for further details.

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 not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. person, except that Offer Shares may be offered, sold or delivered (a) 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 or (b) outside the United States in offshore transactions in reliance on Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including the risk factors set out in "Risk Factors." The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting."

ATTENTION

The Hong Kong Public Offering is being conducted in a fully electronic manner and no printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering will be provided in accordance with the requirements of the Listing Rules.

This document is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.asymchem.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

November 30, 2021

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the Company's website at www.asymchem.com and the website of the Stock Exchange at www.hkexnews.hk.

Hong Kong Public Offering commences 9:00 a.m. on Tuesday,
November 30, 2021

Latest time to complete electronic applications under **White Form**
eIPO service through the designated website at www.eipo.com.hk⁽²⁾ 11:30 a.m. on
Friday,
December 3, 2021

Application lists open⁽³⁾ 11:45 a.m. on Friday,
December 3, 2021

Latest time to (a) lodge completing payment of **White Form**
eIPO applications by effecting internet banking Transfers(s) or
PPS payment transfer(s) and (b) giving **electronic application**
instructions to HKSCC⁽⁴⁾ 12:00 noon on Friday,
December 3, 2021

If you are instructing 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 are advised to contact
your **broker** or **custodian** for the latest time for giving such instructions which may be
different from the latest time as stated above.

Application lists close⁽³⁾ 12:00 noon on Friday,
December 3, 2021

Expected Price Determination Date⁽⁵⁾ Friday,
December 3, 2021

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 website
of our Company at www.asymchem.com⁽⁶⁾ and the website of
the Stock Exchange at www.hkexnews.hk on or before Thursday,
December 9, 2021

EXPECTED TIMETABLE⁽¹⁾

The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (as described in the section headed "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" in the Prospectus), including:

- in the announcement to be posted on the website of our Company at www.asymchem.com and the website of the Stock Exchange at www.hkexnews.hk respectively from Thursday, December 9, 2021

- from the designated results of allocations website at www.iporeresults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function from 8:00 a.m. on Thursday, December 9, 2021 to 12:00 midnight on Wednesday, December 15, 2021

- from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Thursday, December 9, 2021, Friday, December 10, 2021, Monday, December 13, 2021, and Tuesday, December 14, 2021

H Share certificates in respect of wholly or partially successful applications under the Hong Kong Public Offering to be dispatched/collected or deposited into CCASS on or before⁽⁷⁾ Thursday, December 9, 2021

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially successful applications under the Hong Kong Public Offering if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application (if applicable) or wholly or partially unsuccessful applications under the Hong Kong Public Offering to be dispatched/collected on or before⁽⁸⁾⁽⁹⁾ Thursday, December 9, 2021

Dealings in the H Shares on the Stock Exchange expected to commence at 9:00 a.m. on Friday, December 10, 2021

EXPECTED TIMETABLE⁽¹⁾

The application for the Hong Kong Offer Shares will commence on Tuesday, November 30, 2021 through Friday, December 3, 2021. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank(s) on behalf of the Company and the refund monies, if any, will be returned to the applicant(s) without interest on Thursday, December 9, 2021. Investors should be aware that the dealings in H Shares on the Stock Exchange are expected to commence on Friday, December 10, 2021.

Notes:

- (1) Unless otherwise stated, all dates and times refer to Hong Kong dates and times.
- (2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is/are a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above and/or an announcement of “extreme conditions” caused by a super typhoon by the Government of Hong Kong in accordance with revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Hong Kong Labour Department in June 2019 in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, December 3, 2021, the application lists will not open and will close on that day. For further details, please see the section headed “How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares – 6. Applying through the CCASS EIPO Service” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Friday, December 3, 2021, and in any event, not later than Tuesday, December 7, 2021. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or before Tuesday, December 7, 2021, the Global Offering will not proceed and will lapse.
- (6) None of the websites or any of the information contained on the websites forms part of this Prospectus.
- (7) H Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination” has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.
- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Offering and in respect of wholly or partially successful applicants in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.

EXPECTED TIMETABLE⁽¹⁾

- (9) Applicants who have applied on **White Form eIPO** for 100,000 or more Hong Kong Offer Shares may collect any refund cheques (where applicable) and/or H Share certificates in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, December 9, 2021 or such other date as notified by us as the date of dispatch/collection of H Share certificates/e-refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through **CCASS EIPO** service should refer to the section headed "How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of H Shares Certificates/e-Refund Payment Instructions/Refund Cheques – Personal Collection – (b) if you apply through the **CCASS EIPO** service" in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

H Share certificates and/or refund cheques for applicants who have applied for less than 100,000 Hong Kong Offer Shares and any uncollected H Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares – 13. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of H Shares Certificates/e-Refund Payment Instructions/Refund Cheques".

The above expected timetable is a summary only. For further details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please 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 case, the Company will make an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO INVESTORS

You should rely only on the information contained in this prospectus and the application form 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. Neither the Company nor any of the Relevant Persons has authorised anyone to provide you with any information or to make any representation that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company or any of the Relevant Persons.

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SUMMARY

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

There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set forth in the section headed “Risk Factors.” 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.

OVERVIEW

We are a leading, technology-driven CDMO providing comprehensive solutions throughout the drug development and manufacturing process. According to Frost & Sullivan, we were the fifth largest drug substance CDMO globally, with a market share of 1.5%, and the largest China-based commercial stage chemical drug CDMO, with a market share of 22.0%, in each case as measured by revenue in 2020. With over two decades of industry experience, we provide process development and manufacturing services for small molecule drugs throughout the pre-clinical, clinical and commercial stages, and we have become an integral part of the global value chain for innovative drugs. Leveraging our deep industry insights, established R&D and manufacturing capabilities, and premium reputation among customers, we have expanded our CDMO capabilities to include new drug modalities, such as polypeptides, oligonucleotides, monoclonal antibodies (mAbs), antibody-drug conjugates (ADCs) and messenger RNA (mRNA), and broadened our service scope to include drug product solutions, biosynthesis solutions and clinical CRO solutions, collectively referred to as our Emerging Services.

CDMO services include process development, scale-up and commercial manufacturing services. These services are critical in the R&D process of new drugs and have a direct impact on a drug’s probability of clinical and commercial success. An experienced CDMO like us possesses the high-level expertise needed to solve novel, complex technical challenges faced by its customers and to swiftly scale up manufacturing to accelerate drug innovation. We and other CDMOs with extensive know-how and proprietary, advanced technologies can effectively improve the drug manufacturing process and enhance the drug’s post-market price competitiveness. According to Frost & Sullivan, in the context of rapidly growing new drug development costs, increasingly complex development processes, and ever more intense competition, multinational pharmaceutical and biotechnology companies have continued to increase outsourcing to CDMOs, while small and medium-sized firms have developed even greater reliance on CDMO services. In addition, what has become a prevailing trend in the CDMO market is a growing preference for CDMOs like us that provide full-service offerings,

SUMMARY

as using a single CDMO for multiple services allows a drug developer to reduce the complexity of technology transfer and the time needed for its drugs to reach the market. In the meantime, for smaller CDMOs, to build comprehensive platform and acquire the necessary technologies and industry know-how require considerable investments of time and resources. Today, the global CDMO market is highly fragmented, which implies significant potential for consolidation. With integrated capabilities in technology innovation, process development, scale-up and commercial manufacturing, quality assurance, and project management, we believe that we enjoy an enormous competitive advantage and are well positioned to capture the massive opportunities presented by the fast-evolving industry.

We go above and beyond offering traditional contract manufacturing services and, in the past decade, have set ourselves apart with a strategic focus on, and continuous optimization of, our “D” capabilities, which in “CDMO” stands for “development.” We join forces with our customers to design an optimized drug manufacturing process that expediently solves complex process challenges in pharmaceutical manufacturing and achieves swift deployment, safe scale-up and cost efficiencies. Our “M” capabilities, which in “CDMO” stands for “manufacturing,” underpin our high-quality, stable supply during the commercial stage, supported by a rigorous cGMP quality system and a first-class EHS and QA system.

We possess a leading CDMO technology platform. Backed by scalable knowledge and experience accumulated over two decades, we are capable of solving a broad array of complex technical challenges in the development and manufacturing of small molecule drugs. Our R&D expenditure was one of the highest across the global CDMO industry, according to Frost & Sullivan. Two of our core technologies, flow and continuous technology and biosynthesis technology, are cutting-edge technology solutions in the manufacturing of small molecule drugs. According to Frost & Sullivan, we are one of the few organizations in the world to successfully deploy flow and continuous technology in tonne-scale drug manufacturing. Our biosynthesis technology uses enzyme engineering to realize greener manufacturing as compared to traditional methods, and has been successfully applied in the manufacturing of small molecule and other drug modalities. Our leading-edge core technologies and comprehensive R&D platforms have been an engine for our customer-focused technology innovation, which propel us to continuously improve process efficiency, lower manufacturing costs and reduce environmental impact for our customers. Our successes in implementing leading green chemistry innovations set us apart from our competitors and create significant momentum to secure as many service engagements as our capacity allows.

Since our inception, we have upheld a customer-centric business philosophy. With over two decades of experience serving multinational customers with stringent requirements, we have established a first-class operating system encompassing R&D, manufacturing, quality control and project management, which meets the highest global industry standards. Our strong execution capabilities and efficient operating system allows us to seamlessly respond to the needs of our large customers throughout the various stages of a project. Meanwhile, leveraging our extensive experience accumulated in serving large customers, we empower small and

SUMMARY

medium-sized customers with limited in-house R&D resources and manufacturing capacity. Through years of collaboration and successful track record, we have earned our customers' long-lasting trust and loyalty and cultivated a high-quality, stable and growing customer base.

We are the partner of choice for blue-chip customers such as multinational pharmaceutical companies and leading biotechnology firms. As of the Latest Practicable Date, we had worked with 15 out of the 20 largest pharmaceutical companies in the world in terms of sales in 2020, among which eight had done business with us for more than ten consecutive years. Leveraging our extensive experience accumulated in serving multinational pharmaceutical companies, we also work with many leading biotechnology firms and a broad range of small- and medium-sized pharmaceutical companies, such as Mirati Therapeutics, Mersana Therapeutics, Zai Lab, Betta Pharmaceuticals, HUTCHMED, Innovent Biologics and Jacobio Pharmaceuticals. During the Track Record Period, our revenue generated from small and medium-sized customers had seen solid growth. We have an extensive pipeline of projects at various stages, creating a broad funnel through which projects advance from clinical to commercial stage and bring larger contract value. During the Track Record Period, our late-stage Clinical Stage Projects and Commercial Stage Projects continued to increase, which substantially improved the stability and predictability of our revenue growth. As of September 30, 2021, we were servicing a number of blockbuster drugs with annual sales of US\$1 billion or more and some drug candidates of our other projects hold great promise to become blockbuster drugs in the future. Driven by technological innovation and exceptional execution, we help our customers achieve substantial cost efficiencies and improve the market competitiveness of their innovative drugs.

Under the leadership of our Chairman and CEO, Dr. Hao Hong, and our core management team with an average industry experience of 20 years, we have built a diversified talent pool with global vision, advanced technical knowledge, local experience and a strong sense of ownership. With the support of a talented and dedicated workforce, we continue to upgrade our technical platform and optimize our business operations to empower drug innovation and to improve availability and accessibility of medicines.

The overall spending on pharmaceutical development and manufacturing globally has been increasing steadily, and the pharmaceutical market in China has experienced rapid growth, which create a favorable market environment for our business. Riding the positive market trend, we achieved robust growth during the Track Record Period. Our revenue increased from RMB1,822.8 million in 2018 to RMB2,445.8 million in 2019 and further to RMB3,136.7 million in 2020, representing a CAGR of 31.2%. Further, our revenue increased by 39.7% from RMB1,256.8 million in the six months ended June 30, 2020 to RMB1,755.6 million in the six months ended June 30, 2021. During the Track Record Period, our revenue generally increased as we obtained new projects from existing customers, expanded our customer base and increased our manufacturing capacity by establishing new and upgrading facilities in Tianjin and Dunhua. While small molecule CDMO solutions contributed to a substantial majority of our revenue during the Track Record Period, revenue generated from Emerging Services and their percentage of total revenue continued to increase as a result of our strategic investments in CDMO solutions for new drug modalities. Our profit for the year

SUMMARY

increased from RMB406.4 million in 2018 to RMB551.6 million in 2019 and further to RMB719.7 million in 2020, representing a CAGR of 33.1%. According to Frost & Sullivan, we had the highest gross profit margin among all publicly listed CDMO players and CDMO players which are subsidiaries of publicly listed companies in the world in each of 2018, 2019 and 2020. Further, our profit for the period increased by 36.6% from RMB314.3 million in the six months ended June 30, 2020 to RMB429.3 million in the six months ended June 30, 2021. We have been replicating our success in small molecule drugs to other drug modalities and service types and have achieved rapid growth in these Emerging Services. With our leading technologies and comprehensive services, we are confident in advancing our position as the partner of choice for pharmaceutical and biotechnology companies around the world and contributing to the sustainable growth of the global pharmaceutical development and manufacturing industry.

Our A Shares have been listed on the Shenzhen Stock Exchange (stock code: 002821.SZ) since November 2016.

OUR COMPETITIVE STRENGTHS

We believe the following strengths differentiate us from our competitors:

- A leading, technology-driven CDMO providing comprehensive solutions;
- Customer-focused innovation rooted in our advanced and continuously evolving R&D platforms;
- First-class operational and quality management capabilities;
- Reputable, loyal and expanding customer base contributing a robust pipeline of projects; and
- Visionary, experienced and stable management team with exceptional execution capabilities, supported by talented and dedicated employees.

OUR GROWTH STRATEGIES

We aim to build and solidify Asymchem as a premium global CDMO brand by executing the following strategies:

- Continue to strengthen our service capabilities and advance our leadership position for small molecule CDMO solutions;
- Accelerate our expansion into new drug modalities and service types;
- Continue to invest in R&D and maintain our technology leadership;

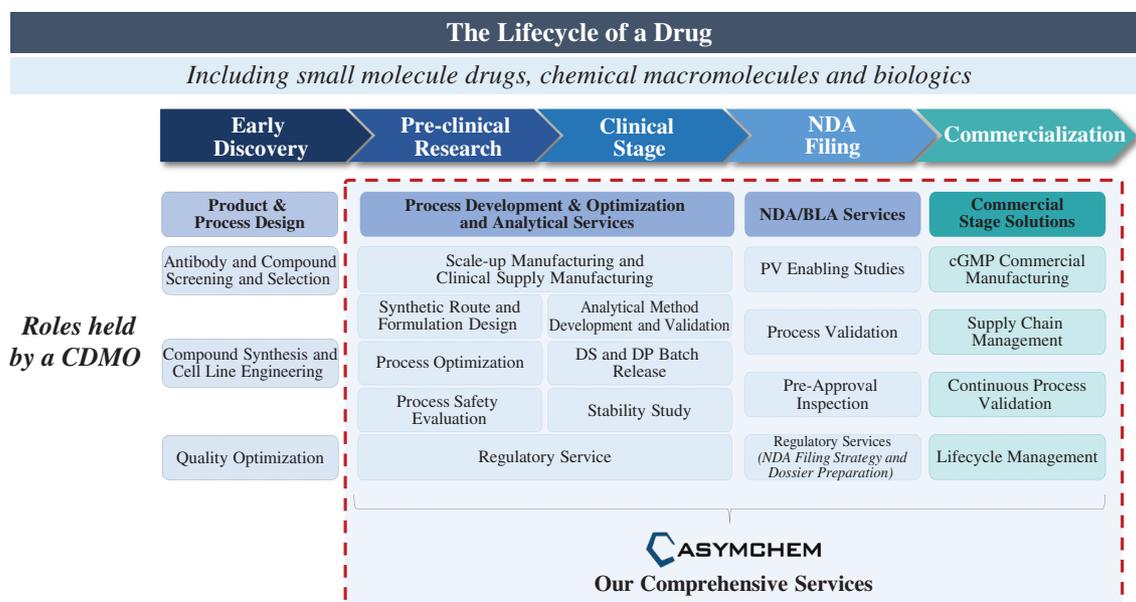
SUMMARY

- Deepen our relationship with existing customers and broaden our customer base;
- Enrich our service offerings and expand our global footprint through strategic acquisitions; and
- Continue to attract, retain and incentivize talent.

WHO WE ARE AND WHAT WE DO

We are a leading global provider of outsourced pharmaceutical development and manufacturing solutions and services. Our comprehensive, integrated and highly customizable solutions and services enable pharmaceutical and biotechnology companies around the world to develop and manufacture drugs in the most time and cost-efficient manner with minimized environmental impact.

Our integrated platform enables us to provide the entire spectrum of drug development and manufacturing services. The following chart illustrates the main components of our services throughout the drug development and manufacturing process.



Since our inception, we have strategically prioritized service engagement for Clinical Stage Projects. The broad scope of our services allows us to serve our customers from an early phase of their drug innovation projects. Our ability to solve complex technical challenges in process development and scale-up manufacturing during the clinical stage significantly increases our customers' stickiness and enables us to build up a robust project pipeline. As switching or adding CDMOs involves substantial costs and requires additional management time and focus, we have consistently secured mandates to Commercial Stage Projects after the

SUMMARY

relevant drug products have successfully progressed from early-phase clinical development to late-phase clinical trials and commercial launch, which generally come with an exponentially larger contract value than that of the respective Clinical Stage Projects.

We categorize our projects into Clinical Stage Projects and Commercial Stage Projects, which service small molecule drugs and other drug modalities during the pre-clinical and clinical stage and the commercial stage, respectively. In 2018, 2019 and 2020 and the six months ended June 30, 2021, we recognized revenue from 158, 217, 282 and 216 pre-clinical, Phase I or Phase II Clinical Stage Projects, 24, 39, 42 and 48 Phase III Clinical Stage Projects and 27, 30, 32 and 28 Commercial Stage Projects, respectively. During the same periods, we recognized revenue from 185, 215, 221 and 179 projects relating to our small molecule CDMO solutions, and 24, 71, 135 and 113 projects relating to our Emerging Services, respectively. As of June 30, 2021, we had 246 ongoing projects from which we had partially recognized revenue and 284 projects for which we had secured the contracts but not yet recognized any revenue.

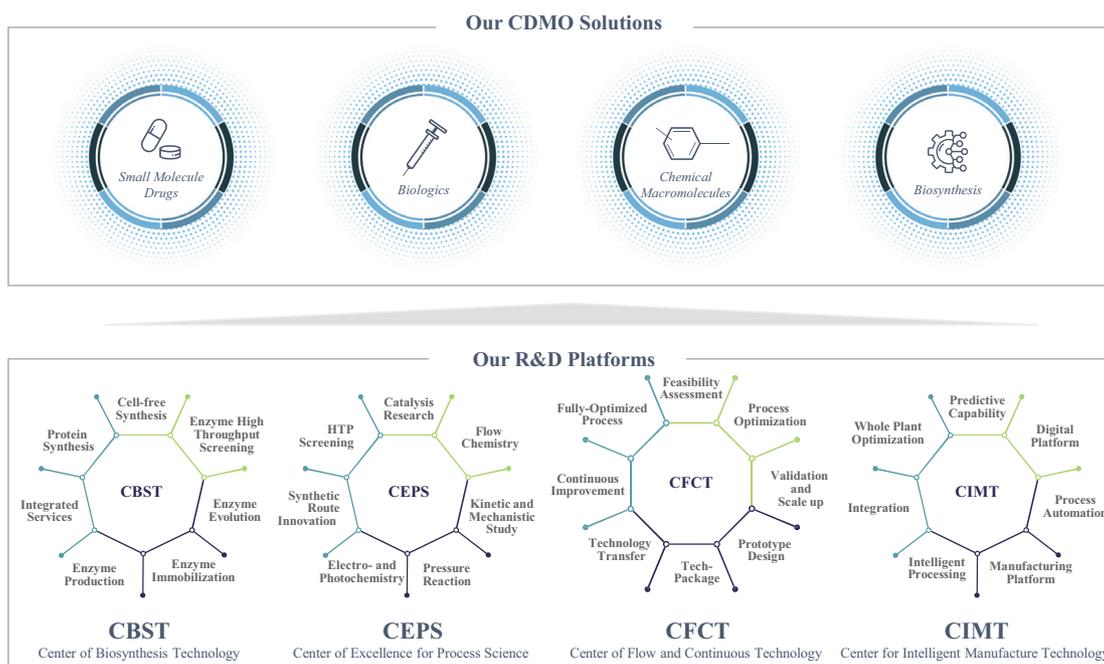
For details related to the services and solutions we offer, please see “Business – Small Molecule CDMO Solutions” and “Business – Emerging Services.”

OUR MISSION AND VISION

Our mission is to collaborate for innovation.

Our vision is to be a reliable partner of choice for the global pharmaceutical industry providing superior CDMO services and solutions throughout the full lifecycle of drugs from their development to commercialization.

OUR RESEARCH AND DEVELOPMENT CAPABILITIES



SUMMARY

Our sophisticated, proprietary R&D team, consisting of over 2,700 scientists and engineers, have been an engine for our customer-focused technology innovation. We have established a cluster of R&D platforms, comprising leading scientists and researchers, dedicated to developing cutting-edge, future-defining technologies. Initiatives led by the Center of Excellence for Process Science (CEPS) and the Center of Flow and Continuous Technology (CFCT), coupled with enzyme engineering technology, solidified our leading position in the small molecule CDMO business and contributed enormous competitive advantages. In addition, through the Center of Biosynthesis Technology (CBST), we make strategic investments in the innovation and development of biologics. We also established the Center for Intelligent Manufacture Technology (CIMT) to pioneer our digitalization strategy and to empower intelligent management and manufacturing through artificial intelligence (AI) and data science. These platforms continue to advance our technology leadership in the global CDMO market.

For details related to our R&D capabilities and platforms, please see “Business – Our Research and Development Capabilities.”

OUR FEE MODELS

Our service fee arrangement can be primarily divided into two types: (i) fee-for-service, or FFS, model, and (ii) full-time-equivalent, or FTE, model.

Fee-For-Service Model

We generate fees for our integrated CDMO solutions primarily on a FFS basis. Our FFS contracts may specify multiple deliverable units depending on the services required from our customers, which may involve, among others, designing and optimizing the entire drug development process, solving a specific technical challenge in the drug development process, manufacturing drug samples for clinical trials and delivering drug substance and drug products for commercial sales. Different deliverable units may take different forms, such as technical laboratory reports, samples, drug substance and/or drug products. We allocate separate prices to each deliverable unit and our FFS contracts typically set forth specifications of and anticipated time required for completing each deliverable unit as well as the corresponding payment. We generally recognize revenue when the customers obtain control of our deliverables, which occurs upon finalization, delivery and acceptance of the respective deliverable unit or after the end of a confirmation period. We determine the fee level for each deliverable unit based on, among others, the nature of the services required and the underlying drug candidate, the estimated costs and expenses of the required services, the estimated amount of time to be allocated to such services, and the prices charged by our competitors for similar services. Based on the unique nature and specific considerations pertaining to a particular project, the total service fees we charged for different projects varied with a broad range. During the Track Record Period, for each Clinical Stage Project, the total services fees we charge range from approximately US\$0.3 million typically for pre-clinical projects to approximately US\$6 million typically for late-stage clinical projects; for each Commercial Stage Project, the total services fees we charge range from approximately US\$4 million typically to approximately US\$40 million.

SUMMARY

Full-Time-Equivalent Model

We also generate revenue on a FTE basis, under which we charge an hourly rate for each employee assigned to the customer's projects. For each employee assigned to the project, we charge a fixed hourly rate. Our total fees are the hourly rate multiplied by the actual working hours spent by all employees on the project. We generally apply a standard hourly rate for mandates from the same customer, which rate is determined based on, among others, the number of professionals assigned to the project, their specialty and qualifications, and the technical challenges involved. FTE contracts have a typical term ranging from one to three years. We usually adopt the FTE fee model for projects involving process development and optimization services, when the work scope of a project makes it difficult for us to estimate the cost and adopt the FFS model.

The following table sets forth a breakdown of our revenue by fee model for the periods indicated, both in actual terms and as a percentage of total revenue:

	For the year ended December 31,						For the six months ended June 30,			
	2018		2019		2020		2020		2021	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	(unaudited)									
Fee-For-Service Model	1,757,589	96.4	2,390,349	97.7	3,049,210	97.2	1,241,163	98.8	1,692,273	96.4
Full-Time-Equivalent Model	50,126	2.7	52,553	2.1	39,977	1.3	14,463	1.2	34,247	2.0
Others ¹	15,072	0.8	2,947	0.1	47,537	1.5	1,148	0.0	29,049	1.6
Total	1,822,787	100.0	2,445,849	100.0	3,136,724	100.0	1,256,774	100.0	1,755,569	100.0

Note:

- Others mainly refer to the fee model used for clinical CRO services under which our performance does not create an asset with an alternate use to us and we have an enforceable right to payment for performance completed to date that we recognize revenue overtime.

OUR CUSTOMERS

We have a diverse, high-quality and loyal customer base. During the Track Record Period, we primarily served pharmaceutical and biotechnology companies with headquarters located in the United States, Europe, China, Japan and Korea. Our clientele includes a large group of renowned multinational pharmaceutical companies. As of the Latest Practicable Date, we had worked with 15 out of the 20 largest pharmaceutical companies in the world in terms of sales in 2020, among which eight had done business with us for more than ten consecutive years.

SUMMARY

Leveraging our extensive experience accumulated in serving multinational pharmaceutical companies, we also work with many leading biotechnology firms and a broad range of small- and medium pharmaceutical companies.

In 2018, 2019 and 2020 and the six months ended June 30, 2021, our five largest customers together accounted for 64.1%, 53.3%, 58.0% and 53.2% of our revenue, respectively, and our largest customer in each year or period during the Track Record Period accounted for 27.9%, 22.4%, 20.4% and 18.6% of our revenue for the same periods, respectively. Our five largest customers in 2020 had uninterrupted business relationships with us ranging from five to ten years.

For details, see “Business – Our Customers.”

RAW MATERIALS AND SUPPLIERS

To support our vast array of services, we procure a wide variety of raw materials. These raw materials are generally available from various suppliers in quantities adequate to meet our needs. We primarily source our raw materials from a variety of suppliers that are located in China or have branches or subsidiaries in China. In 2018, 2019 and 2020 and the six months ended June 30, 2021, our five largest suppliers together accounted for 25.8%, 23.7%, 21.2% and 28.7% of our total purchase for raw materials, respectively, and our largest supplier in each year or period during the Track Record Period accounted for 6.6%, 5.5%, 7.1% and 9.9% of our total purchase for raw materials for the same periods, respectively.

To guarantee our raw material supply, in addition to external suppliers, we began in-house operations for custom and bulk production of raw materials and registered starting materials (RSM) in 2003 and such in-house production guarantees our raw material supply. Our experience and expertise in organic synthesis and our proprietary technologies, such as flow and continuous technology, asymmetric catalytic hydrogenation and enzyme chemistry, enable us to manufacture, from gram to metric ton scale, a wide variety of fine chemical raw materials, API raw materials, and intermediates throughout various stages of API production, including non-GMP intermediates, registered cGMP starting material and cGMP intermediates.

For details, see “Business – Raw Materials and Suppliers.”

INTELLECTUAL PROPERTY PROTECTION

Intellectual property rights are critical to our business. We develop and use a number of proprietary technologies, methodologies, analytics and know-hows in our business operations, and we rely on a combination of trademark, patent, copyright and intellectual property laws as well as contractual arrangements to protect our intellectual property. See “Statutory and General Information – Further Information about the Business – Intellectual Property” in Appendix VI for further details of our material intellectual property rights.

SUMMARY

Our reputation and business success also depend on our ability to protect the intellectual property rights of our customers. We have established a comprehensive intellectual property protection system to properly manage the document transmission and archiving, preservation of documents related to R&D and manufacturing, supervision and control of laboratory computers and access to documents in connection with confidential information. We typically enter into a confidentiality agreement with each employee and provide lectures and trainings hosted by law enforcement authorities for our employees to enhance their awareness of intellectual property protections.

For more details, please see “Business – Intellectual Property.”

COMPETITION

We face competition from other CDMOs. The market in which we operate is highly fragmented. The 15 largest CDMOs generated a combined revenue of US\$20.9 billion in 2020, accounting for 37.8% of the global CDMO market, according to Frost & Sullivan. We face competition based on several factors, including quality and breadth of services, ability to protect our customers’ intellectual property or other confidential information, timeliness of delivery, maintenance of GMP and cGMP standards, depth of customer relationships, price and geography. In terms of entry barriers, according to Frost & Sullivan, the CDMO services market generally requires high upfront costs and time commitment, significant financial and time commitment in recruiting experienced talents, a successful track record and solid reputation to attract customers and emphasis on cost efficiency.

For more details, please see “Business – Competition.”

FACILITIES

As of September 30, 2021, we had eight manufacturing sites in China. Our manufacturing sites and our offices are located in Tianjin, Beijing, Shanghai, Suzhou, Zhenjiang, Fuxin, Dunhua, North Carolina, Boston and London.

For details of our manufacturing sites, see “Business – Facilities.”

SUMMARY FINANCIAL INFORMATION

The following tables summarize our consolidated financial results during the Track Record Period:

SUMMARY

Summary of Consolidated Statements of Profit or Loss

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
	<i>(in thousands of RMB)</i>				
				(unaudited)	
Revenue	1,822,787	2,445,849	3,136,724	1,256,774	1,755,569
Cost of sales	(984,677)	(1,345,286)	(1,683,500)	(653,533)	(970,182)
Gross profit	838,110	1,100,563	1,453,224	603,241	785,387
Other income and gains	79,306	100,482	119,773	64,181	98,760
Selling expenses	(71,367)	(82,827)	(84,253)	(39,321)	(39,564)
Administrative expenses	(214,901)	(275,599)	(320,599)	(135,139)	(198,654)
Research and development expense	(155,178)	(192,522)	(258,934)	(108,770)	(163,895)
(Losses on)/reversal of impairment of financial and contract assets, net	(4,851)	(9,605)	(25,751)	(15,067)	8,167
Other expenses	(9,154)	(19,639)	(70,583)	(14,158)	(6,586)
Share of profits/(losses) of associates	–	1,469	2,084	1,474	(939)
Finance costs	(1,467)	(1,768)	(3,728)	(624)	(752)
Profit before tax	460,498	620,554	811,233	355,817	481,924
Income tax expense	(54,141)	(68,965)	(91,530)	(41,526)	(52,600)
Profit for the year/period	406,357	551,589	719,703	314,291	429,324
Attributable to:					
Owners of the parent	428,202	551,589	719,742	314,291	429,327
Non-controlling interests	(21,845)	–	(39)	–	(3)
Total	<u>406,357</u>	<u>551,589</u>	<u>719,703</u>	<u>314,291</u>	<u>429,324</u>

During the Track Record Period, we derived our revenue primarily from providing outsourced pharmaceutical development and manufacturing solutions and services. Leveraging our technology know-how and expertise, we provide our customers with comprehensive pharmaceutical development and manufacturing services from pre-clinical development to commercial manufacturing.

During the Track Record Period, we derived a majority of our revenue from our small molecule CDMO solutions, which are further categorized into Clinical Stage CDMO Solutions and Commercial Stage CDMO Solutions. We have also expanded our solutions portfolio to include other drug modalities, such as polypeptides, oligonucleotides, monoclonal antibodies (mAbs), antibody-drug conjugates (ADCs) and messenger RNA (mRNA), and other services, such as drug product solutions, biosynthesis solutions and clinical CRO solutions, collectively referred to as our Emerging Services.

SUMMARY

The following table sets forth a breakdown of our revenue by service type for the periods indicated, both in actual terms and as a percentage of total revenue:

	For the year ended December 31,						For the six months ended June 30,			
	2018		2019		2020		2020		2021	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	(unaudited)									
Small Molecule										
CDMO Solutions										
Clinical Stage										
CDMO Solutions	743,022	40.8	1,144,897	46.8	1,247,437	39.8	480,940	38.3	826,918	47.1
Commercial Stage										
CDMO Solutions	1,037,590	56.9	1,215,784	49.7	1,651,006	52.6	715,724	57.0	785,405	44.7
Emerging Services¹	40,000	2.2	85,109	3.5	236,458	7.5	58,287	4.6	143,246	8.2
Other²	2,175	0.1	59	0.0	1,823	0.1	1,823	0.1	-	-
Total	1,822,787	100.0	2,445,849	100.0	3,136,724	100.0	1,256,774	100.0	1,755,569	100.0

Notes:

1. All projects of our Emerging Services during the Track Record Period were Clinical Stage Projects. We did not recognize any revenue from Commercial Stage Projects relating to our Emerging Services during the Track Record Period.
2. Other mainly refers to revenue from the resale of raw materials that we purchased.

During the Track Record Period, our revenue generally increased as we obtained new projects from existing customers, expanded our customer base and increased our manufacturing capacity by establishing new and upgrading facilities in Tianjin and Dunhua. While small molecule CDMO solutions contributed to a substantial majority of our revenue during the Track Record Period, revenue generated from Emerging Services and its percentage of total revenue continued to increase as a result of our strategic investments in CDMO solutions for new drug modalities.

In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our gross profit was RMB838.1 million, RMB1,100.6 million, RMB1,453.2 million, RMB603.2 million and RMB785.4 million, respectively, and our gross profit margin in each respective period was 46.0%, 45.0%, 46.3%, 48.0% and 44.7%. Our gross profit margin decreased from 48.0% for the six months ended June 30, 2020 to 44.7% for the six months ended June 30, 2021 primarily because of the greater appreciation of the Renminbi against the U.S. dollar in the first half of 2021 (RMB:U.S. dollars = 6.44:1) as compared to the first half of 2020 (RMB:U.S. dollars =

SUMMARY

7.06:1). Applying a constant exchange rate (i.e. assuming the exchange rate remained at RMB:U.S. dollar = 7.06:1), we would have achieved gross profit margin of 49.1% in the six months ended June 30, 2021, which would represent a slight increase from 48.0% in the six months ended June 30, 2020.

The following table sets forth a breakdown of our gross profit and the respective gross profit margins by type of services for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2018		2019		2020		2020		2021	
	<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>	
	<i>Profit</i>		<i>Profit</i>		<i>Profit</i>		<i>Profit</i>		<i>Profit</i>	
	<i>Margin</i>		<i>Margin</i>		<i>Margin</i>		<i>Margin</i>		<i>Margin</i>	
	<i>RMB</i>	<i>(%)</i>	<i>RMB</i>	<i>(%)</i>	<i>RMB</i>	<i>(%)</i>	<i>RMB</i>	<i>(%)</i>	<i>RMB</i>	<i>(%)</i>
	<i>(in thousands, except percentages)</i>									
	(unaudited)									
Clinical Stage										
CDMO Solutions	346,413	46.6	566,478	49.5	611,216	49.0	240,543	50.0	383,015	46.3
Commercial Stage										
CDMO Solutions	475,198	45.8	499,572	41.1	743,787	45.1	347,448	48.5	339,430	43.2
Emerging Services	14,924	37.3	34,513	40.6	97,869	41.4	14,942	25.6	62,942	43.9
Other ¹	1,575	72.4	-	-	352	19.3	308	16.9	-	-
Total	838,110	46.0	1,100,563	45.0	1,453,224	46.3	603,241	48.0	785,387	44.7

Note:

1. Other mainly refers to resale of raw materials that we purchased.

SUMMARY

Summary of Consolidated Statements of Financial Position

	As of December 31,			As of
	2018	2019	2020	June 30, 2021
	<i>(in thousands of RMB)</i>			
Non-current assets	1,493,847	2,149,425	3,152,102	3,650,242
Current assets	1,694,229	1,638,628	4,030,548	4,046,579
Current liabilities	540,604	507,437	928,583	1,098,221
Net current assets	1,153,625	1,131,191	3,101,965	2,948,358
Total assets less current liabilities	2,647,472	3,280,616	6,254,067	6,598,600
Non-current liabilities	137,084	237,567	264,317	311,497
Net assets	2,510,388	3,043,049	5,989,750	6,287,103
Share capital	230,719	231,320	242,451	242,627
Restricted shares under share-based payment	(117,272)	(87,828)	(137,358)	(163,737)
Other reserves	2,396,941	2,899,557	5,884,696	6,208,255
Non-controlling interests	–	–	(39)	(42)
Total equity	2,510,388	3,043,049	5,989,750	6,287,103

Summary of Consolidated Statements of Cash Flows

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
	<i>(in thousands of RMB)</i>				
	(Unaudited)				
Cash flows from operating activities	415,899	602,034	572,913	122,743	478,005
Cash flows used in investing activities	(583,702)	(699,898)	(1,101,772)	(256,361)	(1,982,509)
Cash flows (used in)/ from financing activities	(43,541)	(103,264)	2,264,245	(134,132)	7,668
Net (decrease)/increase in cash and cash equivalents	(211,344)	(201,128)	1,735,386	(267,750)	(1,496,836)
Effect of foreign exchange rate changes, net	(11,919)	10,984	(28,211)	(2,000)	(2,488)
Cash and cash equivalents at end of year/period	604,528	414,384	2,121,559	144,634	622,235

SUMMARY

KEY FINANCIAL RATIOS

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

	As of/for the year ended December 31,			As of/ for the six months ended
				June 30,
	2018	2019	2020	2021
Gross profit margin ⁽¹⁾	46.0%	45.0%	46.3%	44.7%
Net profit margin ⁽²⁾	22.3%	22.6%	22.9%	24.5%
Return on assets ⁽³⁾	13.9%	15.8%	13.1%	N.A.
Return on equity ⁽⁴⁾	17.4%	19.9%	15.9%	N.A.
Current ratio ⁽⁵⁾	313.4%	322.9%	434.1%	368.5%
Gearing ratio ⁽⁶⁾	0.0%	0.0%	0.2%	0.0%

Notes:

- (1) Gross profit margin equals our gross profit for the year/period by revenue for the year/period.
- (2) Net profit margin equals our profit for the year divided by revenue for the year/period.
- (3) Return on assets equals profit for the year/period divided by the average of the opening and ending balances of total assets for the year/period.
- (4) Return on equity in 2018, 2019 and 2020 equals profit for the year divided by the average of the opening and ending balances of total equity for the year.
- (5) Current ratio equals our current assets divided by current liabilities as of the end of the year/period.
- (6) Gearing ratio equals total debt divided by total equity as of the end of the year/period. Total debt consists of all interest-bearing bank loans.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no additional restricted A Shares are granted under the A Share Incentive Schemes), Dr. Hao Hong and ALAB will directly hold approximately 3.87% and 33.64% interest of our share capital, respectively. As of the Latest Practicable Date, ALAB was owned as to 71.19% by Dr. Hao Hong. Dr. Ye Song, the spouse of Dr. Hao Hong who owned 19.52% of the share capital of ALAB, is presumed to be a controlling shareholder by virtue of the spousal relationship between Dr. Ye Song and Dr. Hao Hong. Accordingly, Dr. Hao Hong, Dr. Ye Song and ALAB are regarded as a group of Controlling Shareholders for the purpose of the Listing Rules and will remain as a group of Controlling Shareholders immediately upon the Listing. For details, see “Relationship with the Controlling Shareholders.”

SUMMARY

EFFECTS OF THE COVID-19 PANDEMIC 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. Although certain of our ongoing pharmaceutical development and manufacturing projects in China and overseas have been adversely affected, our business and operations have not experienced any material adverse impact due to the COVID-19 outbreak:

- During the lockdowns in early 2020, we had to temporarily close all of our manufacturing sites for several weeks in February 2020, require our employees at Beijing office to work from home until May 2020, and business activities, such as traveling and physical client meeting, had also been temporarily restrained. In addition, construction of our manufacturing facilities and office buildings were temporarily suspended during the first quarter of 2020. However, our operation quickly recovered, and our manufacturing capacity fully restored to our pre-outbreak level by the end of the first quarter of 2020. The temporary suspension of construction of manufacturing facilities had not materially affected our construction timetable or manufacturing capacity.
- While the execution of certain existing projects and the acquisition of new projects were temporarily affected during the first quarter of 2020, we had not experienced any material slow-down of execution of existing or new projects, and 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. We are able to sustain a steady growth in 2020. Our revenue increased by 28.2% from RMB2,445.8 million in 2019 to RMB3,136.7 million in 2020, and our profit for the year increased by 30.5% from RMB551.6 million in 2019 to RMB719.7 million in 2020. To alleviate the influence of COVID-19 on businesses and corporations, the Chinese government put forward certain COVID-related governmental assistance. For instance, we received remission of employer's portion of social society insurance and stipends amounted to RMB37.4 million for encouraging employees to work remotely and avoid traveling during the Chinese New Year period.
- We maintain a diverse pool of raw material suppliers. In 2020, substantially all of our raw materials were sourced within China. Therefore, although international transportation and logistics have been adversely affected by the various quarantine and travel restrictions imposed by governments and we incurred some shortage in supply during the first quarter of 2020, our raw material supply was largely undisturbed for the rest of the year.

There remain significant uncertainties associated with COVID-19, including with respect to the ultimate spread of the virus, the severity and duration of the pandemic and further actions that may be taken by governmental authorities around the world to contain the virus, and the full extent to which the COVID-19 pandemic will directly or indirectly impact our business,

SUMMARY

results of operations, cash flows and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted. 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, and may in the future continue to be affected by the COVID-19 outbreak, and may be affected by other natural disasters, epidemics and unforeseeable catastrophes which we cannot control.”

RECENT DEVELOPMENTS

On May 18, 2021, our Shareholders approved to distribute cash dividends of RMB145.5 million, representing a dividend of RMB0.6 per share in the annual general meeting. The dividend was fully distributed by July 13, 2021.

As of June 30, 2021, the registered share capital of our Company was RMB242,626,693, divided into 242,626,693 A Shares, with a nominal value of RMB1.00 each.

On July 2, 2021, the Center for Drug Evaluation solicited comments for the Draft for Comments of the Guiding Principles for Clinical Research and Development of Oncology Drugs Oriented by Clinical Value. We believe that the draft guidelines, if officially adopted, are expected to raise the regulatory bar for oncology drug innovation, cool down the R&D activities of “me-too” drugs and direct resources to true innovation. During the Track Record Period, we maintained a diverse, high-quality and loyal customer base. Our clientele includes a large group of renowned multinational pharmaceutical companies and leading biotechnology firms with a clear focus on developing innovative drug candidates. These leading market players generally have already adopted the approach proposed in the draft guidelines. As we take customers’ instructions in providing our clinical CRO solutions, we generally conduct clinical trials in accordance with the approach proposed in the draft guidelines as well. For details of the protocols relating to our clinical CRO solutions, see “Business – Emerging Services – Clinical CRO Solutions.” Further, we believe that the draft guidelines, if adopted, will be beneficial to a majority of our customers, who possess true innovation capabilities. As the focus shifts towards innovation, it becomes increasingly paramount for pharmaceutical and biotechnology companies who wish to accelerate their drug development timeline to focus more on faster and better CMC development. This will result in more demand for outsourced CMC or process development services and increasing CDMO penetration rate, especially the demand for services offered by leading CDMO players, who are capable of developing better synthesis routes and lowering the costs (attributable to leading CDMOs’ technology leadership) as well as faster approval timeline (attributable to leading CDMOs’ strong operational and quality management system). As such, we believe that the guidelines, if adopted, will greatly benefit leading CDMO players such as us. For related risks, please refer to “Risk Factors – Risks Relating to Our Business and Industry – We have made significant capital investments to meet our customers’ needs, and, as a result, we depend on the continued success of our customers’ projects and business.”

SUMMARY

On July 5, 2021, our Shareholders passed a resolution to issue 2,455,300 restricted A Shares of our Company under the 2021 Restricted A Share Incentive Scheme, including 2,055,300 restricted A Shares at a grant price of RMB185.52 per A Share and 400,000 A Shares reserved for future option grants. The restricted A Shares granted under the 2021 Restricted A Share Incentive Scheme (other than the special awards) shall be subject to lock-up periods of 12 months, 24 months and 36 months, respectively, and the restricted A Shares for special awards granted under the 2021 Restricted A Share Incentive Scheme shall be subject to lock-up periods of 12 months, 24 months, 36 months and 48 months, respectively. All the above-mentioned lock-up periods commence from the date on which the restricted A Shares were registered. The restricted A Shares (other than the special awards) held by eligible employees shall be unlocked in three tranches in the proportion of 40%, 30% and 30% of the total number of the restricted A Shares granted, and the restricted A Shares for special awards shall be unlocked in four tranches in the proportion of 30%, 20%, 20% and 30%, upon the expiry of each lockup period and upon relevant annual performance conditions being met. For details of our A Share Incentive Schemes, see “Appendix VI – Statutory and General Information – A Share Incentive Schemes.”

On August 20, 2021, pursuant to the 2021 Restricted A Share Incentive Scheme, we granted 2,048,200 restricted A shares of our Company at a grant price of RMB185.52 per A Share to 263 eligible participants of the 2021 Restricted A Share Incentive Scheme.

Considering that there has been a significant increase in demand for electricity supply in the PRC recently, to conserve fuel stocks and reduce energy intensity, power rationing measures have been implemented in the regions where some of our facilities locate in the PRC since mid-to-late September 2021. In response to such measures, we have taken several initiatives, including: (1) prioritizing electricity consumption for R&D and manufacturing purposes, while reducing electricity consumption for administrative purposes such as lighting in public areas; and (2) equipping our facilities with backup power generators as emergency plan. Since October 2021, power supply in the relevant regions has gradually stabilized. Further, as a service provider for the pharmaceutical industry, we have been recognized by local governments as an enterprise to receive power supply on a priority basis. Our manufacturing and R&D activities have not been materially affected and our facilities have not experienced any power outage as a result of the recent power rationing measures.

On October 24, 2021, Tianjin Clin-nov Medical Technology Co., Ltd. (天津凱諾醫藥科技發展有限公司) (“Clin-nov Medical”), a wholly-owned subsidiary of our Company, entered into an equity transfer agreement with the existing shareholders (the “Sellers”) of Beijing Improve Quality Technology Co., Ltd. (北京醫普科諾科技有限公司) (“Improve Quality”), a leading statistics CRO in China, pursuant to which Clin-nov Medical agreed to purchase 100% equity interest in Improve Quality from the Sellers for a total consideration of RMB136.3 million (the “Proposed Improve Quality Acquisition”), which will be settled in cash using our Company’s internal resources. For details of the Proposed Improve Quality Acquisition, see “Waivers from Strict Compliance with the Listing Rules – Waiver in Respect of Acquisitions after the Track Record Period.”

SUMMARY

We have been providing CDMO services for a major U.S. pharmaceutical company in connection with an innovative small molecule drug. The customer is among our five largest customers during the Track Record Period. On November 17, 2021, we announced that we had entered into new agreements with the customer in relation to services from 2021 to 2022. As of the date of the agreement, we had serviced the relevant drug with a cumulative contract amount of US\$480.9 million.

As of the Latest Practicable Date, our Company owned a minority equity interest in Company A, a private U.S. chemical technology company. On October 1, 2021, our Company entered into a non-binding preliminary term sheet with Company A, which sets forth the intent of each of our Company and Company A with respect to our Company's interest in acquisition of all outstanding equity interest of Company A not currently owned by our Company, from existing shareholders of Company A, other than our Company (the "Possible Company A Acquisition"). Upon completion of the Possible Company A Acquisition, Company A will become a wholly-owned subsidiary of our Company. It is currently anticipated that the maximum consideration for the Possible Company A Acquisition would be approximately US\$57.8 million, subject to adjustments based on future financial performance of Company A, which will be settled in cash using our Company's internal resources. For details of the Possible Company A Acquisition, see "Waivers from Strict Compliance with the Listing Rules – Waiver in Respect of Acquisitions after the Track Record Period."

For the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, our total revenue increased by 40.8% from RMB2,071.8 million to RMB2,916.3 million mainly due to the increasing number of customer orders we completed and the growing demand for our services in the nine months ended September 30, 2021. Our revenue generated from Clinical Stage CDMO Solutions increased by 38.7% from RMB797.8 million in the nine months ended September 30, 2020 to RMB1,106.2 million in the nine months ended September 30, 2021, primarily due to (i) the revenue generated from the Clinical Stage Projects assigned by our existing customers of RMB1,000.2 million for the nine months ended September 30, 2021, which was 25.4% higher than the revenue from all Clinical Stage Projects in the nine months ended September 30, 2020, and (ii) the acquisition of new customers who accounted for 26.2% of our total customers of Clinical Stage CDMO Solutions for the nine months ended September 30, 2021 and contributed 4.6% of our revenue from this type of services for the same period, or RMB50.4 million. Our revenue generated from Commercial Stage CDMO Solutions increased by 29.6% from RMB1,193.3 million in the nine months ended September 30, 2020 to RMB1,546.9 million in the nine months ended September 30, 2021, primarily due to the increase in the number of Commercial Stage Projects from which we recognized revenue from 25 in the nine months ended September 30, 2020 to 33 in the nine months ended September 30, 2021. Moreover, for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, the revenue generated from our Emerging Services increased by 233.6% from RMB78.9 million to RMB263.2 million, primarily due to (i) the increased demand for our chemical macromolecule CDMO solutions as a result of the growth of chemical macromolecule drug market, the year-on-year increase by over 42.9% in the number of our customers for such services, and the acquisition of new mandates of four Phase III clinical stage projects relating to our chemical macromolecule

SUMMARY

CDMO solutions, (ii) the increase by approximately 327.0% in the revenue generated from drug product solutions in overseas markets in the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, and services provided for ten Phase III clinical stage projects relating to our drug product solutions in the nine months ended September 30, 2021, and (iii) the expansion of clinical CRO services after the acquisition of GoalGen, a specialized clinical CRO service provider, in September 2020. For the nine months ended September 30, 2021, we recognized revenue from 257 small molecule CDMO projects, including 224 Clinical Stage Projects (with 43 at Phase III clinical stage) and 33 Commercial Stage Projects, as well as 210 projects relating to our Emerging Services. Our gross profit increased by 31.8% from RMB991.3 million in the nine months ended September 30, 2020 to RMB1,306.5 million in the nine months ended September 30, 2021. Our gross profit margin decreased from 47.8% in the nine months ended September 30, 2020 to 44.8% in the nine months ended September 30, 2021, primarily due to the impact of exchange rate fluctuations as RMB appreciated against U.S. dollars from an exchange rate of 6.99:1 in the first nine months of 2020 to 6.45:1 in the first nine months of 2021. Applying a constant exchange rate (i.e. assuming the exchange rate remained at RMB:U.S. dollar = 6.99:1), we would have achieved gross profit margin of 48.6% in the nine months ended September 30, 2021, which would represent a slight increase from 47.8% in the nine months ended September 30, 2020. For further details, please refer to the Unaudited Interim Financial Information set out in Appendix IB to this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2021 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since June 30, 2021 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix IA to this prospectus.

USE OF PROCEEDS

The estimated net proceeds of the Global Offering which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering (assuming the Over-allotment Option is not exercised), will be approximately HK\$6,707.5 million, assuming an Offer Price of HK\$380.00 (being the mid-point of the Offer Price Range).

SUMMARY

We intend to use the net proceeds as follows (based on the mid-point of the Offer Price Range):

- Approximately 20%, or HK\$1,341.5 million, will be used to further enhance the manufacturing capacity and capabilities of our small molecule CDMO solutions. In particular:
 - (i) Approximately 15%, or HK\$1,006.1 million, will be used to construct phase II of the comprehensive small molecule R&D and manufacturing site in Zhenjiang.
 - (ii) Approximately 5%, or HK\$335.4 million, will be used to strategically expand the capacity of our existing manufacturing sites in Tianjin and Dunhua.
- Approximately 35%, or HK\$2,347.6 million, will be used to strengthen our Emerging Services and expand our service offerings, including:
 - (i) Approximately 20%, or HK\$1,341.5 million, will be used to construct a R&D and manufacturing facility for oligonucleotides and polypeptides and invest in R&D and manufacturing facilities for recombinant DNA products (including mAb) and ADC.
 - (ii) Approximately 10%, or HK\$670.8 million, will be used to improve our capabilities related to our biosynthesis solutions and drug products solutions.
 - (iii) Approximately 5%, or HK\$335.4 million, will be used to build up our capabilities related to advanced therapy medicinal products (ATMPs), including cell therapy and gene therapy.
- Approximately 20%, or HK\$1,341.5 million, will be used to invest in R&D initiatives and maintain our technology leadership, especially our sector-leading flow and continuous technology and biosynthesis technology. In particular:
 - (i) Approximately 10%, or HK\$670.8 million, will be used to fund our Center of Flow and Continuous Technology (CFCT), which aims to strengthen our flow and continuous technology and to promote its broad application in cGMP manufacturing.
 - (ii) Approximately 10%, or HK\$670.8 million, will be used to fund the R&D initiatives led by our Center of Biosynthesis Technology (CBST).

SUMMARY

- Approximately 15%, or HK\$1,006.1 million, will be used to selectively pursue strategic investments and acquisitions that can enrich our service offerings and expand our global footprint. However, we may not be able to identify appropriate acquisition or investment targets and materialize our acquisition plan because we had not identified any acquisition targets to use the net proceeds of the Global Offering as of the Latest Practicable Date and many global and regional CDMOs or CROs are looking for similar acquisition targets globally to improve their competitiveness.
- Approximately 10%, or HK\$670.8 million, will be used for working capital and general corporate purposes to support our business operation and growth.

For more details, please see “Future Plans and Use of Proceeds.”

DIVIDENDS

In 2018, 2019 and 2020, we distributed dividends of RMB80.5 million, RMB92.5 million, and RMB115.6 million, respectively, representing a dividend of RMB0.35, RMB0.40, and RMB0.50 per share, respectively. On May 18, 2021, our Shareholders approved to distribute an unpaid dividend of RMB145.5 million, representing a dividend of RMB0.6 per share. The dividend was fully distributed in cash by July 13, 2021. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Directors and subject to the approval of the Shareholders’ meeting.

After the completion of the Global Offering, we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. A decision to declare or to pay dividends in the future and the amount of dividends will be at the discretion of our Board and will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory restrictions on our declaration and payment of dividends and other factors that our Board may consider important. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Our Shareholders in a general meeting may approve any declaration of dividends.

LISTING EXPENSES

Our listing expenses mainly include underwriting fees and commissions and professional fees paid to legal advisers and service providers for their services rendered in relation to the Global Offering. Assuming full payment of the discretionary incentive fee of 1% of the aggregate Offer Price of all the Offer Shares under the Global Offering, we expect to incur a total of RMB238.4 million of listing expenses, or 4.1% of the gross proceeds, (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering. The estimated total listing expenses consist of underwriting commissions of RMB201.1 million (including but not limited to commissions and fees), and non-underwriting fees of RMB37.3 million, of which the

SUMMARY

SUMMARY OF MATERIAL RISK FACTORS

Our business faces risks including those set out in “Risk Factors” section of this prospectus. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to invest in the Offer Shares. Some of the major risks that we face include:

- We are dependent on our customers’ spending on and demand for our development and manufacturing services. A reduction in spending or demand could have a material adverse effect on our business.
- The market acceptance of the products we manufacture for our customers may significantly influence our business, results of operations and financial condition.
- We operate in a highly competitive market, and if we do not compete effectively, our business, results of operations, financial condition and prospects could be harmed.
- 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, chemical or biological hazards or personal injury.
- Our services and offerings are highly complex, and if we are unable to provide high quality services and offerings to our customers or if our services do not meet our customers’ evolving needs, our business could suffer.
- 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.
- 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 unforeseeable catastrophes which we cannot control.
- Doing business with overseas customers and operating business internationally subject us to a number of economic, political, regulatory, operation and management risks.
- We may not be successful in developing new technologies and improving existing technologies to maintain our competitive position.
- We may not be able to successfully develop and offer new services.
- We have made and expect to continue to make acquisitions as part of our growth strategy, which exposes us to significant risks.

DEFINITIONS

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

“%”	per cent
“A Share(s)”	domestic shares of our Company, with a nominal value of RMB1.00 each, which are listed for trading on the Shenzhen Stock Exchange and traded in Renminbi
“A Share Incentive Schemes”	the share incentive plan of our Company adopted by the Board, namely, the 2016 Share Option and Restricted A Share Incentive Scheme, the 2018 Restricted A Share Incentive Scheme, the 2019 Restricted A Share Incentive Scheme, the 2020 Restricted A Share Incentive Scheme and the 2021 Restricted A Share Incentive Scheme
“A Shares Offering”	the initial public offering and listing of A Shares of our Company on the Shenzhen Stock Exchange in November 2016
“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“ALAB”	Asymchem Laboratories, Incorporated, a limited liability company incorporated in the United States on November 27, 1995, which was a Controlling Shareholder and owned as to 71.19% and 19.52% by Dr. Hao Hong and Dr. Ye Song, respectively, as of the Latest Practicable Date. For more details on the shareholdings of ALAB, please see “History and Development – Corporate Structure of the Company”
“Articles” or “Articles of Association”	the articles of association of our Company which shall become effective on the Listing Date and as amended from time to time, a summary of which is set out in the section headed “Summary of the Articles of Association” in Appendix V to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Asymchem Laboratories (Fuxin)”	Asymchem Laboratories (Fuxin) Co., Ltd. (凱萊英醫藥化學(阜新)技術有限公司), a limited liability company established under the laws of the PRC on April 1, 2002, which was a wholly-owned subsidiary of the Company as of the Latest Practicable Date
“Asymchem Life Science”	Asymchem Life Science (Tianjin) Co., Ltd. (凱萊英生命科學技術(天津)有限公司), a limited liability company established under the laws of the PRC on December 30, 2005, which was a wholly-owned subsidiary of the Company as of the Latest Practicable Date
“Asymchem Pharmaceuticals”	Tianjin Asymchem Pharmaceuticals Co., Ltd. (天津凱萊英製藥有限公司), a limited liability company established under the laws of the PRC on July 19, 2010, which was a wholly-owned subsidiary of the Company as of the Latest Practicable Date
“Asymchem Pharmaceutical Technology Development”	Tianjin Asymchem Pharmaceutical Technology Development Co., Ltd. (天津凱萊英醫藥科技發展有限公司), formerly known as Tianjin Asymchem Pharmaceutical Machinery Co., Ltd. (天津凱萊英製藥機械有限公司), a limited liability company established under the laws of the PRC on August 9, 2021, which was a wholly-owned subsidiary of the Company as of the Latest Practicable Date
“Audit Committee”	the audit committee of the Board
“Authorized Representatives”	the authorized representatives of the Company for the purpose of Rule 3.05 of the Listing Rules
“Board” or “Board of Directors”	the board of directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CFDA”	China Food and Drug Administration, currently known as NMPA
“CFIUS”	Committee on Foreign Investment in the United States
“Chairman” or “Chairman of the Board”	the chairman of our Board
“China” or “PRC”	People’s Republic of China, except where the context requires otherwise and only for the purposes of this prospectus, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Clinical Stage Projects”	our CDMO projects with the relevant drug candidates at the pre-clinical and clinical stages
“close associate(s)”	has the meaning ascribed thereto under the Listing Rule
“Commercial Stage Projects”	our CDMO projects with the relevant drug candidates at the commercial stage
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“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,” “the Company,” or “Asymchem Laboratories (Tianjin)”	Asymchem Laboratories (Tianjin) Co., Ltd. (凱萊英醫藥集團(天津)股份有限公司) (previously known as Chirachem Laboratories (Tianjin) Co., Ltd. (天津凱萊英精細有機化工有限公司)), was established under the laws of the PRC as an enterprise legal person on October 8, 1998, the A Shares of which are listed on the Shenzhen Stock Exchange (stock code: 002821.SZ) and if the context requires, includes its predecessor
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules. See the section headed “Relationship with the Controlling Shareholders” in this prospectus
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of our Company
“EHS”	environment, health and safety
“EIT”	enterprise income tax
“EIT Law”	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
“EU”	European Union

DEFINITIONS

“Exchange Participant(s)”	a person: (a) who, in accordance with the Hong Kong 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
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
“FVTPL”	fair value through profit or loss
“GAAP”	Generally Accepted Accounting Principles
“GDPR”	the General Data Protection Regulation (Regulation (EU) 2016/679; GDPR)
“General Rules of CCASS”	General Rules of CCASS published by the Stock Exchange and has amended from time to time
“GFA”	gross floor area
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GoalGen Biotech”	Tianjin GoalGen Biotechnology Co., Ltd. (天津冠勤醫藥科技有限公司), a limited liability company established under the laws of the PRC on November 28, 2007, which was a wholly-owned subsidiary of the Company as of the Latest Practicable Date
“governmental authority” or “governmental authorities”	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider designated by our Company, Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Group,” “our Group,” “we,” “us,” or “our”	our Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the content may require), or where the context so requires, in respect of the periods before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“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
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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 1,841,600 H Shares initially being offered for subscription in 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 at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the application forms, as further described in the section headed “Structure of the Global Offering – The Hong Kong Public Offering” in this prospectus
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

DEFINITIONS

“Hong Kong Takeovers Code” or “Takeovers Code”	Code on Takeovers and Mergers and Share Buy-back issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as listed in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement, dated November 29, 2021, relating to the Hong Kong Public Offering, entered into by our Company, the Controlling Shareholders, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters as further described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering” in this prospectus
“IAS”	International Accounting Standards
“IASB”	International Accounting Standards Board
“IFRS”	International Financial Reporting Standards, amendments, and interpretations, as issued from time to time by the IASB
“independent third party” or “independent third parties”	any entity or person who is not a connected person of our Company or an associate of any such person within the meaning ascribed thereto under the Listing Rules
“Initial Grant”	the date that the Awards are granted
“International Offer Shares”	the 16,573,800 H Shares being initially offered for subscription under the International Offering together, where relevant, with any additional Shares that may be allotted and issued by our Company, pursuant to any exercise of the Over-allotment Option, subject to adjustment and reallocation as described in the section headed “Structure of the Global Offering” in this prospectus

DEFINITIONS

“International Offering”	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering and expected to be entered into by our Company, the Controlling Shareholders, the Joint Global Coordinators and the International Underwriters on or about December 3, 2021, as further described in the section headed “Underwriting – Underwriting Arrangements and Expenses – International Offering” in this prospectus
“Jilin Asymchem Laboratories”	Jilin Asymchem Laboratories Co., Ltd. (吉林凱萊英醫藥化學有限公司), a limited liability company established under the laws of the PRC on August 17, 2007, which was a wholly-owned subsidiary of the Company as of the Latest Practicable Date
“Jilin Asymchem Pharmaceuticals”	Jilin Asymchem Pharmaceuticals Co., Ltd. (吉林凱萊英製藥有限公司), a limited liability company established under the laws of the PRC on September 29, 2017, which was a wholly-owned subsidiary of the Company as of the Latest Practicable Date
“Joint Bookrunners”	the joint bookrunners as named in the section headed “Directors, Supervisors and Parties Involved in the Global Offering” of this prospectus
“Joint Global Coordinators”	Goldman Sachs (Asia) L.L.C. and CLSA Limited
“Joint Lead Managers”	the joint lead managers as named in the section headed “Directors, Supervisors and Parties Involved in the Global Offering” of this prospectus
“Joint Sponsors”	Goldman Sachs (Asia) L.L.C. and CLSA Capital Markets Limited

DEFINITIONS

“Labor Contract Law”	the Labor Contract Law of the People’s Republic of China (中華人民共和國勞動合同法) as amended, supplemented or otherwise modified from time to time, which was lately amended on December 28, 2012 to take effective on July 1, 2013
“Latest Practicable Date”	November 22, 2021, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Laws”	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees, or rulings of any Governmental Authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions
“Liaoning Asymchem Laboratories”	Liaoning Asymchem Laboratories Co., Ltd. (遼寧凱萊英醫藥化學有限公司), a limited liability company established under the laws of the PRC on December 2, 2013, which was a wholly-owned subsidiary of the Company as of the Latest Practicable Date
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or around December 10, 2021, on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange

DEFINITIONS

“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 August 27, 1994
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“MSDS”	material safety data sheet
“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”	National Medical Product Administration (國家藥品監督管理局) (formerly known as China Food and Drug Administration), the authority responsible for approving drug and biologic products in China
“Nomination Committee”	the nomination committee of the Board
“NPC”	the 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 offer price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in the section headed “Structure of the Global Offering – Pricing and Allocation” in this prospectus

DEFINITIONS

“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering (i.e. up to Sunday, January 2, 2022), to require our Company to allot and issue up to 2,762,300 additional H Shares (representing in aggregate approximately 15% of the initial Offer Shares) to the International Underwriters to cover over-allocations in the International Offering, if any, details of which are described in the section headed “Structure of the Global Offering – Over-allotment Option” in this prospectus
“PBOC”	the People’s Bank of China
“PMDA”	Pharmaceuticals and Medical Devices Agency, the Japanese governmental organization responsible for reviewing drugs and medical devices, overseeing post-market safety, and providing relief in the event of adverse health effects
“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 Legal Advisor”	DeHeng Law Offices
“Price Determination Date”	the date, expected to be on or about December 3, 2021 and in any event no later than December 7, 2021, on which the Offer Price is to be fixed by an agreement between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters)
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering

DEFINITIONS

“QA”	quality assurance
“QC”	quality control
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Persons”	our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of their or our Company’s respective directors, officers, employees, agents or representatives and any other parties involved in the Global Offering
“Remuneration and Examination Committee”	the remuneration committee of the Board
“Ribo Life Science”	Suzhou Ribo Life Science Co. Ltd. (蘇州瑞博生物技術股份有限公司), established under the laws of the PRC in 2007, a life science company focused on small nucleic acid innovation technology and small nucleic acid drugs R&D
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“SCNPC”	the Standing Committee of National People’s Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)
“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

DEFINITIONS

“ Securities Law ” or “ PRC Securities Law ”	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
“ SFC ”	Securities and Futures Commission of Hong Kong
“ Shanghai Asymchem ”	Shanghai Asymchem Biotechnology Co., Ltd. (上海凱萊英生物技術有限公司), a limited liability company established under the laws of the PRC on January 28, 2019, which was a wholly-owned subsidiary of the Company as of the Latest Practicable Date
“ Shareholder(s) ”	holder(s) of our Share(s)
“ Shares ”	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
“ Shenzhen Stock Exchange ”	Shenzhen Stock Exchange (深圳證券交易所)
“ Snapdragon ” or “ Snapdragon Chemistry ”	Snapdragon Chemistry Inc., a private U.S. chemical technology company established in 2014, focused on the design and development of efficient and sustainable manufacturing processes for pharmaceutical applications
“ 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
“ SSE Listing Rules ”	the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (深圳證券交易所股票上市規則), as amended from time to time
“ State Council ”	the State Council of the PRC (中華人民共和國國務院)
“ Strategy Committee ”	the strategy committee of the Board
“ subsidiary ” or “ subsidiaries ”	has the meaning ascribed thereto it in section 15 of the Companies Ordinance
“ substantial shareholder ”	has the meaning ascribed to it in the Listing Rules

DEFINITIONS

“Supervisor(s)”	member(s) of our Supervisory Committee
“Supervisory Committee”	the supervisory committee of our Company
“Tianjin Haihe Asymchem Fund”	Tianjin Haihe Asymchem Biopharmaceutical Industry Innovation Investment Fund (Limited Partnership) (天津海河凱萊英生物醫藥產業創新投資基金(有限合夥)), an affiliate of the Group established in 2019 with a focus on strategic investment
“Tianjin Tianhao”	Tianjin Tianhao Management Consulting Partnership (Limited Partnership) (天津天浩管理諮詢合夥企業(有限合夥)), an affiliate of the Group established in 2018
“Track Record Period”	the three financial years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021
“U.S. Securities Act”	United States Securities Act of 1933, as amended
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“UK”	United Kingdom
“United States,” “U.S.” or “US”	United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars,” “U.S. dollars,” “USD” or “US\$”	United States dollars, the lawful currency of the United States
“VAT”	value-added tax
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the White Form eIPO Service Provider at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Yugen Medtech”

Tianjin Yugen Medtech Co., Ltd. (天津有濟醫藥科技發展有限公司), an affiliate of the Group

In this prospectus, the terms “associate,” “close associate,” “connected person,” “connected transaction,” “subsidiaries” and “substantial shareholder” shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages; in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

In this prospectus, in addition to terms defined elsewhere and unless the context otherwise requires, the following technical terms have the following meanings.

“advanced therapy medicinal products” or “ATMPs”	medicines for human use that are based on genes, tissues or cells
“antibody drug conjugates” or “ADCs”	a class of biopharmaceutical drugs designed as a targeted therapy
“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
“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 Applications, a request made to the USFDA for permission to introduce, or deliver for introduction, of a biological product into interstate commerce in the United States
“blockbuster drug”	a drug with annual sales of US\$1 billion or more
“CDMO”	Contract Development Manufacturing Organization, a company that mainly provides CMC, drug development and drug manufacturing services in the pharmaceutical industry
“clinical trial”	a type of research that studies new tests and treatments and evaluates their effects on human health outcomes
“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

GLOSSARY OF TECHNICAL TERMS

“CMO”	Contract Manufacturing Organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive drug manufacturing services
“commercialization”	The stage in drug development when a new drug is approved and released to the market
“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
“CRO”	Contract Research Organization, a company focused on providing R&D services to companies in the pharmaceutical and agrochemical markets
“DNA”	a molecule that carries most of the genetic instructions used in the development, functioning and reproduction of all known living organisms and many viruses
“drug discovery”	the process through which potential new medicines are identified and may involve a wide range of scientific disciplines, including biology, chemistry and pharmacology
“drug product”	a finished dosage form that contains a drug substance, generally, but not necessarily in association with other active or inactive ingredients
“drug substance”	an active ingredient that is intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease or to affect the structure or any function of the human body, but does not include intermediates used in the synthesis of such ingredient
“electrochemistry”	a subsection of chemistry that concerns the relationship between electrical energy and chemical changes. Electrochemical reactions can achieve desired chemical change using electrical energy

GLOSSARY OF TECHNICAL TERMS

“EMA”	European Medicines Agency, a European Union body responsible for the protection and promotion of human and animal health by means of evaluating and monitoring medicines within the European Union and the European Economic Area
“endocrinology”	the branch of physiology and medicine concerned with endocrine glands and hormones
“FFS”	fee-for-service, a payment model whereby services are unbundled and paid for separately
“formulation development”	a stage of analyzing and refining the physio-chemical structure of a product to stabilize or enhance its suitability for use in <i>in vivo</i> testing and of assessing delivery options and delivery device compatibility
“FTE”	full-time-equivalent, a payment model based on the number of researchers allocated to, and the duration of, a given project
“GCP”	Good Clinical Practice, an international ethical and scientific quality standard for the performance of a clinical trial on medicinal products involving humans
“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
“glycan”	a carbohydrate that can be decomposed by hydrolysis into two or more molecules of monosaccharides
“GMP” or “cGMP”	Good Manufacturing Practice or current Good Manufacturing Practice, a quality system enforced by relevant regulatory authorities, such as the USFDA, to ensure that the products produced meet specific requirements for identity, strength, quality and purity

GLOSSARY OF TECHNICAL TERMS

“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
“IND”	Investigational New Drug, an application submitted to the USFDA 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
“ <i>in vitro</i> ”	“in glass” in Latin, studies <i>in vitro</i> 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
“ <i>in vivo</i> ”	“within the living” in Latin, studies <i>in vivo</i> 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 <i>in vitro</i>
“macromolecules”	Large molecules necessary for life, include carbohydrates, lipids, nucleic acids and proteins
“MAH”	Market Authorized Holder, a certification granted by the NMPA, which allows certain license holders to use a qualified CMO to manufacture pharmaceutical products
“metabolism”	the chemical processes that occur within a living organism in order to maintain life, comprising catabolism (breakdown of larger molecules into components) and anabolism (the synthesis of smaller molecules into larger ones with specific structures, characteristics and purposes)

GLOSSARY OF TECHNICAL TERMS

“method development”	a process to establish a suitable analytical methodology to separate, identify, and quantify the chemical components in a particular sample
“method validation”	an assessment of a procedure to ensure it meets its own analytical objectives. This involves ensuring that analytical method produces results with sufficient accuracy and precision within a range of concentrations that is appropriate to a particular analyte
“molecule”	a group of two or more atoms held together by chemical bonds
“monoclonal antibody” or “mAb”	antibodies capable of binding to specific antigens and inducing immunological responses against the target antigens. Monoclonal antibodies when used as a cancer treatment have the ability to bind only to cancer cell-specific antigens and interrupt the growth of cancer cells to achieve efficient treatment with low dosages and less toxic side effects than traditional chemotherapy
“mRNA”	messenger RNA, an RNA produced by transcription that carries the code for a particular protein from the nuclear DNA to a ribosome in the cytoplasm and acts as a template for the formation of that protein
“NDA”	New Drug Application, the formal application to competent authorities such as the FDA or the NMPA proposing approval of a new pharmaceutical product for sale and marketing
“oligonucleotides”	short DNA or RNA molecules that have a wide range of application in genetic testing, research and forensics, which can be synthesized in laboratories or found in nature
“peptide”	small fragments of proteins, composed of amino acids
“pharmacokinetic”	the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
“pharmacology”	the branch of medicine concerned with the uses, effects, and modes of action of drugs

GLOSSARY OF TECHNICAL TERMS

“Phase I clinical trials”	study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its effectiveness
“Phase II clinical trials”	study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases, and to determine dosage tolerance and optimal dosage
“Phase III clinical trials”	study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labeling of the product
“photochemistry”	a subsection of chemistry that concerns with the chemical effects of light. Photochemical reactions can achieve desired chemical change through absorbing of light, including visible light, ultraviolet light, infrared light
“polypeptide”	a molecular chain of amino acids
“pre-clinical”	studies or programs testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether the drug is ready for clinical trials
“process validation”	the analysis of data gathered throughout the design and manufacturing of a product in order to confirm that the process can reliably output products of a determined standard
“release testing”	an assessment of the measure of release of the active pharmaceutical ingredient (API) from the drug product matrix in controlled conditions
“RNA”	ribonucleic acid, a molecule made up of one or more nucleotides that plays an essential biological role in coding, decoding, regulation, and expression of genes

GLOSSARY OF TECHNICAL TERMS

“RSM”	registered starting material, a raw material, intermediate or an API that is used in the production of an API and that is incorporated as a significant structural fragment into the structure of the API. An API starting material can be an article of commerce, a material purchased from one or more suppliers under contract or commercial agreement or produced in-house. API starting materials are normally of defined chemical properties and structure
“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
“small molecule”	within the fields of molecular biology and pharmacology, a low molecular weight organic compound that may regulate a biological process, with a size in the order of 1 nanometer
“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
“stability tests” or “stability studies”	tests or studies on the capability of a drug in a specific container/closure system to remain within its physical, chemical, microbiological therapeutic and toxicological specification
“synthesis”	the production of chemical compounds from simpler ones
“TGA”	Therapeutic Goods Administration, a Division of the Australian Department of Health, which serves as the regulatory body for therapeutic goods in Australia
“USFDA” or “FDA”	the Food and Drugs Administration of the United States
“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

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. All statements other than statements of historical fact contained in this prospectus, including, without limitation:

- (a) the discussions of the Company's business strategies, objectives and expectations regarding its future operations, revenue, margins, profitability, liquidity and capital resources;
- (b) any statements concerning the future development of, and trends and conditions in, the market and the general economy of the countries in which the Company operates or plans to operate;
- (c) any statements concerning the Company's ability to control costs;
- (d) any statements concerning the nature of, and potential for, the future development of the Company's business, including any potential business relationships and partnerships; and
- (e) any statements preceded by, followed by or that include words and expressions such as "expect," "believe," "plan," "intend," "estimate," "forecast," "project," "anticipate," "seek," "may," "will," "ought to," "would," "should" and "could" or similar words or statements,

as they relate to the Group or the management, are forward-looking statements.

These statements are based on assumptions regarding the Company's present and future business, the Company's business strategies and the environment in which the Company will operate. These forward-looking statements reflect the Company's current views as to future events and are not a guarantee of the Company's future performance. Forward-looking statements are subject to certain known and unknown risks, uncertainties and assumptions, including the risk factors described in "*Risk Factors*." Important factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements include, among other things, the following:

- developments in the business strategies and business plans of the Company;
- prevailing economic conditions and consumer confidence in the markets where the products of the Company may be sold;
- developments of the Company's competitors and other competitive pressures within the industries in which the Company operates; and
- regulatory changes affecting, among other things, the industry and market, accounting standards and taxes.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, the Company does not have any obligation, and undertakes no obligation, to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments 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 the Company expects or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed in “*Risk Factors.*”

In this prospectus, statements of or references to the Company’s intentions or that of any of the Directors are made as at the date of this prospectus. Any of these intentions may change in light of future developments.

RISK FACTORS

An investment in our Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this Prospectus, including our consolidated financial statement and related notes, before you decide to purchase our Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial condition and prospects would likely suffer. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment. This Prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this Prospectus.

We believe that there are certain risks involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry, (ii) risks relating to doing business in China, and (iii) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are dependent on our customers' spending on and demand for our development and manufacturing services. A reduction in spending or demand could have a material adverse effect on our business.

The success of our business depends primarily on the number and size of business contracts with our customers, primarily pharmaceutical and biotechnology companies. Over the past several years, we have benefitted from an increased demand for our services as a result of the continued growth of the global and domestic pharmaceutical market and a greater degree of development and manufacturing outsourcing by our customers. For more information on the industry trend, please see the section headed "Industry Overview." A slowing or reversal of any of these trends could have a material adverse effect on the demand for our services.

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, access to capital, their decisions to acquire in-house discovery, development or commercial manufacturing capacity, their spending priorities, their budgetary policies and practices, and their need to develop new products, which, in turn, are dependent upon a number of factors, including their competitors' research, development and product initiatives and the anticipated market uptake, and clinical and reimbursement scenarios for specific products and therapeutic areas. In addition, consolidation in the industries in which our customers operate may also impact such spending as customers integrate acquired operations, including R&D departments and manufacturing operations. Any reduction in customer spending on pharmaceutical development and manufacturing and related services as a result of these and other factors could have a material adverse effect on our business, results of operations and financial condition.

RISK FACTORS

The market acceptance of the products we manufacture for our customers may significantly influence our business, results of operations and financial condition.

We are dependent on, and have no control over, market acceptance for the products we manufacture for our customers. If the products we manufacture for our customers do not gain market acceptance, our revenues and profitability may be adversely affected. The degree of market acceptance of our customers' products will depend on a number of factors, including, but not limited to:

- the ability of our customers to publicly establish and demonstrate the efficacy and safety of such products, including favorably comparing such products to competing products;
- regulatory approval of, or regulatory actions taken with respect to, such products;
- the costs to potential consumers of using such products and the cost of competing products;
- the prevalence and severity of any side effects;
- product labeling or product insert requirements of regulatory authorities;
- the availability of adequate coverage, reimbursement and pricing by third-party payors and government authorities;
- marketing and distribution support for such products; and
- public perception of our customers and our customers' industry.

If production volumes of key products that we manufacture for our customers and related revenues are not maintained, we may suffer a material adverse effect on our business, results of operations and financial condition.

We operate in a highly competitive market, and if we do not compete effectively, our business, results of operations, financial condition and prospects could be harmed.

The global pharmaceutical development and manufacturing services market is highly competitive and we expect this high level of competition to be increasingly fierce. As a global provider of outsourced pharmaceutical development and manufacturing solutions and services, we compete, both domestically and internationally, with other players in this market, such as full-service pharmaceutical outsourcing companies, contract manufacturers with different areas of focus and expertise, and large pharmaceutical companies offering third-party manufacturing services to fill their excess capacity. In addition, some pharmaceutical companies may elect to provide their own development and manufacturing services internally rather than outsourcing those functions to us or any of our competitors. We obtain competitive advantages primarily

RISK FACTORS

based on our integrated portfolio of service offerings, cutting-edge technologies, customized process development capabilities supported by continued investment in R&D, on-time, stable delivery of high-quality products, a customer-centric approach to services, effective quality assurance and EHS policies and procedures, and compliance with cGMPs and regulatory requirements.

Our competitors in the pharmaceutical technology services market include a large number of laboratories that offer only a limited range of developmental services, generally at a small scale; providers focused on specific technologies and/or dosage forms; and several fully integrated companies that can provide the full complement of services necessary to develop, scale up and manufacture a wide range of dosage forms. We also compete with major pharmaceutical and chemical companies, specialized contract research organizations, research and development firms, universities and other research institutions. We may also compete with the internal operations of pharmaceutical companies that choose to develop their products internally. We compete primarily on the basis of scientific expertise, knowledge and experience in research and development, availability of a broad range of equipment, technology availability (e.g., chemical and biotechnology means), on-time delivery, compliance with cGMPs, regulatory compliance, cost-effective services and financial stability.

Some of our competitors may have substantially greater financial, marketing, technical or other resources than we do. Greater financial, marketing, technical or other resources may allow our competitors to respond to changes in market demand more quickly with new, alternative or emerging technologies. Changes in the nature or extent of our customer requirements may render our service and product offerings obsolete or non-competitive. In addition, our competitors may improve the performance of their services, introduce new services at lower prices and with improved performance characteristics. Furthermore, increased competition could create pricing pressure on our services, which could reduce our revenue and profitability. There is no assurance that we will be able to compete effectively with existing competitors or new competitors or that the level of competition will not adversely affect our business, results of operations, financial condition and prospects.

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, chemical or biological hazards or personal injury.

Our business operations are subject to national and local laws and regulations of the PRC pertaining to protection of the environment and health and safety, including but not limited to the treatment and discharge of pollutants into the environment and the use of highly toxic and hazardous chemicals in our pharmaceutical development and manufacturing process. In addition, our construction projects can only be put into operation after the relevant administrative authorities in charge of environmental protection and health and safety have examined and approved the relevant facilities. In 2018, 2019 and 2020 and the six months ended June 30, 2021, our total cost of compliance with environmental protection and health and safety laws and regulations was approximately RMB53.6 million, RMB55.3 million, RMB123.0 million and RMB68.2 million, respectively. Since the requirements imposed by

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such laws and regulations may change and more stringent laws or regulations may be adopted, we may be unable to comply in a timely manner, or to accurately predict the potentially substantial cost of complying, with these laws and regulations. If we fail to comply with environmental protection and health and safety laws and regulations, we may be subject to rectification orders, substantial fines, potentially significant monetary damages, suspend production or suspensions in our business operations. As a result, any failure by us to control the use or discharge of hazardous substances could have a material and adverse impact on our business, financial condition, results of operations and prospects.

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

Our services and offerings are highly complex, and if we are unable to provide high quality services and offerings to our customers or if our services do not meet our customers' evolving needs, our business could suffer.

The services we offer are highly customized, exacting and complex, due in part to strict regulatory requirements. Our operating results depend on our ability to execute and, when necessary, improve our quality management strategy and systems, and our ability to effectively train and maintain our employee base with respect to quality management. We have quality control function consisting process control, change and quality records control in our QA system. A failure of our quality control systems in our new and existing business units and facilities could result in problems with facility operations or preparation or provision of products. In each case, such problems could arise for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials or manufacturing operations, operator error, and failure to compliance with regulations strictly enforced by relevant government. Such problems could affect our production process, requiring the destruction of such products or a halt of facility production altogether.

In addition, our failure to meet required quality standards may result in our failure to timely deliver high quality products to our customers, which in turn could damage our reputation for quality and service and business relationship with our customers. Any such failure could, among other things, lead to increased costs, lost revenue, reimbursement to customers for lost drug product, registered intermediates, registered starting materials, and APIs, other customer claims, damage to and possibly termination of existing customer relationships, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other products. If problems in preparation or manufacture of a product or failures to meet required quality standards for that product are not discovered before

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such product is released to the market, we may be subject to adverse regulatory actions, including product recalls, product seizures, injunctions to halt manufacture and distribution, restrictions on our operations, civil sanctions, including monetary sanctions, and criminal actions. In addition, such problems or failures could subject us to litigation claims, including claims from our customers for reimbursement for the cost of lost or damaged APIs, the cost of which could be significant.

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.

In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, revenues generated from our five largest customers accounted for approximately 64.1%, 53.3%, 58.0%, 61.5% and 53.2% of our revenues, respectively. Revenues generated from our largest customer in each year or period during the Track Record Period accounted for approximately 27.9%, 22.4%, 20.4%, 23.5% and 18.6% of our revenues for the same periods, respectively. For more information about our key customers, see “Business – Our Customers.” If any of our key customers’ ability to settle their trade receivables in a timely manner deteriorates, it may be unable, or it may otherwise be unwilling, to pay trade receivables owed to us promptly or at all. Any substantial default or delay of a customer’s payment obligations may materially and adversely affect our cash flows, financial condition and results of operations.

In addition, we cannot assure you that we will be able to maintain or strengthen our relationships with our key customers and revenues from key customers that have accounted for significant sales in the past, either individually or as a group, may not reach or exceed historical levels in any future period. If there is a loss or a significant reduction of business from any of our key customers and we are unable to obtain suitable work orders of a comparable size and terms in substitution, our business, financial condition and results of operations may be materially and adversely affected.

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 unforeseeable catastrophes which we cannot control.

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 September 30, 2021, many countries and regions where we or our customers operate, including the PRC, the United States and Europe, had been affected by the COVID-19 outbreak and, in response, had imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus.

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The COVID-19 pandemic influenced the global healthcare markets in numerous ways, according to Frost & Sullivan. Due to the COVID-19 outbreak, certain of our ongoing pharmaceutical development and manufacturing projects in China and overseas have been adversely affected in a number of ways:

- During the lockdowns in early 2020, we had to temporarily close certain of our office facilities and manufacturing sites, restrict employee travel, switch to online virtual meetings or even cancel meetings with existing or prospective customers, all of which had temporarily restrained our operating activities. To the extent physical meetings were required or preferred, our operations, sales and marketing activities had been affected.
- International transportation and logistics have been adversely affected by the various quarantine and travel restrictions imposed by governments, which impacted our ability to deliver products to our customers overseas, causing delay in recognition of revenue in some cases. In addition, international transportation and logistics expenses increased.
- Construction of our manufacturing facilities and office buildings were temporarily suspended during the first quarter of 2020, which constrained our expansion of manufacturing capacities, thus adding pressure to our overall manufacturing schedule.
- The execution of certain existing projects had been adversely affected and the increase of new projects temporarily slowed down during the first quarter of 2020.

For additional information, see “Financial Information – Effects of the COVID-19 Pandemic on Our Results of Operations.”

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 in this highly competitive industry, our ability to collect payments from our existing and future customers, our ability to conduct projects with high quality and timely delivery, and our vulnerability of facilities to natural disasters or other unforeseen catastrophic events.

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We cannot predict when the COVID-19 outbreak will become completely under control and we cannot guarantee that the COVID-19 outbreak will not worsen. The extent to which the COVID-19 outbreak may impact our business in the future will depend on future developments, which are highly uncertain and unpredictable, such as the duration of the outbreak, the effectiveness of travel restrictions, the effectiveness of vaccines and vaccination rates in China and overseas, and other measures to contain the outbreak and its impact in China, the United States and other countries where we and our customers operate. Having considered that the past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the global economics and national economies in China, the COVID-19 outbreak and any other public health crisis in China or overseas, especially in the cities where we have presence, may result in material disruptions to our operations, which in turn may materially and adversely affect our business, financial condition and results of operations.

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.

Doing business with overseas customers and operating business internationally subject us to a number of economic, political, regulatory, operation and management risks.

During the Track Record Period, most of our customers are overseas pharmaceutical companies. Other than China, we also had two subsidiaries in the United States and one subsidiary in the United Kingdom. In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, approximately 90.5%, 91.1%, 88.2%, 88.9% and 89.1% of our revenues were attributable to customers with headquarters located outside China. Our customers or our operations outside China could be substantially affected by foreign economic, political and regulatory risks. These risks include but are not limited to:

- fluctuations in currency exchange rates;
- the difficulty of enforcing agreements and collecting receivables through certain foreign legal systems;
- customers in certain foreign countries potentially having longer payment cycles;

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- changes in local tax laws, tax rates in certain countries that may exceed those of the PRC and lower earnings due to withholding requirements or the imposition of tariffs, exchange controls or other restrictions;
- seasonal reductions in business activity;
- the credit risk of overseas customers;
- unexpected changes in legal, regulatory or tax requirements;
- local laws related to, and relationships with, local labor unions and works councils;
- the risk that certain governments may adopt regulations or take other actions that would have a direct or indirect adverse impact on our business and market opportunities, including nationalization of private enterprise;
- a rising trade protectionism, a decline in world trade or a downturn in the economy of the United States or the European Union (including the impact of the exit of the United Kingdom from the European Union);
- non-compliance with applicable currency exchange control regulations, transfer pricing regulations or other similar regulations;
- violations of the Foreign Corrupt Practices Act and the U.K. Anti-Bribery Act by acts of agents and other intermediaries over whom we have limited or no control;
- violations of regulations enforced by the U.S. Department of The Treasury's Office of Foreign Asset Control, or OFAC;
- general economic and political conditions; and
- our limited experience in operating business in foreign countries, such as internal management experience in managing overseas employees with diversified cultures and customs.

While some of these risks can be hedged using derivatives or other financial instruments, such attempts to mitigate these risks are costly and not always successful. If any of these economic or political risks materializes and we have failed to anticipate and effectively manage them, we may suffer a material adverse effect on our business and results of operations. If we do not remain in compliance with current regulatory requirements or fail to comply with future regulatory requirements, then such non-compliance may subject us to liability or other restrictions upon our operations and could have a material adverse effect on our business and results of operations.

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We may not be successful in developing new technologies and improving existing technologies to maintain our competitive position.

The global pharmaceutical outsourcing service industry is characterized by rapid technological changes. Demand for our services may change in ways that we may not be able to anticipate because of evolving industry standards or as a result of evolving customer needs that are increasingly sophisticated and varied or because of the introduction by competitors of new services and technologies. To maintain our technological advantages, we have invested significant amounts of capital and resources into our research and development activities. In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our research and development expenses were RMB155.2 million, RMB192.5 million, RMB258.9 million, RMB108.8 million and RMB163.9 million, respectively. We must continue to invest significant amounts of human and capital resources to develop or acquire technologies that will allow us to enhance the scope and quality of our services. However, we cannot assure you that we will be able to develop, enhance or adapt to new technologies and methodologies. Any failure to do so may make our techniques and services obsolete, which could significantly reduce demand for our services and harm our business and prospects.

Developing new technologies and improving existing technologies requires a significant amount of capital investment and involves substantial uncertainties. Even if we are able to successfully develop new technologies or optimize existing technologies after we spend significant time and efforts on research and development, we cannot guarantee you that we will definitely be able to generate sufficient return on our investment. As a result, we may incur substantial losses from our investment in research and development activities and our future business, results of operations, financial condition and prospects could be materially and adversely affected.

We may not be able to successfully develop and offer new services.

In order to compete successfully, we need to offer and develop new services to meet the changing demand of our customers. Without the timely introduction of enhanced or new services, our services and capabilities may become obsolete over time, in which case, our revenues and operating results would suffer. During the Track Record Period, we have offered several new services. For details, see “Business – Emerging Services.” Successful offering of new services depends on several factors, including but not limited to our ability to:

- properly anticipate and satisfy customer needs, including increasing demand for lower-cost services;
- enhance, innovate, develop and deliver new offerings in an economical and timely manner;
- differentiate our offerings from competitors’ offerings;
- achieve positive clinical outcomes for our customers’ new products;

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- meet quality requirements and other regulatory requirements of government agencies;
- obtain valid and enforceable intellectual property rights; and
- avoid infringing the proprietary rights of third parties.

Even if we were to succeed in creating enhanced or new services, those services may not result in commercially successful offerings or may not produce revenues in excess of the costs of development and capital investment and may be quickly rendered obsolete by changing customer preferences or by technologies or features offered by our competitors. In addition, innovations may not be accepted quickly due to, among other things, entrenched patterns of industry practice, the need for regulatory clearance and uncertainty over market access or government or third-party reimbursement. Moreover, the integration of our recent and future acquisitions could compound the challenges of integrating complementary products, services and technologies and developing and offering new services.

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

Exchange rates between the Renminbi and other currencies, such as the U.S. dollar and the Hong Kong dollar may fluctuate and is affected by, among other things, changes in China's political and economic conditions and by China's foreign exchange policies. In July 2005, the PRC government changed its decades-old policy of pegging the value of the Renminbi to the U.S. dollar, and the RMB appreciated approximately 19% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

Our foreign currency exposure is mainly with respect to U.S. dollars. During the Track Record Period, a majority of our revenue was generated from sales denominated in U.S. dollars. However, a majority of our cost of services and operating costs and expenses are denominated in Renminbi, and our financial information is presented in Renminbi. As a result, when the Renminbi appreciates against the U.S. dollar, our margins are pressured, and we may not be able to price our service contracts, in particular those with our U.S. customers, in currencies other than the U.S. dollar. See "Financial Information – Quantitative and Qualitative Disclosures about Market Risk – Foreign Currency Risk" for more information. During the Track Record Period, we entered into foreign exchange transactions such as long-term or short-term forward and swap contracts, to manage our foreign currency risks. However, the effectiveness of these hedges may be limited, and we may not be able to successfully hedge our exposure.

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We have made significant capital investments to meet our customers' needs, and, as a result, we depend on the continued success of our customers' projects and business.

We have made and are continuing to make significant capital expenditures based on anticipated demand from existing and potential new businesses. We depend on our customers' success in advancing products through development, regulatory approval and commercialization. Any delay, non-approval or lack of demand may have a material impact on our business. Consequently, we may be required to reallocate our resources, a decision that could cause delays in our service offerings and result in lower-than-expected revenues. Our customers operate in a heavily regulated industry and are subject to the oversight of regulators across the globe, including in China, the U.S. and Europe. Changes in laws and regulations relating to the pharmaceutical and biotechnology industries could materially and adversely affect the business of our customers and in turn affect the demand for our services. For example, on July 2, 2021, NMPA's Center for Drug Evaluation solicited comments for the Draft for Comments of the Guiding Principles for Clinical Research and Development of Oncology Drugs Oriented by Clinical Value (《以臨床價值為導向的抗腫瘤藥物臨床研發指導原則》徵求意見稿). The draft guidelines call for a patient-oriented approach to the R&D of oncology drugs and require drug innovators to use the standard-of-care treatment as control in late-stage clinical trials, rather than comparing to treatments that have already been replaced in clinical practice. The draft guidelines, if officially adopted, may increase the cost of running oncology drug trials and raise the bar for regulatory approval. If the business of our customers are negatively affected, the demand for our services may decrease as a result.

As some of our customer agreements are contingent on successful completion of deliverable units, we may not recover some or all of our cost or receive service fees.

We generate fees for our integrated CDMO solutions primarily on a FFS basis. In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, the revenue generated on a FFS basis accounted for approximately 96.4%, 97.7%, 97.2%, 98.8% and 96.4% of our total revenue, respectively. Our FFS contracts may specify multiple deliverable units depending on the services required from our customers. We generally recognize revenue when the customers obtain control of our deliverables, which occurs upon finalization, delivery and acceptance of the respective deliverable unit or after the end of a confirmation period. For more information, please see "Business – Our Fee Models." If we fail to meet our contractual obligations in a timely manner in accordance with contractual requirements, regulatory standards or ethical considerations, if we overrun our budget or underprice our contracts because of competitive pressures, we may face significant losses and liabilities, and our reputation could suffer as a result. Furthermore, should 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 contracts or expand our services to later stage work for such customer, which could have an adverse effect on our business, financial condition, results of operations, cash flows and prospects.

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In pricing our contracts, we evaluate factors such as market positioning, prices of comparable services offered by our competitors, the success of the project, degree of saturation of the market, market trends, complexity of the services required, costs of our services, timeliness, and market trends. However, we cannot guarantee that our evaluation of these factors is accurate and correct. In the event that our contracts are underpriced or our operating costs exceed our budgets, we would incur losses on our contracts and our business, financial condition, results of operations, cash flows, and prospects would be adversely affected.

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

Our success depends, to a significant extent, on our team of scientists and other technical personnel and their ability to deliver high-quality and timely services to our customers and keep abreast of cutting-edge technologies and developments in pharmaceutical market. We compete vigorously with pharmaceutical and biotechnology companies, other CDMO companies and research and academic institutions for qualified and experienced scientists and other technical personnel. In particular, our customers value Western-trained scientists with experience at renowned pharmaceutical or biotechnology companies. As a result, such scientists are well-sought after by our competitors and we may face challenges in attracting and retaining skilled scientists and other technical personnel. We may not be able to hire and retain sufficient skilled and experienced scientists or other technical personnel at our current level of compensation. As a result, we may need to offer higher compensation and other benefits, which could materially and adversely affect our profit margin, financial condition and results of operations. In addition, we may not be successful in training our professionals to keep pace with changes in customer needs and technological and regulatory standards. Any inability to attract, motivate, train or retain qualified scientists or other technical personnel may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

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

In many countries or regions where a pharmaceutical drug is intended to be ultimately sold, such as China, the United States and Europe, the relevant government agencies and industry regulatory bodies impose high standards on the safety and efficacy of drugs, as well as strict rules, regulations and industry standards on the development and manufacture of drugs. Depending on different jurisdictions in which our customers operate, our development and manufacturing of pharmaceutical products for those customers are subject to various and extensive ongoing regulations of the NMPA, the USFDA, the EMA and equivalent regulatory authorities of other jurisdictions. In particular, our manufacturing of certain pharmaceutical products are subject to laws and regulations concerning cGMPs and drug safety. These regulatory authorities may conduct scheduled or unscheduled inspections of our facilities to monitor our regulatory compliance. Although we passed all the inspections and obtained clearance in relation to drug development and manufacturing from the relevant regulatory authorities in all material respects during the Track Record Period, we cannot assure you that we will be able to do so going forward.

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Any failure by us to comply with the requirements of these regulatory authorities, existing regulations and industry standards could result in warning letters, product recalls or seizures, monetary sanctions, injunctions to halt manufacture and distribution, restrictions on our operations, civil or criminal sanctions, or withdrawal of existing or denial of pending approvals, including those relating to products or facilities. Such a failure could expose us to contractual or product liability claims, contractual claims from our customers, including claims for reimbursement for lost or damaged active pharmaceutical ingredients, as well as ongoing remediation and increased compliance costs. Any of the above negative consequences could have a material adverse impact on our reputation, business, financial condition, results of operations and prospects. In addition, any action against us for violation of the relevant regulations or industry standards, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business and adversely affect our reputation and financial results.

Changes in government regulations or in practices relating to the pharmaceutical and biotechnology industries, including reform of the drug approval process in China, could decrease demand for the services we provide, and compliance with new regulations may result in additional costs. The pharmaceutical market is heavily regulated globally, including the United States and China. Changes in laws, government regulations or in practices relating to the pharmaceutical and biotechnology industries, such as a relaxation in regulatory requirements, or the introduction of simplified approval procedures which will lower the entry barrier for potential competitors, or an increase in regulatory requirements which may increase the difficulty for us to satisfy such requirements or may make our services less competitive, could eliminate or substantially reduce the demand for our services.

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

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

In addition, some of these approvals, permits, licenses and certificates are subject to periodic renewal and/or reassessment by the relevant authorities, and the standards of such renewal and/or reassessment may change from time to time. We are committed to apply for the renewal and/or reassessment of these approvals, permits, licenses and certificates when required by applicable laws and regulations, however, we cannot assure you that we will be

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able to successfully maintain or renew existing permits, licenses or any other regulatory approvals or obtain future permits, licenses or other approvals needed for the operation of our businesses. Any failure by us to obtain the necessary renewals and/or reassessment and otherwise maintain all approvals, licenses, permits and certificates necessary to carry out our business at any time could severely disrupt our business and prevent us from continuing to carry out our business, which could have a material adverse effect on our business, financial condition and results of operations.

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

Our growth strategies and business expansion may not be successful.

Our growth strategies include: (i) continue to strengthen our service capabilities and advance our leadership position for small molecule CDMO solutions; (ii) accelerate our expansion into new drug modalities and service types; (iii) continue to invest in R&D and maintain our technology leadership; (iv) deepen our relationship with existing customers and broaden our customer base; (v) enrich our service offerings and expand our global footprint through strategic acquisitions; and (vi) continue to attract, retain and incentivize talent. For more information, see the section headed “Business – Our Growth Strategies.” Pursuing our growth strategies has resulted in, and will continue to result in, substantial demands on capital and other resources. In addition, managing our growth and executing on our growth strategies will require, among other things, our ability to continue to innovate and develop advanced technology in the highly competitive CDMO market, effective coordination and integration of our facilities and teams across different sites, successful hiring and training of personnel, effective cost control, sufficient liquidity, effective and efficient financial and management control, increased marketing and customer support activities, effective quality control, and management of our suppliers to leverage our purchasing power. Any failure to execute on our growth strategies or realize our anticipated growth could adversely affect our business, financial condition, results of operations and prospects.

We proactively manage our development and manufacturing capacity to make sure we are able to deliver pharmaceutical products on a timely and uninterrupted basis. Based on our anticipation of the number of customer orders in the future and estimation about our manufacturing capacity, we generally start to build a new development and manufacturing facility after an existing facility goes into service, and we will formulate expansion plans to enhance our capacity for future customer demands and ensure the continuity of production release. In March 2021, we announced a plan to expand our API manufacturing facilities for peptide and oligonucleotide products to meet the research and development needs of this expanding area of therapeutics. For more information about our manufacturing capacity

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expansion plan, see “Business – Facilities – Future Expansion.” However, when we execute our expansion plans, we may still experience unforeseen issues or construction delays, which could result in loss of business opportunities. Unforeseen issues could also lead to an increase in costs of construction, a diversion of resources from other productive uses and consume significant amounts of management time. Even if expanded capacity is constructed as scheduled, it is possible that customer demand has changed by the time the new manufacturing capacity is put into use and we may not be able to generate sufficient return on our investment. If any of the above were to happen, our business, financial condition, results of operations and prospects would be materially and adversely affected. In addition, once the new facilities are put into use, our annual depreciation and amortization expenses may increase, which may in turn adversely affect our profit margin.

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

We conduct our pharmaceutical development and manufacturing activities in our facilities located in China, including Tianjin, Jilin, Liaoning and Shanghai. We depend on these facilities for continued business operations. Natural disasters or other unanticipated catastrophic events that affect our facilities, including power interruptions, water shortages, storms, fires, earthquakes, terrorist attacks and wars, could significantly impair our ability to operate our business. In particular, the use of hazardous chemical agents in drug manufacturing may cause accidents, such fires, explosions, leakage or other hazardous chemical reactions. Our facilities and certain equipment located in these facilities would be difficult to be replaced in any such event and substantial replacement lead time and cost could be required. For example, Asymchem Life Science, one of our manufacturing sites in Tianjin, was damaged in the explosion accident in Tianjin Binhai New Area in 2015. The accident was caused by improper handling and management of inflammable and explosive chemical products by a logistics company. To prevent potential similar events in the future, we have adopted a higher standard in site selection for our new facilities, under which we avoid sites around industrial parks or enterprises exposed to high risks and without strict management. Despite this, the occurrence of any similar event could materially and adversely affect our business, financial condition, results of operations and prospects.

Our facilities may experience shortage of electricity.

Our R&D and manufacturing processes require adequate and stable supply of electricity. Considering that there has been a significant increase in demand for electricity supply in the PRC recently, to conserve fuel stocks and reduce energy intensity, various provinces, including Liaoning Province and Jilin Province where some of our facilities are located, have implemented power rationing measures since September 2021. We have taken several initiatives in response to such measures, including: 1) prioritizing electricity consumption for R&D and manufacturing purposes, while reducing electricity consumption for administrative purposes such as lighting in public areas; and 2) equipping our facilities with backup power generators as emergency plan. Since October 2021, power supply in the regions where we primarily operate has gradually stabilized. As of the Latest Practicable Date, our R&D and manufacturing activities had not been materially affected and our facilities had not experienced

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any power outage as a result of the recent power rationing measures. However, we cannot assure you that we would not be subject to any power shortage or outages in the future. Nor can we assure you that our backup power system can generate sufficient power to support our R&D and manufacturing process in the long run. If we are to be subject to power outages or there is prolonged power shortage in the future and our power system does not have sufficient capacity to support our R&D and manufacturing in the long run, our business operations will be inevitably disrupted. As a result of the foregoing, our business, financial conditions and results of operation will be adversely and materially affected.

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

Our success depends on the protection of our customers' and our own intellectual property. We rely on our own know-how, trade secrets and other intellectual property to carry out our development and manufacturing activities. In addition, due to the nature of our services, we typically have access to a significant amount of know-how, intellectual property and even trade secrets 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.

We take significant efforts to protect our customers' proprietary and confidential information, including requiring our employees and relevant other third parties to enter into confidentiality agreements prohibiting them from disclosing our customers' proprietary information or technology. However, these agreements may not provide meaningful protection for our customers' trade secrets and proprietary know-how as relevant parties may breach these agreements, which is out of our control. Further, unauthorized third parties may obtain access to our trade secrets or know-how, and others may independently develop similar or equivalent trade secrets or know-how. The use of our technology or similar technology by others could reduce or eliminate any competitive advantage we have developed, cause us to lose sales or otherwise harm our business. If our proprietary information is divulged to third parties, including our competitors, or our intellectual property rights are otherwise misappropriated or infringed, our competitive position could be harmed. Any 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. Any failure to protect our own intellectual property may severely disrupt our business operation and reduce or eliminate any competitive advantage we have developed. Either failure 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.

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Our services and our customers' products may infringe on or misappropriate the intellectual property rights of third parties.

We cannot be certain that we do not infringe on the intellectual rights of third parties. Any claims that our services infringe third parties' rights, including claims arising from our contracts with our customers, regardless of their merit or resolution, could be costly and may divert the efforts and attention of our management and technical personnel. We may not prevail in such proceedings given the complex technical issues and inherent uncertainties in intellectual property litigation. If such proceedings result in an adverse outcome, we could be required, among other things, to pay substantial damages, discontinue the use of the infringing technology, expend significant resources to develop non-infringing technology, license such technology from the third party claiming infringement (which license may not be available on commercially reasonable terms or at all) and/or cease the manufacture, use or sale of the infringing processes or offerings, any of which could have a material adverse effect on our business.

In addition, our customers' products may be subject to claims of intellectual property infringement and such claims could materially affect our business if their products cease to be manufactured and they have to discontinue the use of the infringing technology which we may provide. Any of the foregoing could affect our ability to compete or could have a material adverse effect on our business, financial condition and results of operations.

Under most of our long-term service agreements and project-based service contracts, we have agreed to indemnify the customer for intellectual property infringement claims arising out of our infringement of a third party's intellectual property. Our liability is usually capped at the total payments we have received under the service contract or work order except for losses arising from breach of confidentiality obligations or from our gross negligence or willful misconduct. As a result, if any aspect of a deliverable to a customer that we create infringes a third party's intellectual property rights due to our gross negligence 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 are subject to product and other liability risks that could have a material adverse effect on our results of operations and financial condition.

We provide pharmaceutical development and manufacturing services to our customers. In providing our services, we face various potential liabilities. In particular, we may be named as a defendant in product liability lawsuits, which may allege that products or services we have produced for our customers have resulted or could result in an unsafe condition or injury to consumers. Such lawsuits could be costly to defend and could result in reduced sales, significant liabilities and diversion of management's time, attention and resources. Since we do not maintain product liability insurance, there may be claims asserted against us that are not covered by such insurance, and an uninsured claim, if successful and of sufficient magnitude,

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could have a material adverse effect on our results of operations and financial condition. Even claims without merit could subject us to adverse publicity and require us to incur significant legal fees. Furthermore, product liability claims and lawsuits, regardless of their ultimate outcome, could have a material adverse effect on our operations and financial condition and reputation and on our ability to attract and retain customers.

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

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

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

Our business operations require a substantial amount of raw materials, chemical compounds and consumable materials. In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our cost of raw materials accounted for approximately 22.3%, 27.5%, 26.3%, 25.1% and 22.3% of our revenue, respectively. We generally source these raw materials, chemical compounds and consumable materials locally. Most of the materials required by us for our outsourced pharmaceutical manufacturing services are readily available from multiple sources. In a very few instances, such ingredients or packaging material can only be supplied by a limited number of suppliers or in limited quantities. If our suppliers do not supply raw materials on a timely basis at reasonable prices, we may be unable to manufacture products for our customers. A sustained disruption in the supply chain involving multiple customers or vendors could have a material adverse effect on our results of operations.

Furthermore, suppliers may fail to provide us with raw materials and other components that meet the qualifications and standards required by us or our customers. If suppliers are not able to provide us with products that meet our or our customers’ specifications on a timely basis, we may be unable to manufacture products, or products may be available only at a higher cost or after a long delay, which could prevent us from delivering products to our customers within required timeframes. Any such inability to manufacture or delay in delivering our products may create liability for us to our customers for breach of contract or cause us to experience order cancellations and loss of customers. In the event that we manufacture

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products with inferior quality, we may become subject to product liability or warranty claims caused by defective raw materials or components from a supplier, or our customer may be required to recall its products from the market.

We have stable relationships with many of our key suppliers and each of our five largest suppliers in 2020 had over four years relationships with us. However, we cannot assure you that we will be able to secure a stable supply of raw materials going forward. It is also possible that any of our supplier relationships could be interrupted due to natural disasters, international supply disruptions caused by geopolitical issues, trade frictions, global shipping crises, or other events beyond our control or could be terminated in the future. Any sustained interruption in our receipt of adequate supplies could have an adverse effect on our business and financial results. In addition, while we have supply chain processes intended to reduce volatility in component and material pricing, we may not be able to successfully manage price fluctuations. Price fluctuations or shortages could have a material adverse effect on our results of operations and financial condition.

In addition, we cannot assure you that our suppliers have obtained and will be able to renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations, and failure to do so by them may lead to interruption in their business operation, which in turn may result in shortage of raw materials supplied to us. A few of our suppliers are based overseas and therefore may need to maintain export or import licenses. If the supply of raw materials is interrupted, our business operation and financial position may be adversely affected.

Any failure to comply with anti-corruption and anti-bribery laws of China and other jurisdictions could subject us to penalties and other adverse effects.

We are subject to the anti-bribery laws of the jurisdictions in which we operate, particularly the United States, China and the United Kingdom. In addition, many of our customers are subject to the Foreign Corrupt Practices Act, or FCPA, enacted in the United States, that generally bans an entity from bribery or corruption, which means directly or indirectly, making improper payments to foreign officials for the purpose of obtaining or retaining business. As a result, our service contracts often include anti-bribery provisions which require us to comply with the FCPA and other anti-bribery laws.

Although we have procedures and controls to monitor anti-bribery compliance, we cannot guarantee these measures can fully protect us from reckless or criminal acts committed by our employees or agents. Furthermore, we could be held liable for actions taken by our employees or agents, which could expose us to risks of regulatory investigations and penalties. If we fail to comply with applicable anti-bribery laws due to our own deliberate or inadvertent acts or those of our employees, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions and significant expenses, which could have a material adverse effect on our business, financial condition and results of operations.

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Illegal actions, misconduct, or any failure by our suppliers could materially affect our business, reputation, financial condition and results of operations.

Our suppliers that are outside of our control may harm our reputation, financial condition and results of operations by their illegal actions misconduct or unsatisfactory performance. We advise caution that we cannot guarantee our suppliers will comply with laws, whose non-compliance may result in claims against us. And failure of our suppliers to ensure the high quality of their goods and services could interrupt our operations. This kind of circumstances may bring about our claims, and materially affect our business, reputation, financial condition and results of operations.

In the event that we suffer claims caused by illegal actions, misconduct, or any failure taken by our suppliers, we may attempt to seek compensation from the relevant parties. However, we may have to bear such losses and compensation at our own cost, in case that no claims can be asserted against a supplier, or amounts that we claim cannot be fully recovered from the supplier or subcontractor. This could have a material and adverse effect on our business, financial condition and results of operations, and reputation as well.

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

Our inventories include raw materials, work in process and finished goods related to our CDMO services. We generally maintain certain levels of basic chemical raw materials and procure other raw materials and consumables specifically tailored to our customer's actual work orders. We manage our inventory levels based on our forecasts of customer demand for our services in terms of ongoing projects and potential new projects. Customer demand, however, can be affected by numerous uncertainties, including in relation to the progress of their projects, pending regulatory approvals, timing and success of clinical trials, our level of success in securing new projects and other factors beyond our control. Our inventories increased from RMB424.1 million as of December 31, 2018 to RMB448.8 million as of December 31, 2019 and to RMB726.4 million as of December 31, 2020, which further increased to RMB879.0 million as of June 30, 2021, primarily as a result of the growth of our business. As of September 30, 2021, approximately RMB566.4 million, or 64.4%, of our inventories as of June 30, 2021 had been subsequently consumed.

If we fail to manage our inventory levels effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in the value of inventories, and potential inventory write-downs or write-offs. Any shortfall of raw materials and inventories may impact our ability to satisfy our customers' orders. Procuring additional inventories may also require us to commit substantial working capital, preventing us from using such capital for other purposes. Any of the foregoing may materially and adversely affect our results of operations and financial condition.

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Contract delays, cancellations and non-renewals may adversely affect our business.

Although we have many long-term contracts, the volume under each contract is subject to change, sometimes significantly based on the expected forecast volume required by our customers. In addition, certain of our contracts may be cancelled or delayed by customers for certain reasons upon short notice. Multiple cancellations, non-renewals, or renewals on less favorable terms of significant contracts could have a material adverse effect on our business, results of operations and financial condition.

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

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

The discontinuation of any of government incentives or preferential tax treatment currently available to us could adversely affect our financial position, results of operation, cash flows and prospects.

Since our inception, we have benefited from government grants and subsidies. In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, we recorded under other income and gains RMB55.1 million, RMB90.5 million, RMB99.3 million, RMB52.9 million and RMB74.8 million of government grants and subsidies, respectively. We also enjoyed preferential tax treatment during the Track Record Period. See "Financial Information – Description of Key Consolidated Statement of Profit or Loss Items – Other Income and Gains" and "Financial Information – Description of Key Consolidated Statement of Profit or Loss Items – Income Tax Expense" for more details. The incentives are subject to the discretion of the central government or relevant local government authorities, which could determine at any time to eliminate or reduce these financial incentives, generally with prospective effect. Since our receipt of the financial incentives is subject to periodic time lags and inconsistent government practice, as long as we continue to receive these financial incentives, our net income in a particular period may be higher or lower relative to other periods depending on the potential changes in these financial incentives in addition to any business or operational factors that we may otherwise experience. The discontinuation of financial incentives currently available to us could have a material adverse effect on our financial condition, results of operations, cash flows and prospects.

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We have made and expect to continue to make acquisitions as part of our growth strategy, which exposes us to significant risks.

Our success is partly dependent on our ability to acquire other businesses or technologies or enter into joint ventures that could complement, enhance or expand our current business or offerings and services or that might otherwise offer us growth opportunities. We have made strategic acquisitions and investments to expand our technological capabilities and broaden our service scope. For more details on our strategic acquisitions or investments, see “Business – Strategic Collaborations, Acquisitions and Investments.”

From time to time, we explore potential acquisition opportunities as part of our growth strategy in the future. For our proposed and possible acquisitions using our internal resources after the Track Record Period, see “Summary – Recent Developments” and “Waivers from Strict Compliance with the Listing Rules – Waiver in Respect of Acquisitions after the Track Record Period”. We had not identified any acquisition targets to use the net proceeds of the Global Offering as of the Latest Practicable Date and many global and regional CDMOs or CROs are looking for similar acquisition targets globally to improve their competitiveness. Therefore, we may not be able to identify appropriate targets to acquire or invest in, and we may not be able to materialize our acquisition plans as expected. Our ability to enter into such transactions may also be limited by applicable antitrust laws and other regulations in relevant jurisdictions. To the extent that we are successful in making acquisitions or joint ventures, we may have to expend substantial amounts of cash, incur debt and assume loss-making divisions. We may not be able to complete such transactions due to a failure to secure financing. Any future acquisitions we undertake may be financed through cash provided by operating activities, borrowings under our credit facilities and/or other debt or equity financing. All of these could reduce our cash and funding sources available for other purposes.

Even if we are successful in making acquisitions or joint ventures, integration of an acquired company, its intellectual property or technology into our own operations is a complex, time-consuming and expensive process. A successful integration of an acquired company may require, among other things, that we integrate and retain key management, sales and other personnel, integrate the acquired technologies or services into our integrated services from both an engineering and a sales and marketing perspective, integrate and support preexisting supplier, distribution and customer relationships, coordinate research and development efforts, and consolidate duplicate facilities and functions. All of the above involves a significant amount of uncertainties and risks. Other than the above, any transactions that we are able to identify and complete may also involve a number of risks, including but not limited to:

- the diversion of management’s attention to negotiate the transaction and then integrate the acquired businesses or joint ventures;
- the possible adverse effects on our operating results during the negotiation and integration process;
- significant costs, charges or write-downs;
- the potential loss of customers or employees of the acquired business;
- delays or reduction in realizing expected synergies;
- unexpected liabilities relating to a joint venture or acquired business; and

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- our potential inability to achieve our intended objectives for the transaction.

In addition, we may be unable to maintain uniform standards, controls, procedures and policies with respect to an acquired business, and this may lead to operational inefficiencies.

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

Our operations require a sufficient number of qualified employees. In recent years, the average labor cost in the global pharmaceutical market has been steadily increasing as the competition for qualified employees has become more intense, according to the Frost & Sullivan Report. Our labor costs accounted for approximately 6.6%, 6.3%, 6.5% and 6.3% and 7.2% of our revenue in 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, respectively. We cannot assure you that there will be no further increase in labor cost. If there is a significant increase in our labor cost, our operations and profitability may be adversely affected.

During the Track Record Period, we adopted the 2018 Restricted A Share Incentive Scheme in July 2018, 2019 Restricted A Share Incentive Scheme in April 2019, 2020 Restricted A Share Incentive Scheme in July 2020 and 2021 Restricted A Share Incentive Scheme in July 2021, for the primary purpose of providing incentives and reward to employees of our Group. Under the scheme, our Board of Directors has granted restricted shares of our Company to eligible employees. See the section headed “Statutory and General Information – A Share Incentive Schemes” in Appendix VI to this document for more details. In connection with such grant, we incurred RMB15.9 million, RMB15.2 million, RMB18.0 million, RMB4.9 million and RMB15.4 million of equity-settled share incentive scheme arrangements in 2018, 2019, 2020 and the six months ended June 30, 2020 and 2021. Share incentive awards granted under our existing or future share-based compensation scheme could adversely affect our net income.

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

We maintain property insurance policies covering physical damage to, or loss of, our facilities and their improvements, equipment, office furniture and inventory. We hold employer’s liability insurance generally covering death or work-related injury of our employees. We hold public liability insurance covering certain incidents involving third parties that occur on or in our premises. We do not maintain product liability and professional errors and omissions insurance covering product liability claims arising from the use, consumption or operation of our products and claims arising from negligence in connection with our services to customers. We do not hold directors and officers liability insurance, nor do we maintain key-man life insurance on any of our senior management or key personnel, or business interruption insurance. Our insurance coverage may be insufficient to cover any claim for product liability, damage to our facilities, plant and equipment or employee injuries. In particular, we may face product liability risks if the pharmaceuticals we help develop or manufacture 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

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relating to personal injuries or death. We provide services in the development and manufacturing of pharmaceuticals that are intended ultimately to be used on humans, either during clinical trials or as marketed products. Although we do not commercially market or sell these products to end users, if any of these drugs harms people due to our negligence, willful misconduct or material breach, we may be subject to litigations and may be required to pay damages to our customers. Damages awarded in a product liability action could be substantial. To our knowledge, insurance companies in China do not offer business liability insurance. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources.

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

We may become, from time to time, subject to legal proceedings and claims that arise in the ordinary course of business or pursuant to governmental or regulatory enforcement activity. Actions brought against us, with or without merit, may result in administrative measures, settlements, injunctions, fines, penalties, negative publicity, or other results that could have material adverse effect on our reputation, business, financial condition, results of operations, and prospects. Even if we are successful in defending ourselves against these actions, we may incur significant costs and divert management's attention and resources in such defense. During the Track Record Period, we were not involved in any material litigation, legal disputes, claims or administrative proceedings.

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

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

Our commercial success depends significantly on the continued service of our senior management. For example, Dr. Hong, our founder and Chairman, is responsible for the overall management and operation of our business as well as our business strategies and long-term development plan. For more details of our senior management, please see the section headed "Directors, Supervisors and Senior Management." The loss of any of our senior management could have a material adverse effect on our business and operations. If we lose the services of any senior management members, we may be unable to identify, hire and train suitable qualified replacements and may incur additional expenses and spend a long time to recruit and train new personnel, which could severely disrupt our business and growth. In addition, our

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employment contract with each member of our senior management has included a non-compete provision, however, we may not be able to successfully enforce these provisions should any of them leave us, which could adversely affect our business operations.

Any failure of our information systems, such as from data corruption, cyber-based attacks or network security breaches, could have a material adverse effect on our business and results of operations.

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

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

Customers may bring claims against us for breach of contract. We provide complex and often time-sensitive services, thus, we may make material mistakes, including in managing and conducting a project, or in preserving, processing or analyzing customer data, that can have a negative impact on results of the project or may cause the results to be reported improperly. If such an event occurs, we may incur significant costs for reperforming the project or liabilities to customers if the project fails to meet contractually agreed standards, which could adversely affect our reputation, as well as increase extra costs.

Further, delivery arrangements of our products may be disrupted due to natural disasters, unpredictable weather conditions, outbreak of epidemics like COVID-19, or other unforeseen catastrophic events beyond our control, such as the global shipping crisis in 2021. Such events may lead to our failure to perform contractual obligations or otherwise reduce demand for our services, which could adversely affect our reputation, business and results of operations.

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

During clinical trials, there are direct interactions among our employees, staff of our hospital subcontractors, volunteers and patients at the relevant clinical sites. As a part of our clinical trials, we engage healthcare professionals who work with physicians, nurses or other

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hospital staff to perform procedures on individual patients and healthy participants, which may involve the administration of the investigational drug, drawing of blood, or other medical procedures required under a specific protocol. Any personal injury, or death, that are caused to a participant in a clinical trial by medical malpractice or negligence may result us to liabilities and have a material adverse effect on our reputation, business, results of operations, or financial condition.

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

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

Recently, as trade frictions increase between the United States and China, concerns exist among PRC enterprises transacting with U.S. companies that a possible trade war between the two countries could have possible impact on their business. A breakdown in trade relations between the United States and China could also delay the global economic recovery in recent years, threatening the ongoing economic development and the increasing cross-border transactions trend. Given that a substantial number of our customers are U.S. pharmaceutical and biotechnology companies, the demands of our services are significantly influenced by U.S. government’s attitude toward Chinese services providers in pharmaceutical and biotechnology industries. We cannot assure you that we will not be negatively influenced by the increasing trade frictions between the United States and China as well as by adverse changes in U.S. laws and regulations toward diplomatic relations. As a result, our business, financial condition, results of operations and business prospects could be materially and adversely affected.

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If we fail to collect contract assets and accounts receivables from our customers in a timely manner, our business, results of operations and financial condition may be materially and adversely affected.

We generally grant our customers credit terms of 30 to 90 days. As of December 31, 2018, 2019, and 2020 and June 30, 2021, our trade receivables were RMB521.4 million, RMB656.9 million, RMB978.1 million and RMB830.5 million, respectively. We recorded allowance for impairment of trade receivables of RMB27.5 million, RMB35.4 million, RMB56.6 million and RMB47.6 million as of December 31, 2018, 2019, and 2020, and June 30, 2021, 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. Any substantial default or delay of a customer's payment obligations may materially and adversely affect our business, financial conditions and results of operations.

If we fail to provide the underlying services or products for the prepayments we received from our customers, our results of operations and financial condition may be adversely affected.

As of December 31, 2018, 2019 and 2020, and June 30, 2021, we recorded contract liabilities in the amount of RMB14.6 million, RMB20.2 million, RMB91.6 million and RMB142.5 million, respectively. Our contract liabilities mainly represent advances received from our customers for undelivered goods and services. See "Financial Information – Discussion of Selected Items from the Consolidated Statements of Financial Position – Other payables and accruals." If we fail to fulfill our obligations under our contracts with our customers, we may not be able to recognize such contract liabilities as revenue, and our customers may also require us to refund the advances we have received upfront, which may adversely affect our cash flow and liquidity condition and our ability to meet our working capital requirements and in turn, our results of operations and financial condition. In addition, if we fail to fulfill our obligations under our contracts with customers, it may also adversely affect our relationship with such customers, which may in turn affect our reputation and results of operations in the future.

We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.

We may need additional capital, aimed to expand our capacity, develop new services and remain competitive. We expect to meet such capital commitments by using cash from operations, proceeds from our private placement in 2020, net proceeds to be received from the Global Offering and bank borrowings available to us. However, financing may be limited 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 CDMO companies, and economic, political and other conditions in China, the United States or globally where we have operations. The sale of additional equity or equity-linked securities could lead to dilution to the

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shares held by our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants restricting our operations or our ability to pay dividends, which may adversely impact our business, financial conditions and results of operations.

Our financial assets at fair value through profit or loss (“FVTPL”) are subject to the uncertainties in accounting estimates, which could materially affect our financial condition and results of operations.

Our financial assets/liabilities at FVTPL were low-risk wealth management products, forward currency contracts issued by banks and an unlisted investment in an investment fund in Mainland China. They were mandatorily classified as financial assets/liabilities FVTPL as their contractual cash flows are not solely payments of principal and interest. The fair value of our financial assets and liabilities refers to 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. As of June 30, 2021, we recorded financial assets at FVTPL of RMB1,405.7 million. We recorded fair value gain on financial assets/liabilities at FVTPL of RMB10.3 million, RMB5.3 million, and nil in 2018, 2020 and for six months ended June 30, 2021, respectively. We recorded fair value loss on financial assets/liabilities at FVTPL of RMB12.4 million in 2019. Estimated changes in fair values involve the exercise of professional judgment and the use of certain bases and assumptions, which, by their nature, are subjective and uncertain. To measure the fair value of our financial assets or liabilities, we use the assumptions that market participants would use to price the asset or liability acting in their economic best interest. For more details, please refer to the paragraphs headed “Financial Information – Critical Accounting Policies, Judgements and Estimates – Fair Value Measurement” and “Financial Information – Discussion of Selected Items from the Consolidated Statements of Financial Position – Financial assets/liabilities at FVTPL”, Notes 2 and 23 of the Appendix IA to this prospectus. As such, the financial assets valuation has been, and will continue to be, subject to uncertainties in accounting estimation, which may not reflect actual fair value of these financial assets and result in significant fluctuations in profit or loss from year to year. To the extent we need to revalue these financial assets, any change in fair value and related valuation uncertainty could materially affect our financial condition and results of operations.

We may face challenges by third parties or government authorities with respect to title defects of certain of our properties in China.

As of the Latest Practicable Date, we owned 79 properties in China, with a total GFA of approximately 217,472.0 square meters, and had obtained title certificates for 74 of them, with a total GFA of approximately 149,841.9 square meters (accounting for 68.9% of the total GFA of our owned properties). We have not obtained title certificates for three properties we constructed on land parcels owned by us, with a total GFA of 61,975.2 square meters. For the three properties, we have obtained the planning permits and construction permits and completed the filing a record of completion and acceptance as required by relevant PRC laws and regulations, and we are in the process of applying for title certificates for them. In addition,

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we purchased two properties with a total GFA of 5,654.8 square meters, which are commercial housing used as dormitory and training centers. We have entered into commercial housing contracts with the original owners and paid the purchase price, and are in the process of applying for title certificates for the two properties. We cannot assure you that we will be able to successfully obtain title certificates for the five properties. As advised by our PRC Legal Advisor, in respect of the five properties for which we have not obtained title certificates, we may not be able to transfer, lease or mortgage these properties due to lack of title certificates.

As of the Latest Practicable Date, we leased 115 properties in China, for 55 of which the relevant landlords had failed to provide either property ownership certificates or relevant authorization documents to demonstrate their legal right to lease such properties. The leased properties with title defects are used as offices and dormitories. For more information, please see “Business – Properties” in this prospectus. We cannot assure you that the landlords 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 or government authorities. In such cases 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 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 owned or 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 114 properties we lease in the PRC for our business operations and staff dormitories 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. 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, please see “Business – Compliance” in this prospectus.

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Failure to make full contribution to social insurance and housing provident funds for some of our employees in accordance with relevant PRC laws and regulations may subject us to penalties.

According to the Social Insurance Law and the Regulation on the Administration of Housing Provident Funds and other applicable PRC regulations, any employer operating in China must open social insurance registration accounts and housing provident fund registration accounts, and contribute social insurance premium and housing provident fund for its employees. Any failure to make timely and adequate contribution of social insurance premium and housing provident fund for its employees may trigger an order of correction from competent authority requiring the employer to make up the full contribution of such unpaid social insurance premium and housing provident fund within a specified period of time, and the competent authority may further impose fines or penalties. During the Track Record Period, we failed to make full contribution to the social insurance and housing provident funds for some of our employees as required under the applicable PRC laws and regulations, involving an immaterial amount which will not bring any material adverse effect on our operations. As advised by our PRC Legal Advisor, 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. Furthermore, 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, we had not received any order of correction or any fines or penalties from the competent authority and also have not received any complaint or labor arbitration application from any of our employees, in each case as a result of any such failure. As advised by our PRC Legal Advisor, considering relevant regulatory policies and the facts stated above, such non-compliance will not have a material adverse effect on our financial condition or results of operations taken as a whole. However, we cannot assure you that the competent authority will not require us to rectify any non-compliance by making contribution of unpaid social insurance premium and housing provident fund or impose fine or penalty related thereto.

During the Track Record Period, 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. For details, see “Business – Compliance.” As of the Latest Practicable Date, our relevant PRC subsidiaries had not received any administrative penalty or labor arbitration application from employees for its agency arrangement with third-party human resources agencies. However, we cannot assure you that the relevant competent government authority will not be of the view that this third-party agency arrangement does not satisfy the requirements under the relevant PRC laws and regulations, nor can we assure you that such authority will not impose fees, pecuniary penalties or other administrative actions on us for our such noncompliance. Pursuant to the agreements entered into between such

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third-party human resources agencies and 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, none of the third-party human resources agencies that our relevant subsidiaries cooperate with had failed to pay, or delayed in paying, any social insurance premium or housing provident fund contributions for our employees. However, if the human resource agencies fail to pay the social insurance premium or housing provident fund contributions for and on behalf of our employees as required under applicable PRC laws and regulations, we may be ordered to rectify such failure or be subject to penalties. As a result of any of the above, our financial condition and results of operations may be adversely affected.

If our intangible assets were determined to require impairment, it could adversely affect our results of operations and financial position.

Our intangible assets other than goodwill include software, patents and licenses. As of December 31, 2018, 2019 and 2020 and June 30, 2021, the carrying value of our intangible assets other than goodwill was approximately RMB12.9 million, RMB19.2 million, RMB24.0 million and RMB23.3 million, respectively. At the end of the Track Record Period, we review the carrying amounts of intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. In the event that our intangible assets are impaired, the amount of the impairment will constitute a non-cash expense to the profit or loss.

A slowdown in revenue growth, our inability to maintain our development and manufacturing activities or a decrease in profit margins could result in an impairment to our intangible assets other than goodwill. We cannot assure that we will continue to maintain the same level of revenue growth, development and manufacturing activities and/or profit margins. Moreover, a change in the assumptions used in the impairment testing of intangible assets may lead to significant impairment losses. If our intangible assets are impaired, or there is a change in the assumptions used in the impairment testing of our intangible assets, our results of operations could be adversely affected. Please refer to Note 2.3 “Summary of significant accounting policies” and Note 16 “Other intangible assets” to the Accountants’ Report in Appendix IA to this prospectus for further details of our accounting policies for intangible assets and their impairment, and the estimates and assumptions involved therein.

We may face goodwill impairment risk in connection with our acquisitions.

In order to strengthen our ability to provide fully-integrated pharmaceutical research and manufacturing services, we have undertaken a series of acquisitions in the past. In practice, many companies acquire other companies and pay a consideration that exceeds the fair value of identifiable assets and liabilities that the acquired company possesses, the difference between the purchase price and the fair value of acquired assets is recorded as a goodwill. The carrying amount of goodwill of our Group were of RMB43.2 million as of December 31, 2020 and remained the same as of June 30, 2021. Goodwill impairment arises when there is deterioration in the capabilities of acquired companies to generate cash flows, and the fair

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value of the goodwill dips below its book value. We face goodwill impairment risks in connection with our acquisitions, and any significant goodwill impairment for our acquired companies will adversely affect our business, financial condition 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, 2018, 2019 and 2020 and June 30, 2021, our deferred tax assets amounted to RMB47.6 million, RMB85.3 million, RMB118.0 million and RMB141.6 million, which primarily consist of losses available for offsetting against future taxable profits. For details of the movement of our deferred tax assets during the Track Record Period, please see Note 17 to the Accountants' Report in Appendix IA 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 profit nor the accounting profit. As such, this requires significant judgment on the tax treatments of certain transactions and also assessment on 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.

Fluctuation of the operational results of our invested companies and the fair value of our investments may adversely affect our financial position.

During the Track Record Period, we have made strategic investments in Snapdragon Chemistry and Yugen Medtech. We have also invested in a number of biotech companies through Tianjin Haihe Asymchem Fund. Those biotech companies we have invested in focus on research and development of innovative drugs with significant growth potential or cutting edge technologies, which allow us to further access a wider variety of participants in the healthcare ecosystem while maintaining our position at the forefront of science. For the details of our investments, please refer to the section headed "History and Development." The performance of our invested companies, including but not limited to the commercial success of their drug candidates, will affect our cash flow and results of operation. Our investments in these companies are recorded as investments in associates, which amounted to RMB201.5 million, RMB269.7 million and RMB268.8 million as of December 31, 2019, 2020 and June 30, 2021, respectively. Our investments in our invested associates are generally illiquid. Our ability to realize our anticipated investment returns will depend on the investee's ability to pay dividends or complete initial public offering or trade sale, which in turn relies on, among other things, the business and financial performance of our investees. There is no assurance that our invested associates will declare and/or pay any dividends because the declaration, payment and amount of dividends are subject to the discretion of directors of associates, depending on, among other considerations, their operations, earnings, cash flows and financial positions, constitutional documents and applicable law. Even if we recognize share of profits of these associates under equity reporting method, our investment would not generate any cash flow for us unless our investees declare and pay dividends to us. In addition, for our investments in associates, if the share of profits of these associates were to fluctuate, our results of operations may be adversely affected. We recognized a gain from our investments in associates of RMB1.5 million and RMB2.1 million in 2019 and 2020, respectively, and incurred a loss of RMB0.9 million for the six months ended June 30, 2021.

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RISKS RELATING TO DOING BUSINESS IN CHINA

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

We conduct substantially all of our business operations in China. Accordingly, our business, financial condition, results of operations, cash flows and prospects are affected to a significant degree by the economic, political and social conditions in China. The economic, political and social conditions in China differ from those in other developing or developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. During the past four decades, the PRC government has implemented various measures to carry out market-oriented economic reforms, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly.

Our ability to successfully expand our business operations in China depends on a number of factors, including macroeconomic and other market conditions, and credit availability from lending institutions. Stricter credit or lending policies in China may affect our ability to obtain external financing, which may reduce our ability to implement our expansion strategies. We cannot assure you that the PRC government will not implement any additional measures to tighten credit or lending standards, or that, if any such measure is implemented, it will not adversely affect our future results of operations or profitability.

In addition, demand for our products and services, our financial condition and results of operations may also be materially and adversely affected by other factors that are beyond our control, such as changes in social conditions of the PRC, changes in laws, regulations, and administrative directives or the interpretation thereof, measures which may be introduced to control inflation or deflation, and changes in the rate or method of taxation.

Uncertainties with respect to the Chinese legal system could adversely affect us.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have limited precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing general economic matters. The overall effect of legislation over the past four decades has significantly increased the protections afforded to various forms of foreign investment in China. However, China has not developed a fully-integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activity in China.

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The Civil Code of the People's Republic of China (中華人民共和國民法典) was adopted by the third session of the 13th National People's Congress on May 28, 2020, and came into force on January 1, 2021. As a declaration of civil rights, the Civil Code of the People's Republic of China (中華人民共和國民法典) is the legal basis for the protection of civil rights and has a 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. These laws and regulations change frequently, and their interpretation and enforcement involve uncertainties. In addition, some regulatory requirements issued by certain PRC government authorities may not be consistently applied by other government authorities, thus making strict compliance with all regulatory requirements impractical or, in some circumstances, impossible. For example, we may have to resort to administrative and court proceedings to enforce the legal protections that we benefit from either by law or contract. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in legal systems in more developed nations. Furthermore, the Chinese legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until sometime after the violation. These uncertainties may also impede our ability to enforce the contracts we have entered into. These uncertainties, together with any development or interpretation of the PRC law that is adverse to us, could materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

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 obligations under PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past we had acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and had established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. Such adjustments or changes, together with any uncertainty resulting therefrom, could have an adverse effect on our business, financial condition and results of operations. For example, under the IIT Law, which was amended on June 30, 2011 and came into effect on September 1, 2011, foreign nationals which 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. In addition, the Standing Committee of NPC approved the amendment of the IIT Law, which took effect 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 sub rule be strictly enforced, our

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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 and regulations, together with any uncertainty resulting therefrom, could also have an adverse effect on our business, financial condition and results of operations.

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) 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 stricter 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 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 NPC promulgated the PRC Social Insurance Law, or the Social Insurance Law, which became effective on July 1, 2011, and it approved the amendment of the Social Insurance Law, which took effect on December 29, 2018. According to the amended 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.

We expect our labor costs to increase due to the implementation of these laws and regulations. As the interpretation and implementation of these laws and regulations are still evolving, we cannot assure you that our employment practice policy 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.

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

Most of our operating subsidiaries are incorporated in China. Substantially all of our management reside in China and almost all of our assets are located in China. As a result, it may not be possible for investors to effect service of process upon us or our management inside China. China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom and many other countries. Consequently, it may be difficult for you to enforce against us or our Directors or officers in China any judgements obtained from non-PRC courts.

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

Dividends received by foreign holders of our H Shares and gains derived from the disposition of our H Shares by such holders may be subject to PRC taxation.

Individual holders of our H Shares who are foreign nationals are subject to PRC individual income tax on dividends received from us. Pursuant to the Circular on the Individual Income Tax Matters after the Repeal of Guo Shui Fa [1993] No. 045 Circular (Guo Shui Han [2011] No. 348) issued by State Administrative of Taxation on June 28, 2011 (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知), we are required to withhold such tax from dividend payments to foreign nationals at tax rates ranging from 5% to 20% (usually 10%) depending on the applicable tax treaty between the PRC and the jurisdiction in which the foreign national resides. Residents of jurisdictions that have not entered into a tax treaty with the PRC will be subject to a 20% withholding tax on dividends. See Appendix III “Taxation and Foreign Exchange – The PRC Taxation” for details. With respect to gains on the disposal of our H Shares by individuals, under the Individual Income Tax Law, individuals are subject

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to tax at a rate of 20% on gains realized on the sale of shares in PRC resident enterprises, but pursuant to the Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (Cai Shui Zi [1998] No. 61) (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知(財稅字[1998]61號)) issued by the MOF and the SAT on March 30, 1998, income of individuals derived from the transfer of shares in listed enterprises is exempt from individual income tax. As of the Latest Practicable Date, no legislation has expressly provided that income of non-Chinese resident individuals derived from the sale of shares in PRC resident enterprises listed on overseas stock exchanges, such as our H Shares, is subject to individual income tax, and, in practice, the taxation administrations do not collect individual income tax on such income. If such tax is collected in the future, the value of such foreign individual holders' investments in our H Shares may be adversely affected.

Under the PRC EIT Law and its implementation rules, for non-PRC resident enterprises that do not have establishments or premises in China, and for those who have establishments or premises in China but whose income is not related to such establishments or premises, dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company are generally subject to enterprise income tax at the rate of 10%, subject to further reductions under any special arrangement or applicable treaty between the PRC and the jurisdiction of the relevant foreign enterprise's residence. As the PRC EIT Law and its implementation rules are relatively new, there remains uncertainty as to their interpretation and application by the PRC tax authorities, including whether and how enterprise income tax on gains derived by non-PRC resident enterprise holders of H Shares may be collected in each case. If such tax is collected, the value of such foreign enterprise holders' investments in our H Shares may be adversely affected. For additional information, see "Appendix III – Taxation and Foreign Exchange."

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 controls 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

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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.

RISKS RELATING TO THE GLOBAL OFFERING

Our A Shares were listed in China in 2016, and the characteristics of the A share and H share markets may differ.

Our A Shares were listed on the Shenzhen Stock Exchange in November 2016. 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. Under current PRC laws and regulations, without approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H share and A share markets. With different trading characteristics, the H share and A share markets have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, 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 H share and A share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the previous 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. In addition, the Offer Price of our H Shares may not be indicative of the market price of our H Shares following the completion of 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 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 Shares. In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business

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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.

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

The Offer Price of our H Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible asset. 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 H Shares in the future. In addition, purchasers of our H Shares may experience further dilution of their interest if the Underwriters exercise the Over-allotment Option or if we issue additional shares in the future to raise additional capital.

Future sales or perceived sales of our H Shares in the public market by major Shareholders following the Global Offering could materially and adversely affect the price of our H Shares.

Future sales or perceived sales by our existing Shareholders of our H Shares after the Global Offering could result in a significant decrease in the prevailing market price of our H Shares. Only a limited number of our H Shares currently outstanding will be available for sale or issuance immediately after the Global Offering due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our H Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price of our H Shares and our ability to raise equity capital in the future.

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

Immediately upon the completion of the Global Offering without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, our Controlling Shareholders will collectively control approximately 37.52% voting power at general meetings of our Company. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In

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addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

There will be a gap of several days between 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, our H Shares will not commence trading on the Hong Kong 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 our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H 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.

Payment of dividends is subject to restrictions under the applicable PRC laws.

Under the applicable PRC laws and the constitutional documents of our Company, 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. As a result of these PRC laws and regulations, each of our PRC subsidiaries is restricted in its ability to transfer its net profit to us in the form of dividends and we may not have sufficient or any distributable profit to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Limitations on the ability of our operating subsidiaries in China to pay dividends to us could materially and adversely limit our ability to distribute dividends. In addition, the calculation of our distributable profits under PRC GAAP differs in certain aspects from the calculation under IFRS. As a result, we may not be able to pay a dividend in a given year if we do not have distributable profits as determined under PRC GAAP even if we have profits as determined under IFRS.

Even if we do have sufficient distributable profits, our payment of dividends is subject to foreign exchange restrictions. Under 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

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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.

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.

In 2018, 2019 and 2020, we distributed dividends of RMB80.5 million, RMB92.5 million and RMB115.6 million, respectively. On May 18, 2021, our Shareholders approved to distribute an unpaid dividend of RMB145.5 million, representing a dividend of RMB0.6 per share. The dividend was fully distributed in cash by July 13, 2021. See “Financial Information – Dividend Policy” for further details of our dividend policy. Our historical dividends may not be indicative of our future dividend policy. There can be no assurance that future dividends will be declared or paid. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other considerations, our business and financial performance, cash requirements and availability, capital and regulatory requirements and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

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

During the Track Record Period, a vast majority of our expenditures were denominated in Renminbi, and a vast majority of our financial assets are also denominated in Renminbi. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect our cash flows, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollar. For example, an 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 business operations in China. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, any depreciation of Renminbi against the Hong Kong dollar would have a negative effect on the value of, and any dividends payable on, our Shares.

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There can be no assurance of the accuracy or completeness of certain facts, forecasts and statistics in this document obtained from various independent third-party sources, including the industry expert report.

Certain facts, forecasts and statistics in this document relating to the PRC, the PRC economy and industries relevant to us were obtained from information provided or published by PRC government agencies, industry associations, independent research institutions or other third-party sources, and we can guarantee neither the quality nor reliability of such source materials. The information derived from official government publications has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and, therefore, we make no representation as to the accuracy of such facts and statistics. Accordingly the information from official government sources contained herein may not be accurate and should not be unduly relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, investors should consider how much weight or importance they should attach to or place on such facts, forecasts, or statistics.

This prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “may,” “ought to,” “should” or “will” or similar terms. Those statements include, among other things, the discussion of our Company’s growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the H Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our Company’s control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by our Company that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed “Forward-looking Statements” in this prospectus for further details.

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You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shenzhen Stock Exchange.

As our A Shares are listed on the Shenzhen Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in the PRC. As a result, before the Global Offering, we will from time to time publicly release certain information relating to ourselves on the Shenzhen Stock Exchange or other media outlets designed by the CSRC. However, the information announced by us in connection with our A Shares is based on the regulatory requirements of the securities regulatory authorities and market practices in the PRC which are different from those applicable to the Global Offering. Such information does not and will not form part of this document. As a result, investors of our H Shares are reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this document. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than contained in this document, the Global Offering and any formal announcements made by us in Hong Kong with respect to the Global Offering.

You should read the entire document carefully and only rely on the information included in this document to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the 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. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our H Shares, the Global Offering or us. 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. You should rely solely upon the information contained in this document, the Global Offering and any formal announcements made by us in Hong Kong in making your investment decision regarding our H Shares. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the Global Offering.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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 Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information to the public with regard to the 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

We have obtained an approval letter from the CSRC for the Global Offering and the making of the application to list the H Shares on the Hong Kong Stock Exchange dated September 16, 2021. In granting such approval, the CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the application forms.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus and the **GREEN** Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 1,841,600 Offer Shares and the International Offering of initially 16,573,800 Offer Shares (subject, in each, to reallocation on the basis as set out in “Structure of the Global Offering”).

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the **GREEN** Application Form 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 the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

See “Structure of the Global Offering” for details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilization.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set forth in “How to Apply for Hong Kong Offer Shares” in this prospectus and in the **GREEN** Application Form.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER 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 Hong Kong Offer Shares to, confirm that he is aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this prospectus and the **GREEN** Application Form.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following 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 for subscription. The distribution of this prospectus and/or the **GREEN** Application Form and the offering and sale 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 offered and sold, and will not be offered and sold, directly or indirectly, in the PRC.

UNDERWRITING

The Listing 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 subject to the terms and conditions of the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters, subject to the agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us. See “Underwriting” for further details on the Underwriters and the underwriting arrangements.

APPLICATION FOR LISTING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option). Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Friday, December 10, 2021. Except as otherwise disclosed in this prospectus, no part of our H Shares is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought in the near future.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Hong Kong Stock Exchange.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Hong Kong 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 date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement 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 advisers for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted in to CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our headquarters in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to Hong Kong stamp duty.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

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

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;
- 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 of our Shareholders, to refer all differences, disputes and claims concerning our affairs and arising from any rights or obligations conferred or imposed by our Articles of Association, the PRC Company Law or other relevant laws, rules and regulations 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. Such arbitration shall be final and conclusive;
- agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and
- authorizes us to enter into a contract on his behalf with each of our Directors, Supervisors, and senior officers whereby such Directors, Supervisors, and senior officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates (as defined in the Hong Kong Listing Rules) of any of the Directors or Supervisors of the Company or an existing Shareholder of the Company or a nominee of any of the foregoing.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposal of, dealing in or the exercise of any rights in relation to our H Shares. None of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to, our H Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of the Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiary) have been included in this prospectus in both the Chinese and English languages. In the event of any inconsistency, the Chinese version shall prevail.

ROUNDING

Certain amounts and percentage figures, such as share ownership and operating data, included in this prospectus may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars.

Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of HK\$1.00 to RMB0.82096, Renminbi into U.S. dollars at the rate of US\$1.00 to RMB6.3952 and Hong Kong dollars into U.S. dollars at the rate of US\$1.00 to HK\$7.7899. The RMB to HK\$ and US\$ to RMB exchange rates are quoted by the PBOC for foreign exchange transactions prevailing on November 22, 2021.

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

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
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Executive Directors

Dr. Hao Hong	3-601, Block B No. 16 The 2nd Avenue, Tianjin Economic – Technological Development Area Tianjin, PRC	American
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Ms. Yang Rui (楊蕊)	Room 2301, Gate 2 No. 5, Beidou Garden Hebei District Tianjin, PRC	Chinese
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Mr. Zhang Da (張達)	5-4-101 Feng Rong Yuan Xicheng District Beijing, PRC	Chinese
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Mr. Hong Liang (洪亮)	1-501, Building 8 Taida Times Garden Binhai New Area Tianjin, PRC	Chinese
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Non-executive Directors

Dr. Ye Song	3-601, Block B No. 16 The 2nd Avenue, Tianjin Economic – Technological Development Area Tianjin, PRC	American
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Ms. Zhang Ting (張婷)	No. 801, Gate 1, Building 7 Fenghuang Yuan, Anjia Road Eco-city Binhai New Area Tianjin, PRC	Chinese
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DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Independent Non-executive Directors		
Ms. Zhang Kun (張昆)	No. 59, Wenhua Hutong Xicheng District Beijing, PRC	Chinese
Mr. Wang Qingsong (王青松)	Room 901, Unit 6, 8th floor Building 9 Wanliu Xingbiao Jiayuan Haidian District Beijing, PRC	Chinese
Mr. Lee, Kar Chung Felix (李家聰)	Room A, 1/F, Block 6 Julimount Garden No. 1-5 Hin Tai Street Tai Wai, New Territories Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Name	Address	Nationality
Ms. Zhi Xinxin (智欣欣)	3-704, Rui Da Apartment Xinhuan West Road, Tianjin Economic – Technological Development Area Tianjin, PRC	Chinese
Ms. Di Shanshan (狄姍姍)	No. 1903, Gate 1, Building 22 Yuhai Xiyuan, Tianchi North Road Binhai New Area Tianjin, PRC	Chinese
Ms. Hou Jingyi (侯靖藝)	1#502 Fengdanlidu Phase I Fuxin City Liaoning Province, PRC	Chinese

For further details, see “Directors, Supervisors and Senior Management.”

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors**Goldman Sachs (Asia) L.L.C.**

68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

CLSA Capital Markets Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

Joint Global Coordinators**Goldman Sachs (Asia) L.L.C.**

68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

CLSA Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

**Joint Bookrunners and Joint Lead
Managers****Goldman Sachs (Asia) L.L.C.**

68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

CLSA Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

Credit Suisse (Hong Kong) Limited

Level 88, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Citigroup Global Markets Asia Limited

*(in relation to the Hong Kong Public
Offering)*

50th Floor, Champion Tower
Three Garden Road
Central
Hong Kong

Citigroup Global Markets Limited
(in relation to the International Offering)
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Guotai Junan Securities (Hong Kong) Limited
27/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

BOCOM International Securities Limited
9/F, Man Yee Building
68 Des Voeux Road
Central, Hong Kong

Legal Advisers to the Company

As to Hong Kong laws:
CYL & Partners in Association with Cooley HK
Suites 3501-3505, 35/F
Two Exchange Square
8 Connaught Place
Central
Hong Kong

As to U.S. laws:
Cooley LLP
c/o Suites 3501-3505, 35/F
Two Exchange Square
8 Connaught Place
Central

As to PRC laws:
DeHeng Law Offices
12/F, Tower B, Focus Place
19 Finance Street
Xicheng District
Beijing
PRC

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisers to the Joint Sponsors and
the Underwriters**

As to Hong Kong and U.S. laws:
Latham & Watkins LLP
18th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC laws:
JunHe LLP
20/F, China Resources Building
8 Jianguomenbei Avenue
Beijing
PRC

Auditor and Reporting Accountants

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

Industry Consultant

**Frost & Sullivan (Beijing) Inc.,
Shanghai Branch Co.**
Room 2504, Wheelock Square
No.1717 Nanjing West Road
Jing'an District
Shanghai
PRC

Receiving Bank

CMB Wing Lung Bank Limited
45 Des Voeux Road
Central
Hong Kong

CORPORATE INFORMATION

Registered Office and Head Office	No. 6 Dongting 3rd Street Economic – Technological Development Area Tianjin PRC
Place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance	40th Floor, Dah Sing Financial Centre 248 Queen’s Road East Wanchai Hong Kong
Joint Company Secretaries	<p>Mr. Xu Xiangke 1-1001, Building 12 Xiangbaiyuan, The 1st Avenue Economic – Technological Development Area Tianjin, PRC</p> <p>Mr. Cheng Ching Kit (associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom) 40th Floor, Dah Sing Financial Centre No. 248 Queen’s Road East Wanchai Hong Kong</p>
Authorized Representatives	<p>Mr. Zhang Da 5-4-101 Feng Rong Yuan Xicheng District Beijing PRC</p> <p>Mr. Xu Xiangke 1-1001, Building 12 Xiangbaiyuan, The 1st Avenue Economic – Technological Development Area Tianjin, PRC</p>

CORPORATE INFORMATION

Audit Committee	Ms. Zhang Kun (<i>Chairwoman</i>) Ms. Zhang Ting Mr. Wang Qingsong
Strategy Committee	Dr. Hao Hong (<i>Chairman</i>) Ms. Yang Rui Mr. Lee, Kar Chung Felix
Nomination Committee	Mr. Lee, Kar Chung Felix (<i>Chairman</i>) Mr. Hong Liang Mr. Wang Qingsong
Remuneration and Examination Committee	Mr. Wang Qingsong (<i>Chairman</i>) Mr. Zhang Da Ms. Zhang Kun
Compliance Adviser	Anglo Chinese Corporate Finance, Limited 40/F Two Exchange Square 8 Connaught Place Central Hong Kong
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

CORPORATE INFORMATION

Principal Bankers

Bank of China Dunhua Branch

No. 1218, Hanzhang Street
Dunhua
Jilin Province
PRC

SPD Bank Puxin Branch

No. 920, Tanggu Chunfeng Road
Binhai New District
Tianjin
PRC

SPD Bank Puhui Branch

No. 116, West Cuiheng Square
No. 39 Third Street
Economic – Technological
Development Area
Tianjin
PRC

Company's Website

www.asymchem.com

(A copy of this prospectus is available on the Company's website. Except for the information contained in this prospectus, none of the other information contained on the Company's website forms part of this prospectus)

HISTORY AND DEVELOPMENT

OUR HISTORY

Overview

The predecessor of the Company, Chirachem Laboratories (Tianjin) Co., Ltd. (天津凱萊英精細有機化工有限公司), was established on October 7, 1998 as a limited liability company under the laws of the PRC. The corporate name of the Company was changed to Asymchem Laboratories (Tianjin) Co., Ltd. (凱萊英醫藥化學(天津)有限公司) on August 30, 2001.

On September 20, 2011, pursuant to the promoters' agreement among the then shareholders of the Company, the Company was converted into a joint stock limited liability company with its Chinese corporate name changed to 凱萊英醫藥集團(天津)股份有限公司. On November 18, 2016, our A Shares were listed on the Shenzhen Stock Exchange with stock code of 002821. Since the date of our listing on the Shenzhen Stock Exchange 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 or our subsidiaries, 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 the attention of our potential investors or the Hong Kong Stock Exchange in relation to our compliance record on the Shenzhen Stock Exchange.

Our PRC Legal Advisor has confirmed that since the listing of our Company's A shares on the Shenzhen Stock Exchange up to the Latest Practicable Date: (a) our Company had not been subject to any regulatory measures or regulatory sanctions by the CSRC, its local agencies or the Shenzhen Stock Exchange because of non-compliance with the PRC Securities Law or other rules and regulations issued by the CSRC or Shenzhen Stock Exchange; and (b) the Company had not received any notice alleging non-compliance incidents on the part of the Company.

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 confirm that nothing has come to their attention that would cause them to disagree with the view and belief held by the Company's Directors in respect of its compliance record on the Shenzhen Stock Exchange.

As of the Latest Practicable Date, the registered share capital of the Company was RMB244,661,118, divided into 244,661,118 A Shares, with a nominal value of RMB1.00 each.

HISTORY AND DEVELOPMENT

Milestones

The following sets out a summary of our key development milestones:

<u>Year</u>	<u>Milestones</u>
1998	The predecessor of the Company was established, which was later renamed as Asymchem Laboratories (Tianjin) Co., Ltd. (凱萊英醫藥化學(天津)有限公司).
1999	The Company launched its entrepreneurship center in the Tianjin Development Area.
2003	The Company began in-house operations for custom and bulk production of raw materials and registered starting materials (RSM) and such in-house production guarantees our raw material supply.
2009	The Company set up the chemical engineering laboratory and have dedicated it primarily to flow and continuous technology research.
2011	The Company was converted into a joint stock limited liability company.
2013	The Company was qualified and identified as National Enterprise Technology Center.
2015	The Company have provided biosynthesis services since 2015 and has obtained 26 patents in the field of biological enzymes, including enzyme evolution, enzyme immobilization, and enzyme-catalyzed synthesis routes.
2016	A Shares of the Company became listed on the Shenzhen Stock Exchange in November.
2017	The Company began to branch out its business into the field of clinical CRO solutions.
2019	The Company independently built a high-throughput screening platform, which enables the Company to support more than 50 projects on coupling reaction technology development, covering all C-C and C-X coupling reactions.

HISTORY AND DEVELOPMENT

<u>Year</u>	<u>Milestones</u>
2020	<p>The Company established the Center of Excellence for Process Science (CEPS) and chemical engineering department to solve process problems and improve R&D and production efficiency.</p> <p>The Company completed a non-public offering of A Shares to Hillhouse Group, China Structural Reform Fund and other prestigious institutional investors.</p>
2021	<p>The Company launched the Center of Biosynthesis Technology to promote application of a variety of technologies such as biocatalysts and biosynthesis.</p>

ESTABLISHMENT AND DEVELOPMENT OF THE COMPANY

1. Establishment and major shareholding changes in the Company prior to 2010

As at the date of the establishment of the Company on October 7, 1998, the registered capital of the Company was USD200,000 with ALAB and Tianjin Developing Area Zhaoan Industry and Trade Co., Ltd. (天津開發區兆安工貿有限公司) holding 85% and 15% of the Company's then registered capital, respectively. ALAB is a limited liability company incorporated in the United States on November 27, 1995. Upon its establishment, ALAB was owned as to approximately 77.01%, 21.39% and 1.60% by Dr. Hao Hong, Jinhua Yuan and Elut Hsu, respectively, and primarily engaged in overseas sales of pharmaceutical intermediates.

On September 15, 1999, Tianjin Developing Area Zhaoan Industry and Trade Co., Ltd. transferred its shareholdings in the Company to ALAB, at the consideration of USD30,000. On August 30, 2001, ALAB transferred 15% of its shareholdings in the Company to Dr. Hao Hong, at the consideration of USD30,000.

Following completion of the above transfer, during the period from December 2002 to November 2010, with a view of further developing and expanding the Company's business, the Company undertook several rounds of increases in registered capital and/or share transfers between Dr. Hao Hong and ALAB. Upon completion of the increases in the registered capitals and share transfers, as at November 26, 2010, the Company's registered capital was USD5.2184 million, with Dr. Hao Hong and ALAB holding 15% and 85% of such registered capital, respectively. During the same year, the Company established Asymchem Inc. in the U.S., a wholly owned subsidiary of the Company. Subsequently, through a series of arrangements, the Group integrated its business and the business and assets of ALAB were transferred to Asymchem Inc. Since then, ALAB became a pure investment holding company with no substantive operating business other than holding Shares in the Company.

HISTORY AND DEVELOPMENT

2. December 2010 Equity Transfer and Capital Increase

On December 13, 2010, Dr. Hao Hong entered into an equity transfer agreement with Beijing Tianyang Technology Partnership (Limited Partnership) (北京天泱科技合夥企業(有限合夥), formerly known as Chengdu Hongruntong Technology Consulting Co., Ltd. (成都弘潤通科技諮詢有限公司)) (“**Hongruntong**”) and entered into a capital increase agreement with the Company, ALAB, Hongruntong and Jianshui County Ruizhihui Enterprise Management Co., Ltd. (建水縣睿智匯企業管理有限公司, formerly known as Shijiazhuang Ruizhihui Investment Co., Ltd. (石家莊睿智匯投資有限公司)) (“**Ruizhihui**”), pursuant to which Hongruntong agreed to acquire 6% of equity interests in the Company from Dr. Hao Hong for a consideration of RMB21 million and Ruizhihui agreed to subscribe for the increased registered capital of approximately USD0.2174 million of the Company in the amount of USD2.4005 million (the “**December 2010 Equity Transfer and Capital Increase**”). The transfer price and subscription price were determined based on arm’s length negotiation between the parties. Hongruntong and Ruizhihui are both independent third parties of the Company.

Upon completion of the December 2010 Equity Transfer and Capital Increase, the registered capital of the Company increased from USD5.2184 million to USD5.4358 million.

3. March 2011 Capital Increase

On March 24, 2011, the Company entered into a capital increase agreement with Tianjin Guorong Business Information Co., Ltd. (天津國榮商務信息諮詢有限公司) (“**Guorong Business**”) and Shanghai Chenglun Electric Power Equipment Co., Ltd. (上海誠倫電力設備有限公司) (“**Chenglun Electric**”), pursuant to which Guorong Business and Chenglun Electric agreed to subscribe for the increased registered capital of approximately USD0.2970 million and USD0.2079 million of the Company in the amount of USD1.8263 million and USD2.3970 million, respectively (the “**March 2011 Capital Increase**”). The subscription price was determined based on arm’s length negotiation between the parties. Guorong Business and Chenglun Electric are both independent third parties of the Company.

Upon completion of the March 2011 Capital Increase, the registered capital of the Company increased from USD5.4358 million to USD5.9407 million.

4. May 2011 Capital Increase

On May 14, 2011, the Company entered into a capital increase agreement with Zhuhai Hengqin Shanghe Century Equity Investment Partnership (Limited Partnership) (珠海橫琴上和世紀股權投資合夥企業(有限合夥)) (“**Shanghe Century**”) and Shenzhen Aitao Investment Co., Ltd. (深圳市艾韜投資有限公司) (“**Aitao Investment**”), pursuant to which Shanghe Century and Aitao Investment agreed to subscribe for the increased registered capital of approximately USD0.2376 million and USD0.0594 million of the Company in the amount of USD2.7671

HISTORY AND DEVELOPMENT

million and USD0.6918 million, respectively (the “**May 2011 Capital Increase**”). The subscription price was determined based on arm’s length negotiation between the parties. Shanghe Century and Aitao Investment are both independent third parties of the Company.

Upon completion of the May 2011 Capital Increase, the registered capital of the Company increased from USD5.9407 million to USD6.2377 million.

5. June 2011 Capital Increase

On June 20, 2011, the Company entered into a capital increase agreement with Tianjin Tianchuang Fuxin Investment Management Co., Ltd. (天津天創富鑫投資管理有限公司), formerly known as Tianjin Tianchuang Fuxin Investment Co., Ltd. (天津天創富鑫投資有限公司) (“**Tianchuang Fuxin**”), Tianjin Binhai Tianchuang Zhongxin Equity Investment Fund Co., Ltd. (天津濱海天創眾鑫股權投資基金有限公司) (“**Tianchuang Zhongxin**”), Kunlunjishi (Shenzhen) Equity Investment Partnership (Limited Partnership) (昆侖基石(深圳)股權投資合夥企業(有限合夥)) (“**Kunlunjishi**”), Shanghai Junyi Boxing Venture Capital Center (Limited Partnership) (上海君翼博星創業投資中心(有限合夥)) (“**Junyi Boxing**”), Shanghai Junyi Boying Venture Capital Center (Limited Partnership) (上海君翼博盈創業投資中心(有限合夥)) (“**Junyi Boying**”), Huafang Venture Capital Co., Ltd. (華芳創業投資有限公司) (“**Huafang Venture Capital**”) and Shunliban Information Service Co., Ltd. (順利辦信息服務股份有限公司, formerly known as Qinghai Mingjiao Co., Ltd. (青海明膠股份有限公司)) (“**Shunliban**”), pursuant to which Tianchuang Fuxin, Tianchuang Zhongxin, Kunlunjishi, Junyi Boxing, Junyi Boying, Huafang Venture Capital and Shunliban agreed to subscribe for the increased registered capital of approximately USD0.3119 million, USD0.1559 million, USD0.2599 million, USD0.1300 million, USD0.1300 million, USD0.2079 million and USD0.1040 million of the Company in the amount of USD9.2588 million, USD4.6294 million, USD7.7157 million, USD3.8578 million, USD3.8578 million, USD6.1726 million and USD3.0863 million, respectively (the “**June 2011 Capital Increase**”). The subscription price was determined based on arm’s length negotiation between the parties. Tianchuang Fuxin, Tianchuang Zhongxin, Kunlunjishi, Junyi Boxing, Junyi Boying, Huafang Venture Capital and Shunliban are all independent third parties of the Company.

Upon completion of the June 2011 Capital Increase, the registered capital of the Company increased from USD6.2377 million to USD7.5373 million.

6. Conversion into a Joint Stock Limited Liability Company in 2011

On September 20, 2011, the Company was converted into a joint stock limited liability company converting its total registered capital of USD7.5373 million into share capital with an amount of RMB60 million, and with its Chinese name changed to 凱萊英醫藥集團(天津)股份有限公司.

HISTORY AND DEVELOPMENT

7. December 2012 Equity Transfer

After a capital increase in June 2012, on September 22, 2012, Kunlunjishi entered into an equity transfer agreement with Shenzhen Zhufeng Cornerstone Equity Investment Partnership (Limited Partnership) (深圳市珠峰基石股權投資合夥企業(有限合夥)) (“**Zhufeng Cornerstone**”), pursuant to which Zhufeng Cornerstone agreed to acquire the equity interests in the Company held by Kunlunjishi (the “**December 2012 Equity Transfer**”) for a consideration of RMB50 million. Kunlunjishi is a limited partner of Zhufeng Cornerstone, holding approximately 38.0298% interest of Zhufeng Cornerstone. The transfer price was determined based on arm’s length negotiation between the parties.

Upon completion of the December 2012 Equity Transfer, the registered capital of the Company remained unchanged.

8. A Shares Offering and Listing on the Shenzhen Stock Exchange in 2016

As approved by the CSRC, our A Shares were listed on the Shenzhen Stock Exchange under the stock code of 002821 on November 18, 2016 (the “**A Shares Offering**”). Following completion of the A Shares Offering, our registered share capital was further increased to RMB112.8635 million.

The shareholding structure of our Company immediately after the A Shares Offering was as follows:

<u>Name of the Shareholder</u>	<u>Number of A Shares held</u>	<u>Approximate percentage of Shareholding</u> (%)
ALAB	48,123,610	42.64
Dr. Hao Hong	5,095,964	4.52
Hongruntong	3,738,583	3.31
Tianchuang Fuxin	3,724,138	3.30
Guorong Business	3,546,798	3.14
Zhufeng Cornerstone	3,103,449	2.75
Shanghe Century	2,837,439	2.51
Ruizhahui	2,595,874	2.30
Chenglun Electric	2,482,758	2.20
Huafang Venture Capital	2,482,758	2.20
Tianchuang Zhongxin	1,862,068	1.65
Junyi Boxing	1,551,724	1.37
Junyi Boying	1,551,724	1.37
Shunliban	1,241,379	1.10
Aitao Investment	709,359	0.63
Other A Shares Shareholders	28,215,875	25.00
Total	112,863,500	100.00

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9. Non-public offering in September 2020

In September 2020, upon approval by the CSRC, our Company completed a non-public offering of shares (the “**2020 Non-public Offering**”). 10,178,731 A Shares were issued at an issue price of RMB227 per A Share to nine places as set forth in the table below, raising funds of RMB2,310,571,937 in total. Upon the completion of such non-public offering, our total registered capital was increased from RMB232,337,762 to RMB242,516,493.

<u>Name of the Shareholder</u>	<u>Number of A Shares Issued</u>	<u>Considerations</u> <i>(RMB)</i>	<u>Approximate percentage of Shareholding immediately after the 2020 Non- public Offering</u> <i>(%)</i>
Hillhouse Capital Management, Ltd. – China Value Fund (Exchange) (高瓴資本 管理有限公司 –中國價值基金(交易所)) (“ Hillhouse Capital Management ”)	4,405,286	999,999,922	1.82
China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份 有限公司)	2,035,242	461,999,934	0.84
Beixin Ruifeng Fund Management Co., Ltd. (北信瑞豐基金管理有限公司)	881,057	199,999,939	0.36
China Southern Asset Management Co., Ltd. (南方基金管理股份有限公司)	788,546	178,999,942	0.33
Shenzhen Guotiao Merchants M&A Equity Investment Fund Partnership (Limited Partnership) (深圳國調招商併購股權投資 基金合夥企業(有限合夥))	660,792	149,999,784	0.27
Dacheng Fund Management Co., Ltd. (大成基金管理有限公司)	440,528	99,999,856	0.18
JT Asset Management Co., Ltd. (九泰基金管理有限公司)	387,665	87,999,955	0.16

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<u>Name of the Shareholder</u>	<u>Number of A Shares Issued</u>	<u>Considerations</u>	<u>Approximate percentage of Shareholding immediately after the 2020 Non- public Offering</u>
		(RMB)	(%)
Tianjin Jinlian Haihe State-owned Enterprise Reform and Innovation Development Fund Partnership (Limited Partnership) (天津津聯海河國有企業改革創新發展基金合夥企業(有限合夥))	352,422	79,999,794	0.15
Goldman Sachs International (高盛國際)	227,193	51,572,811	0.09
Total:	<u>10,178,731</u>	<u>2,310,571,937</u>	<u>4.20</u>

The shareholding structure of our Company immediately after the 2020 Non-public Offering was as follows:

<u>Name of the Shareholder</u>	<u>Number of A Shares held</u>	<u>Approximate percentage of Shareholding</u>
		(%)
ALAB	91,647,220	37.79
Dr. Hao Hong	10,191,928	4.20
Hong Kong Securities Clearing Co., Ltd. (香港中央結算有限公司) (“HKSCC”)	6,257,992	2.58
Industrial and Commercial Bank of China Limited – Central Europe Health Hybrid Securities Investment 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) (“ Industrial and Commercial Bank ”)	5,459,165	2.25
Guorong Business	5,188,197	2.14
Hillhouse Capital Management	4,405,286	1.82

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<u>Name of the Shareholder</u>	<u>Number of A Shares held</u>	<u>Approximate percentage of Shareholding</u> (%)
China Construction Bank Corporation – Huitianfu Innovative Medicine Theme Hybrid Securities Investment Fund (中國建設銀行股份有限公司– 匯添富創新醫藥主題混合型證券投資基金) (“China Construction Bank”)	1,921,385	0.97
Other A Shareholders	117,445,320	48.43
Total	<u>242,516,493</u>	<u>100.00</u>

10. Our A Share Incentive Schemes

For the purpose to attract, retain and motivate the employees of the Company, and to align the interests of the Company, the Shareholders and the employees of the Company, the Company adopted the A Share Incentive Schemes.

As part of the arrangement in relation to the A Share Incentive Schemes, during the period from April 2017 to March 2021, the Company undertook several rounds of capital increase as well as repurchase and cancellation of Restricted A Shares due to resignation of employees under the A Share Incentive Schemes.

For details of the Share Incentive Schemes, see “Appendix VI – Statutory and General Information – A Share Incentive Schemes.”

OUR SUBSIDIARIES

For details of our subsidiaries as of the Latest Practicable Date, see “– Corporate Structure of the Company” and “Appendix VI – Statutory and General Information – Further Information about the Company – Our Subsidiaries.”

CERTAIN ACQUISITIONS OF OUR GROUP

During the Track Record Period, the Company has made certain strategic acquisition or strategic investment and bought out minority shareholder of non-wholly owned subsidiary that are intended to further our strategic objectives. We had not carried out any major acquisitions (as defined under the Listing Rules) during the Track Record Period and up to the date of this prospectus.

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The following table set forth details of certain acquisitions of our Group:

Date of completion	Consideration Settlement Date	Equity interests acquired	Principal business activities of the target	The revenue and net profit/(loss) of the target companies for the financial year immediately prior to the acquisitions	Transferor	Amount of consideration
October 2018 ⁽¹⁾	April 2020 ⁽²⁾	The remaining 26.19% equity interest of Asymchem Life Science	Manufacturing and toll manufacturing of drugs	The revenue and net profit for 2017 amounted to approximately RMB638.85 million and RMB71.63 million, respectively.	Silver Champ Holdings Limited (尚寶控股有限公司), an independent third party of the Company	USD7.6 million ⁽³⁾
September 2020 ⁽¹⁾	May 2021 ⁽²⁾	100% equity interest of GoalGen	Manufacturing, sales and development of biotechnological products and organic chemical products	The revenue and net profit for 2019 amounted to approximately RMB52.87 million and RMB4.09 million, respectively.	Liang Qing and Tianjin Shengqin Medical Technology Partnership (Limited Partnership) (天津盛勤醫藥科技合夥企業(有限合夥)), independent third parties of the Company	RMB30 million ⁽⁴⁾
September 2020	September 2020	18.18% equity interest of Snapdragon Chemistry	Researching, developing and industrially applying of flow and continuous technology in the production of innovative drugs and API	The revenue and net profit for 2019 amounted to approximately US\$5.18 million and US\$0.48 million, respectively.	NA ⁽⁵⁾	USD7 million ⁽⁶⁾

Notes:

1. Such date represents the date on which the change in industrial and commercial registration was completed.
2. The consideration was paid in installments and such date represents the settlement date of last payment.
3. Such consideration was determined after arm's length negotiations between the parties with reference to the profitability and prospects of Asymchem Life Science, its importance to the business of the Group and the consideration for the Company's historical equity transfer of 26.19% equity interest in Asymchem Life Science to Silver Champ Holdings Limited in 2011, before which Asymchem Life Science was a wholly-owned subsidiary of the Company.

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4. Such consideration was determined after arm's length negotiations between the parties based on (i) the historical financial performance of GoalGen, (ii) the order backlog of GoalGen immediately prior to the acquisition, and (iii) its expected future business synergies with the Company.
5. The acquisition is conducted by way of a subscription by the Company for newly issued convertible preferred shares of Snapdragon Chemistry.
6. Such consideration was determined after arm's length negotiations between the parties with reference to the profitability and prospects of Snapdragon Chemistry. In assessing the profitability and prospects of Snapdragon Chemistry, the Company took into account its talent pool, overseas customer network, strength in flow and continuous technology and its historical financial performance immediately prior to the acquisition.

As the applicable percentage ratios with respect to the above acquisitions under Rule 14.07 of the Listing Rules are less than 25%, none of the above acquisitions constitutes a major transaction or above under Chapter 14 of the Listing Rules or an acquisition of a material subsidiary or business during the Track Record Period under Rule 4.05A of the Listing Rules.

For further information of the strategic investment in Snapdragon Chemistry and the strategic acquisition of GoalGen Biotech, please see "Business – Strategic Collaborations, Acquisitions and Investments." The transactions have been properly and legally completed and settled with all applicable regulatory approvals having been obtained.

SHAREHOLDING OF ALAB

As of the Latest Practicable Date, ALAB was an investment holding company with no substantial business activities and was owned as to 71.19% by Dr. Hao Hong and 19.52% by Dr. Ye Song, the spouse of Dr. Hao Hong. See "Relationship with the Controlling Shareholders" for further details. The remaining equity interests in ALAB was owned by a group of shareholders comprising Elut Hsu, Albert Kingyuen Ng (and successors thereto, in their representative capacity as trustee of the Hsu family trust established on December 28, 2020) (the "**Hsu Family Trust**"), Jinhua Yuan, Jiong Chen and Lei Ding Chen (collectively, the "**Minority Shareholders**") as to 6.32%, 0.53%, 2.41%, 0.03% and 0.01%, respectively. Despite their interest in ALAB, the Minority Shareholders are not regarded as a part of a group of the controlling shareholders of the Company under the Stock Exchange's Guidance Letter GL89-16 for the following reasons:

- (1) ***The Minority Shareholders do not intend to restrict their ability to exercise direct control over the Company by holding their interests through ALAB.*** ALAB was not intended to be a pure investment vehicle to hold the interest in the Company. As set out in "– Establishment and Development of the Company – 1. Establishment and major shareholding changes in the Company prior to 2010" above, ALAB was initially engaged in substantive operating business in overseas sales of pharmaceutical intermediates upon its incorporation in the United States in 1995. The Minority Shareholders acquired interests in ALAB with the intention to directly invest in ALAB's businesses. Over the years, the Group's business focus has pivoted to the Company's operations in the PRC under the management of Dr. Hao Hong, and the Group has undergone business optimization in 2010. Since then, ALAB

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became a pure investment holding company with no substantive operating business other than holding Shares in the Company. Despite the change of business strategy, the Minority Shareholders did not exit ALAB due to their personal commercial reasons. It was not the Minority Shareholders' intention to invest in an investment vehicle and exercise control over the Company together with the other shareholders of ALAB.

- (2) ***The Company has been operated as an integrated unit under Dr. Hao Hong who is able to exert substantial influence on the same directors and management of the Company.*** Given Dr. Hao Hong's significant interest in ALAB, he is able to exercise controlling voting power on matters of ALAB on his own, and in turn control the voting rights held by ALAB in the Company. The Group has been operated and is expected to continue to be operated, under Dr. Hao Hong's control and management throughout the Track Record Period and upon the completion of the Global Offering. According to the articles of incorporation of ALAB, certain major corporate matters including appointment and removal of directors could be approved by a majority of the shares entitled to vote in the general meetings of ALAB. The board of directors of ALAB currently consists of three members. Except for Dr. Hao Hong who has been a director of ALAB since its inception, the other two directors of ALAB, Dr. Ye Song and Elut Hsu, were both appointed by Dr. Hao Hong.

Apart from Dr. Hao Hong's significant interest in ALAB, he also directly holds interest in the Company and assume directorship and managerial positions in the Group including the chairman of the Board, the executive Director and the general manager of the Company. Dr. Hao Hong is responsible for the formulation of the strategic direction, business plans and major operational decisions and direct day-to-day management of our brands, sales and daily operation of the Group. According to the Articles of Association, Shareholders individually or jointly holding 3% or more of the issued Shares shall be entitled to nominate candidates of the non-independent Directors and the candidates of senior management of the Company shall be nominated by the general manager of the Company, other than the general manager him/herself. All current six non-independent Directors and 11 senior management members of the Company were nominated by Dr. Hao Hong.

- (3) ***Relationship between the Minority Shareholders with the Group and ALAB.*** As of the Latest Practicable Date, apart from their interest in ALAB, none of the Minority Shareholders held equity interest in the Company or its subsidiaries or acting in concert with each other in exercising their votes in the general meetings of ALAB:
- (i) Among the Minority Shareholders, each of Jinhua Yuan, Jiong Chen and Lei Ding Chen is an independent third party of the Company and a purely passive financial investor of ALAB. Elut Hsu is currently a director of each of Asymchem Inc. and Asymchem Limited, the Company's overseas subsidiaries and a director of ALAB. Albert Kingyuen Ng is the trustee of the Hsu Family Trust. Save as above, none of them holds any position in ALAB or the

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Company or otherwise participate in the management or operations of the Group, and each of them exercises their voting rights at the general meetings of ALAB independently. In addition, considering the insignificant voting rights held by the Minority Shareholders (i.e. less than 10% in aggregate), the influence of the Minority Shareholders is minimal at both ALAB and the Company levels.

- (ii) There is no voting arrangement or concert-party arrangement among the shareholders of ALAB (including Dr. Hao Hong, Dr. Ye Song and the Minority Shareholders) and none of the shareholders in ALAB and the Company are holding shares on behalf of another shareholder either by way of trust or any other arrangements (except for Elut Hsu and her Hsu Family Trust). To the best knowledge of the Company, the shareholders of ALAB do not intend to enter into such arrangement after the Global Offering.

REASONS FOR THE LISTING

Our Company is seeking a listing of its H Shares on the Hong Kong Stock Exchange in order to provide further capital for the development and expansion of our Company's business, to strengthen our Company's working capital 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.

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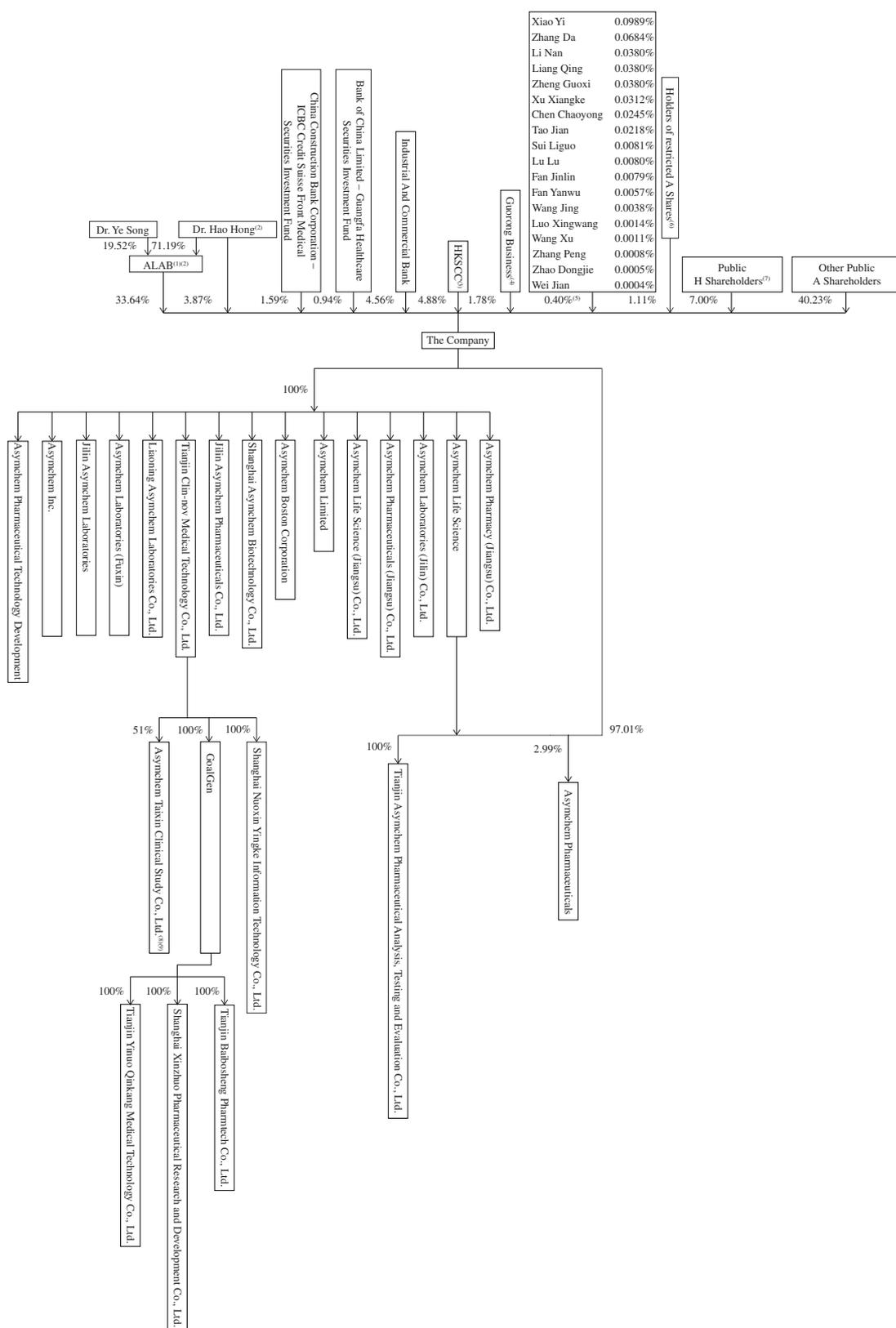
Notes:

- (1) As of the Latest Practicable Date, the remaining equity interest in ALAB was owned as to 6.32%, 0.53%, 2.41%, 0.03% and 0.01% by Elut Hsu, Albert Kingyuen Ng (and successors thereto, in their representative capacity as trustee of the Hsu Family Trust), Jinhua Yuan, Jiong Chen and Lei Ding Chen, respectively. Except for Elut Hsu (being a director of Asymchem Inc. and Asymchem Limited, subsidiaries of the Company) and her Hsu Family Trust, all of the aforementioned shareholders of ALAB are independent third parties of the Company.
- (2) As of the Latest Practicable Date, Dr. Hao Hong, ALAB and Dr. Ye Song were a group of Controlling Shareholders and will remain as a group of Controlling Shareholders immediately after the Listing. Accordingly, each of Dr. Hao Hong, ALAB and Dr. Ye Song was and will be a core connected person of the Company and therefore the A Shares held by Dr. Hao Hong, ALAB and Dr. Ye Song will not be counted towards the public float of the Company upon Listing. As of the Latest Practicable Date, Dr. Ye Song did not hold any A Shares.
- (3) HKSCC 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.
- (4) As of the Latest Practicable Date, Mr. Hong Liang held approximately 43.46% equity interest in Guorong Business. Accordingly, Guorong Business was and will be a close associate of Mr. Hong Liang, an executive Director, and therefore was and will be a core connected person of the Company. A Shares held by Guorong Business will not be counted towards the public float of the Company upon Listing.
- (5) As of the Latest Practicable Date, each of Xiao Yi, Zhang Da, Li Nan, Liang Qing, Zheng Guoxi, Xu Xiangke, Chen Chaoyong, Tao Jian, Sui Liguu, Lu Lu, Fan Jinlin, Fan Yanwu, Wang Jing, Luo Xingwang, Wang Xu, Zhang Peng, Zhao Dongjie and Wei Jian was a director of the Company and/or its subsidiaries or their respective close associates. Therefore, each of them was and will be a core connected person of the Company. A Shares held by these A Shareholders will not be counted towards the public float of the Company upon Listing, which have taken into account all the Restricted A Shares granted to and taken up by the relevant core connected persons under the A Shares Incentive Schemes assuming the issuance and registration procedures for such Restricted A Shares are completed as of the Latest Practicable Date.

Save as disclosed in above notes (2) and (4) and this note (5) above, and to the best knowledge of our Directors, each of the A Shareholders was an independent third party of the Company and therefore the A Shares held by these public Shareholders will be counted towards our public float upon Listing.
- (6) The holders of Restricted A Shares are directors and employees of our Group including certain of the core connected persons of the Company as stated in note (5) above. The ownership percentage is based on the assumption that the issuance and registration procedures for the 2,916,100 Restricted A Shares granted by our Company and taken up by the relevant eligible employees are completed as of the Latest Practicable Date (excluding an aggregate of 504,000 Restricted A Shares held by the relevant core connected persons as stated in note (5) above). For details, please refer to Appendix VI to this prospectus.
- (7) As of the Latest Practicable Date, the other 49% equity interest in Asymchem Taixin Clinical Study Co., Ltd. was held by Teda International Cardiovascular Diseases Hospital Co., Ltd. (泰達國際心血管病醫院有限公司), an independent third party of the Company.
- (8) Asymchem Taixin Clinical Study Co., Ltd. is currently under the cancellation procedure and is expected to be deregistered on December 2, 2021.

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The following chart illustrates the shareholding structure and simplified corporate structure of our Group immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no additional restricted A Shares are granted under the A Share Incentive Schemes):



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Notes:

- (1) As of the Latest Practicable Date, the remaining equity interest in ALAB was owned as to 6.32%, 0.53%, 2.41%, 0.03% and 0.01% by Elut Hsu, Albert Kingyuen Ng (and successors thereto, in their representative capacity as trustee of the Hsu Family Trust), Jinhua Yuan, Jiong Chen and Lei Ding Chen, respectively. Except for Elut Hsu (being a director of Asymchem Inc. and Asymchem Limited, subsidiaries of the Company) and her Hsu Family Trust, all of the aforementioned shareholders of ALAB are independent third parties of the Company.
- (2) As of the Latest Practicable Date, Dr. Hao Hong, ALAB and Dr. Ye Song were a group of Controlling Shareholders and will remain as a group of Controlling Shareholders immediately after the Listing. Accordingly, each of Dr. Hao Hong, ALAB and Dr. Ye Song was and will be a core connected person of the Company and therefore the A Shares held by Dr. Hao Hong, ALAB and Dr. Ye Song will not be counted towards the public float of the Company upon Listing. As of the Latest Practicable Date, Dr. Ye Song did not hold any A Shares.
- (3) HKSCC 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.
- (4) As of the Latest Practicable Date, Mr. Hong Liang held approximately 43.46% equity interest in Guorong Business. Accordingly, Guorong Business was and will be a close associate of Mr. Hong Liang, an executive Director, and therefore was and will be a core connected person of the Company. A Shares held by Guorong Business will not be counted towards the public float of the Company upon Listing.
- (5) As of the Latest Practicable Date, each of Xiao Yi, Zhang Da, Li Nan, Liang Qing, Zheng Guoxi, Xu Xiangke, Chen Chaoyong, Tao Jian, Sui Liguu, Lu Lu, Fan Jinlin, Fan Yanwu, Wang Jing, Luo Xingwang, Wang Xu, Zhang Peng, Zhao Dongjie and Wei Jian was a director of the Company and/or its subsidiaries or their respective close associates. Therefore, each of them was and will be a core connected person of the Company. A Shares held by these A Shareholders will not be counted towards the public float of the Company upon Listing, which have taken into account all the Restricted A Shares granted to and taken up by the relevant core connected persons under the A Shares Incentive Schemes assuming the issuance and registration procedures for such Restricted A Shares are completed as of the Latest Practicable Date.
- (6) The holders of Restricted A Shares are directors and employees of our Group including certain of the core connected persons of the Company as stated in note (5) above. The ownership percentage is based on the assumptions that the issuance and registration procedures for the 2,916,100 Restricted A Shares granted by our Company and taken up by the relevant eligible employees are completed as of the Latest Practicable Date and the Over-allotment Option is not exercised and no additional restricted A Shares are granted under the A Share Incentive Schemes (excluding an aggregate of 504,000 Restricted A Shares held by the relevant core connected persons as stated in note (5) above). For details, please refer to Appendix VI to this prospectus.
- (7) Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised and no additional restricted A Shares are granted under the A Share Incentive Schemes), public H Shareholders will hold a total of approximately 7.97% of the enlarged issued share capital immediately after the Global Offering.
- (8) As of the Latest Practicable Date, the other 49% equity interest in Asymchem Taixin Clinical Study Co., Ltd. was held by Teda International Cardiovascular Diseases Hospital Co., Ltd. (泰達國際心血管病醫院有限公司), an independent third party of the Company.
- (9) Asymchem Taixin Clinical Study Co., Ltd. is currently under the cancellation procedure and is expected to be deregistered on December 2, 2021.
- (10) Save as disclosed in Notes (2), (4) and (5) above and to the best knowledge of our Directors, each of the A Shareholders was an independent third party of the Company and therefore the A Shares held by these public Shareholders will be counted towards our public float upon Listing.

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised and no additional restricted A Shares are granted under the A Share Incentive Schemes), Dr. Hao Hong, ALAB, Guorong Business, Xiao Yi, Zhang Da, Li Nan, Liang Qing, Zheng Guoxi, Xu Xiangke, Chen Chaoyong, Tao Jian, Sui Liguu, Lu Lu, Fan Jinlin, Fan Yanwu, Wang Jing, Luo Xingwang, Wang Xu, Zhang Peng, Zhao Dongjie and Wei Jian will hold approximately 37.13%, 33.29%, 1.76%, 0.0979%, 0.0677%, 0.0376%, 0.0376%, 0.0376%, 0.0308%, 0.0243%, 0.0216%, 0.0080%, 0.0079%, 0.0078%, 0.0056%, 0.0038%, 0.0014%, 0.0011%, 0.0008%, 0.0005% and 0.0004% interest in the Company.

Public A Shareholders will hold a total of approximately 53.30% (assuming that the Over-allotment Option is not exercised and no additional restricted A Shares are granted under the A Share Incentive Schemes) and 52.75% (assuming that the Over-allotment Option is fully exercised and no additional restricted A Shares are granted under the A Share Incentive Schemes) of the enlarged issued share capital immediately after the Global Offering. Public H Shareholders will hold a total of approximately 7.00% (assuming that the Over-allotment Option is not exercised and no additional restricted A Shares are granted under the A Share Incentive Schemes)

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and approximately 7.97% (assuming that the Over-allotment Option is fully exercised and no additional restricted A Shares are granted under the A Share Incentive Schemes) of the enlarged issued share capital of the Company immediately after the Global Offering.

Assuming that the Over-allotment Option is not exercised and no additional restricted A Shares are granted under the A Share Incentive Schemes, a total of 158,642,402 Shares will be held in public hands, representing approximately 60.30% of the enlarged share capital of the Company immediately after the Global offering.

Assuming that the Over-allotment Option is fully exercised and no additional restricted A Shares are granted under the A Share Incentive Schemes, a total of 161,404,702 Shares will be held in public hands, representing approximately 60.72% of the enlarged share capital of the Company immediately after the Global offering.

- (11) Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no additional restricted A Shares are granted under the A Share Incentive Schemes), the share capital of the Company will be RMB263,076,518, comprising (i) 98,702,448 A Shares held by the Controlling Shareholders, (ii) 3,420,100 restricted A Shares under A Share Incentive Schemes, (iii) 455,652 locked A Shares held by the Company's senior management pursuant to the requirements of the Securities Law of the PRC (excluding locked Shares held by Dr. Hao Hong, which is also subject to lock-up requirements and already covered by (i)), and (iv) 160,498,318 Shares free from any restriction. Accordingly, the free float of the Company will be approximately 61.01% of the enlarged issued share capital of the Company after the Global Offering.

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised and no additional restricted A Shares are granted under the A Share Incentive Schemes), the free float of the Company will be approximately 61.41% of the enlarged issued share capital of the Company.

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this Prospectus were extracted from official government publications, such as Center for Drug Evaluation and Research (CDER) and Center for Drug Evaluation (CDE), as well as the Frost & Sullivan Report, a commissioned report from Frost & Sullivan. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy. Accordingly the information from official government sources contained herein may not be accurate and should not be unduly relied upon.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan, an independent consulting firm, to conduct a detailed research on the pharmaceutical industry and the CDMO industry. We have agreed to pay a fee of RMB680,000 to Frost & Sullivan in connection with the preparation of the Frost & Sullivan Report. We have extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections headed “Summary,” “Risk Factors,” “Business,” “Financial Information” and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industry in which we operate.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information and industry insights on the industry trends of the global pharmaceutical market, the pharmaceutical market in the US and China, the global pharmaceutical CDMO market and the pharmaceutical CDMO market in China, as well as major players in the CDMO industry. Primary research involved discussing the status of the industry with leading industry participants and industry experts. Secondary research involved reviewing annual reports of public companies, independent research reports and Frost & Sullivan’s proprietary databases. The Frost & Sullivan Report was compiled based on the assumptions that (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 CDMO market from 2020 to 2025, and (iii) there is no force majeure or industry regulation that affects any of such markets dramatically or fundamentally. For the avoidance of doubt, the influences of COVID-19 have been considered when compiling information in the Frost & Sullivan Report. In this section, Frost & Sullivan present historical market information for five years (i.e. from 2016 to 2020) which is longer than the Track Record Period and, we believe, is a more accurate reflection of the trends that affect our markets.

INDUSTRY OVERVIEW

Our Directors confirmed that, after taking reasonable care, as of the Latest Practicable Date, there had been no adverse change in the market information set forth herein since the date on which the Frost & Sullivan Report was issued.

1. OVERVIEW OF THE GLOBAL PHARMACEUTICAL INDUSTRY

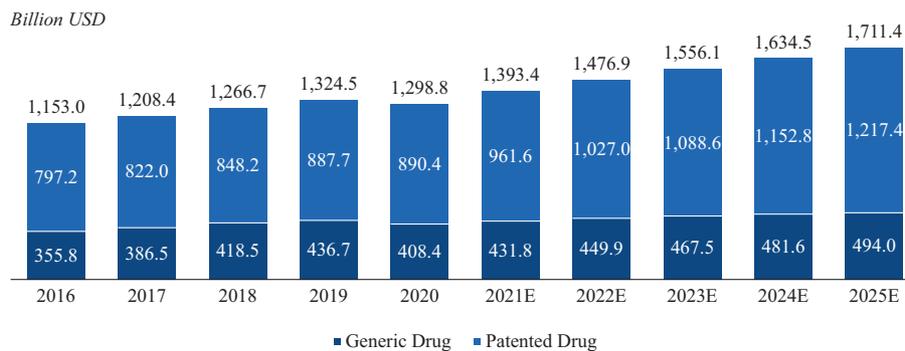
1.1 Overview of the Global Pharmaceutical Market

Driven mainly by a growing number of aging population and longer life expectancy, improving affordability and continuous launching of innovative drugs, the global pharmaceutical market has experienced steady growth in the past five years and increased from US\$1,153.0 billion in 2016 to US\$1,298.8 billion in 2020, representing a CAGR of 3.0%. Such growth is expected to continue, and the total revenue is estimated to reach US\$1,711.4 billion by 2025, representing a CAGR of 5.7% from 2020.

Pharmaceuticals can be categorized into patented drugs and generic drugs given the status of patent protection. The following chart provides greater details of the revenue and growth of the global pharmaceutical market by these two categories:

**Breakdown of Global Pharmaceutical Market
by Patented Drug and Generic Drug, 2016-2025E**

CAGR	Patented Drug	Generic Drug	Total
2016-2020	2.8%	3.5%	3.0%
2020-2025E	6.5%	3.9%	5.7%



Source: the Frost & Sullivan Report

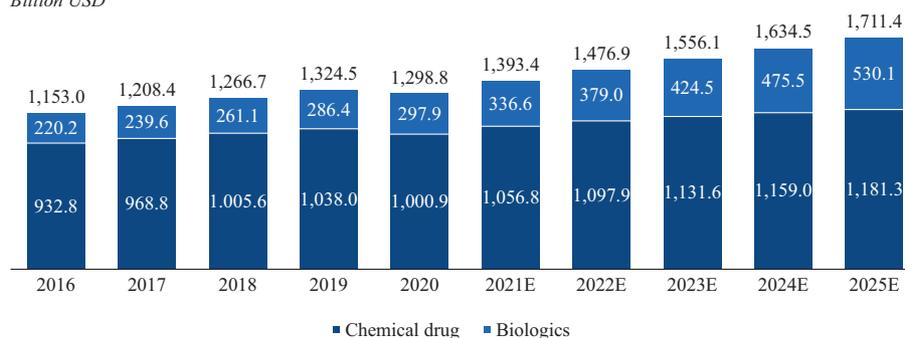
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Pharmaceuticals can also be categorized into chemical drugs and biologics: chemical drugs, which mainly include small molecular drugs, oligonucleotide, polypeptides, polysaccharide, and etc., and biologics, which mainly include antibodies, antibody-drug conjugates ADCs and mRNA, according to their molecular characteristics. The following chart provides greater details of the revenue and growth of the global pharmaceutical market by these two types:

Breakdown of Global Pharmaceutical Market by Chemical Drugs and Biologics, 2016-2025E

CAGR	Biologics	Chemical Drug	Total
2016-2020	7.8%	1.8%	3.0%
2020-2025E	12.2%	3.4%	5.7%

Billion USD

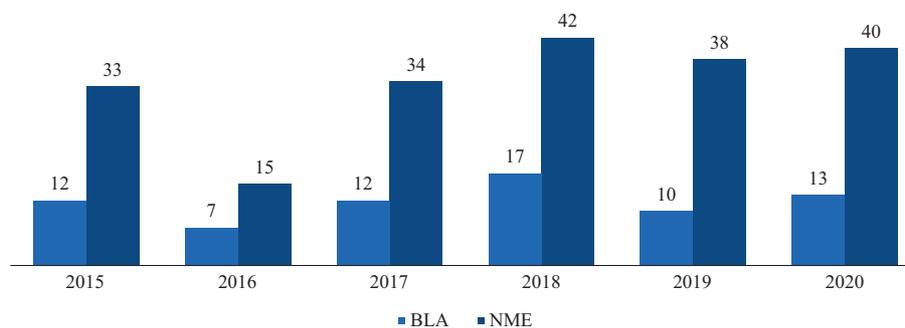


Source: the Frost & Sullivan Report

According to Frost & Sullivan, among the top 100 blockbuster drugs globally, measured by annual sales, 58 are chemical drugs and 42 are biologics, representing 49.3% and 50.7% of total sales of the top 100 blockbusters, respectively. According to Frost & Sullivan, chemical drugs represent a majority of the new drugs that obtained FDA approvals during the past five years, as illustrated in the chart below:

Number of FDA NME & Original BLA Approvals, 2015-2020

CAGR	BLA	NME
2015-2020	1.6%	3.9%



Note:

- (1) According to an analysis of the FDA registered trials in the past decade (2011-2020), most new molecular entities (NMEs) are small molecule drugs.

Source: the Frost & Sullivan Report; Center for Drug Evaluation and Research (CDER)

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Along with the continuous expansion of global pharmaceutical market, the global pharmaceutical research and development expenditure has experienced steady growth from US\$156.7 billion in 2016 to US\$204.8 billion in 2020, representing a CAGR of 6.9%. Such growth is expected to continue, and the total expenditure is estimated to reach US\$295.4 billion by 2025, representing a CAGR of 7.6% from 2020. U.S. pharmaceutical companies continue to invest heavily in pharmaceutical R&D and contributed 43.8% of global pharmaceutical R&D expenditure in 2020. China has played an increasingly prominent role in the growth of the global pharmaceutical R&D investment in the past five years. The following chart provides greater details of the revenue and growth of the global pharmaceutical research and development expenditure by geographic areas:

Comparison of Pharmaceutical R&D Expenditure, 2016-2025E

CAGR	U.S.	China ⁽¹⁾	RoW	Globe
2016-2020	7.4%	20.1%	3.9%	6.9%
2020-2025E	7.8%	15.0%	5.0%	7.6%



Note:

- (1) The CAGRs calculated are based on market size in USD, which will be slightly different as compared to that in RMB. The CAGR of China's pharmaceutical R&D expenditures is projected to decrease from 20.1% from 2016 to 2020 to 15.0% from 2020 to 2025, primarily due to a proportionately larger base in 2020 than in 2016. Therefore, despite the continued growth in total pharmaceutical R&D expenditures in China from 2020 to 2025, the growth rates are expected to decline due to the higher base.

Source: the Frost & Sullivan Report

There is a global trend of increasing investment in oligonucleotide, a novel type of small molecular chemical drug with significant growth potential. Oligonucleotides are short, single- or double-stranded DNA or RNA molecules. Major types of oligonucleotide-based therapies include RNA interference (RNAi), antisense oligonucleotides (ASO), small interfering RNA (siRNA), small hairpin RNA (shRNA), double-strand RNA (dsRNA) and cytosine-phosphorothioate-guanine (CpG) oligonucleotide. According to Frost & Sullivan, as of May 28, 2021, there were 91 ongoing clinical trials worldwide for oligonucleotide, with 26 in Phase I clinical trial, 40 in Phase II clinical trial and 25 in Phase III clinical trial. There is another rising type of pharmaceutical – mRNA drugs. mRNA is a single-stranded RNA molecule that carries a copy of a gene. mRNA therapies offer targeted therapies that primarily focus on the fields of immuno-oncology, infectious diseases and vaccines. mRNA drugs can be produced at a lower cost compared with conventional chemical drugs and biologics. According to CDC,

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COVID-19 mRNA vaccines (Pfizer-BioNTech and Moderna) can reduce the risk of infection by 90% two or three weeks after the second dose of vaccine. According to Frost & Sullivan, 16 of the 102 vaccines under clinical development were mRNA based as of June 18, 2021.

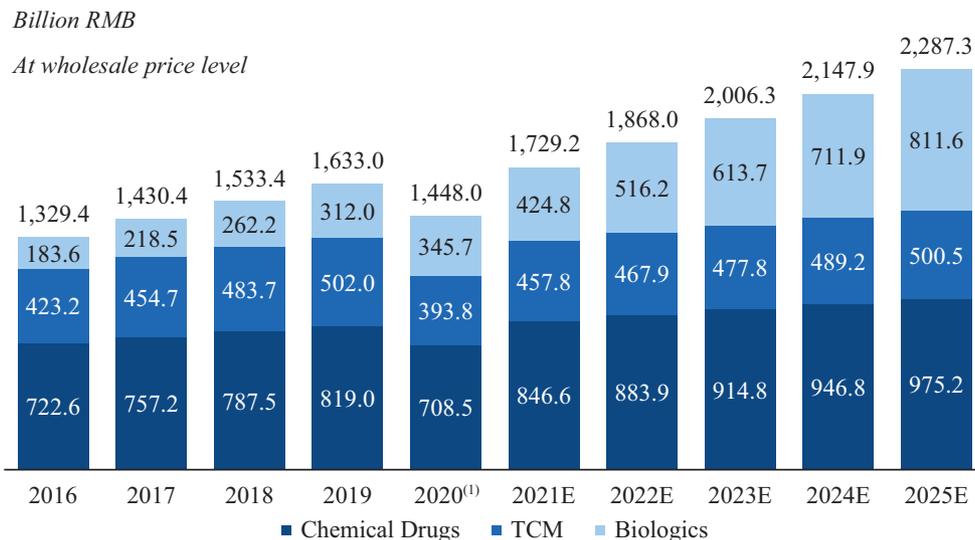
1.2 Overview of Pharmaceutical Market in China

China is the second largest pharmaceutical market in the world. Driven by China's growing aging population, increasing per capita disposable income, rising health expenditure and favorable government policies, the China pharmaceutical market is expected to increase from RMB1,448.0 billion in 2020 to RMB2,287.3 billion in 2025 at a CAGR of 9.6%, which is much higher than the CAGRs of 5.7% and 5.2% for the global and the U.S. pharmaceutical market at the same period, respectively.

Chemical drugs dominate the China pharmaceutical market, representing 48.9% of total market share in 2020, while biologics and traditional Chinese medicines accounted for 23.9% and 27.2%, respectively, in 2020. The following chart provides greater details of the revenue and growth of the China pharmaceutical market by these three types:

**Breakdown of China Pharmaceutical Market
by Chemical Drugs, TCM and Biologics, 2016-2025E**

CAGR	Biologics	TCM	Chemical Drugs	Total
2016-2020	17.1%	-1.8%	-0.5%	2.2%
2020-2025E	18.6%	4.9%	6.6%	9.6%



Note:

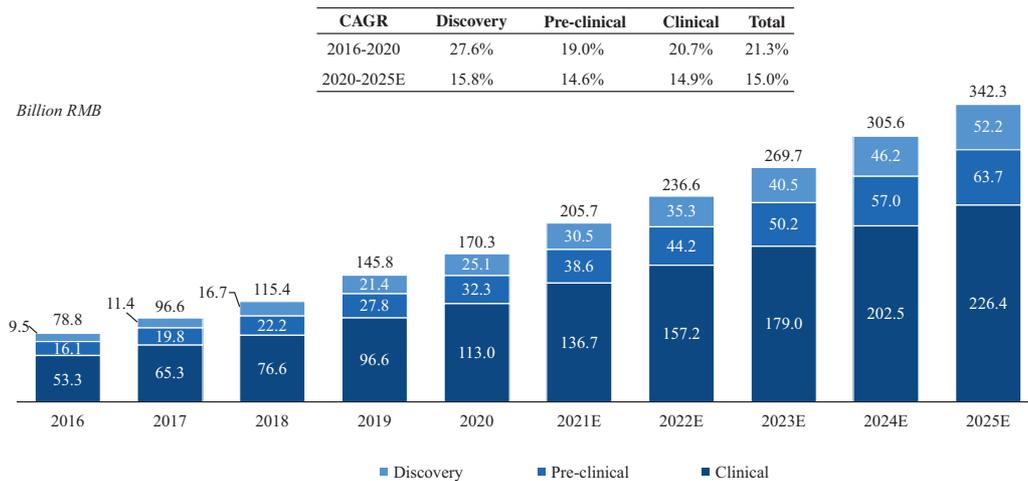
- (1) Similar to the global pharmaceutical market, China's pharmaceutical market experienced temporary decreases in revenue in 2020 compared to 2019 due to the impact of the COVID-19 pandemic. On the other hand, due to the worldwide containment efforts toward the COVID-19 pandemic, as well as the ongoing R&D and expedited approval tracks for preventive and therapeutic products in China, business activities are returning to normal. Therefore, the China pharmaceutical market is expected to recover in 2021 and experience further growth in the coming years.

Source: the Frost & Sullivan Report

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The significant growth potential of China’s pharmaceutical market is supported by a robust investment in pharmaceutical R&D. The R&D expenditure of China’s pharmaceutical industry increased from RMB78.8 billion in 2016 to RMB170.3 billion in 2020, representing a CAGR of 21.3%, and is expected to maintain its strong momentum and further increase to RMB342.3 billion in 2025, representing an expected CAGR of 15.0%, which is approximately two times the growth rate of global R&D expenditure. The chart below provides greater details of the R&D expenditure of China’s pharmaceutical industry by R&D stage:

**Breakdown of China Pharmaceutical R&D Expenditure
by Development Stage, 2016-2025E**



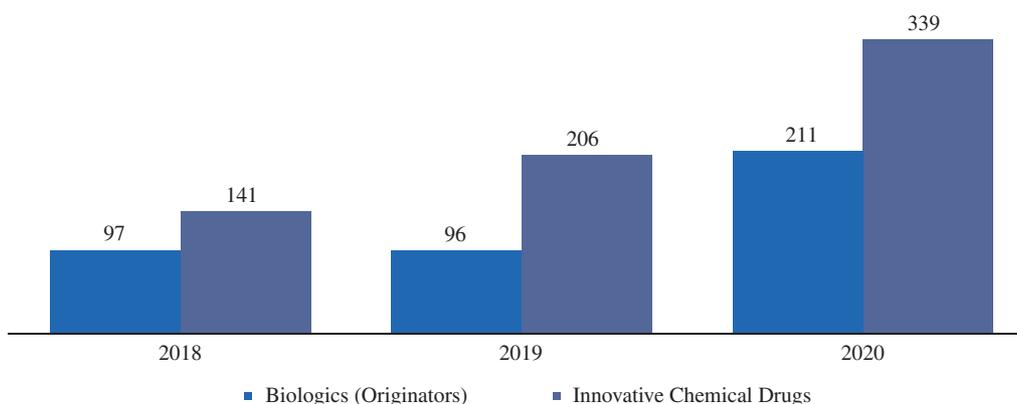
Source: the Frost & Sullivan Report

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The robust and continued investments in R&D are directly reflected in exponential increase in number of investigational new drug (IND) reviews and clinical trials in China. Innovative chemical drugs showed a solid growth during the past years, demonstrated by significant increases in the number of both the new IND reviews and the ongoing clinical trials. The charts below provide greater details of the number of IND reviews and ongoing clinical trials by type of pharmaceuticals in China:

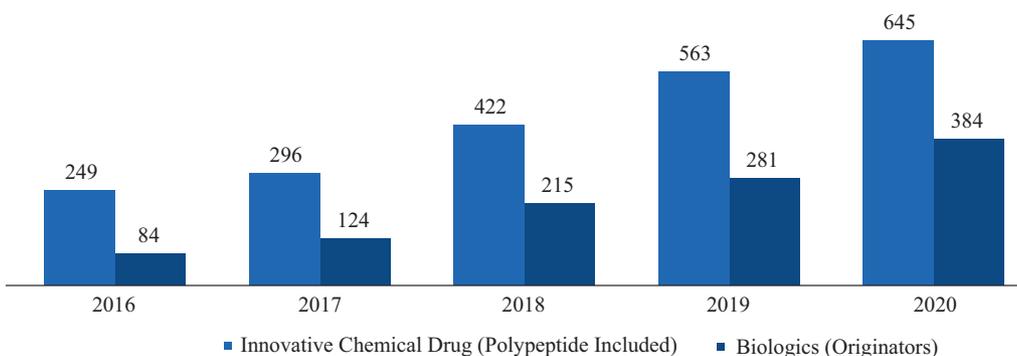
Breakdown of Number of CDE Class I Drugs with IND Reviews by Chemical Drugs and Biologics, 2018-2020

CAGR	Biologics (Originator)	Innovative Chemical Drugs
2018-2020	47.5%	55.1%



Breakdown of Ongoing Clinical Trial in China by Chemical Drugs and Biologics, 2016-2020

CAGR	Biologics (Originator)	Innovative Chemical Drug (Polypeptide Included)
2016-2020	26.9%	46.2%



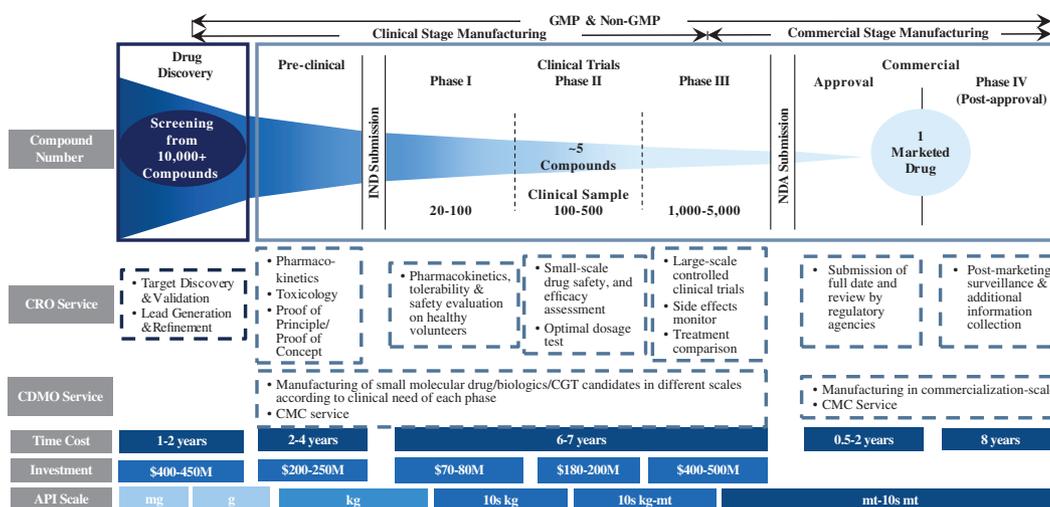
Source: the Frost & Sullivan Report; Center for Drug Evaluation (CDE)

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1.3 Overview of the Market for Contract Pharmaceutical R&D and Manufacturing Services

The development of a new drug is a long, complex and expensive process which typically takes at least 10 years from drug discovery to commercialization and requires a capital investment of over US\$1.0 billion. The lifecycle of new drugs typically consists of four stages: the drug discovery, the pre-clinical research, the clinical trials and registrations, and the commercialization and marketing. To control costs and improve efficiency, pharmaceutical companies are increasingly outsourcing their R&D and manufacturing activities throughout the lifecycle of drugs. In the contract pharmaceutical R&D and manufacturing value chain, there are two major types of outsourcing service providers: contract research organizations (CROs) and contract manufacturing organizations/contract development manufacturing organizations (CMOs/CDMOs). Both CMO/CDMO services and CRO services are essential in the research and development processes of new drugs. CRO companies mainly provide services related to drug discovery and pre-clinical research in laboratory, and clinical and post-approval trial operation and management. CMO/CDMO companies mainly provide services related to CMC (Chemistry, Manufacturing, and Control) and manufacturing of drug candidates or drugs. CMO/CDMO companies play a key role in the research and development of new drugs, as their manufacturing and CMC services ensure the supply and quality of drugs throughout their development process and commercial stage. The following graph illustrates the drug development process and typical service offering of CROs and CMO/CDMOs through the process:

Illustrative New Drug Research and Development Process



Source: the Frost & Sullivan Report

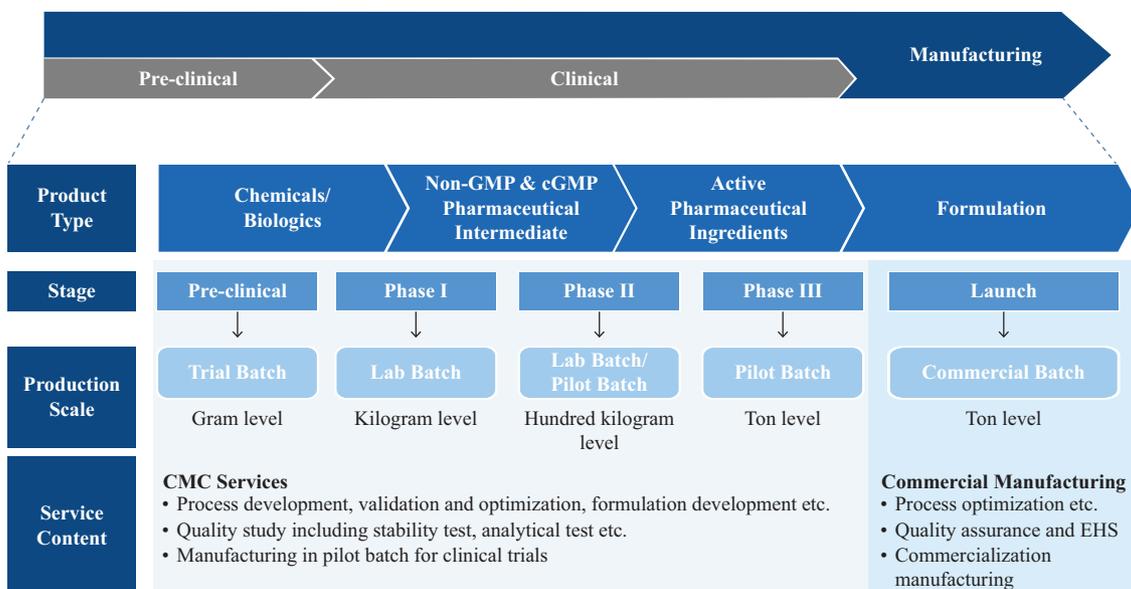
As global and China-based pharmaceutical companies increasingly outsource their R&D and manufacturing activities, the global and China-based contract pharmaceutical R&D and manufacturing markets grew rapidly from US\$75.9 billion in 2016 to US\$105.1 billion in 2020 with a CAGR of 8.5% and from RMB30.5 billion in 2016 to RMB76.3 billion in 2020 with a CAGR of 25.7%, respectively.

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2. OVERVIEW OF THE CMO/CDMO MARKET

2.1 Overview of the CMO/CDMO services

The CMO and CDMO services generally refer to pharmaceutical manufacturing services provided by CMO and CDMO companies to pharmaceutical companies. The following illustration shows the typical service offering of CMO/CDMOs in each stage from pre-clinical research to commercialization:



Source: the Frost & Sullivan Report

During the drug development process, CMO companies are mainly focused on the manufacturing itself. They basically manufacture pharmaceutical products based on the production processes provided by pharmaceutical companies without any process development and optimization work, whereas CDMO companies, in addition to manufacturing services, also provide manufacturing process development and optimization services based on the pharmaceutical products' chemical structures provided by pharmaceutical companies, as well as various other technology-based value-added services, including but not limited to the method development and validation, stability testing, and impurity study.

One key aspect of drug manufacturing is the manufacturing of the drug substance which contains three components, registered starting materials (RSMs), cGMP intermediates and APIs. Large-scale manufacture of cGMP intermediates and APIs requires advanced technological platforms, well-equipped factories and integrated quality control system. Large-scale manufacturing of drug substance is a vital component of CDMO market with a high entry barrier and stringent requirement for R&D investment.

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CDMO companies normally invest heavily in the research and development of manufacturing technologies to maintain their core competencies. Compared with CMO companies, CDMO companies can provide more value-added services as a result of their stronger technological capabilities and a higher degree of customization with services, which plays an important role in enhancing customer stickiness and improving profitability. The following chart presents a comparison of CMO and CDMO services:

	Low-end CMO	High-end CMO	CDMO
Service content	Low value-added services including contract manufacturing of non-GMP chemicals	Target accomplishment of cGMP manufacturing in compliance with a process developed by customer rather than conduct process development independently.	High value-added services including process development, validation and optimization. Continual investment on R&D to improve process efficiency and reduce manufacturing cost and pollution.
Profitability	Low	Moderate	High
Technology innovation	Low	Moderate	High
R&D expenditure	Low	Low	Moderate-to-high
Customer stickiness	Low	Moderate	High

Source: the Frost & Sullivan Report

Outsourcing to a CMO/CDMO service provider allows a pharmaceutical company to expand its manufacturing and technology capacity without increased overhead and capital expenditure. Due to the capital-intensive nature of the business, the inherent uncertainty of drug development process, and the competition from generic drug manufactures, multinational pharmaceutical companies are forced to restructure their strategies to reduce internal costs and becoming more relying on external expertise. In addition, the industry saw a surge of the number and R&D expenditures of small and mid-sized pharmaceutical companies and virtual biotechnology companies in recent years, fueled by the venture capital investment and public capital markets. These companies usually have limited manufacturing capacity and therefore are more reliant on outsourcing CMC and manufacturing services, which further contributed to the growth of CDMOs industry.

In addition to reducing drug development timelines and costs, the increasing complexity of drug manufacturing process and requirements comes a greater need for CDMOs to provide effective process solutions and rapid innovation for delivering all the new and sophisticated drug products. In order to attain these higher standards, CDMOs must be technologically progressive and flexible, combining multi-disciplinary expertise to actively find solutions that increase the overall efficiency and success rate of their projects.

2.2 The Global CDMO Market

Due to the increasing outsourcing trend in the pharmaceutical industry, CDMOs are increasingly becoming integral parts of the pharmaceutical companies' value chain and the market size of CDMO services is expanding more rapidly than that of the pharmaceutical market as a whole. According to Frost & Sullivan, the global CDMO market increased from US\$35.3 billion in 2016 to US\$55.4 billion in 2020, representing a CAGR of 12.0%, outpacing

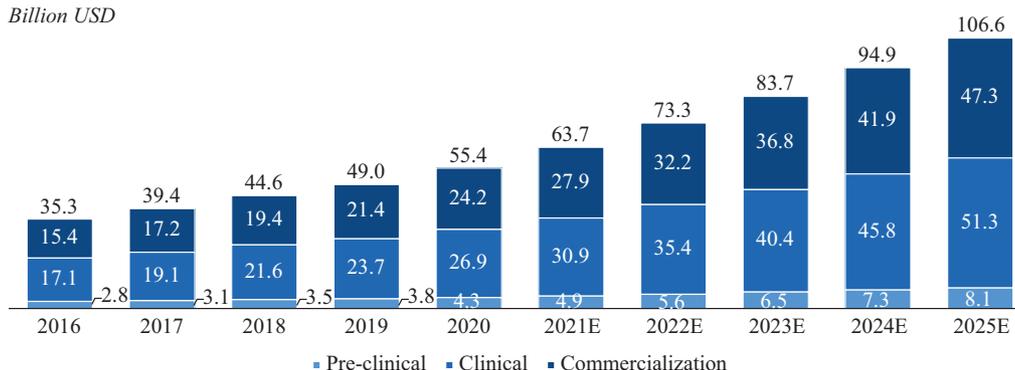
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the 3.0% of the global pharmaceutical market during the corresponding period. Such growth is expected to continue and the global CDMO market is estimated to reach US\$106.6 billion by 2025, representing a CAGR of 14.0% from 2020 to 2025, while the global pharmaceutical market is expected to grow at a CAGR of 5.7% for the same period. The charts below provides greater details of the market size of global CDMO market by the stage of drug development:

**Breakdown of Global CDMO Market
by Drug Development Stage, 2016-2025E**

CAGR	Pre-clinical	Clinical	Commercialization	Total
2016-2020	11.4%	11.9%	12.1%	12.0%
2020-2025E	13.3%	13.8%	14.3%	14.0%

Billion USD



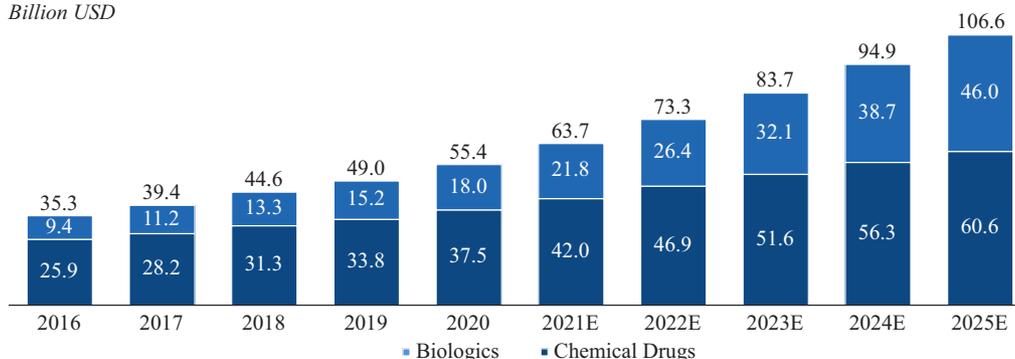
Source: the Frost & Sullivan Report

According to Frost & Sullivan, the development of chemical drugs represents, and will continue to be, a major portion of the total CDMO market globally. The following chart provides greater details of each segment of CDMO market in terms of types of pharmaceuticals:

**Breakdown of Global CDMO Market
by Chemical Drugs and Biologics, 2016-2025E**

CAGR	Chemical Drugs	Biologics	Total
2016-2020	9.7%	17.6%	12.0%
2020-2025E	10.1%	20.7%	14.0%

Billion USD

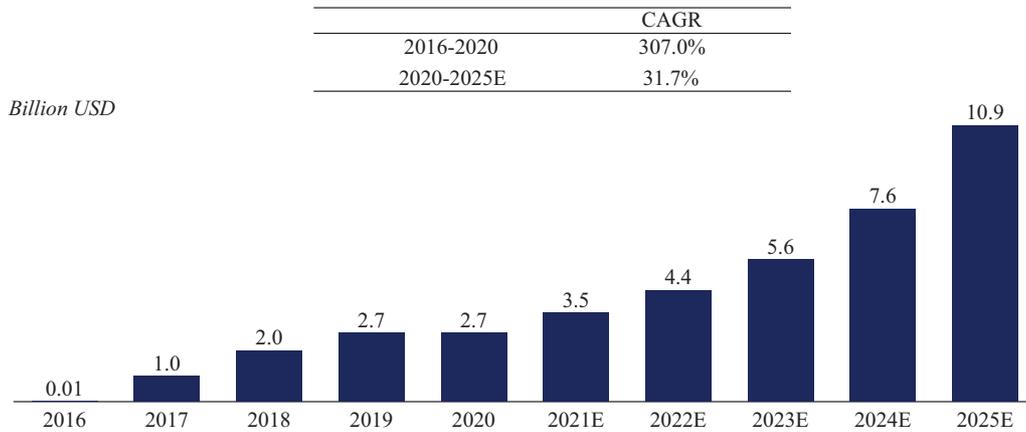


Source: the Frost & Sullivan Report

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According to Frost & Sullivan, the global market of oligonucleotide drugs, a novel type of chemical drug with significant growth potential, reached US\$2.7 billion in 2020, will continue to grow steadily in the coming years, and is expected to reach US\$10.9 billion in 2025. The following chart provides greater details of the growth trend of the global oligonucleotide drug market:

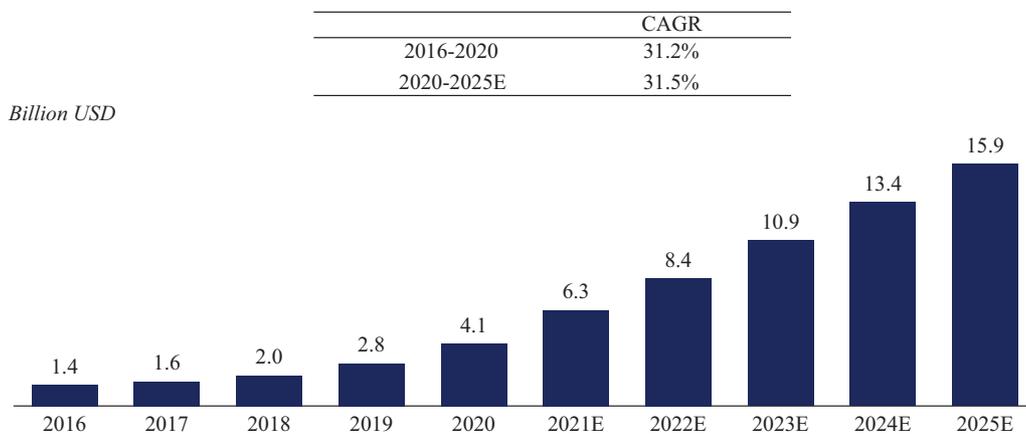
Global Oligonucleotide Drug Market, 2016-2025E



Source: the Frost & Sullivan Report

According to Frost & Sullivan, ADC drugs, a novel type of biologics, are expected to experience exponential growth globally for the next five years. The following chart provides greater details of the growth trend of the global ADC drug market:

Global ADC Drug Market, 2016-2025E



Source: the Frost & Sullivan Report

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Key drivers of the global CDMO market

The following five drivers mainly contribute to the growth of the global CDMO market:

- *Increasing investment in R&D:* With increasing pharmaceutical research and development expenditure and rising numbers of pipeline drug candidates, pharmaceutical companies require more outsourcing manufacturing services for both drug development stage and future commercialization stage, which is expected to drive the growth of the global CDMO market.
- *Growth of small-sized pharmaceutical companies and biotech startups:* The R&D expenditure of small-sized pharmaceutical companies and biotech startups grew significantly from US\$9.2 billion in 2016 to US\$15.1 billion in 2020, representing a CAGR of 13.3% and is expected to further grow to US\$24.9 billion in 2025 with an expected CAGR of 10.5%. These small-size biotech/pharmaceutical companies generally focus on the discovery stage with no manufacturing capabilities of their own, and therefore provide new market opportunities for CDMO companies.
- *Decentralization of drug pipelines:* As small and medium-sized pharmaceutical companies and biotech start-ups are responsible for a growing share of new drug approvals, both large pharmaceutical companies and small and medium-sized pharmaceutical companies are more willing to outsource part of their R&D and manufacturing to CDMO companies as a means to decrease time to market, save costs, ensure compliance and reallocate internal resources.
- *Increasing drug price pressure on pharmaceutical companies:* The government healthcare costs containment efforts in many countries and generic competition after the expiry of patents create strong downward pressure on drug prices. For instance, according to Frost & Sullivan, the recent changes in China's healthcare reimbursement system created significant price pressure. Since 2017, National Healthcare Security Administration and Ministry of Human Resources and Social Security (NHSA) has been actively updating the national reimbursement drug list, which greatly reduces the time span between different editions of NRDL, helps sustain price control of marketed drugs and accelerates the inclusion of innovative drugs. For instance, during the pricing negotiation for inclusion in the national reimbursement drug list (NRDL) in December 2020 alone, there was an average reduction of 50.7% for drugs that were included in the NRDL which put significant price reduction pressure on pharmaceutical companies. CDMOs, especially those with advanced technologies such as continuous manufacturing, can provide effective solutions for the pharmaceutical companies to improve efficiency and reduce costs in order to compete favorably in the market. Therefore, facing increasing pricing pressure, pharmaceutical and biotech companies tend to increasingly out-source the CMC and manufacturing of their products to CDMOs, which are especially favorable to the development of capable CDMOs with advanced technologies such as our Group.

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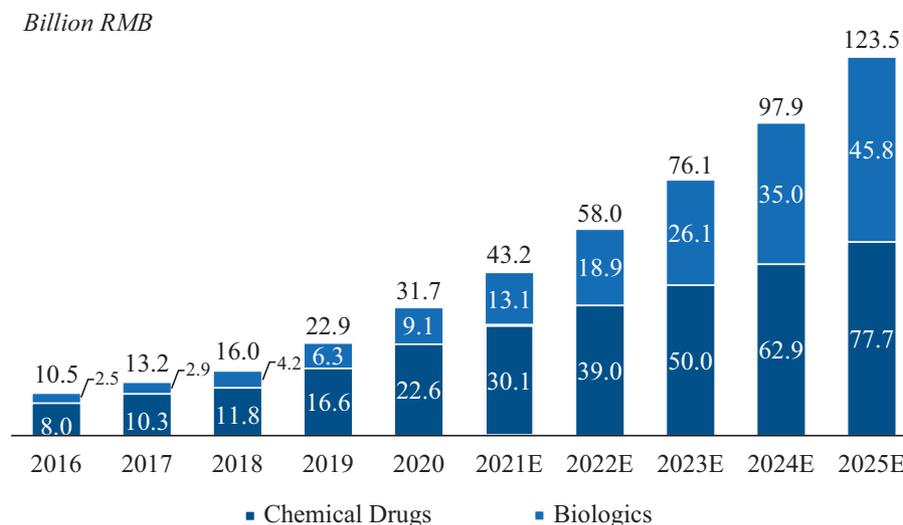
- Increasing complexity of manufacturing process and regulatory requirements:** As the molecular structure of drugs becomes increasingly complex and cGMP standards becomes more prevalently applied, pharmaceutical companies are more frequently relying on CDMOs to gain access to advanced drug development and manufacturing technologies and specialized expertise. In addition, there is a growing trend to partner with CDMOs at early stage in the drug development process as part of the efforts to create efficiency, and it is unlikely to switch the CDMOs at a later stage in the process due to the high technology transfer costs and compliance risks.

2.3 The China-based CDMO Market

Driven by a number of positive factors such as expansion of pharmaceutical market and favorable government policies, the growth rate of the China-based CDMO market outpaced the global CDMO market in the past five years. From 2016 to 2020, the China-based CDMO market increased from RMB10.5 billion to RMB31.7 billion at a robust five-year CAGR of 32.0%. This growth is expected to continue, and the market size is expected to reach RMB123.5 billion by 2025, representing a CAGR of 31.3% from 2020 to 2025, which is much higher than the estimated global CAGR of 14.0%. The following charts set forth breakdowns of the China-based CDMO market by types of pharmaceuticals and pharmaceutical development stages:

**Breakdown of China-based CDMO Market
by Chemical Drugs and Biologics, 2016-2025E**

CAGR	Chemical Drugs	Biologics	Total
2016-2020	29.8%	38.3%	32.0%
2020-2025E	28.0%	38.1%	31.3%



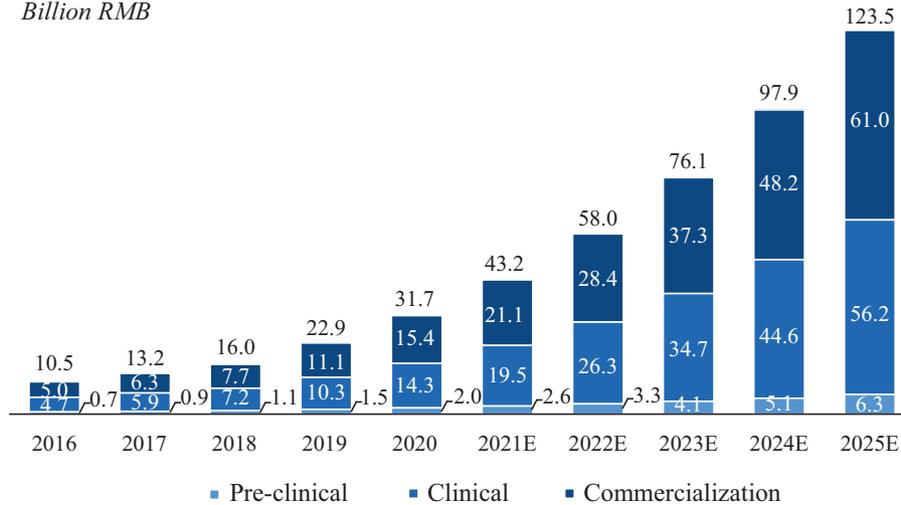
Source: the Frost & Sullivan Report

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Breakdown of China-based CDMO Market by Drug Development Stage, 2016-2025E

CAGR	Pre-clinical	Clinical	Commercialization	Total
2016-2020	28.3%	32.1%	32.4%	32.0%
2020-2025E	25.6%	31.5%	31.7%	31.3%

Billion RMB



Note: China-based CDMO market contains income from overseas base and overseas orders received by domestic base

Source: the Frost & Sullivan Report

Key drivers of the China CDMO market

In addition to the key drivers of the global CDMO market, the key drivers of the China CDMO market also include:

- *A favorable industry environment:* Against the backdrop of China's ongoing healthcare reform, the numbers of biotechnology companies and drug product pipelines have grown exponentially in the past few years supported by a combining force of several contributors, including government policies that streamline approval process and encourage drug innovations, the growing pool of talents and technologies in biotech industry, the increased funding from government and private sectors into the pharmaceutical industry, and the broadening access to public market of pre-revenue biotech companies. The emergence of these biotechnology companies provides tremendous market opportunities for domestic CDMO players.
- *Development of emerging markets:* As the global value train is shifting towards emerging markets, major pharmaceutical companies are increasing their strategic deployments in China, and Asia-based CDMOs is gradually taking up the market share of their counterparts in Europe and the U.S.

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- *Preferential policies and regulations:* The introduction of preferential industry policies and the continued enhancement of regulatory system are beneficial for the China CDMO market. For example, the implementation of the marketing authorization holder (MAH) system allows small and medium-sized pharmaceutical companies without manufacturing capacities to file NDAs by partnering with CDMOs. Further, China has participated in the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) since 2017 and been elected to the ICH Management Committee in 2018, which allows China to accelerate the integration process of domestic drug registration administration system with international systems and to play an important role in the optimization of drug regulations worldwide.
- *Talent and technology:* Equipped with highly capable professionals, CDMO companies in China can continuously advance and optimize their manufacturing processes and develop cutting-edge technology platforms, which enhances the competitiveness of domestic CDMOs in the global market.

2.4 Key Success Factors of the CDMO Industry

The following factors are key to the success of CDMO companies:

- *One-stop services:* One-stop-shop CDMOs provide integrated services covering different stages in the life cycle of drugs and for different types of drugs. These CDMOs can differentiate themselves through convenience and customization that they offer to the customers. The ability to provide one-stop services can also increase the customer stickiness, create cross-selling opportunities, and enable the capturing of projects at an early stage.
- *Advanced Technologies:* Given the increasing technical complexity of drug compounds, successful CDMOs can stand out with advanced and proprietary technologies and specialized expertise, which are critical to overcome technical difficulties and offer desirable solutions during the CMC and manufacturing process to satisfy pharmaceutical companies' needs.
- *Sufficient capacity and high quality:* It is critical to build sufficient manufacturing capacity and set high standards for quality control and assurance for CDMOs to obtain and maintain a substantial market share.
- *Talents:* To succeed in the high-competitive and quickly evolving pharmaceutical industry, a CDMO must execute an effective talent management strategy to maintain a stable and growing pool of professionals with multi-disciplinary expertise.
- *Excellent customer services:* With a well-established internal operational system and a customer-centric culture, successful CDMOs earn trust from customers with the speed and high quality of their services.

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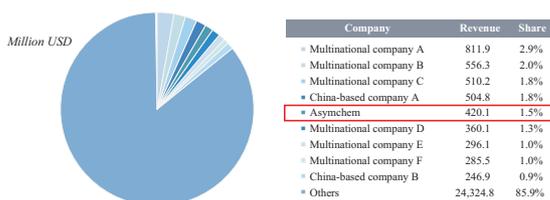
3. COMPETITIVE LANDSCAPE OF THE CDMO INDUSTRY

The CDMO market is highly competitive and fragmented. There are at least 600 CDMO companies worldwide, among which at least 30 are based in China. The top 15 players accounted for approximately 37.8% of the global CDMO market. A few large multinational CDMO companies dominate the market in the U.S. and other overseas markets, followed by a number of much smaller players focusing on different geographic areas and segments.

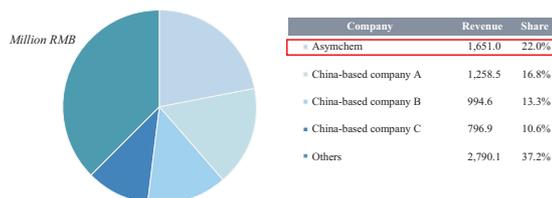
In terms of revenue in 2020, Asymchem ranked fifth in the global drug substance CDMO market, first in the China-based commercial stage chemical drug CDMO market, 13th in the global chemical drug CDMO market, and second in the China-based chemical drug CDMO market. The global drug substance CDMO market is led by Patheon (a Thermo Fisher subsidiary), Fareva and Lonza, which are multinational companies with comprehensive business layout in CDMO services. The market is then followed by two China-based players, Wuxi AppTec and us, which focus more on the development of drug substances.

The following pie charts show the revenue and ranking of top players in the relevant markets.

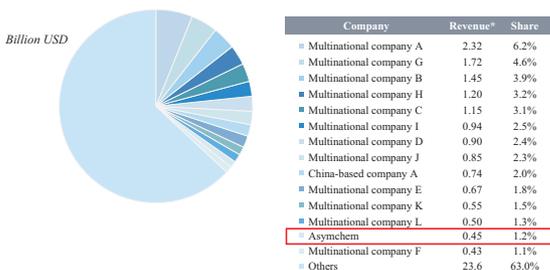
Major Competitors of Global Drug Substance CDMO Market, 2020



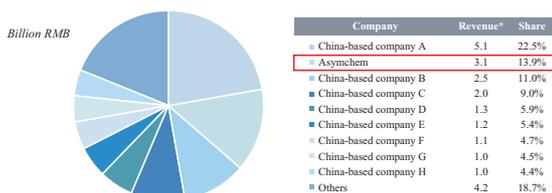
Major Competitors of Commercial Stage Chemical Drug CDMO Market in China, 2020



Major Competitors of Global Chemical Drug CDMO Market, 2020



Major Competitors of China-based Chemical Drug CDMO Market, 2020



Note:

* To help ensure the comparability of the data, Frost & Sullivan estimated chemical drugs CDMO revenues of companies in the table based on public information.

Source: the Frost & Sullivan Report

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The following table sets forth a detailed comparison of financial and operational metrics of major players in both the global market and the China market in 2020:

Company	Service fields	Revenue (Chemical Drugs CDMO)	Gross profit margin			No. of late-clinical and commercial programs
			2018	2019	2020	
Asymchem	Chemical drugs, biologics	RMB3.1 BN	45.9%	45.0%	46.3%	74
China-based company A	Chemical drugs, biologics	RMB5.1 BN	41.6% (CDMO) 38.7% (CRO)	39.9% (CDMO) 38.6% (CRO)	41.2% (CDMO) 36.5% (CRO)	73
China-based company B	Chemical drugs	RMB2.0 BN	34.7% (CDMO) 32.0% (CRO)	40.8% (CDMO) 36.4% (CRO)	40.8% (CDMO) 44.3% (CRO)	135 (CMO+CRO)
China-based company C	Chemical drugs	RMB2.5 BN	35.4% (CDMO)	37.5% (CDMO)	39.8% (CDMO)	56
Multinational company C	Chemical drugs, biologics	US\$1.2 BN	37.8%	38.1%	41.0%	NA
Multinational company G	Chemical drugs, biologics, consumer and animal health products	US\$1.7 BN	30.6%	32.0%	31.8%	163 (New products)

Notes:

Except for China-based company A and company B which separately disclose the gross profit margins of CRO and CDMO services, other companies in the table (including our Group) are more focused on the CDMO business and do not disclose the gross profit margin of CRO services separately. According to the Frost & Sullivan, the higher gross profit margin of our Group compared to that of the other major players could be the result of a combination of a number of factors, including operational efficiency, the advanced in-house developed technological platforms, and the economy of scale achieved as the business grows. As further set out below, our continued heavy investment in R&D, rich portfolio of proprietary patents and patent applications around our key technologies and well-validated technology platforms allow us to continually improve manufacturing efficiency, which are critical to maintaining our gross profit margin.

To help ensure the comparability of the data, Frost & Sullivan estimated chemical drugs CDMO revenues of companies in the table based on public information.

Source: the Frost & Sullivan Report

INDUSTRY OVERVIEW

Facing the fierce competition, cost pressure and constant technological innovations, CDMOs with advanced proprietary technologies set themselves apart from competitors and are well-positioned to seize growth opportunities while maintaining profitability in the long run. The following table sets forth a detailed comparison of R&D investment and achievements of major players in both the global market and the China market in 2020:

Company	Authorized Innovation Patent (As of end 2020)	R&D Investment Percentage in Revenue (Consolidated)	Key Technology/Platform
Asymchem	159	8.2%	Flow and continuous technology, photochemistry, electrochemistry, enzyme engineering and biosynthesis
China-based company A	NA	4.2% ¹	Flow and continuous technology, high potency API, integrated oligonucleotide API process R&D and manufacturing platform
China-based company B	40	7.6%	Crystallization, enzyme catalyzer, flow and continuous technology, supercritical fluid chromatography and pin milling
China-based company C	174	4.3%	Fluorine chemistry, enzyme catalyzer, asymmetrical catalyzer, flow and continuous technology (micro-reactor technology)
Multinational company C	NA	3.0%	Particle engineering, bioavailability enhancement, formulation and product development, low dose and high potency application and solubility-enhancing technologies
Multinational company G	NA	2.1%	Injectable small molecular drug packaging, nasal spray dosage form development

Note:

1. Included the R&D investment for chemical drugs and biologics.

NA: not available in public information

Source: the Frost & Sullivan Report

INDUSTRY OVERVIEW

The CDMO manufacturing services can be categorized into drug substance, which includes RSM, cGMP intermediates and APIs, and drug product, which includes formulation and packaging. The difficulties and complexities associated with the manufacturing of these products gradually increase along with the manufacturing process. Generally, companies that are capable of realizing large-scale API manufacturing demonstrate higher cGMP capacity, allowing them to further extend business sectors to drug product manufacturing. The following table shows a comparison among major China-based market players by pharmaceutical products:

Company	Drug Substance			Drug Products (Formulation + Packaging)	Service Extension
	RSM	cGMP Intermediates	APIs		
Asymchem	√	√	√	√	Acquired a clinical CRO company to cover I-IV clinical trials; development of enzyme engineering; process optimization in chemical drugs with greater molecular mass; API-formulation integrated service
China-based company A	√	√	√	√	Comprehensive coverage of CRO and CMO services under the support of another company
China-based company B	√	√	√	X	Established a joint venture to enhance its market presence in North America as well as CRO service capability
China-based company C	√	√	√	X	Acquired another company to strengthen pre-clinical and clinical CRO; strategic partnership with another company to extend to drug discovery CRO business

Source: the Frost & Sullivan Report

The CDMO market currently faces challenges including redundant manufacturing capacity, expenses and risks associated with manufacture site safety management, concentrated competition for professional talent and increased labor cost and difficulties to attract overseas talent due to the below global average industry-wide salary level of junior to senior principal scientists in china.

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As a foreign-invested enterprise incorporated in China which is engaged in outsourced pharmaceutical development and manufacturing services, our business operation is subject to extensive supervision and regulation of Chinese government. This section sets out: (i) the profiles of the Chinese pharmaceutical regulatory regime; and (ii) the overview of the laws, regulations and policies we must comply with that are material to our operations.

MAJOR REGULATORY AUTHORITIES AND RELEVANT ORGANIZATIONS

The operations of the Company in the PRC are mainly supervised and regulated by the following authorities, in addition to the authorities generally administering the companies in the PRC:

National Medical Products Administration (NMPA)

The National Medical Products Administration (NMPA) (the “NMPA”), under and supervised by the State Administration for Market Regulation, is responsible for drafting laws and regulations on the administration and supervision of drugs, formulating policy planning and department regulations; formulating, monitoring and implementing the regulations in the research, production, operation and quality control of drugs and medical devices; regulating the registration of drugs and medical devices and organizing technical review on drugs applied for registration and relevant overall review; guiding the supervising work on drugs of the local governments, etc.. In particular, the NMPA has the authority to inspect facilities that conduct research on drug candidates, including facilities belonging to the Contract Research Organization (CRO), that are ultimately intended for marketing in China.

Ministry of Commerce of the PRC (MOFCOM)

The Ministry of Commerce of the PRC (the “MOFCOM”) is the department in charge of the PRC’s domestic & international trade and international economic cooperation. It is responsible for formulating the development strategy and policies on domestic & international trade and international economic cooperation, drafting laws and formulating relevant departmental regulations on domestic & international trade, foreign investment, overseas investment and economic cooperation with foreign countries. The MOFCOM also handles the registration of foreign trade dealers engaging in import and export of goods or technology. As a foreign-funded joint stock limited company, the Company is also subject to the daily supervision conducted by the Commerce Departments. The Company is also required to fulfil the registration and filing procedures for its import and export business operations.

National Development and Reform Commission (NDRC)

The National Development and Reform Commission of the PRC (the “NDRC”) is an authority that 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 new industries including drug research and contract research & development, formulating and implementing

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the national strategic new industry development plan, coordinating related industries and regional planning, examining major foreign-funded projects and high-stake foreign investment projects. A considerable part of the final products provided to international pharmaceutical companies by the Company in CMO/CDMO service are in the form of drug substance, cGMP intermediate or other forms. As the pharmaceutical intermediate is a kind of fine chemicals, and NDRC & its subsidiary local development and reform departments are also responsible for reviewing and formulating policies, supervising the development of products, promoting, guiding, examining and approving relevant project of fine chemical industry. The Company is also subject to daily supervision from the NDRC and its subsidiary local development and reform departments. Besides, as the Company established enterprise overseas, it is also subject to NDRC's supervision in regards to overseas investment.

Ministry of Science and Technology of the PRC (MOST)

The Ministry of Science and Technology of the PRC (the “**MOST**”) is responsible for formulating the planning, guidelines and policies of science and technology development, drafting relevant laws and regulations and formulating department 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 other relevant departments; examining and approving international cooperation programs related to human genetic resources and in charge of the works on laboratory animals across the country.

General Administration of Customs of the PRC

The General Administration of Customs of the PRC is a directly affiliated institution of the State Council. The Customs of the PRC is the state's entry and exit customs supervision and administration authority and is responsible for inbound and outbound supervision, collection of duties and other taxes and fees, investigation of smuggling, preparation of customs statistics, port management and custom protection of intellectual property. According to the Plan For Deepening the Reform of Party and State Institutions (《深化黨和國家機構改革方案》, “**2018 Institutional Reform**”) issued by the Central Committee of the Communist Party of China on March 21, 2018, the duty of the entry-exit inspection and quarantine management and relevant staff of the former State Administration of Quality Supervision, Inspection and Quarantine were assigned to the General Administration of Customs of the PRC.

LAWS AND REGULATIONS OF THE PRC

Drug Research and Development & Registration Services

Research and Development of New Drugs

Pursuant to the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) which was promulgated by the Standing Committee of the National People's Congress (the “**SCNPC**”) on September 20, 1984, became effective on July 1, 1985 and amended on February 28, 2001, December 28, 2013, April 24, 2015 and August 26, 2019, respectively, for clinical

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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 (2017)**”) (《藥物非臨床研究質量管理規範》), which came into effect on September 1, 2017 and Good Clinical Practice for Drugs (the “**GCP (2020)**”) (《藥物臨床試驗質量管理規範》), which came into effect on September 1, 2003 and amended on April 23, 2020.

Pursuant to the Regulations of Implementation of the Drug Administration Laws of the PRC (《中華人民共和國藥品管理法實施條例》) which was promulgated by the State Council on August 4, 2002, came into effect 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. 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 institutions 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.

On July 2, 2021, the Center for Drug Evaluation solicited comments for the Draft for Comments of the Guiding Principles for Clinical Research and Development of Oncology Drugs Oriented by Clinical Value (the “**Guiding Principles**”). The purpose of the Guiding Principles is to further emphasize the clinical value of innovative drugs, reduce low-level and homogeneous “pseudo innovation” or “imitation innovation”, actively promote the real innovative development of the pharmaceutical industry, and further drive the standardization of the clinical research and development industry of antitumor drugs. The Guiding Principles points out that the research and development of antitumor drugs should implement the concept of taking clinical demand as the core and carry out clinical value oriented antitumor drug research and development from determining the research and development direction to carrying out clinical trials. It is required to improve the innovation of new drug R & D projects.

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Drug Manufacturing

Pursuant to the Drug Administration Law of the PRC, a drug manufacturing enterprise is required to obtain a Drug Manufacturing License (藥品生產許可證). According to the Measures for the Supervision and Administration of Pharmaceutical Production (《藥品生產監督管理辦法》), the “**Pharmaceutical Production Measures**”) which was promulgated by the China Food and Drug Administration (the “**CFDA**,” which was abolished and some of its functions were taken over by the NMPA), on August 5, 2004, revised on November 17, 2017 and January 15, 2020 respectively, to produce preparations, APIs, and traditional Chinese medicine decoction pieces, an applicant shall, in the light of Pharmaceutical Production Measures and the requirements of NMPA for application materials, file an application with the medical products administrative department of the province, autonomous region, or municipality directly under the Central Government in the place where it is located. The medical products administrative department of a province, autonomous region, or municipality directly under the Central Government shall, within 30 days of the date of acceptance, make a decision. Where the provisions are complied with upon examination, approval shall be granted and a drug production license shall be issued within 10 days of the date when the decision of written approval is made; and where the provisions are not complied with, a written decision of disapproval shall be made and the reasons shall be explained. The Drug Manufacturing License is valid for five years and shall be renewed at least six months prior to its expiration date upon a re-examination by the relevant authority.

Pursuant to the Drug Administration Law of the PRC, undertaking of drug manufacturing shall comply with drug manufacturing quality management norms, establish and improve upon a drug manufacturing quality management system, ensure the whole drug manufacturing process continuously comply with statutory requirements. The legal representative and the key person-in-charge of a drug manufacturing enterprise shall be fully responsible for the enterprise’s drug manufacturing activities. Good Manufacturing Practices for Pharmaceutical Products (《藥品生產質量管理規範》, the “**GMP**”) which was newly amended on October 19, 2010, took effect on March 1, 2011, comprises a set of detailed standard guidelines governing the manufacture of the drugs, including institution and staff qualifications, production premises and facilities, equipment, hygiene conditions, production management, quality controls, product operation, raw material management, maintenance of sales records and manner of handling customer complaints.

Pursuant to the Drug Administration Law of the PRC, the state shall implement a pharmaceutical marketing authorization holder system for pharmaceutical management. “Pharmaceutical marketing authorization holder (上市許可持有人)” means an enterprise, pharmaceutical development institution, or the like that has obtained a pharmaceutical registration certificate. A pharmaceutical marketing authorization holder shall be responsible for the safety, effectiveness, and quality controllability of pharmaceuticals during the whole process of the development, production, distribution, and use of the pharmaceuticals, as legally required. The legal representative or the principal person in charge of a pharmaceutical marketing authorization holder shall be fully responsible for pharmaceutical quality. A pharmaceutical marketing authorization holder may produce pharmaceuticals by itself, or by a

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pharmaceutical producing enterprise commissioned to do so. The production of blood products, narcotic pharmaceuticals, psychotropic pharmaceuticals, medical toxic pharmaceuticals, and pharmaceutical precursor chemicals shall not be commissioned, unless otherwise required by the medical products administration under the State Council. Pharmaceutical marketing authorization holders, pharmaceutical producing enterprises, pharmaceutical distribution enterprises, and medical institutions shall establish and implement a pharmaceutical traceability system, provide traceability information as required, and ensure the traceability of pharmaceuticals. And a pharmaceutical marketing authorization holder shall establish an annual reporting system and annually report the production and sale of pharmaceuticals, post-market research, risk management, and other information to the medical products administration of the people's government of the province, autonomous region, or municipality directly under the Central Government. As advised by our PRC Legal Advisor, we are not a pharmaceutical marketing authorization holder, while some of our customers are regarded as such.

Drug Trials

The non-clinical safety assessment of drugs for marketing approval shall be conducted in accordance with the Good Laboratory Practice for Non-Clinical Laboratory Studies (the “GLP”)(《藥物非臨床研究質量管理規範》), which was promulgated on July 27, 2017 and became effective on September 1, 2017. The NMPA promulgated the Administrative Measures for the Certification of Good Laboratory Practices for Non-clinical Laboratory Studies (《藥物非臨床研究質量管理規範認證管理辦法》) on April 16, 2007, which specifies the requirements for institutions applying for GLP certification of non-clinical laboratory studies.

To improve the quality of clinical trials, the CFDA promulgated the Good Clinical Practice for Drug Trials (《藥物臨床試驗質量管理規範》), the “GCP”) on August 6, 2003, and this regulation was revised by the National Health Commission of the People's Republic of China (the “NHC”) and the NMPA on April 23, 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. Since 2015, the CFDA has strengthened the enforcement against widespread data integrity issues associated with clinical trials in China. To ensure authenticity and reliability of the clinical data, the CFDA mandates applicants of the pending drug registration submissions to conduct self-inspection and verification of their clinical trial data. Based on the submitted self-inspection results, the CFDA also regularly launches onsite clinical trial audits over selected applications and rejects those found with data forgery.

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Pursuant to the Opinions 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》) by the General Office of the State Council 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.

Drug Registration

Pursuant to the Measures for the Administration of Drug Registration (2020) (《藥品註冊管理辦法(2020)》) promulgated by State Administration for Market Regulation (the "SAMR") on January 22, 2020 and effective on July 1, 2020, the Measures shall apply to those engaging in drug development and registration within the territory of the PRC. 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》) promulgated by CFDA on November 11, 2015 and effective on the same date, 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, etc..

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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 Special Examination and Approval of Drugs (《藥品特別審批程序》) promulgated by the CFDA on November 18, 2005 and effective on the same date, 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 on Management Procedures in Issuing Exceptional Approval on New Drugs Registration (《關於印發新藥註冊特殊審批管理規定的通知》) promulgated by CFDA on January 7, 2009 and effective on the same date, 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 (2020). 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.

Product Liability

The Product Quality Law of the PRC (《中華人民共和國產品質量法》, the “**PRC Product Quality Law**”) promulgated by the SCNPC on February 22, 1993, amended on July 8, 2000, August 27, 2009 and December 29, 2018 respectively, is the principal governing law relating to the supervision and administration of product quality. According to the PRC Product Quality Law, producers shall be liable for the quality of products produced by them and sellers shall take measures to ensure the quality of the products sold by them. Producers shall be liable for compensating for the injury to a person or damage to property other than the defective products per se due to the defects of products, unless the producer is able to prove that: (i) the products have not been put into circulation; (ii) the defects causing the damage did not exist when the products was put in circulation; or (iii) the science and technology at the time when the product was circulated were at a level incapable of detecting the defects. Sellers shall be liable for compensation if the personal injury or damage to the property of others is caused due to defects resulting from the fault on the part of sellers. Sellers shall be liable for compensation if they cannot identify the producers or suppliers of the defective products. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the producer or the seller.

Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), which was adopted by the National People's Congress on May 28, 2020 and came into force on January 1, 2021, where a defective product causes any harm to another person, the manufacturer shall assume the tort liability. Where any harm is caused to another person by a defective product, the victim may require compensation to be made by the manufacturer of the product or the seller of the

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product. If the defect of the product is caused by the manufacturer and the seller has made the compensation for the defect, the seller shall be entitled to be reimbursed by the manufacturer. If the defect of the product is caused by the fault of the seller and the manufacturer has made the compensation for the defect, the manufacturer shall be entitled to be reimbursed by the seller. Where the defect of a product endangers the personal or property safety of another person, the victim shall be entitled to require the manufacturer or seller to assume the tort liability by ceasing infringement, removing the obstruction, or eliminating the danger.

Work Safety

According to the Work Safety Law of the PRC (《中華人民共和國安全生產法》) which was promulgated by the SCNPC on June 29, 2002 and newly amended on June 10, 2021, production and business operation entities shall abide by the Work Safety Law of the PRC and other laws and regulations concerning work safety, and guarantee work safety by strengthening the management on safe production, setting up and improving the responsibility system for work safety and work safety rules and regulations, improving the conditions, pushing forward the development of work safety standards, and raising the work safety level. The major person-in-charge of the production and business operation entities shall undertake the overall duties concerning the work safety of the concerned entity. If the production and business operation entities fail to abide by the relevant rules of the Work Safety Law of the PRC, they will be confronted with administrative penalties, even criminal liabilities.

Environmental Protection

Environmental Assessment and Acceptance of Environmental Protection Facilities

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated by the SCNPC on December 26, 1989 and amended on April 24, 2014, the Law of the PRC on Environment Impact Assessment (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002 and newly amended on December 29, 2018, the Administrative Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998 and newly revised on July 16, 2017 and other relevant environmental laws and regulations, entities generating environmental pollution and other public hazards must incorporate environmental protection measures into their plans and set up a responsibility system of environmental protection. Construction projects shall go through environmental impact assessment procedure. The construction projects which may have significant impact on the environment shall prepare an environmental impact report with full assessment of their impact on the environment while those projects which have less severe environmental impact are not required to conduct environment impact assessment but need to complete the environmental impact registration form. Pollution prevention facilities for construction projects must be designed, constructed and put into use or operation simultaneously with the main part of the construction projects. Construction projects can only be put into operation after the relevant environmental protection administrative authority has examined and approved the pollution prevention facilities. Enterprises and public institutions discharging pollutants must report to and register with relevant authorities in accordance with the provisions of the environmental protection

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administrative authority under the State Council. Relevant authorities have the authority to impose penalties on individuals or entities breaching environmental regulations. The penalties that can be imposed include issuing a warning, the suspension of operation of pollution prevention facilities for construction projects where such facilities are uncompleted or fail to meet the prescribed requirements but are put into operation, the reinstallation of pollution prevention facilities which have been dismantled or left idle, administrative sanctions against the office-in-charge, the suspension of business operations or the shut-down of an enterprise or public institution. Fines could also be imposed together with these penalties.

Prevention and Control of Atmospheric Pollution

According to the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) promulgated by the SCNPC on September 5, 1987 and amended on August 29, 1995, April 29, 2000, August 29, 2015 and October 26, 2018 respectively, construction, when building projects that have an impact on atmospheric environment, enterprises, public institutions, and other business entities shall conduct environmental impact assessments and publish the environmental impact assessment documents according to the law; when discharging pollutants to the atmosphere, they shall conform to the atmospheric pollutant discharge standards and abide by the total quantity control requirements for the discharge of key atmospheric pollutants. The state exercises total volume control over the discharge of key atmospheric pollutants.

Prevention and Control of Environmental Pollution Caused by Solid Waste

According to the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) promulgated by the SCNPC on October 30, 1995 and latest amended on April 29, 2020, the construction of projects which discharge solid wastes and the construction of projects for storage, use and treatment of solid wastes shall be carried out upon the appraisal regarding their effects on environment and in compliance with the relevant state regulations concerning the management of environmental protection in respect of construction projects. The facilities for the prevention and control of environmental pollution by solid wastes required to be built as ancillaries determined in the environmental impact assessment document of a construction project shall be designed, built and put into operation at the same time as the main part of the project. The preliminary design of the construction project shall, as required by the environmental protection design standards, incorporate the prevention and control of environmental pollution by solid wastes into the environmental impact assessment document and implement the measures for the prevention and control of environmental pollution and ecological damage by solid wastes and the investment estimates for facilities for the prevention and control of environmental pollution by solid wastes. The construction employer shall, as required by the relevant laws and regulations, conduct acceptance inspection of the facilities for the prevention and control of environmental pollution by solid wastes built as ancillaries, prepare an acceptance inspection report, and disclose it to the public.

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Prevention and Control of Water Pollution

According to the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) promulgated by the SCNPC on May 11, 1984 and newly amended on June 27, 2017, newly-formed projects and reconstruction, or extensions projects that directly or indirectly discharge pollutants to water bodies and other installations on water are subject to environmental impact assessment. The facilities for the prevention and control of water pollution in a construction project shall be designed, constructed and put into use with the principal part of the project at the same time. The facilities for the prevention and control of water pollution shall comply with the requirements of the environmental impact assessment documents granted approval or recordation.

According to the Administrative Measures for the Permits for Discharge of Urban Sewage into the Drainage Pipeline (《城鎮污水排入排水管網許可管理辦法》) issued by the Ministry of Housing and Urban-Rural Development on January 22, 2015 and became effective on March 1, 2015, the discharge of sewage from drainage facilities shall be subject to supervision and management. Without a drainage permit, any entity engaged in industry, construction, catering, medical and other activities shall not discharge sewage into urban drainage facilities.

Prevention and Control of Noise Pollution

Pursuant to the Law of the PRC on the Prevention and Control of Environment Noise Pollution (《中華人民共和國環境噪聲污染防治法》) promulgated by the SCNPC on October 29, 1996, and amended on December 29, 2018, every project under construction, renovation or expansion must conform to the regulations of the State governing environmental protection. Where a construction project might cause environmental noise pollution, the entity undertaking the project must prepare an environmental impact statement which includes the measures it takes to prevent and control such pollution, and submit it, following the procedures prescribed by the State, to the competent administrative department for environmental protection for approval. The environmental impact statement shall include the comments and suggestions of the units and residents in the place where the construction project is located. Facilities for prevention and control of environmental noise pollution must be designed, built and put into use simultaneously with the main part of a construction project. Anyone who puts into production or uses a construction project before the necessary facilities for prevention and control of environmental noise pollution have been completed or meet the requirements laid down by the State, shall be ordered to stop production or use and may also be fined by the competent administrative department for environmental protection that originally approved the environmental impact statement regarding this construction project.

Pollution Permit

Pursuant to the Regulation on the Administration of Permitting of Pollutant Discharges (《排污許可管理條例》), which was promulgated on January 24, 2021 and came into force on March 1, 2021, an enterprise which is subject to the administration of permitting of pollutant discharges under the law shall apply for a pollutant discharge permit under the provisions of this Regulation; and may not discharge a pollutant, if a pollutant discharge permit fails to be obtained. The ecology and environment authority of the State Council shall formulate, and

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issue for implementation, with the approval of the State Council, the scope of pollutant dischargers that are subject to the administration of permitting of pollutant discharges, implementation steps, and a list of administrative classes.

According to the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (《排污許可管理辦法(試行)》), the “**Pollutant Discharge Licensing Measures**”) was promulgated on January 10, 2018 by the Ministry of Environmental Protection (the “**MEP**”) which has been incorporated into the Ministry of Ecology and Environment of the PRC (the “**MEE**”) and no longer be retained after the 2018 Institutional Reform, and amended on August 22, 2019, the enterprises, public institutions and other producers and businesses (hereinafter referred to as the “**pollutant discharging entities**”) on the Classification Administration List of Pollutant Discharge Permitting for Fixed Pollution Sources (2019)(《固定污染源排污許可分類管理名錄》(2019年版)) shall apply for and obtain a pollutant discharge permit according to the prescribed application time limit; and those not on the list are not required to do so for the time being. A pollutant discharging entity shall hold a pollutant discharge permit as legally required and discharge the pollutant as provided in the pollutant discharge permit.

Pursuant to the Notice of the General Office of the State Council on Issuing the Implementation Plan for the Control of Pollutant Release Permit System (《國務院辦公廳關於印發控制污染物排放許可制實施方案的通知》) promulgated on November 10, 2016 and the Classification Administration List of Pollutant Discharge Permitting for Fixed Pollution Sources (2019) (《固定污染源排污許可分類管理名錄(2019年版)》) promulgated by the MEE on December 20, 2019, the state implements a focused management and a simplification of emission permits based on the pollutant-discharging enterprises and other manufacturing businesses’ amount of pollutants, emissions and the extent of environmental damage. The manufacturing of drug substance and manufacturing dose for chemical drugs are industries that shall obtain the discharge permit in accordance with the prescribed time limit. The MEE shall be responsible for guiding the implementation and the supervision of the National Sewage Permit system. The municipal environmental protection department shall be responsible for issuing the Pollutant Discharge Permit in the district where the pollutant-discharging enterprise is located.

Clean Production

Pursuant to the Law of the PRC on the promotion of Clean Production (《中華人民共和國清潔生產促進法》), the “**PRC Clean Production Law**”) promulgated by the SCNPC on June 29, 2002 and latest revised on February 29, 2012, within the territory of the PRC, entities engaged in production and services and departments engaged in the administration over such activities shall, in accordance with the PRC Clean Production Law, organize efforts to implement clean production. Provided that the above entities fail to perform their duties stipulated by the PRC Clean Production Law, they will be faced with the administrative penalties imposed by relevant administrative authorities.

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Hazardous Chemicals

The Regulation on Safety Administration of Hazardous Chemicals (《危險化學品安全管理條例》), the “**Hazardous Chemicals Regulation**”) was promulgated by the State Council on January 26, 2002 and newly amended on December 7, 2013. The Hazardous Chemicals Regulation provides regulatory requirements on the safe production, storage, use, operation and transportation of hazardous chemicals. The PRC government exerts strict control over, and adopts an examination and approval system of, the manufacture and storage of hazardous chemicals. An enterprise that stores and uses hazardous chemicals is required to appoint a qualified institution to conduct safety evaluation of its safety production conditions once every three years and to prepare the safety evaluation report accordingly. Such report shall set out the rectification measures and plans for problem solution as to the safety production. The safety evaluation report and the implementation of the rectification measure shall be filed with the safety supervision regulatory authority.

According to the Measures for the Administration of Registration of Hazardous Chemicals (《危險化學品登記管理辦法》) promulgated on July 1, 2012 by the State Administration of Work Safety whose duty has been consolidated into the Ministry of Emergency Management of the PRC after the 2018 Institutional Reform, the State practices a Registration System for hazardous chemicals, and the registration of hazardous chemicals follows the principles of application by the enterprises, two-level review, uniform issuance of certificates and differentiated regulation. Where an enterprise fails to register its hazardous chemical(s), or fails to undergo the alteration procedure when there is any change in its registered type(s) of hazardous chemicals, or it is found that any of the hazardous chemical that it produces and imports has any new hazardous characteristic, the enterprise shall be ordered to rectify and may be subject to a fine of less than RMB50,000; where the enterprise refuses to rectify, it shall be subject to a fine of between RMB50,000 and RMB100,000; where the circumstance of violation is serious, the enterprise may be ordered to suspend production or operation for rectification.

The Regulation on the Administration of Precursor Chemicals (《易製毒化學品管理條例》) promulgated by the State Council on August 26, 2005, amended on July 29, 2014, February 6, 2016 and September 18, 2018 respectively, stipulates and regulates the production, operation, purchase, transportation, import and export of precursor chemicals. The precursor chemicals are classified into three categories. Category I refers to the major materials that may be used to produce drugs. Categories II and III refer to the chemical auxiliary substances that may be used to produce drugs. An enterprise that applies for purchasing the precursor chemicals in Category I shall submit the related certificates and shall obtain the purchase license upon the examination and approval of the administrative department as prescribed in Article 15 of the regulation. An entity that purchases any precursor chemicals in Category II or III shall, before the purchase, report the variety and quantity in demand to the public security organ of the local people’s government at the county level for archival filing.

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New Chemical Substances

New chemical substances means the chemical substances that are not listed in the Inventory of Existing Chemical Substances in China. According to Measures for the Environmental Management Registration of New Chemical Substances (《新化學物質環境管理登記辦法》), which was adopted by the MEE on February 17, 2020 and came into force on January 1, 2021, China implements the environmental management registration system for new chemical substances. The environmental management registration of new chemical substances shall be classified into routine registration, simplified registration and recordation. The producers or importers of new chemical substances shall obtain routine registration certificates or simplified registration certificates for the environmental management of new chemical substances or undergo the recordation formalities for the environmental management of new chemical substances before production or import.

Labor and Social Insurance

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) which was promulgated by the SCNPC on July 5, 1994 and subsequently amended on August 27, 2009 and December 29, 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) which was promulgated by the SCNPC on June 29, 2007 and subsequently amended on December 28, 2012 and the Implementing Regulations of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which was promulgated by the State Council on September 18, 2008, labor contracts in written form shall be needed to establish labor relationships between employers and employees. Wages cannot be lower than the local standards of minimum wages. The employer must establish the system of occupational safety and sanitation, strictly implement the rules and standards of the State, provide education regarding occupational safety and sanitation among employees, provide employees with labor safety and sanitation conditions and necessary articles of labor protection conforming to the provisions of the State, and provide regular health examination for employees engaged in work involving occupational hazards.

Under applicable PRC laws related to the social insurance, including the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated by the SCNPC on October 28, 2010 and amended on December 29, 2018, the Interim Regulations on Levying Social Insurance Premiums (《社會保險費徵繳暫行條例》) which was promulgated by the State Council on January 22, 1999 and amended on March 24, 2019, the Administrative Regulations on the Housing Provident Fund (《住房公積金管理條例》) which was promulgated by the State Council on April 3, 1999, amended on March 24, 2002 and March 24, 2019 respectively, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

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Prevention and Control of Occupational Diseases

According to the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) which is effective as of May 1, 2002 and recently amended on December 29, 2018, the prevention and control of occupational diseases shall follow the guideline of “focusing on prevention and combining prevention with control.” An employer shall: (i) establish and improve the accountability system for prevention and treatment of occupational diseases, enhance management of, and raise the level in this field, and bear responsibility for the occupational disease hazards produced in the unit; (ii) contribute to occupational injury insurance; (iii) provide facilities for the effective prevention and protection of occupational diseases, and provide materials to employees for personal use against occupational diseases; (iv) provide alarm equipment, allocate on-spot emergency treatment materials, washing equipment, emergency safety exits and necessary safety zones for work places where acute occupational injuries are likely to take place due to poisonous and harmful elements therein; and (v) inform the employees of, and specify in the labor contracts with the employees the potential harm of, occupational disease as well as the consequences thereof, and the prevention and protection measures and treatment against occupational diseases when signing the labor contracts with employees.

Pursuant to the Categories and Catalogs of Occupational Diseases (《職業病分類和目錄》) which was promulgated on December 23, 2013, the occupational diseases are classified into 10 categories. The Categories and Catalogs of Occupational Diseases is subject to review and update by the relevant administrative authority from time to time.

According to the Law of the PRC on the Prevention and Control of Occupational Diseases, where a new construction, an expansion, or a reconstruction project or a technical transformation or technology introduction project (hereinafter referred to as the “**construction project**”) may cause any occupational hazards, the construction entity shall conduct the pre-assessment of occupational hazards at the feasibility study stage. In the preliminary evaluation report on occupational disease hazards, the occupational disease hazard factors which may arise from the construction project and their effects on the work sites and the health of employees shall be evaluated, the hazards shall be categorized, and the protective measures against occupational diseases shall be determined. Pursuant to the Classified Management Catalog for the Risks of Occupational Disease Hazards at Construction Projects (2021 Version) (《建設項目職業病危害風險分類管理目錄》(2021年版)) which was promulgated on March 12, 2021, the manufacturing of APIs of chemical drug falls within the “serious” category.

Intellectual Property

China is a party to several international conventions on intellectual property rights, including without limitation, Agreement on Trade-Related Aspects of Intellectual Property Rights (《與貿易有關的知識產權協定》), Paris Convention for the Protection of Industrial Property (《保護工業產權巴黎公約》), Patent Cooperation Treaty (《專利合作條約》), Berne

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Convention for the Protection of Literary and Artistic Works (《保護文學和藝術作品伯爾尼公約》), World Intellectual Property Organization Copyright Treaty (《世界版權公約》) and Madrid Agreement Concerning the International Registration of Marks (《商標國際註冊馬德里協定》).

Patents

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》), the “**PRC Patent Law**”), promulgated by the SCNPC on March 12, 1984 and effective as from October 1, 2009, latest amended on October 17, 2020 and effective as from June 1, 2021, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) which was promulgated by the State Council on June 15, 2001 and latest amended on January 9, 2010, there are three types of patent in the PRC: invention patent, utility model patent and design patent. The term of a patent for an invention shall be 20 years, the term of a patent for a utility model shall be ten years, and the term of a patent for a design shall be 15 years, all commencing from the date of filing of application. Any individual or entity that utilizes a patent or conducts any other activity in infringement of a patent without prior authorization of the patentee shall pay compensation to the patentee and is subject to a fine imposed by relevant administrative authorities and, if constituting a crime, shall be held criminally liable in accordance with the law. According to the PRC Patent Law, for the purposes of public health, the patent administrative department under the State Council may grant a compulsory license in order to facilitate the manufacture of patented medicines and their export to countries or regions which comply with the provisions of the relevant international treaties to which the PRC has acceded. In addition, patents issued in China are not automatically effective in Hong Kong, Macau or Taiwan, each of which has an independent patent system. In the light of the Patent Law, any entity or individual that seeks to file a foreign application for a patent with respect to an invention or a utility model accomplished in China shall first report the matter to the patent administrative department under the State Council for confidentiality examination.

Trademarks

According to the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated by the SCNPC on August 23, 1982, amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 respectively and effective as from November 1, 2019, the period of validity for a registered trademark is 10 years, commencing from the date of registration. A trademark registrant intending to continue to use the registered trademark upon expiry of the period of validity shall undergo the renewal formalities within 12 months before expiry according to the relevant provisions. If failing to do so, the trademark registrant may be granted a six-month grace period. The period of validity of each renewal is ten years, commencing from the day after the expiry date of the last period of validity. If the renewal formalities are not undergone within the grace period, the registration of the trademark shall be cancelled. The administrative department for industry and commerce under the State Council has the authority to investigate any conduct that infringes the exclusive right to use a

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registered trademark. In the event that a crime is suspected to have been committed, the administrative department for industry and commerce shall promptly transfer the case to the judicial department to be dealt with in accordance with the law.

Software Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) which was promulgated by the SCNPC on September 7, 1990 and amended on October 27, 2001, February 26, 2010, and November 11, 2020, 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》) which was promulgated by the State Council on June 4, 1991, effective on October 1, 1991 and amended on December 20, 2001, January 8, 2011 and January 30, 2013 respectively, 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.

Domain names

Domain names are protected under the Administrative Measures for the Internet Domain Names of China (《中國互聯網絡域名管理辦法》) promulgated by the Ministry of Industry and Information Technology (the “MIIT”) on November 5, 2004. This regulation was replaced by the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was issued by the MIIT on August 24, 2017 and effective as of November 1, 2017. The MIIT is the main regulatory body responsible for the administration of the PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations. The domain name services follow a “apply first, register first” principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants shall become the holders of such domain names upon successful registration.

Trade Secrets

According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) which was promulgated by the SCNPC on September 2, 1993 and revised on November 4, 2017 and April 23, 2019 respectively, “trade secret” means technical, operational or other commercial information unknown to the public and is of commercial value for which the right holder has taken corresponding confidentiality measures. A business shall not commit the following acts of infringing upon trade secrets: (i) Acquiring a trade secret from the right holder by theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means. (ii) Disclosing, using, or allowing another person to use a trade secret acquired from the right holder by any means as specified in the preceding subparagraph. (iii) Disclosing, using, or allowing another person to use a trade secret in its possession, in violation of its confidentiality

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obligation or the requirements of the right holder for keeping the trade secret confidential. (iv) Abetting a person, or tempting, or aiding a person into or in acquiring, disclosing, using, or allowing another person to use the trade secret of the right holder in violation of his or her non-disclosure obligation or the requirements of the right holder for keeping the trade secret confidential. An illegal act as set forth in the preceding sentences committed by a natural person, legal person or unincorporated organization other than a business shall be treated as infringement of the trade secret. Where a third party knows or should have known that an employee or a former employee of the right holder of a trade secret or any other entity or individual has committed an illegal act as specified in the preceding sentences but still acquires, discloses, uses, or allows another person to use the trade secret, the third party shall be deemed to have infringed upon the trade secret. The parties whose trade secrets are being misappropriated may petition for administrative remedies, and the supervision and inspection authorities shall order to cease the illegal acts and fine infringing parties.

Import and Export

Pursuant to the Administrative Provisions of the Customs of the PRC on the 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》) which was promulgated by the General Administration of Customs on March 13, 2014 and newly revised on May 29, 2018, consignees and consignors of imported/exported goods shall go through the registration procedure for customs declaration entities with the local customs offices in accordance with the relevant provisions. After being registered with the Customs, a consignee or consignor of imported/exported goods may make its customs declarations at any port within the customs territory of the PRC or a place which calls for concentrated Customs operations of supervision and control. Unless otherwise specified by the Customs, a Certificate of Registration of the Customs of the PRC for Customs Declaration Entities issued to a consignee or consignor of imported/exported goods is valid permanently.

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》) which was latest revised on November 23, 2018, import or export of special medical articles, including biological products, microorganisms and blood must be inspected by the relevant inspection and quarantine authorities.

Foreign Investment

Companies with limited liability and joint stock companies established in the PRC shall be subject to the Company Law of the PRC (《中華人民共和國公司法》, the “**PRC Company Law**”), which was promulgated by the SCNPC on December 29, 1993 (effective as from July 1, 1994) and was subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018 respectively. The PRC Company Law provides general regulations for companies’ incorporation and operation in the PRC including the foreign-invested companies. Unless otherwise provided in the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》, the “**PRC Foreign Investment Law**”), the provisions in the PRC Company Law shall prevail.

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Foreign investors in the PRC are subject to certain restrictions regarding the types of industries they can invest in. The Special Administrative Measures for the Access of Foreign Investment (the “**Negative List**”) (《外商投資准入特別管理措施(負面清單)(2020年版)》) was promulgated by the Ministry of Commerce of the People’s Republic of China (the “**MOFCOM**”) and the NDRC on June 23, 2020 and came into effect on July 23, 2020. The Negative List set out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. The Negative List covers 12 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

Administrative Measures for the Confirmation and Recordation of Foreign-Funded Projects (《外商投資項目核准和備案管理辦法》) which was promulgated by the NDRC December 27, 2014, shall apply to Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures, wholly foreign-owned enterprises, foreign-invested partnerships, merger and acquisition of domestic enterprises by foreign investors, capital increase and reinvestment by foreign-invested enterprises, etc.. Those foreign investment projects shall be managed either by verification and approval or by record-filing. According to the Notice of the State Council on Issuing the Catalog of Investment Projects Subject to Government Confirmation (2016) (《國務院關於發佈政府核准的投資項目目錄(2016年本)的通知》), we do not fall into the projects which shall be managed by verification.

Pursuant to the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) promulgated by the MOFCOM and the SAMR on December 30, 2019 and effective as from 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.

Outbound Investment

According to the Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》), which was promulgated by the NDRC on December 26, 2017 and became effective on March 1, 2018, to make outbound investment, any investor shall go through the formalities to have a proposed overseas investment project approved or filed on the record, report relevant information, and cooperate with supervision and inspection. Overseas investment projects that involve any sensitive country or region or any sensitive industry need to be approved by the NDRC. Overseas investment projects other than those specified above are subject to filing administration. The NDRC promulgated the List of Sensitive Sectors for Outbound Investment (2018) (《境外投資敏感行業目錄(2018年版)》), effective as from March 1, 2018 to list the current sensitive industries in detail.

According to the Administrative Measures for Outbound Investment (《境外投資管理辦法》), which was promulgated by the MOFCOM on September 6, 2014 and became effective on October 6, 2014, outbound investment refers to the activities of possessing non-financial

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enterprises or acquiring the ownership of, the control over, the operation and management right of, and other rights of and interests in, the existing non-financial enterprises outbound through consolidation, merger and acquisition, or otherwise conducted by enterprises that are established in the PRC in accordance with the law. The MOFCOM and the provincial departments in charge of commerce shall conduct archive filing and verification management according to different circumstances of outbound investment of an enterprise. Where the outbound investment carried out by an enterprise involves sensitive countries and regions and sensitive industries, verification management shall be implemented. Archive filing management shall be implemented for other circumstances of outbound investment of an enterprise.

Pursuant to the Provisions on the Foreign Exchange Administration of Overseas Investment of Domestic Institutions(《境內機構境外直接投資外匯管理規定》) promulgated by the State Administration of Foreign Exchange (the “SAFE”) on July 13, 2009, which became effective on August 1, 2009 and the Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment(《關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by the SAFE on February 13, 2015, upon obtaining approval for overseas investment, a PRC enterprise shall apply for foreign exchange registration for its overseas direct investments with the banks in the place where it’s registered.

Dividend Distribution

According to the PRC Company Law, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company is required to draw at least 10% of its after-tax profit as the company’s statutory common reserve (法定公積金) until the aggregate balance of the common reserve has already accounted for over 50% of the company’s registered capital unless the provisions of laws regarding foreign investment otherwise provided. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Equity Incentive Plan

According to the Notice of the State Administration of Foreign Exchange on Issues concerning the Foreign Exchange Administration of Domestic Individuals’ Participation in Equity Incentive Plans of Overseas Listed Companies(《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》), which was promulgated by the SAFE on February 15, 2012 and other relevant rules, PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year who participate in equity incentive plans of the same overseas listed company shall, through the domestic company to which the said company is affiliated, collectively entrust a domestic agency (the “domestic agency”) to handle issues like foreign exchange registration, account establishment, funds transfer and remittance, and entrust an overseas institution (the “overseas trustee”) to handle issues like

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exercise of options, purchase and sale of corresponding stocks or equity, and transfer of corresponding funds. In addition, in the case of any significant change in the equity incentive plan of a company listed overseas (such as amendment to any key clauses of the original plan, addition of a new plan, or any other change in the original plan arising out of the merger, acquisition or reorganization of the overseas listed company or the domestic company or other major events), the domestic agency or the overseas trustee shall, within three months of the occurrence of such change, go through change registration procedures with the local office of the SAFE on the strength of a written application, the original certificate of foreign exchange registration for the equity incentive plan, a newly filled-out Foreign Exchange Registration Form and materials which demonstrate the authenticity of relevant transactions.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE UNITED STATES

The U.S. statutory and regulatory requirements regarding the development of drugs and biologics are pertinent to our business as a leading, technology-driven CDMO providing comprehensive solutions throughout the drug development and manufacturing process.

MAJOR REGULATORY AUTHORITIES AND RELEVANT ORGANIZATIONS

This section introduces the U.S. agencies that are mainly responsible for supervising and regulating the operations of our business and agencies that generally administrate companies. Even though some laws and regulations in this section do not regulate us directly, they become relevant by regulating its customers.

U.S. Food and Drug Administration (FDA)

FDA is an agency within the Department of Health and Human Services and consists of thirteen Headquarter (HQ) Offices and nine Center-level organizations, which oversees the core functions of the agency: Center for Biologics Evaluation and Research, Center for Devices and Radiological Health, Center for Drug Evaluation and Research, Center for Food Safety and Applied Nutrition, Center for Tobacco Products, Center for Veterinary Medicine, National Center for Toxicological Research, Office of Regulatory Affairs, and Office of Operations.

In the United States, the FDA regulates the conduct of clinical trials of drug products in human subjects and their regulatory applications such as the form and content. It also regulates the development, approval, manufacture, safety, labeling, storage, record keeping, and marketing of drug products. The FDA has similar authority and requirements with respect to the clinical testing of biological products and medical devices.

U.S. Drug Enforcement Administration (DEA)

The DEA is an agency within the U.S. Department of Justice and is in charge of enforcing the controlled substances laws and regulations of the United States, including those that pertain to the manufacture, distribution, and dispensing of legally produced controlled substances.

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Committee on Foreign Investment in the United States (CFIUS)

CFIUS is an interagency committee authorized to review certain transactions involving foreign investment in the United States. The objective of CFIUS is to protect the national security of the United States by determining the effect of such transactions. With the Secretary of the Treasury acting as the Chairperson of CFIUS, its members include the heads of various U.S. departments and agencies.

U.S. LAWS AND REGULATIONS

Regulation of Drugs and Biologics

Extensive testing and regulatory review are prerequisites for any new drugs or biologics to be approved and marketed.

Clinical trials involve the administration of product candidates to human subjects, under the supervision of qualified investigators in accordance with federal regulations and GCPs, as further discussed below. The manufacture of product candidates for clinical trials is subject to GMP requirements, as discussed below.

Generally, for purposes of FDA approval, human clinical trials are conducted in three sequential phases, which may overlap or be combined. Phase I clinical trials include basic safety and pharmacology testing in human subjects, who are usually healthy volunteers or stable patients. Phase I clinical trials are important to obtain information of a product candidate, such as the metabolic and pharmacologic action of the product 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. Phase II clinical trials include basic efficacy (effectiveness) and dose-range testing in a limited patient population that is afflicted with a specific disease or condition for which the product targets. During a phase II clinical trial, investigators may also conduct further safety testing; evaluate the effectiveness of the product candidate; and determine optimal dose levels, dose schedules and routes of administration. Satisfying Phase II trials results will allow investigators to commence Phase III trials if the FDA places no hold on further trials. Phase III clinical trials are larger scale, multi-center, comparative clinical trials conducted with patients who are afflicted by a target disease. The main goal of Phase III clinical trials is to provide enough data for a valid statistical test of a candidate's safety and effectiveness, which is required by the FDA and other relevant agencies, and an adequate basis for product labeling. At each phase of the trials, the FDA receives reports on trial progress and may require necessary modifications. The FDA may even suspend or even terminate a trial if, among other things, it observes an unreasonable risk or determines that the trial design is insufficient to meet the stated objectives.

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NDA or BLA Preparation and Submission

Upon completion of Phase III clinical trials, the sponsors can proceed to prepare for New Drug Applications (NDA) or Biologics License Applications (BLA) by assembling the statistically analyzed data from all phases of development, along with the chemistry, manufacturing and pre-clinical data and the proposed labeling, among other things, into a single large document. The FDA will carefully scrutinize the submitted information to determine whether the sponsors and any other companies, such as CROs and laboratories working on the sponsors' behalf, have complied with applicable regulations, and to determine whether the safety and effectiveness of a drug or biologic candidate for the intended use. The FDA may refuse to accept the NDA or BLA for filing and substantive review if certain administrative and content criteria are not satisfied. The U.S. FDA will reject an application if the manufacturing processes and facilities, including contract manufacturers and subcontractors, are not in compliance with GMP requirements or are inadequate to assure consistent production of the product within required specifications. The U.S. FDA may even inspect a few clinical trial sites before approving a marketing application to assure GCPs are met. After the submission for review is accepted, FDA may require additional testing or information for NDA or BLA approval. The FDA will deny approval of an NDA or BLA if any applicable regulatory requirements are not satisfied.

Post-Marketing Surveillance and Phase IV Trials

Federal regulations require a manufacturer to collect and periodically report additional safety and efficacy data on the drug or biologic to the FDA for as long as the manufacturer markets the product (post-marketing surveillance). For product marketed outside the United States, these reports must include data from all countries in which the product is sold. The FDA may require additional post-marketing trials (Phase IV) as a condition of the product's approval to further assess safety or verify clinical benefits. Phase IV trials may also be conducted after initial approval to find new uses for the product, test new dosage formulations or confirm selected non-clinical benefits. Product approval can be withdrawn if compliance with regulatory standards is not maintained or if problems occur following initial marketing. In addition, the FDA and other major regulatory agencies ask sponsor companies to prepare risk management plans to assess areas of drug risk and plans for managing such risks should they materialize. The passage of the FDA Amendments Act of 2007 imposed additional requirements on sponsors to address drug safety and to conduct post-marketing trials required by the FDA. The sponsors must also increase public transparency by disclosing clinical trial information of investigational and marketed drugs (as well as medical devices) to the public. They are required to submit relevant information to a databank maintained by the National Institutes of Health, which is accessible to the public on the Internet (www.clinicaltrials.gov).

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Good Laboratory Practice (GLP), Good Clinical Practice (GCP), and current Good Manufacturing Practices (cGMPs)

The FDA and many other regulatory authorities require that submissions made to them are based on research, analysis or development studies conducted in accordance with GLP and GCP provisions and guidelines.

GLP contains a set of rules and criteria for a quality system concerned with the organizational process and conditions under which nonclinical laboratory studies are planned, performed, monitored, recorded, archived and reported. The conduct of pre-clinical studies must comply with the statutory or regulatory requirements for GLP.

GCP regulations and guidelines contain the industry standard for the conduct of clinical trials. The U.S. FDA requires that study results and data submitted be based on trials conducted in accordance with GCP provisions. These provisions include:

- complying with specific regulations governing the selection of qualified investigators;
- obtaining specific written commitments from the investigators;
- ensuring the protection of human subjects by verifying that Institutional Review Board or independent Ethics Committee approval and patient informed consent are obtained;
- instructing investigators to maintain records and reports;
- verifying drug or device accountability;
- reporting of adverse events;
- adequate monitoring of the trial for compliance with GCP requirements; and
- permitting appropriate regulatory authorities access to data for their review.

Regulatory authorities also require that drugs, biologics, and their APIs, whether they are intended for use in clinical trials or for the commercial market, must be manufactured and tested in accordance with cGMP provisions and guidelines. cGMPs require that manufacturers, including entities conducting certain laboratory testing, adequately control their manufacturing operations. To comply with cGMPs, they need to establish quality management systems, quality control and assurance; obtain raw materials that meet quality requirements; establish operating procedures; detect and investigate deviations; maintain laboratory quality; keep records, samples and documentation; and ensure the integrity of manufacturing and testing data. Poor control of production and testing processes can result in the introduction of

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adventitious agents or other contaminants. They can also lead to inadvertent changes in the properties or stability of products or product candidates. Manufacturers and other relevant entities such as control and contract laboratories are required to annually register their establishments with the FDA.

The FDA and other regulators require records for clinical trials to be maintained for specified periods. Significant noncompliance with GLP, GCP, or cGMP requirements can result in the disqualification of data collected during clinical trials and other enforcement actions.

We monitor our clinical trials to test for compliance with applicable laws and regulations in the United States. We have adopted standard operating procedures designed to meet regulatory requirements, including GCP and associated guidelines. These procedures may also help us control and improve the quality of our clinical trials.

Regulation of Controlled Substances

In the United States, the DEA enforces the Controlled Substance Act to regulate the use, research, testing, import and export, and manufacture of controlled substances and listed chemicals.

Emergency Use Authorizations

Under some limited circumstances, FDA authorization may be obtained through abbreviated regulatory pathways, one of which 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 targeted to address serious or life-threatening diseases or conditions caused by a chemical, biological, radiological, or nuclear agent, including emerging infectious disease threats, for instance the COVID-19 pandemic. To receive an EUA, the product must be regarded as “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 establish conditions on an EUA that are necessary to protect public health as well. EUAs are only effective during the applicable EUA declaration and may be revised or revoked by FDA. Even in absence of an EUA, FDA is authorized to take certain actions to launch mechanisms to facilitate medical countermeasure readiness and responses, which may include extension of certain product expiration dates, the waiver of GMP or other FDA regulatory requirements.

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Fraud and Abuse and Anti-Corruption Laws and Regulations

Existing U.S. laws governing federal healthcare programs (including Medicare and Medicaid) and similar state laws impose a variety of broadly described fraud and abuse prohibitions on healthcare providers, including clinical laboratories. Various government agencies, such as the U.S. Department of Justice and HHS' Office of Inspector General (OIG), interpret these laws liberally and enforced them aggressively.

We thrive to ensure our business conducts comply with all U.S. and state fraud and abuse laws. Sanctions including 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 operation may be imposed for violations of these laws, which could materially adversely distress our capability to operate our business, our financial position and results of operation. It can be costly to attain and maintain compliance with pertinent federal and state laws. We can incur substantial legal expenses to defend ourselves against any actions for violation of these laws, even if we are successful, and our management's attention could be preoccupied and distracted from the operation of our business.

The U.S. Foreign Corrupt Practices Act, or the FCPA, and other U.S. and non-U.S. anti-corruption laws govern the operations of our U.S. subsidiary, Asymchem Inc. These anti-corruption laws forbid companies from participating in bribery including corruptly or inappropriately offering, improperly promising, or providing money or anything else of value to non-U.S. officials and certain other recipients. We have implemented procedures and controls to monitor anti-bribery compliance with respect to our operations. Our global operations presents the possibility of unauthorized gifting or improper offers being made by employees, consultants, sales agents, and other business partners outside of our control or without our authorization due to the local customs and practices of some regions. Occasionally, companies that violate the FCPA may be debarred by the U.S. government and/or lose their U.S. export privileges.

The Defense Production Act of 1950

The Defense Production Act of 1950, as amended, contains the Foreign Investment Risk Review Modernization Act of 2018 (the "**DPA**"), which authorize the president of the United States to forbid or suspend acquisitions, mergers or takeovers of persons engaged in interstate commerce in the U.S. by foreign persons, if the president determines with credible proof that such foreign persons with control of such acquired persons might take action that threatens to harm the national security of the U.S. and that other provisions of the law in place can not provide adequate authority to defend national security. The leader of CFIUS, the U.S. Department of Treasury, published interim regulations applying certain provisions of the Foreign Investment Risk Review Modernization Act of 2018 (the "**FIRRMA interim regulations**") on October 10, 2018. The FIRRMA interim regulations established a pilot program which, together with other changes, (i) enlarges CFIUS jurisdiction to include both

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controlling investments and certain non-controlling investments by foreign persons in U.S. companies that utilize “critical technologies” in activity within or targeted at one of the 27 designated industry sectors (“**Pilot Program Industries**”) and (ii) requires mandatory declarations advising CFIUS of foreign investments in such businesses (the “**CFIUS Pilot Program**”). The term, “critical technologies,” is defined broadly by DPA and the FIRRMA interim regulations and covers certain biotechnology-related products, services or materials. Furthermore the definition may change over time to cover a broader range, given the U.S. government’s authority to change the group of technologies of interest through rulemaking. On January 13, 2020, U.S. Department of Treasury issued final rules regarding FIRRMA (the “**FIRRMA Final Rules**”) to replace the previous interim regulations. The FIRRMA Final Rules, which became effective since February 13, 2020, largely followed the interim regulations without major changes.

Under the CFIUS Pilot Program, a party or parties to certain transactions that (i) close after November 10, 2018; (ii) involve certain types of investments by foreign persons in U.S. businesses; (iii) involve a U.S. business that produces, designs, tests, manufactures, fabricates or develops one or more critical technologies; and (iv) involves a U.S. business that utilizes those critical technologies in activity within or aimed at one or more Pilot Program Industries, must turn in a pre-closing declaration regarding such transaction’s basic information with CFIUS. The pre-closing declarations are mandatory for investments in which a foreign government has a substantial interest due to such transaction.

As we may be deemed as a “foreign person” under the DPA, and as certain biotechnology products and their applications may fall under the scope of critical technologies and may involve industries covered by Pilot Program, our future investments in or acquisitions of U.S. biotechnology businesses may be subject to the mandatory CFIUS declarations and review process.

The FIRRMA Final Rules generally do not limit the scope and sustainability of ongoing research and development activities or revenue-generating services provided by us to our customers. Nor do the FIRRMA Final Rules largely limit research collaborations and business partnerships between us and academic/industrial institutions, except in cases where such relationships result in us taking an equity stake in a U.S. business or joint venture involving a U.S. business and where the FIRRMA Final Rules may be concerned.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE UNITED KINGDOM

We operate an office in London, UK and the our operations in the UK are limited to sales of product and services. We list the relevant material laws and regulations below.

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Data Protection

The General Data Protection Regulation (Regulation (EU) 2016/679; GDPR) (“**GDPR**”) came into effect on May 25, 2018 and is adapted by the UK through the Data Protection Act 2018. For details, please see the paragraph headed “– Regulatory Framework in the European Union – Other Relevant Laws and Regulations – Data Protection.”

Anti-bribery and Corruption

We are governed by the UK Bribery Act 2010, which aims to bar individuals and companies from engaging in both active and passive bribery, including offering, promising or giving of a bribe (active bribery) and the inviting, agreeing to take or accepting of a bribe (passive bribery). It also prohibits bribery of a foreign public official for getting business or an advantage for conducting business. A company may incur corporate liability due to failure to prevent bribery on its behalf.

Our global operations presents the possibility of unauthorized gifting or improper offers being made by employees, consultants, sales agents, and other business partners outside of our control or without our authorization.

Competition and Anti-trust

Articles 101 and 102 of the Treaty of the Functioning of the European Union (“**TFEU**”) are implemented in the UK under Chapters I and II of the UK Competition Act 1998. For details, please see the paragraph headed “– Regulatory Framework in the European Union – Other Relevant Laws and Regulations – Competition/Anti-trust law.”

Health and Safety Laws

The Health and Safety at Work etc. Act 1974 instructs that it is the duty of every employer to guarantee, when reasonably practicable, the health, safety and welfare at work of all their employees.

Employment Law

The key principles of English employment law originated from a combination of: (i) common law (case law and the rulings of the judiciary); (ii) domestic law (there are a number of different statutes in the UK that operate to provide employment protection, including the Employment Rights Act 1996, Employment Act 2002, Equality Act 2010 and Human Rights Act 1998); and (iii) EU law (where some of the UK domestic law is derived).

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In the UK, employers are obliged to give employees written particulars of the main terms and conditions of their employment, although most employees in the UK have a written agreement with their employer. The contract contains both express and implied terms and may also incorporate terms included in other documents, for instance an employee handbook or a collective agreement.

UK and European legislation grant certain rights to employees during the term of their employment. There have been regulations governing the number of hours employees can be required to work, the requirement of minimum notice periods, rest breaks, the minimum amount of annual leave, maternity leave, parental leave and other similar types of leave, and the right to take time off work to handle emergencies involving dependents. In addition, legislation established a minimum hourly pay for all workers aged 16 and over. Once employees have accrued two years' continuous service with an employer, they gain the right to not be unfairly dismissed, meaning that a dismissal requires a potentially fair reason (e.g. conduct, capability or redundancy) and a fair process must be followed.

Employers will also need to be aware that legislation exists in the UK to protect employees against discrimination on the grounds of sex, race, disability, age, religion or belief and sexual orientation, gender reassignment, marriage, civil partnership, pregnancy and maternity. Furthermore, employers will need to implement effective disciplinary and grievance procedures to safeguard against claims brought by employees for wrongful or unfair dismissal.

REGULATORY FRAMEWORK IN THE EUROPEAN UNION

Medicinal Products

A new medicinal product must obtain marketing authorization that covers the country where it is marketed, unless exempted. A medicinal product must endure extensive pre-clinical and clinical testing before a marketing authorization could be granted by the governing regulatory authorities. Post-marketing market surveillance of a medicinal product also required.

We have briefed the key material legislation below. Note that all European "Directives" referred to are not directly effective in each Member State of the EU. They must be implemented into the law of each Member State by national legislation. EU Regulations are directly effective and do not require national implementation, though some countries choose to do so.

Marketing Authorizations Applications

Marketing authorizations for medicinal products are governed by a number of EU legislative texts including Directive 2001/83/EC and Regulation (EC) No. 726/2004.

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Generally, with few exceptions, a new medicinal product can only be placed on the market within the European Union when it has received a marketing authorization covering the relevant country. There are four routes to obtain a marketing authorization in the European Economic Area (which comprises the current 28 Member States of the European Union plus Norway, Iceland and Liechtenstein):

1. The centralized procedure: this allows applicants to obtain an EEA-wide marketing authorization straight through the European Medicines Agency. This centralized procedure is based on Regulation (EC) No. 726/2004 and is required for certain medicines such as biological and biotechnology products manufactured by recombinant DNA technology, orphan medicinal products and medicinal products that contain an active substance authorized in the European Union after May 20, 2004 which are intended to treat AIDS, cancer, neurodegenerative disorders or diabetes.
2. The mutual recognition procedure: this is available where medicinal products have previously obtained a marketing authorization from an EEA Member State. The procedure is based on the general principle that one European Union Member State should recognize a marketing authorization correctly granted by another Member State.
3. The decentralized procedure: this applies to medicines that have not obtained any marketing authorization from any European Union Member State at the time of the application.
4. The national procedure: this is available when the relevant medicines fall outside the mandatory scope of the centralized procedure and are targeted to market in only one or a few countries.

For new active substances, a “full application” must be made to the relevant regulatory authority with the regulatory dossier, which includes pharmaceutical tests, pre-clinical tests and clinical trials.

An “abridged application” may be available in circumstances where the active substance have already been used in a medicinal product.

Manufacturing

Directive 2003/94/EC on good manufacturing practice applies for medicinal products. The precise approval for obtaining a manufacturer’s license for medicinal product depends on national law.

A manufacturer must ensure that all manufacturing operations for medicinal products subject to a marketing authorization are carried out in accordance with the information provided in the application for marketing authorization as accepted by the relevant regulatory authority.

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For investigational medicinal products, which are intended for use in clinical trial before authorization, the manufacturer must ensure that all manufacturing operations are carried out in accordance with the information provided by the sponsor pursuant to Directive 2001/20/EC (or required under Regulation (EC) No. 726/2004 in the case of centrally authorized medicinal products) as accepted by the competent authorities.

The manufacturer must launch and implement an effective pharmaceutical quality assurance system.

Post-marketing surveillance (pharmacovigilance)

The legal framework of pharmacovigilance surveillance for medicines marketed within the European Union is principally governed by Regulation (EC) No. 726/2004 with respect to centrally authorized medicinal products and by Directive 2001/83/EC with respect to nationally authorized medicinal products, and those medicines authorized through the mutual recognition and decentralized procedures.

In the European Union, after a medicinal product is placed on the market, marketing authorization holders must comply with ongoing pharmacovigilance obligations, which include the submission of a risk management plan, keeping a pharmacovigilance system and to inspect the system at intervals; and reporting alleged adverse reactions.

The marketing authorization holder can be asked to perform post-authorization efficacy studies, if there is doubt about some aspects of the efficacy of the medicinal product.

Advanced therapy medicinal products (“ATMPs”) and biological medicines

ATMPs are medicinal products for human use governed by Regulation (EC) No. 1394/2007, including gene therapy, somatic cell therapy and tissue engineered products. ATMPs can be combined, as an integral part of the product, into one or more medical devices, in which case they are referred to as “Combined ATMPs.” ATMPs are authorized through the centralized procedure. Marketing applications for biological medicinal products and advanced therapy may have additional information requirements.

Orphan Drug Designation and Exclusivity

Regulation (EC) No. 141/2000 and Regulation (EC) No. 847/2000 provide that a product can be designated as an orphan drug by the European Commission if its sponsor can establish: that the product is intended for the diagnosis, prevention or treatment of (1) a life-threatening or chronically debilitating condition affecting not more than five in ten thousand persons in the European Union when the application is made, or (2) a life-threatening, seriously debilitating or serious and chronic condition in the European Union and that without incentives it is unlikely that marketing of the drug in the European Union would generate sufficient return to justify the necessary investments. To prove eligibility, the applicant must demonstrate that

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there exists no authorized satisfactory method of diagnosis, prevention, or treatment of the condition in question in the EU or, if there exist such methods, the drug must be of substantial benefit compared to products that are available.

An orphan drug designation can provide several benefits, including fee reductions, regulatory assistance and the possibility to apply for a centralized European Union marketing authorization. Marketing authorization for an orphan drug leads to a ten-year period of market exclusivity. During this market exclusivity period, neither the European Medicines Agency nor the European Commission or the member states can accept an application or grant a marketing authorization for a “similar medicinal product.”¹ The market exclusivity period for the authorized therapeutic indication may, however, be reduced to six years if, at the end of the fifth year, it is established that the product no longer meets the criteria for orphan drug designation because, for example, the product is sufficiently profitable, thus no longer justifying market exclusivity.

Other Relevant Laws and Regulations

Data Protection

The General Data Protection Regulation (Regulation (EU) 2016/679; GDPR) (“**GDPR**”) came into effect on May 25, 2018. Personal data must be processed according to the GDPR, with some potentially permitted derogations under the laws of the Member States of the European Union.

As clinical trials and health-related research make use of patient data, they involve the processing of “special categories of personal data.”² Unless there is a lawful basis for such processing, the processing of special categories of personal data is banned under the GDPR.

According Recital 43 of the GDPR, where it states that “consent should not provide a valid legal ground for the processing of personal data in a specific case where there is a clear imbalance between the data subject and the controller...,” consent is not deemed as an proper legal basis to process personal data in clinical trials/studies. For processors process such data, they must have at least one legal basis for processing under the GDPR and must meet the requirements of other relevant laws as well, for instance gaining of informed consent to participate). The GDPR also grants the data subject certain new rights concerning the processing of their personal information.

¹ The definition for “similar medicinal product” is a medicinal product containing a similar active substance or substances as contained in an authorized orphan medicinal product, and which is intended for the same therapeutic indication.

² Special categories of personal data are racial or ethnic origin, political opinions, religious or philosophical beliefs, trade union membership, genetic data, biometric data for the purpose of uniquely identifying a natural person, data concerning health or a natural person’s sex life or sexual orientation.

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Competition/Anti-trust law

The principle competition provisions are contained in Article 101 and Article 102 of the TFEU, looking from the EU level. Article 101(1) forbids agreements between undertakings (i.e. businesses), decisions by associations of undertakings or concerted practices that may influence trade between EU Member States and result in prevention, restriction or distortion of competition within the EU. Article 102 forbids the abuse by one or more undertakings of a dominant market position within the EU (or a substantial part of it) in a way that may disturb trade between EU Member States.

Certain exemptions may apply. For example, in the case of licenses of patents, know-how, copyright in software and design rights that are caught by Article 101(1), it may be possible bring the agreement within the scope of the technology transfer block exemption (“**TTBE**”) (Regulation (EU) No. 316/2014). TTBE affords a fairly narrow safe harbor for technology licensing agreements with potentially anti-competitive clauses.

Coverage, Pricing and Reimbursement

In the European Union, different country may be quite different in terms of their pricing and reimbursement schemes. In some countries, products may be marketed only after a reimbursement price has been agreed, while others may require the completion of health technology assessments, which ask for additional studies that compare the cost effectiveness of a particular product candidate to currently available therapies, in order to gain reimbursement or pricing approval. For example, the European Union provides options for its member states to restrict the range of products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. European Union member states may approve a specific price for a product or may instead adopt a system of direct or indirect controls on the profitability of the company placing the product on the market. Other member states allow companies to fix their own prices for products, but monitor and control prescription volumes and issue guidance to physicians to limit prescriptions. Recently, many countries in the European Union have increased the amount of discounts required on pharmaceuticals and these efforts could continue as countries attempt to manage healthcare expenditures, which intensify the downward pressure on health care costs as a whole and prescription products in particular, especially given many EU countries’ severe fiscal and debt crises. Thus, increasingly high barriers are being created to the entry of new products. Under these circumstances, pricing negotiations may be further intricate given political, economic and regulatory developments and may continue after reimbursement has been obtained. Furthermore, reference pricing used by various European Union member states and parallel trade (arbitrage between low-priced and high-priced member states) can further reduce prices. Special pricing and reimbursement rules may apply to orphan drugs, as the inclusion of which, as for any drug, tends to focus on the medical usefulness, need, quality and economic benefits to patients and the healthcare system. Getting any medicinal product for reimbursement may come with cost, use and usually volume restrictions that can vary by country. Moreover, results-based rules of reimbursement may apply. There can be no guarantee that any country that has price controls or reimbursement limitations for pharmaceutical products will grant favorable reimbursement and pricing arrangements for any of our products, even with approvals from those countries.

OVERVIEW

We are a leading, technology-driven CDMO providing comprehensive solutions throughout the drug development and manufacturing process. According to Frost & Sullivan, we were the fifth largest drug substance CDMO globally, with a market share of 1.5%, and the largest China-based commercial stage chemical drug CDMO, with a market share of 22.0%, in each case as measured by revenue in 2020. With over two decades of industry experience, we provide process development and manufacturing services for small molecule drugs throughout the pre-clinical, clinical and commercial stages, and we have become an integral part of the global value chain for innovative drugs. Leveraging our deep industry insights, established R&D and manufacturing capabilities, and premium reputation among customers, we have expanded our CDMO capabilities to include new drug modalities, such as polypeptides, oligonucleotides, monoclonal antibodies (mAbs), antibody-drug conjugates (ADCs) and messenger RNA (mRNA), and broadened our service scope to include drug product solutions, biosynthesis solutions and clinical CRO solutions, collectively referred to as our Emerging Services.

CDMO services include process development, scale-up, and commercial manufacturing services. These services are critical in the R&D process of new drugs and have a direct impact on a drug's probability of clinical and commercial success. An experienced CDMO like us possesses the high-level expertise needed to solve novel, complex technical challenges faced by its customers and to swiftly scale up manufacturing to accelerate drug innovation. We and other CDMOs with extensive know-how and proprietary, advanced technologies can effectively improve the drug manufacturing process and enhance the drug's post-market price competitiveness. According to Frost & Sullivan, in the context of rapidly growing new drug development costs, increasingly complex development processes, and ever more intense competition, multinational pharmaceutical and biotechnology companies have continued to increase outsourcing to CDMOs, while small and medium-sized firms have developed even greater reliance on CDMO services. In addition, what has become a prevailing trend in the CDMO market is a growing preference for CDMOs like us that provide full-service offerings, as using a single CDMO for multiple services allows a drug developer to reduce the complexity of technology transfer and the time needed for its drugs to reach the market. In the meantime, for smaller CDMOs, to build comprehensive platform and acquire the necessary technologies and industry know-how require considerable investments of time and resources. Today, the global CDMO market is highly fragmented, which implies significant potential for consolidation. With integrated capabilities in technology innovation, process development, scale-up and commercial manufacturing, quality assurance, and project management, we believe that we enjoy an enormous competitive advantage and are well positioned to capture the massive opportunities presented by the fast-evolving industry.

BUSINESS

We go above and beyond offering traditional contract manufacturing services and, in the past decade, have set ourselves apart with a strategic focus on, and continuous optimization of, our “D” capabilities, which in “CDMO” stands for “development.” We join forces with our customers to design an optimized drug manufacturing process that expediently solves complex process challenges in pharmaceutical manufacturing and achieves swift deployment, safe scale-up and cost efficiencies. Our “M” capabilities, which in “CDMO” stands for “manufacturing,” underpin our high-quality, stable supply during the commercial stage, supported by a rigorous cGMP quality system and a first-class EHS and QA system.

We possess a leading CDMO technology platform. Backed by scalable knowledge and experience accumulated over two decades, we are capable of solving a broad array of complex technical challenges in the development and manufacturing of small molecule drugs. Our R&D expenditure was one of the highest across the global CDMO industry, according to Frost & Sullivan. Two of our core technologies, flow and continuous technology and biosynthesis technology, are cutting-edge technology solutions in the manufacturing of small molecule drugs. According to Frost & Sullivan, we are one of the few organizations in the world to successfully deploy flow and continuous technology in tonne-scale drug manufacturing. Our biosynthesis technology uses enzyme engineering to realize greener manufacturing as compared to traditional methods, and has been successfully applied in the manufacturing of small molecule and other drug modalities. Our leading-edge core technologies and comprehensive R&D platforms have been an engine for our customer-focused technology innovation, which propel us to continuously improve process efficiency, lower manufacturing costs and reduce environmental impact for our customers. Our successes in implementing leading green chemistry innovations set us apart from our competitors and create significant momentum to secure as many service engagements as our capacity allows.

Since our inception, we have upheld a customer-centric business philosophy. With over two decades of experience serving multinational customers with stringent requirements, we have established a first-class operating system encompassing R&D, manufacturing, quality control and project management, which meets the highest global industry standards. Our strong execution capabilities and efficient operating system allows us to seamlessly respond to the needs of our large customers throughout the various stages of a project. Meanwhile, leveraging our extensive experience accumulated in serving large customers, we empower small and medium-sized customers with limited in-house R&D resources and manufacturing capacity. Through years of collaboration and successful track record, we have earned our customers’ long-lasting trust and loyalty and cultivated a high-quality, stable and growing customer base.

We are the partner of choice for blue-chip customers such as multinational pharmaceutical companies and leading biotechnology firms. As of the Latest Practicable Date, we had worked with 15 out of the 20 largest pharmaceutical companies in the world in terms of sales in 2020, among which eight had done business with us for more than ten consecutive years. Leveraging our extensive experience accumulated in serving multinational pharmaceutical companies, we also work with many leading biotechnology firms and a broad range of small- and medium sized pharmaceutical companies, such as Mirati Therapeutics, Mersana Therapeutics, Zai Lab, Betta Pharmaceuticals, HUTCHMED, Innovent Biologics and Jacobio Pharmaceuticals.

BUSINESS

During the Track Record Period, our revenue generated from small and medium-sized customers had seen solid growth. We have an extensive pipeline of projects at various stages, creating a broad funnel through which projects advance from clinical to commercial stage and bring larger contract value. During the Track Record Period, our late-stage Clinical Stage Projects and Commercial Stage Projects continued to increase, which substantially improved the stability and predictability of our revenue growth. As of September 30, 2021, we were servicing a number of blockbuster drugs with annual sales of US\$1 billion or more and some drug candidates of our other projects hold great promise to become blockbuster drugs in the future. Driven by technological innovation and exceptional execution, we help our customers achieve substantial cost efficiencies and improve the market competitiveness of their innovative drugs.

Under the leadership of our Chairman and CEO, Dr. Hao Hong, and our core management team with an average industry experience of 20 years, we have built a diversified talent pool with global vision, advanced technical knowledge, local experience and a strong sense of ownership. With the support of a talented and dedicated workforce, we continue to upgrade our technical platform and optimize our business operations to empower drug innovation and to improve availability and accessibility of medicines.

The overall spending on pharmaceutical development and manufacturing globally has been increasing steadily, and the pharmaceutical market in China has experienced rapid growth, which create a favorable market environment for our business. Riding the positive market trend, we achieved robust growth during the Track Record Period. Our revenue increased from RMB1,822.8 million in 2018 to RMB2,445.8 million in 2019 and further to RMB3,136.7 million in 2020, representing a CAGR of 31.2%. Further, our revenue increased by 39.7% from RMB1,256.8 million in the six months ended June 30, 2020 to RMB1,755.6 million in the six months ended June 30, 2021. Our profit for the year increased from RMB406.4 million in 2018 to RMB551.6 million in 2019 and further to RMB719.7 million in 2020, representing a CAGR of 33.1%. According to Frost & Sullivan, we had the highest gross profit margin among all publicly listed CDMO players and CDMO players which are subsidiaries of publicly listed companies in the world in each of 2018, 2019 and 2020. Further, our profit for the period increased by 36.6% from RMB314.3 million in the six months ended June 30, 2020 to RMB429.3 million in the six months ended June 30, 2021. We have been replicating our success in small molecule drugs to other drug modalities and service types and have achieved rapid growth in these Emerging Services. With our leading technologies and comprehensive services, we are confident in advancing our position as the partner of choice for pharmaceutical and biotechnology companies around the world and contributing to the sustainable growth of the global pharmaceutical development and manufacturing industry.

OUR COMPETITIVE STRENGTHS**A leading, technology-driven CDMO providing comprehensive solutions**

We are a leading, technology-driven CDMO providing comprehensive solutions throughout the drug development and manufacturing process. According to Frost & Sullivan, we were the fifth largest drug substance CDMO globally, and the largest China-based commercial stage chemical drug CDMO, in each case as measured by revenue in 2020. Our services span from pre-clinical and clinical process development, to commercial manufacturing and drug lifecycle management.

We had serviced 885 drug development and manufacturing projects since 2016 as of September 30, 2021. Backed by scalable knowledge and experience accumulated over two decades, we solve complex technical challenges, offer customized solutions, and design and implement efficient, safe and green drug development and manufacturing processes for our customers. We go above and beyond offering traditional contract manufacturing services and, in the past decade, have set ourselves apart with a strategic focus on, and continuous optimization of, our “D” capabilities, which in “CDMO” stands for “development.” We join forces with our customers to design an optimized drug manufacturing process that achieves swift deployment, safe scale-up and cost efficiencies. Multinational pharmaceutical companies, medium and small-sized biopharmaceutical companies, and virtual biotechnology companies can all benefit from our proprietary technology platforms, proven experience, and advanced facilities and equipment. By focusing on “D,” we collaborate closely with our customers from pre-clinical stage through commercial stage, and have become an integral part of the global value chain for the research, development and manufacturing of innovative drugs. By streamlining and accelerating the drug development and manufacturing process for our customers, we help improve patients’ access to innovative drugs.

Our continued strategic focus and leading technological capabilities allow us to share the clinical and commercial success of the drug candidates we service, without taking on a significant amount of risks inherent in the R&D of new drugs. Once we secure a service engagement for a Clinical Stage Project, the business relationship tends to be highly stable. At or near the commercial stage, customers rarely switch to another CDMO, in light of strenuous regulatory requirements, lengthy and costly technology transfer processes, and the demand for uninterrupted supply. During the Track Record Period, all of the Clinical Stage Projects we serviced that have launched commercially continued to engage us for commercial manufacturing, which generally came with an exponentially larger contract value than that during the clinical stage.

We are a highly recognized small molecule CDMO, with an established reputation, advanced R&D platforms, robust manufacturing capabilities and high-quality customer services. As of the Latest Practicable Date, we had worked with 15 out of the 20 largest pharmaceutical companies in the world in terms of sales in 2020, among which eight had done business with us for more than ten consecutive years. Our clientele also includes leading biotechnology firms across different jurisdictions. We strive to advance our market leadership

in the small molecule CDMO market. Leveraging our deep industry insights, established R&D and manufacturing capabilities, and premium reputation among customers, we have been replicating our success in other drug modalities such as polypeptides, oligonucleotides, mAbs, ADCs and mRNA. We have undertaken a large number of Clinical Stage Projects for new drug modalities, some of which have entered late-stage clinical trials or commenced process validation. Our revenue derived from our Emerging Services increased rapidly from RMB40.0 million in 2018 to RMB85.1 million in 2019 and further to RMB236.5 million in 2020, representing a CAGR of 143.2%.

Customer-focused innovation rooted in our advanced and continuously evolving R&D platforms

We are a technology leader in the CDMO industry. With leading technological capabilities, we are capable of solving a broad array of complex technical challenges in the development and manufacturing of small molecule drugs, bringing process and cost efficiencies to our customers.

Two of our core technologies, flow and continuous technology and biosynthesis technology, are cutting-edge technology solutions in the manufacturing of small molecule drugs. Three of the top ten sustainable technologies selected by the International Union of Pure and Applied Chemistry in 2019 are related to drug manufacturing, among them are continuous manufacturing and enzyme engineering technology, which are respectively encompassed by our flow and continuous technology and biosynthesis technology platforms. We owned 100 in-house developed patents for flow and continuous technology and biosynthesis technology as of the Latest Practicable Date, and applied them in over 30% of our Phase II or later Clinical Stage Projects in 2020.

Flow and continuous technology

Continuous manufacturing is considered by the USFDA as “one of today’s most important tools for modernizing the pharmaceutical industry.” USFDA recommends pharmaceutical companies to use this technology in manufacturing and issued a draft guidance “Quality Considerations for Continuous Manufacturing: Guidance for Industry” in 2019. Our front-running flow and continuous technology converts traditional batch manufacturing process into an automatic continuous process, which substantially improves the safety, yield, waste disposal, cost efficiency and stability of the end products and the manufacturing processes. According to Frost & Sullivan, we are one of the earliest organizations in the world to apply flow and continuous technology to drug manufacturing and one of the few to successfully deploy it in tonne-scale drug manufacturing.

We enjoy significant early-mover advantages in the application of flow and continuous technology and have consistently delivered innovative, value-added solutions for our customers. For example, we successfully scaled up the manufacturing of an antiviral drug from gram- to ton- scale within six months of project launch. We used flow and continuous technology to consolidate four production steps into one which lessened the manufacturing time considerably and cut raw material costs meaningfully compared with the original route.

In another instance, we significantly shortened the production cycle and reduced waste emission by approximately 30% in the production of penem antibiotics. Further, we have heavily invested in the combination of cell-free synthesis and flow and continuous technology to create a novel method to synthesize chemical macromolecule drugs and biologics. For details, see “– Our Technologies and Innovations – Biosynthesis – Case Studies – (2) Cell-free synthesis.”

Biosynthesis technology

Reaping the rewards of decade-long investments in capital and talent, we established the Center of Biosynthesis Technology (CBST) dedicated to the screening, evolution, application and large-scale manufacturing of enzymes used in drug synthesis. The application of enzyme catalyst to replace conventional chemical or other catalyst in drug manufacturing conveys improved process efficiency, lowered manufacturing costs and reduced environmental impact. We provide comprehensive enzymatic solutions through a large enzyme library, proprietary high throughput screening process, and enzyme evolution capabilities powered by artificial intelligence (AI) modelling. As of September 30, 2021, we had developed a library of over 1,700 enzymes. We use our proprietary high-throughput screening system to quickly identify enzymes suitable for the production of specific drugs. We employ advanced biological engineering techniques such as DNA recombination and directed evolution to modify and produce enzymes with higher activity, greater specificity and stability, and longer service life. In addition, our enzyme immobilization technology enables multiple reuse of enzymes and, combined with flow and continuous technology, can greatly reduce enzyme costs and improve production efficiency. For example, we helped our customer design an innovative enzymatic process for a drug candidate that treats chronic diseases and realized ton-scale production with a conversion rate of 99%, thereby significantly lowering production cost. We screened more than 100 enzymes to identify an appropriate candidate and applied two rounds of directed evolution to achieve the intended benefits. Further, with the accumulation of know-how and experience, we are developing various enzymatic solutions to synthesize new drug modalities, including oligonucleotides, polypeptides, protein drugs, mRNAs, ADCs and nucleotides, in a more efficient route.

Our sophisticated, proprietary R&D team, consisting of over 2,700 scientists and engineers, have been an engine for our customer-focused technology innovation. We have established a cluster of R&D platforms, comprising leading scientists and researchers, dedicated to developing cutting-edge, future-defining technologies. Initiatives led by the Center of Excellence for Process Science (CEPS) and the Center of Flow and Continuous Technology (CFCT), coupled with enzyme engineering technology, solidified our leading position in the small molecule CDMO business and contributed enormous competitive advantages. In addition, through the Center of Biosynthesis Technology (CBST), we make strategic investments in the innovation and development of biologics. We also established the Center for Intelligent Manufacture Technology (CIMT) to pioneer our digitalization strategy and to empower intelligent management and manufacturing through artificial intelligence (AI) and data science. These platforms continue to advance our technology leadership in the global CDMO market.

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Our R&D expenditures totaled RMB258.9 million in 2020, accounting for 8.3% of our revenue for the same period, which was one of the highest across the global CDMO industry, according to Frost & Sullivan. As of the Latest Practicable Date, our team had published 28 articles and academic papers in renowned scientific journals, including Nature and Science, among which 9 have an impact factor of over 10. As of the same date, we had 148 issued invention patents and 70 issued utility model patents in China, and 22 issued patents in other jurisdictions including the United States, European Union, Japan, Korea and India.

First-class operational and quality management capabilities

With over two decades of experience serving multinational customers with stringent requirements, we have established a first-class operating system encompassing R&D, manufacturing, quality control and project management, meeting the highest global industry standards. Our extensive technical know-how in process development makes us a preferred choice for large customers. We can expediently solve a variety of complex process challenges in the scale-up production of innovative drugs, accelerating clinical development process and providing high-quality, stable production during the commercial stage.

Based on years of large-scale manufacturing experience, we have established a comprehensive, rigorous cGMP quality system and a first-class EHS and QA system. We have an outstanding track record of QA and EHS system compliance. As of the Latest Practicable Date, we had consistently and successfully passed all audits by our customers and government regulators. Since 2011, we have passed 27 audits by major regulators, including USFDA, NMPA, PMDA, TGA and MFDS. During the Track Record Period, we passed more than 25 EHS and PSCI audits by customers and third parties. These audits and inspections have propelled us continuously improve and optimize our QA and EHS system.

We maintain eight advanced, large-scale manufacturing sites in Tianjin, Fuxin, Dunhua and Shanghai, with USFDA-approved cGMP manufacturing production lines as well as non-GMP manufacturing production lines, and a total reactor volume of more than 2,900 cubic meters. To ensure reliable delivery, as of September 30, 2021, we had established stable relationships with over 100 raw material suppliers. We have also built up robust in-house production capacity of raw materials and registered starting materials. We continue to reduce manufacturing costs for our customers by process optimization, which contributes to our competitiveness in securing Commercial Stage Projects.

Our robust operational and execution capabilities empower many small and medium-sized biopharmaceutical companies. These companies have limited in-house R&D resources and manufacturing capacity and rely on our services to expedite the drug innovation process and to compete favorably in the market. For example, one of our customers made a significant breakthrough in the clinical development of a small molecule cancer drug and, therefore, significantly accelerated its project timetable. Through close collaboration of our analytics, statistical DoE, chemical engineering and crystallization specialists, we successfully completed process optimization and scale-up within six months and timely delivered multiple batches of samples for clinical, registration and validation steps. We also designed and optimized the API synthesis process within four months which nearly tripled the overall yield

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and shortened the batch production cycle from 130 days to less than 60 days. In addition, we assisted Zai Lab to smoothly pass the on-site inspection and GMP examination for the registration of Niraparib, an innovative cancer drug. Benefiting from our well-established quality management system and inspection procedures, we helped the customer submit a final inspection report to the NMPA ahead of schedule. We have managed to replicate our success and management system in our Emerging Businesses. For instance, we provided process development and validation services for the payload, linker and payload-linker of a first-class ADC drug candidate developed by Mersana, a leading U.S. biotechnology company. We shortened the process validation of the payload by four months, which greatly accelerated the drug development process.

Reputable, loyal and expanding customer base contributing a robust pipeline of projects

Since our inception, we have upheld a customer-centric business philosophy. We are more than just an outsourced service provider, but also a reliable partner for our customers. Our business model allows us to share the clinical and commercial success of our customers and we work with them on a win-win basis.

We are the partner of choice for blue-chip customers such as multinational pharmaceutical companies and leading biotechnology players. Establishing collaboration with these large customers required substantial investments in time and resources, from making initial connections to passing their rigorous selection and evaluation process. For each large customer, we established a dedicated service team organized in a structure that allows us to swiftly and accurately respond to the needs of our customers. Our service team possesses a deep understanding of our customers' varying demand at different stages of a project and customizes our services to balance between swift scale-up, stable supply and cost control. Through years of collaboration and successful track record, we have earned our customers' long-lasting trust and strong loyalty. As of September 30, 2021, for five of the largest multinational pharmaceutical companies headquartered in the United States, we worked on approximately 30% of their Phase II or III clinical stage small molecule drug candidates disclosed in publicly available sources; for one of them, the rate reached 50%. Our revenue generated from these five companies amounted to RMB1,632.7 million in 2020; our revenue generated from one of them increased ten times during the five years from 2016 to 2020. We also work with many leading biotechnology firms, such as Mirati Therapeutics, Mersana Therapeutics and Jacobio Pharmaceuticals. Meanwhile, we have been proactively upgrading our technological capabilities, which further strengthens our customer relationships. As a result, in each of 2018, 2019 and 2020, we achieved a 100% retention rate for our top 20 customers.

Leveraging our extensive experience accumulated in serving large customers, we empower small and medium-sized biopharmaceutical companies across the globe. We continue to optimize our service management system for these customers and promise the same level of service standards as enjoyed by our larger customers. Our revenue generated from small and medium-sized customers, and their contribution to our total revenue, have steadily grown during the Track Record Period. Revenue contribution from small and medium-sized customers increased steadily from around 28.4% in 2018 to more than 34.0% in 2020. According to Frost

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& Sullivan, small and medium-sized customers usually possess limited in-house R&D resources and manufacturing capacity and rely more heavily on CDMO partners. We expect that these customers will in the future fuel the growth of our business. Further, according to Frost & Sullivan, as the MAH regulations entered into effect allows the revenue booking entity to be different from the manufacturing entity, more small and medium-sized biopharmaceutical companies in China will increasingly elect to internally develop their drug candidates all the way to commercialization stage instead of selling its entire R&D platform to large pharma at clinical trial stage, resulting in a high demand for CDMO services. According to the same source, the total R&D expenditure of these Chinese companies is expected to grow from RMB12.3 billion in 2020 to RMB26.4 billion in 2025 at a CAGR of 16.6%. Our technical advantages and experience gained from serving large customers over the years are readily applicable for serving small and medium-sized customers.

We have an extensive pipeline of projects at various stages, creating a broad funnel through which projects can advance from development to manufacturing. During the Track Record Period, our late-stage Clinical Stage Projects and Commercial Stage Projects continued to increase, which substantially improved the stability and predictability of our revenue growth. In 2020, we completed 32 revenue-generating Commercial Stage Projects and 42 Clinical Stage Projects with the relevant drug candidate at Phase III clinical stage. As of the same date, we were servicing a number of blockbuster drugs with annual sales of US\$1 billion or more and some drug candidates of our other projects hold great promise to become blockbuster drugs in the future. In recent years, the Chinese government has made remarkable progress in encouraging drug innovation. According to Frost & Sullivan, NMPA's Center for Drug Evaluation reviewed the IND applications of 686 Class 1 innovative drugs from 2018 to 2020. As of September 30, 2021, benefiting from our enhanced capabilities in clinical CRO services and early-phase clinical stage services, we had cumulatively serviced 170 China-based Clinical Stage Projects which had submitted IND applications to the NMPA.

Further, our proven track record of successfully completing NDA-stage projects has helped us secure a significant number of NDA engagements, which has further enhanced our pipeline of Commercial Stage Projects and allows us to seize the massive market opportunities from the innovative drug industry in China. As of September 30, 2021, we were servicing 29 NDA-stage projects based in China.

Visionary, experienced and stable management team with exceptional execution capabilities, supported by talented and dedicated employees

Our founding team, led by our Chairman and CEO, Dr. Hao Hong, have rich experience and diverse expertise in the pharmaceutical industry. Foreseeing immense opportunities in the CDMO market and driven by unbridled enthusiasm for chemistry, Dr. Hao Hong founded Asymchem in 1995 and set foot in China in 1998. Dr. Hao Hong is a prominent figure in the CDMO industry and has received numerous accolades for his pioneering work. Our core management team have on average approximately 20 years of industry experience and most of them have been with us for over ten years. They bring to us a wealth of industry know-how and expertise in group financial management, human resource management, project management,

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market exploration and public relationships, operational management and financial planning. Dr. James Randolph Gage, our Chief Science Officer, has over 20 years of experience in process chemistry, pharmaceutical development and manufacturing and uses innovation as a lever to improve the safety, efficiency, and sustainability of pharmaceutical manufacturing efforts. Ms. Yang Rui, our Chief Operating Officer, possesses over 20 years of experience in operational management and public relations in the CDMO space and was among the first to be selected for the “New Entrepreneur Cultivation Project” in Tianjin. Mr. Zhang Da, our Chief Financial Officer, brings over ten years of experience in capital markets, external investments, mergers and acquisitions and financial management. Dr. Xiao Yi (Hsiao Yi), our Senior Vice President and head of our Center of Excellence for Process Science (CEPS), had over 20 years of experience in pharmaceutical development and manufacturing. A globally leading pharmaceutical company Dr. Hsiao once worked at was awarded the 2006 Greener Synthetic Pathways Award presented by the U.S. Environmental Protection Agency for the discovery of a highly innovative and efficient catalytic synthesis for an API in a diabetes treatment and Dr. Hsiao was one of the leaders of the project’s process development team and the inventor of the new synthesis route.

We have a diversified talent pool with a global vision, advanced technical knowledge, strong execution capabilities, and a strong sense of ownership. Driven by the quest for excellence and a customer-centric culture, our well-trained workforce help our customers overcome complex process development and manufacturing challenges through teamwork and collaboration. We attract and cultivate talent globally by offering a collaborative work environment, the opportunity to work on cutting-edge projects, and a community-driven career development platform. We grow our talent within our organization by providing a comprehensive internal and external training which underpins our service standards and meets the stringent requirements of multinational companies in screening vendors. In addition to developing and identifying experts and leaders internally, we recruit specialists with diverse backgrounds and expertise to supplement the breadth and depth of our technological capabilities. We have in place onboarding procedures that effectively integrate new hires into our team. We continue to innovate our talent management, compensation and benefits system to cultivate motivation and stability in our workforce. To motivate and retain our key employees, we have introduced the A Share Incentive Schemes to align the interests of our employees with those of our Company.

Our technology leadership is rooted in our technology- and innovation-driven company culture. We value integrity, productivity, efficiency and self-discipline, which complements our customer-centric approach to business.

OUR GROWTH STRATEGIES

We aim to build and solidify Asymchem as a premium global CDMO brand by executing the following strategies:

Continue to strengthen our service capabilities and advance our leadership position for small molecule CDMO solutions

We will continue to optimize and upgrade our small molecule CDMO solutions to maintain and advance our leadership position. Pressing demand from pharmaceutical and biotechnology companies to improve R&D efficiency, accelerate commercial launch and enhance product competitiveness continue to increase their reliance on outsourcing to comprehensive CDMO platforms. In the highly fragmented small molecule CDMO industry, we believe that companies that possess competitive strengths in technology, operational and cost efficiency and can seamlessly meet customer demand will set themselves apart from competitors and acquire a larger market share.

To capture the massive opportunity for consolidation, we will continue to strengthen our process development capabilities and to develop leading technical expertise and industry know-how. Our technology platforms, including the Center of Excellence for Process Science (CEPS) and the Chemical Engineering Department (CED), strive to identify and solve challenges in process optimization and scale-up, improve R&D efficiency, achieve cost savings and empower the drug innovation process. In addition, we intend to enhance the capabilities of our Early Phase Pharmaceutical Development Team (EPPD) to serve more early stage projects and provide customers with access to our high-quality services at an earlier stage.

In addition, we plan to strategically expand our manufacturing capacity by increasing the capacity of our existing manufacturing sites in Dunhua and Tianjin. We intend to construct a comprehensive small molecule R&D and manufacturing site in Zhenjiang to achieve economies of scale. For more details of our expansion plan, please see the section headed “Business – Facilities – Future Expansion.” Our goal is to build up manufacturing facilities to ensure stable supply of various types of APIs and drug products at different production scales and despite a multitude of technical difficulties. We will actively explore opportunities to construct or acquire manufacturing facilities overseas to increase the geographical diversity of our manufacturing and supply capacity. Further, we will promote the application of advanced manufacturing technologies, such as automated process controls, process analytical technology (PAT), and process intensification, and upgrade our facilities and equipment, with the aim to continuously improve operation efficiency and cost competitiveness of manufacturing. We intend to establish a comprehensive research, development and manufacturing facility specializing in small molecule drugs and invest in the development and application of key green technologies.

Accelerate our expansion into new drug modalities and service types

Leveraging our established reputation, advanced R&D platforms, and robust cGMP manufacturing capabilities and experience in providing small molecule CDMO solutions, we intend to broaden our CDMO solutions portfolio to satisfy customer demand for the development and manufacturing of a wider range of drug modalities, with the aim to enhance customer stickiness.

With key technologies breakthroughs in delivery sector, oligonucleotide is becoming a fast-growing drug modality. According to Frost & Sullivan, global sales of oligonucleotides are expected to grow from US\$2.7 billion in 2020 to US\$10.9 billion in 2025, at a CAGR of 31.7%. In the meantime, oligonucleotide drugs are facing a series of challenges during the commercialization process, including lack of diverse synthesis process, low synthesis efficiency, insufficient manufacturing capacity, high waste generation and high production cost. Through our strategic collaboration with Ribo Life Science, a leading biopharmaceutical company dedicated to the development of oligonucleotide drugs, we intend to quickly build up a process development and manufacturing platform for oligonucleotides. We will continue to tackle technical challenges in its synthesis process and expand our oligonucleotide manufacturing capacity. To capture opportunities arising from the explosive growth, we strive to become one of the best platforms for oligonucleotide CDMO solutions in the world, offering integrated services from APIs to drug product.

We plan to expedite the growth of our biologics CDMO solutions. We intend to enhance our capabilities in the field of antibodies and recombinant proteins, including capabilities from cell line development to the manufacturing and quality control of drug substances and drug products. We intend to establish an integrated service platform covering IND enabling work, clinical sample preparation and commercial manufacturing. Furthermore, based on our synthesis and scale-up manufacturing capabilities in drug-linkers, investment in the research and development of site-specific antibody conjugate processes is in contemplation. We believe that these initiatives will help strengthen our service capabilities in ADCs and other novel conjugated drugs, which will in turn drive the growth of our biologics CDMO solutions. In addition, we plan to accelerate our expansion in emerging fields, such as advanced therapy medicinal products (ATMPs), which include cell therapy and gene therapy. We will establish cGMP manufacturing capacity and facilities for plasmid DNA and various viral vector delivery systems to meet the growing demand for large-scale production in this field.

In light of the booming growth of the market for mRNA therapies, we are expanding our cGMP manufacturing capabilities and facilities in response to for mRNA drugs and vaccines manufacturing demand. We plan to provide integrated services throughout clinical development and commercial manufacturing, covering plasmid DNA, mRNA synthesis through *in vitro* transcription, and the production of modified enzymes, and key components for nanoliposome delivery system. Building on our existing capabilities in enzyme and critical excipients, we are confident to empower the development and commercialization of mRNA drugs globally.

Continue to invest in R&D and maintain our technology leadership

We believe that our market position in the CDMO industry is driven by our technology leadership. Therefore, we will continue to invest in R&D initiatives and maintain our technology leadership, especially our sector-leading flow and continuous technology and biosynthesis technology.

We will continue to upgrade our flow and continuous technology platform under the leadership of our Center of Flow and Continuous Technology (CFCT). To reinforce and advance our leading position in the field of flow and continuous technology, we are committed to bringing additional process and cost efficiencies to our customers through continuous optimization in our project execution. Leveraging our proven track record, we intend to promote the extensive application of flow and continuous technology in manufacturing, especially in cGMP manufacturing, and to spearhead the revolution of small molecule drug manufacturing.

We will continue to develop cutting-edge technologies. We plan to strategically increase our investments in the Center of Biosynthesis Technology (CBST), which will lead the innovation and application of our biosynthesis technology. We intend to establish a cell-free synthesis technology platform to achieve site-specific antibody conjugate, mRNA synthesis, and the synthesis of oligonucleotide and polypeptide drugs via bioengineering methods and to improve synthesis efficiency. We are confident in making technology breakthroughs and become an industry leader in these new modalities. Further, we will continue to build up our enzyme evolution, enzyme immobilization, and protein expression technology platforms, and pioneer the combination of biosynthesis and flow and continuous technology to further improve efficiency and reduce cost in small molecule projects.

In addition to supporting our customers' projects, we intend to explore new business models to collaborate and transfer our leading technologies to organizations who aspire to implement and utilize these technologies to expedite the drug innovation process and bring down production cost. We intend to build a revenue stream where we receive technology licensing fees.

Deepen our relationship with existing customers and broaden our customer base

We have established ourselves as a reliable partner of choice for leading multinational pharmaceutical companies. We will continue deepening our relationships with those large customers, solidifying their loyalty and extending their life span as a customer. We will further optimize the structure of our core service team for better customer service and deploy dedicated specialists in process development, analytics and manufacturing to provide full-cycle services. We also plan to reserve certain manufacturing lines for the exclusive use of our key customers.

According to Frost & Sullivan, U.S. and European biotechnology industry, with more than 6,000 small and medium-sized players, is a market with huge potential to us. We intend to further tap into this market whose players rely heavily on integrated CDMO solutions. To

broaden our customer base and build up a sustainable growth engine, we have established a U.S. business development team to focus on the biotechnology market. In addition, in December 2020, we established a R&D center in Boston, dedicated to innovative drug development, which helps us attract and foster strong relationships with U.S. biotechnology companies with innovative drug pipeline. We will fully leverage our strong technical expertise and seasoned experience to provide comprehensive CDMO services and solutions for the large number of biotechnology companies. Through these initiatives and efforts, we have confidence to establish a solid base for our business expansion in the U.S. biotechnology market, further diversify our customer mixture, greatly enhance our pipeline of innovative drug projects, and dramatically improve our presence and reputation in the R&D of innovative drugs.

In addition to serving customers in the U.S. and European markets, we intend to increase our penetration rate in high-growth or emerging markets, particularly in China. Riding the robust growth in China's innovative drug market, we will continue to grow our domestic customer base and expand our service scope to tailor to their needs.

Further, we aim to increase synergy between our CDMO solutions and clinical CRO service offerings to enhance customer acquisition funnel, improve customer stickiness and drive the growth of our main business.

Enrich our service offerings and expand our global footprint through strategic acquisitions

To grow our customer base and broaden our service capabilities, we intend to actively pursue strategic acquisitions and investments that can enrich our service offerings and expand our global footprint. We have set strategic mergers and acquisitions as a key strategy in our next stage of development. We will actively explore opportunities to acquire (i) target companies that possess technology expertise in a critical or novel area in the CDMO space, such as drug products, cell therapy and gene therapy, to enhance or complement our service capabilities; (ii) CROs, CMOs or CDMOs with a supplementary clientele to diversify our current customer base or expand our business scope, and (iii) CMOs or CDMOs based overseas. By expanding our global presence, we can better serve international customers overseas and help domestic customers who wish to set footprint in overseas markets.

Continue to attract, retain and incentivize talent

Our dedicated talent base is crucial to our ability to provide consistent high-quality services to customers. We will continue to attract, retain and incentivize qualified employees to fulfill our vision and capture the growth opportunities in the global pharmaceutical industry. We have implemented a tailored talent strategy for each of our key business segments. We have established internal training programs to equip our employees with latest technology advancements, industry know-how and regulatory developments. We will continue to implement a "hire well, manage little" code and inspire our employees to develop a strong sense of ownership. 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 BUSINESS MODEL

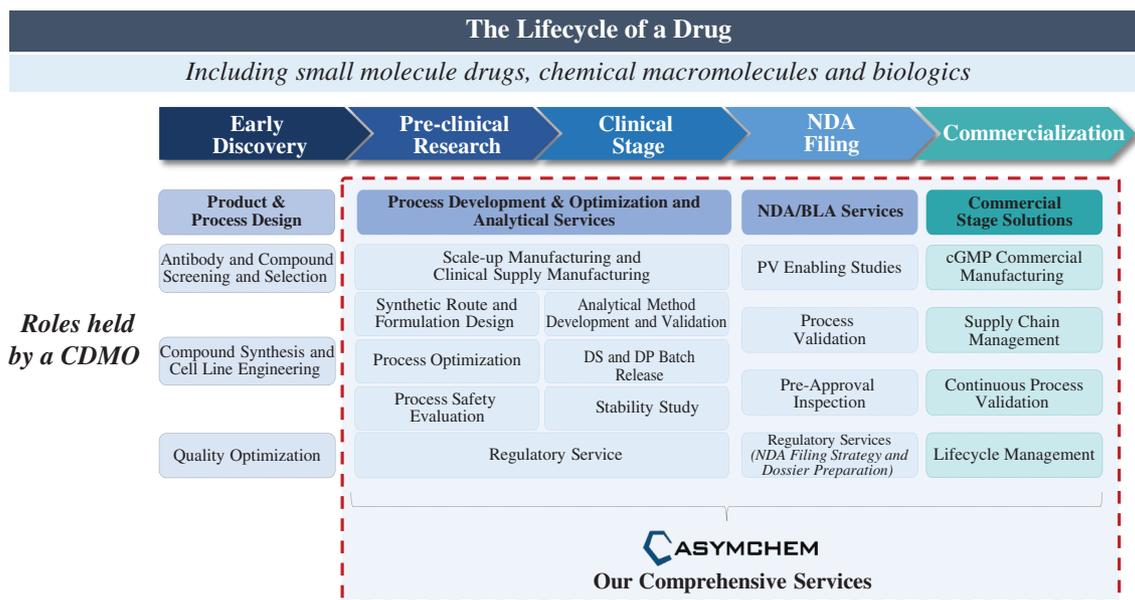
Who We Are and What We Do

We are a leading global provider of outsourced pharmaceutical development and manufacturing solutions and services. Our comprehensive, integrated and highly customizable solutions and services enable pharmaceutical and biotechnology companies around the world to develop and manufacture drugs in the most time and cost-efficient manner with minimized environmental impact.

The drug development and manufacturing process typically spans five stages: (i) drug discovery, (ii) pre-clinical development, (iii) clinical development (Phases I, II and III), (iv) commercial manufacturing, and (v) post-marketing monitoring and surveillance. We service different stages of the drug development and manufacturing process from pre-clinical development, clinical development, commercial manufacturing, packaging to lifecycle management.

Outsourcing services of drug development and manufacturing primarily include (1) the synthesis, development and scale-up of APIs, intermediates and RSM; (2) the formulation and process development of drug products; (3) technology transfer for clinical supply manufacturing; (4) commercial manufacturing and packaging.

Our integrated platform enables us to provide the entire spectrum of drug development and manufacturing services. The following chart illustrates the main components of our services throughout the drug development and manufacturing process.



Our Mission and Vision

Our mission is to collaborate for innovation.

Our vision is to be a reliable partner of choice for the global pharmaceutical industry providing superior CDMO services and solutions throughout the full lifecycle of drugs from their development to commercialization.

Our Business Nature

Since our inception, we have strategically prioritized service engagement for Clinical Stage Projects. The broad scope of our services allows us to serve our customers from an early phase of their drug innovation projects. Our ability to solve complex technical challenges in process development and scale-up manufacturing during the clinical stage significantly increases our customers' stickiness and enables us to build up a robust project pipeline. As switching or adding CDMOs involves substantial costs and requires additional management time and focus, we have consistently secured mandates to Commercial Stage Projects after the relevant drug products have successfully progressed from early-phase clinical development to late-phase clinical trials and commercial launch, which generally come with an exponentially larger contract value than that of the respective Clinical Stage Projects.

According to Frost & Sullivan, in the context of rapidly growing new drug development costs, increasingly complex development process, and more intense competition, multinational pharmaceutical companies have continued to increase outsourcing to CDMOs, and small and medium-sized pharmaceutical and biotechnology firms have developed an even greater reliance on CDMO services. In addition, a prevailing trend in the CDMO market is a preference for CDMOs that provide full-service offerings, as using a single CDMO for multiple services allows drug developers to reduce the complexity of technology transfer and enables their drugs to reach the market faster. We specialize in providing comprehensive CDMO solutions, servicing drugs of different modalities and therapeutic effects at virtually any stage of the drug lifecycle. As we accumulate project experience and technical know-how, we continuously improve our capabilities to solve different types of technical challenges. By bringing process and cost efficiencies to our customers, we deepen our relationships with existing customers and continue to grow our customer base, creating a virtuous cycle.

According to Frost & Sullivan, small molecule drugs undergoing Phase III clinical trials on average have approximately a 50.9% chance to be successfully approved and commercialized, and switching to another CDMO upon approval and commercialization rarely happens unless the original service provider is simply unable to meet the customer's technical or other demand. This is largely due to a combination of regulatory requirements, lengthy process validation procedures, time-consuming and costly technology transfer process and the need to ensure uninterrupted supply for late-stage clinical trials and commercial manufacturing. For example, upon switching one contract service provider to another provider, a customer must repeat the process performance qualification (PPQ) procedure, pass its regulatory audit and successfully obtain regulatory approval before the other provider can commence to manufacture.

Pharmaceutical and biotechnology companies are wary of the costs of switching (regulatory, economic and otherwise) and have naturally come to demand high-quality CDMO services from comprehensive and highly capable CDMO service providers like us for Clinical Stage Projects in order to be able to use the same service provider for additional services as drug candidates progress through the drug development process until commercialization, and to avoid any costly switches in service providers down the road. Recognizing the nature of our

business, we have adopted a customer-centric approach, committed to delivering high-quality services for all customers. We have focused on winning Clinical Stage Projects with the aim of eventually winning Commercial Stage Projects from the same customers for the same drug products. By working with our customers from an early clinical stage and earning their trust with our high-quality services and advanced technological capabilities, we create a wide funnel through which projects advance from development to commercial stage. During the Track Record Period, all of the Clinical Stage Projects we serviced that have launched commercially continued to engage us for commercial manufacturing. In addition, we have occasionally won Commercial Stage Projects from customers who had previously employed a different service provider, with the belief that the cost of switching would be justified and outweighed by the ensuing economic benefits from our superior services compared to the original service provider.

The recognition of our business nature also gives us visibility into our customers' future demand for our services, thereby improving our ability to manage our growth and to plan business expansion. With industry know-how and technical expertise accumulated over decades of operations, we can quickly apply our scalable knowledge and experience to similar drug compounds, reinforcing our leading position in CDMO market. We are able to work on a project from a relatively early stage of the drug development process and develop in-depth understanding and know-hows about the relevant drug candidate, which would help us improve the quality and efficiency of our services for such project as it progresses to later stages.

Furthermore, the recognition of our business nature gives us more flexibility in negotiating fee terms with our customers and allows us to focus on the overall profitability of an integrated project instead of the profitability of any individual drug development stage. For example, for a drug candidate which is likely to advance to clinical trials and eventually to commercialization, we may consider the potential revenue from commercial-stage or late clinical-stage services when determining fee terms for our imminent services.

Our Business Credo

To maintain and grow our business, we have adopted a customer-centric approach, strived to reinforce and advance our technological leadership, and built a comprehensive management system to enhance operational efficiency and achieve quality assurance and cost savings. These form the pillars of our business credo.

We are committed to the continuous improvement and innovation of our development and manufacturing technologies and know-how, and have consistently and heavily invested in our R&D efforts and capabilities. Our full spectrum of cutting-edge technologies enables us to provide customized solutions and synthesize and manufacture virtually any small molecule drugs that our customers shall desire, however complex the chemical structure or the synthetic process may be. Our leading flow and continuous technology converts traditional batch manufacturing processes into an automatic continuous manufacturing process which substantially improves the safety, yield, waste disposal, cost efficiency and stability of the process or the product. Our biosynthesis platform and diverse, large proprietary enzyme library

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allow our scientists to design, optimize and screen enzymes (biocatalysts) based on each product's specific properties. These technical capabilities allow us to achieve greater cost-effectiveness and environmental friendliness in our manufacturing processes (as compared to traditional processes that require precious metal catalysts) without compromising yield and efficiency. Building on our strong foundation in technologies, we have expanded our service offerings to provide customized CDMO solutions for chemical macromolecule drugs, biologics and other newer types of molecules with substantial market potential, such as polypeptides, oligonucleotides, polymers, mAbs, ADCs and mRNA.

We are committed to ensuring our customers' satisfaction, and we have continuously developed, enhanced and optimized our R&D platform, our product and solutions offerings and our quality management system in order to fulfill this commitment. Among our efforts, we respond rapidly to our customers' requests, meaningfully shorten the R&D cycle of our customers' drug candidates, and help our customers save costs without sacrificing quality or compliance. Under our unique business model and strategic focus on development, we go above and beyond offering standardized outsourced contract services and set ourselves apart by joining forces with our customers to design an optimized pharmaceutical manufacturing process that achieves swift deployment, safe scale-up and cost efficiencies. This is our core value proposition to our customers and allows us to capture a meaningful share of the upside from our customers' drug candidates' potential commercial success without taking on excessive risks inherent in the development of new drugs. Our unwavering commitment to our customers has earned us long-lasting trust from and business relationships with many of them.

With over two decades of experience serving multinational customers with stringent requirements, we have established a first-class operating system encompassing R&D, manufacturing, quality control and project management, which meets the highest global industry standards. Our extensive technical know-how in process development makes us a preferred choice for large customers. We can expediently solve a variety of complex process challenges in the scale-up production of innovative drugs, accelerating clinical development process and providing high-quality, stable production during the commercial stage. Based on years of large-scale manufacturing experience, we have established a sound cGMP quality system, a first-class EHS and QA system and comprehensive manufacturing capabilities. Our robust operational and execution capabilities empower many small and medium-sized biopharmaceutical companies.

Our recognition of the "grow-with-the-molecule" business nature has led us to place a high level of emphasis on the quality of our entire spectrum of drug development and manufacturing services. Given many of our major customers enter into long-term service agreements with us that span multiple stages of the drug development process, we strive to ensure that we have the necessary expertise, technological capabilities and resources across each stage of the drug development process, including the ability to scale up the processes without compromising quality or compliance, as compared to some of our competitors who may only focus on one particular stage.

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Our Solutions Portfolio

During the Track Record Period, we derived a majority of our revenue from our small molecule CDMO solutions, which are further categorized into Clinical Stage CDMO Solutions and Commercial Stage CDMO Solutions. We have also expanded our solutions portfolio to include other drug modalities, such as polypeptides, oligonucleotides, mAbs, ADCs and mRNA, and other services, such as drug product solutions, biosynthesis solutions and clinical CRO solutions, collectively referred to as our Emerging Services.

The following table sets forth a breakdown of our revenue by service type for the periods indicated, both in actual terms and as a percentage of total revenue:

	For the year ended December 31,						For the six months ended June 30,			
	2018		2019		2020		2020		2021	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except percentages)</i>									
	(unaudited)									
Small Molecule										
CDMO Solutions										
Clinical Stage										
CDMO Solutions	743,022	40.8	1,144,897	46.8	1,247,437	39.8	480,940	38.3	826,918	47.1
Commercial Stage										
CDMO Solutions	1,037,590	56.9	1,215,784	49.7	1,651,006	52.6	715,724	57.0	785,405	44.7
Emerging Services¹	40,000	2.2	85,109	3.5	236,458	7.5	58,287	4.6	143,246	8.2
Other²	2,175	0.1	59	0.0	1,823	0.1	1,823	0.1	–	–
Total	<u>1,822,787</u>	<u>100.0</u>	<u>2,445,849</u>	<u>100.0</u>	<u>3,136,724</u>	<u>100.0</u>	<u>1,256,774</u>	<u>100.0</u>	<u>1,755,569</u>	<u>100.0</u>

Notes:

1. All projects of our Emerging Services during the Track Record Period were Clinical Stage Projects. We did not recognize any revenue from Commercial Stage Projects relating to our Emerging Services during the Track Record Period.
2. Other mainly refers to revenue from the resale of raw materials that we purchased.

We categorize our projects into Clinical Stage Projects and Commercial Stage Projects, which service small molecule drugs and other drug modalities during the pre-clinical and clinical stage and the commercial stage, respectively. In 2018, 2019 and 2020 and the six months ended June 30, 2021, we recognized revenue from 158, 217, 282 and 216 pre-clinical, Phase I or Phase II Clinical Stage Projects, 24, 39, 42 and 48 Phase III Clinical Stage Projects and 27, 30, 32 and 28 Commercial Stage Projects, respectively. During the same periods, we recognized revenue from 185, 215, 221 and 179 projects relating to our small molecule CDMO

solutions, and 24, 71, 135 and 113 projects relating to our Emerging Services, respectively. As of June 30, 2021, we had 246 ongoing projects from which we had partially recognized revenue and 284 projects for which we had secured the contracts but not yet recognized any revenue.

SMALL MOLECULE CDMO SOLUTIONS

We provide comprehensive small molecule CDMO solutions. Our integrated services span substantially all stages of the drug development and manufacturing process, from pre-clinical research, clinical research to commercial manufacturing. Our cutting-edge technologies and strong R&D capabilities allow our customers to initiate a project with us at virtually any stage of the drug lifecycle. We satisfy our customers' needs during clinical and commercial stage with phase-appropriate solutions in a high-quality, time-efficient, cost-effective and environment-friendly manner. In addition, we utilize our knowledge of scientific, business, and legal matters to assist our customers with NDA filings and other regulatory affairs.

Clinical Stage CDMO Solutions

With the recent advances in pharmaceutical sciences and biotechnology, there has been a considerable need for faster and more efficient drug development and approval process, which translates into shorter timelines to develop commercial-ready processes. We provide process development and optimization, analytical services, and scale-up services for small molecule drug products throughout the pre-clinical and clinical stage. We deliver an integrated approach for process optimization, taking into account manufacturability, scalability, stability, safety and costs.

Process Development and Optimization

One of our core technical strengths is our ability to quickly and accurately identify and develop scalable production processes. Backed by advanced scientific evaluation skills and established technology platforms, we can rapidly implement technical packages from our customers and design and optimize customized synthetic routes. Our advanced process R&D capabilities are fundamental to robust and reliable drug development processes. Our talented scientists and researchers have undergone extensive training and assist our customers in accelerating the timetable of new drug development.

Key steps of our process development and optimization services include the following:

Synthetic route design

We aim to identify the most suitable synthetic route to produce the drug compound of interest which maximizes yield and throughput whilst minimizing costs and waste streams. We focus on optimizing operation processes, reducing process complexity, improving quality and yield, deploying environment-friendly solvents and latest production technologies.

Process optimization

Using statistical design of experiments (DoE) powered by high throughput screening technology, we provide process optimization services to achieve consistency in high product quality and cost efficiency, including (i) identification of optimal reaction conditions, (ii) screening and optimization of catalysts and reagents, (iii) optimization of key reaction parameters such as proven acceptable range, reactant ratio, temperature, and time, and (iv) impurity control. We strive to improve process feasibility and robustness and help our customers produce highly consistent products at lower costs.

Our in-house developed high throughput screening technology enables a quick evaluation of chemical processes, such as the reaction conditions, effects of additives, and scavengers, and provides a full data analysis workflow. The high throughput screening technology is more efficient and provides more detailed data than traditional laboratory methods, leading to reduced consumption of raw materials. Our high throughput screening technology allows us to accelerate research speed, improve research quality, and shorten the R&D cycle for our customers.

Statistical DoE is a structured, organized method for determining the interaction between factors affecting a process and the output of that process. It is an efficient experimental approach for the thorough investigation of process development and the basics for implementation of Quality by Design (QbD). We have extensive experience in the application of DoE principles in the process development and manufacturing of API and intermediates, demonstrating a proven track record, making the most efficient use of resources and ensure a timely completion of studies.

Process safety evaluation

Our process safety group, consisting of 17 members as of June 30, 2021, evaluates the potential hazards of each stage of a synthetic route and all unit operations. We define critical parameters either for inclusion in a final campaign summary or as a standalone process. The key areas of our investigation include: (i) to rapidly and accurately measure the heat of a reaction, rate of heat liberation, heat accumulation ratio of unreacted material, system heat capacity; (ii) to evaluate the system temperature rise under the worst-case scenario; (iii) to evaluate the rate of heat liberation and the rate of heat removal when the process is scaled up to production batch sizes; (iv) to evaluate the feeding speed when the process is scaled up to production batch sizes; (v) to measure the thermal stability of samples and intermediates; (vi) to evaluate heat evolution in bulk material and the critical size of self-heating; and (vii) to measure gas evolution of samples and evaluate thermal stability.

Analytical Services

Underlying all the process activities are the analytical methods. We provide comprehensive analytical support for process development, production, and testing services. Our dedicated analytical R&D and quality control teams carry out phase-appropriate method

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development, validation, verification and transfer and work hand-in-hand with our process teams to deliver reliable methods for confirming in-process controls of starting materials, intermediate and final product specifications, as well as stability of starting materials, intermediates, drug substances, and drug products.

Key steps of our analytical services include the following:

Method development

We develop appropriate analytical methods for starting material release, in-process control, isolated intermediate release. Our experienced analytical scientists adopt analytical assay methods with various columns and UV and charged aerosol detector to analyze pharmaceutical compounds that feature with or without chromophores. With respect to degradation studies, our researchers conduct stressed sample degradation studies to determine potential degradants and impurity profiles. In addition, our researchers and scientists help our customers to develop and perform dissolution profile studies for immediate release and extended release of finished products (tablets and capsules) in various media and pH buffer solutions such as simulated intestinal fluid, simulated gastric fluid and acetate. At our facility, we are able to perform a wide variety of quality control tests on raw materials as well as finished products.

Our analytical function is deployed among our various facilities and is further delineated into cGMP and non-GMP sectors, allowing the most appropriate personnel and equipment to support specific API and drug product activities. Since much of the value in an integrated service model like ours stems from the direct interaction of the scientists on an interdisciplinary project team, having analytical chemists on site adds far more value than having them perform the same activity at remote locations or at specialized contract testing facilities. The co-location and integration of our analytical capabilities and personnel with our drug substance and drug product services enable us to overcome analytical research and development challenges in a timely and cost-effective manner.

We possess and utilize a full range of analytical technologies and equipment for complex chemistries to support drug development and manufacture.

Method validation

Our specialists validate new analytical methods for their intended use and revalidate existing methods to ensure compliance with current regulatory requirements. We provide our customers with detailed method validation protocols and method validation reports. Certain final products may only be released with validated methods.

Stability testing

Stability is a key attribute for drug molecules. We provide many types of stability study services under room temperature, accelerated conditions and refrigerated conditions to support all phases of drug development. We can efficiently manage stability studies and have the infrastructure to carry out these studies in full compliance with the cGMP regulations. Our facilities include computer-controlled stability chambers that maintain humidity and temperature with a 100% backup system and redundancies for each critical system to ensure uninterrupted maintenance of stability conditions throughout the study.

We offer a full range of ICH stability conditions and provide total stability management. We develop and validate stability-indicating methods for our customers, provide stability study protocol, and produce stability report to support our customers' needs for IND, NDA and ANDA filings. We prepare and approve protocols to perform stability study under both accelerated condition and long-term condition. Upon completion of analytical testing at each time point, the results will be summarized in the stability report.

Impurity study

Impurities in pharmaceutical products do not offer any therapeutic benefit for the patient and are potentially toxic. Therefore, impurity level is a critical quality attribute for a drug substance or a drug product and impurity study and controls is one of the most important tasks during process development and manufacturing. We carefully study the origin, formation, elucidation, fate and purge of the impurities during the manufacturing process and develop appropriate and accurate approaches to control impurities and meet the quality criterion.

Quality control release

We initiate quality control testing once the drug substance or drug product is manufactured in accordance with the approved batch record and meets the requirements outlined in an approved protocol. This step is critical in ensuring that the final product meets basic safety requirements and adheres to the release specification set out in the protocol.

Scale-up Manufacturing

We rapidly develop phase-appropriate process from laboratory scale to large scale, which can be transferred to production lines seamlessly. The production team establishes appropriate production equipment train based on the developed process and manufactures products in compliance with cGMP practices to support clinical trials and assist our customers in accelerating the drug development timetable.

New Drug Application (NDA) Services

We provide all-inclusive services to support our customers' NDA filings.

Process Performance Qualification (PPQ) Readiness

Before NDA filing, we work with customers on pre-PPQ preparation, a process validation-enabling work to test and gather more information about the product to ensure a robust commercial process is achieved. We perform a quality risk assessment (QRA) study designed based on our extensive experience, including the selection and justification of starting materials, establishment and justification of intermediates' specifications, establishment of parameters' proven acceptable range (PAR), identification of critical process parameters (CPP), and establishment of final product's specifications.

Pre-PPQ preparation

As part of the process validation-enabling work, we cooperate with our customers to determine the DoE for the process route and analysis method to be validated, formulate specifications and standardize analysis methods. During the process validation-enabling work, we focus on quality risk assessment and impurity controls, including both process parameter controls and specifications for material attribute controls. Leveraging on our years of experience, we are able to guide our customers on the appropriate timing and activities needed for the process validation-enabling work.

Process validation

Process validation ensures that we can consistently and reliably produce final products at predetermined standards. In process validation, we follow the established process, use materials procured from reliable vendors and manufacture through specifically designed production equipment trains to produce drug products with the desired quality. To generate sufficient data for NDA filing, we produce at least three continuous batches of products following the established process and analysis method. We understand, measure and validate each stage of the manufacturing process and monitor each product's chemical, physical, biological and microbiological attributes, or critical quality attributes, as well as various other process control parameters, to ensure that the final product outputs remain within our customers' quality standards as well as other business objectives.

Each process we develop for our customers is transferred with an end-to-end process assessment plan that evaluates and integrates development work, process conformance and continuing verification. By performing an integrated assessment that goes beyond simply inspecting conformance, demonstration lots or the finished products, we can ensure that the products and its process will remain consistent throughout the entire product lifecycle.

Our approach to validation typically involves having one engineering batch operated at full scale immediately prior to the production and inspection of validation batches. The draft validation protocol is shared with the customer for comments prior to the pre-PPQ batch. Our customers will have full access to the completed validation report and annual product reviews

which offer customers both a collection of raw data and an analysis of the process data which can be used for trend analyses which may in turn help identify opportunities for further improvements to the process in the future.

With more than 40 successful project validations (and including over 140 process steps) completed over the last 3 years, we have accumulated the most knowledge to guide customers to an efficient and successful regulatory filing, process validation, and ultimately commercial manufacture process.

Pre-Approval Inspection

Prior to NDA approval, we host on-site inspections from regulatory agencies to confirm that our manufacturing site setup is compliant with the documentation submitted, and that we have the capabilities to consistently manufacture the product at a high quality. Building on our extensive experience in pre-approval inspections, we have established a robust pre-approval inspection readiness workflow, and provide clear instructions to all departments and personnel involved to ensure each member understands their role during the course of both day-to-day work and the inspection process. Inspection readiness relies on the rigorous work we perform on a daily basis. Our sound quality management and manufacturing systems and consistent cGMP compliance records ensure that our customers experience a smooth and speedy inspection process, which adds substantial value to our customers' product approval process.

Case Study

Case Study 1: ZEJULA (Niraparib)

We assisted Zai Lab, an innovative commercial-stage biopharmaceutical company focused on bringing transformative medicines for cancer and infectious and autoimmune diseases to patients in China and around the world, in NMPA's on-site dynamic pre-approval inspection and GMP examination for the registration of ZEJULA (PARP inhibitor) and helped submit a final inspection report to the NMPA ahead of schedule. ZEJULA is an innovative cancer therapy, currently the only PARP inhibitor to have received a broad approval globally, including in the U.S. and China, to treat advanced ovarian cancer patients regardless of biomarker status as a monotherapy in both first-line and recurrent maintenance treatment settings. It is also currently the first and one of the only two Class 1 PARP inhibitors approved in China. Our strong project management capability, sound quality and manufacturing systems helped ensure a smooth and speedy inspection process of ZEJULA, contributing to the drug's fast entry to market to benefit a wider patient population.

Case Study 2: Surufatinib

We provided process development and manufacturing services for several drug candidates developed by HUTCHMED, a global commercial-stage biopharmaceutical company committed to the treatment of cancer and immunological diseases. With a rigorous cGMP quality system and a first-class EHS and QA system, we successfully passed the pre-approval inspection of

NMPA for Surufatinib, one of HUTCHMED's drug candidates, which was able to complete two Phase III clinical trials earlier than expected and obtain NMPA's approval via the priority review process. Our customer also used the CMC package we generated for the NDA filing of Surufatinib in the US directly. Surufatinib was later granted Fast Track Designations by the USFDA for the treatment of both pancreatic neuroendocrine tumors (NET) and extra-pancreatic (non-pancreatic) NET in patients who are not amenable for surgery. Surufatinib is expected to address a substantial unmet medical need in China and the US.

Case Study 3: Innovative cancer drug

We assisted a clinical-stage biotechnology company in the process development of an innovative cancer drug. Even though the project timetable was extremely tight, we successfully completed process optimization and scale-up within six months and timely delivered multiple batches of samples for clinical trials, registration and process validation through the close collaboration of our process chemists, specialists in analytics, DoE, chemical engineering, crystallization, and project management teams. In addition, we designed and optimized the API synthesis process within four months, improving the overall yield by four times and shortening the batch production cycle by more than 50%, exceeding our customer's expectation. We also shortened the time to prepare the CMC package and to support the project's rapid advancement in clinical trials and potential commercial approval.

Commercial Stage CDMO Solutions

We provide manufacturing services for commercially-approved products under current good manufacturing practice, or cGMP, conditions. We provide tonne-scale manufacturing services for API, intermediates and drug products. By combining our powerful production capacity with our culture of flexibility, we have consistently delivered products ranging from registered starting materials (RSMs) to advanced intermediates and APIs with the high quality our customers demand on time. Our experienced technical team ensures that production processes can be quickly and seamlessly transferred from the lab to pilot scale-up, and finally to commercial production. Our Chemical Engineering Department (CED) is dedicated to solving process challenges, improving R&D and manufacturing efficiency, and ensuring successful scale-up and commercial manufacturing.

Some of our customers engage us to manufacture APIs and intermediates only and not drug products, which could be for various reasons. Some large pharmaceutical companies prefer to manufacture drug products in-house for better supply chain management consideration as this is the final manufacturing step before the drug is introduced to the market. Small and medium-sized pharmaceutical companies or biotechnology companies have limited in-house manufacturing capabilities, which may only be allocated to drug products. Other customers may prefer to outsource the manufacturing of APIs and drug products to different CDMOs to leverage their respective specialty.

Raw material supply and manufacturing

Ensuring a stable supply of raw materials is a top priority for us. We have measures in place to adeptly mitigate raw material supply-related risks (such as EHS, regulatory, sustainability and others) and have developed a strong back integration system to ensure we have a sufficient supply of raw materials at any given point in time.

By combining our powerful production capacity with our culture of flexibility, we consistently deliver the quality our customers demand in a timely and efficient manner. Our experienced technical team ensures that production processes can be quickly and seamlessly transferred from the lab to pilot scale-up, and finally to commercial production.

We provide development and manufacturing services under current good manufacturing practice, or cGMP, conditions from early development through commercial production for small molecule active pharmaceutical ingredients, or APIs, produced through chemical synthesis.

Raw materials and cGMP intermediates

We provide end-to-end fully integrated supply services, helping our customers manage uncertainties in their supply chain, enhance visibility and transparency and meet quality and regulatory requirements. We also began in-house customized and bulk production of raw materials and registered cGMP starting materials in 2003. With both external suppliers and backward integration of critical raw materials, we can ensure that delivery of low-cost and high-quality chemical raw materials can be delivered to our customers in a timely fashion to meet our customers' manufacturing needs.

Our experience and expertise in organic synthesis and our proprietary technologies, such as flow and continuous technology, asymmetric catalytic hydrogenation and enzyme chemistry, enable us to manufacture, from gram to metric ton scales, a wide variety of fine chemical raw materials and intermediates throughout various stages of API production, including non-GMP intermediates, registered cGMP starting material and cGMP intermediates.

API

Equipped with cGMP kilo lab and pilot plant facilities built to international standards, we are capable of developing API manufacturing processes that are cost-effective, environmentally friendly and sustainable for long-term supply. We are able to seamlessly transfer API manufacturing processes from laboratory into production and rapidly scale up the processes to support drug candidate selections, good laboratory practice, or GLP, toxicology studies and clinical studies, and meet aggressive timelines required by our customers.

As of September 30, 2021, four of our manufacturing sites had passed USFDA inspections. We have both dedicated and multipurpose production modules at these facilities to suit the varied manufacturing needs of our customers.

High-Potency API

According to Frost & Sullivan, a significant proportion of new drugs under development contain high-potency APIs or intermediates, which has led to tremendous growth in manufacturing demand. High-potency APIs and intermediates, however, present significant technical challenges in their manufacturing and requires heavy investments in specialized containment and facilities to ensure that our employees are protected from drug exposure.

We operate dedicated potent compound production facilities in both cGMP and non-GMP configurations. We have specialized facilities for common potent compounds classes such as cytotoxic drugs and beta-lactam antibiotics, including penams (penicillin derivatives) and carbapenems.

We differentiate our potent compound manufacturing services with a well-developed program to eliminate contamination vectors, such as pressurization, primary decontamination stations within suites, and qualification of facilities and processing equipment. We also provide rigorous employee training specific to potent compounds for practices relating to personal protective equipment (PPE), decontamination and incident response.

Continuous process optimization

We manage the whole life cycle of our projects. Based on our new technology capabilities, we continuously optimize and improve our processes, simplify operation steps and reduce material costs to lower the overall production cost. Moreover, ensuring access and availability of raw materials is our top priority. We have developed a strong back integration system to better manage our supply chain. We are dedicated to the continuous improvement of product quality, while adeptly mitigating quality-related and regulatory risks.

Quality assurance

Our seven advanced manufacturing sites are regularly inspected compliant with cGMP and are operated under a single quality system, so that any improvement made at one manufacturing site can be quickly extended to all other sites.

As part of our commitment to the highest quality standards in all aspects of our operations, we have successfully implemented our Quality Policy and Management System, ensuring compliance with cGMP and ICH Q7/Q8/Q9/Q10/Q11, as well as 21CFR 211/210 guidelines. The solutions and services we provide to our customers have met regulatory requirements of the USFDA, the EU, China, and other countries. We have the capability to support worldwide launch of drug products.

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Regulatory Services

We have extensive expertise and experience with regulatory filings in the United States, the European Union, China and other major jurisdictions. We are proficient in the interpretation and application of worldwide drug approval regulations. We pay close attention to changes between clinical trials and NDA and to data integrity and manufacturing compliance during NDA. As we continue to grow our business, we have helped our customers obtain an increasing number of IND and NDA approvals each year.

As part of our regulatory services, we are able to generate the complete CMC data package required for our customers' regulatory filings as an extension of our ongoing process development services. Our regulatory teams work closely with our customers to ensure alignment of regulatory filing strategies. In addition, we employ our knowledge of scientific, business, and legal matters to ensure that projects meet the expectations of the relevant regulatory bodies. We take pride in our strong communication, cross-functional coordination, and experienced project management to provide our customers with high-quality and integrated services that lead to regulatory compliance and approval.

EMERGING SERVICES

Leveraging our deep industry insights, established R&D and manufacturing capabilities, and premium reputation among customers, we have expanded our CDMO solutions to include other drug modalities, such as polypeptides, oligonucleotides, mAbs, ADCs and mRNA, and have extended our service scope to include drug product solutions, biosynthesis solutions and clinical CRO solutions. All projects of our Emerging Services during the Track Record Period were Clinical Stage Projects. We expanded into our Emerging Services in recent years. Customers usually decide to outsource commercial stage contracts to CDMOs with which they have a past record of successful cooperation. As the drug candidates we service in our Clinical Stage Projects progress into commercialization, we intend to undertake Commercial Stage Projects in the future. We are confident that the services we provide during the clinical stage will demonstrate our technological capabilities and service quality to our customers and enable us to win commercial stage contracts. We are currently ramping up our manufacturing capacity with respect to Emerging Services to prepare for large-scale commercial stage manufacturing. For details, see "Future Plans and Use of Proceeds."

Chemical Macromolecule CDMO Solutions

We provide comprehensive chemical macromolecule CDMO solutions for polypeptides, oligonucleotides, polymers, payload-linkers and other macromolecules.

Polypeptides

Polypeptides are short chains of between two and fifty amino acids, linked by amide bonds. In the past several years, polypeptide drug discovery has attracted an increasing interest of research as the pharmaceutical industry has come to appreciate the role that polypeptide therapeutics can play in addressing unmet medical needs and how this class of compounds can be an excellent complement or even preferable alternative to small molecule and biological therapeutics.

With our deeply-integrated unnatural amino acid technology and well-developed technology platforms, our specialized chemical macromolecule department (CMMMD) can provide integrated development and manufacturing services of traditional polypeptides, pseudopeptides, peptide-drug conjugates, and polymer-drug conjugates all the way from pre-clinical stage to commercial-scale manufacturing. We develop and optimize the production process for polypeptides or peptide-conjugate at a wide range of scales utilizing liquid-phase peptide synthesis, solid-phase peptide synthesis or a combination of them. We have extensive experience in manufacturing chemically modified polypeptides, including synthesis of PEGylation, methylation, and lipidation. Our analytical team also develops and provides appropriate specific analytical methods for structure characterization, validation, stability and final product testing of these products according to relevant international guidelines and requirements. In addition, our experts can also assist in the documentation preparation for IND and NDA filing.

We have three production lines equipped with synthesizers with different specifications. Our production process is supported and monitored by a dedicated QA/QC function. We maintain different levels of the production area with air purification system.

Oligonucleotides

Oligonucleotide-based therapies hold great promise to treat a broad spectrum of diseases and genetic conditions. Our oligonucleotide technology platform provides our customers with a full spectrum of services for drug substance from process development through cGMP-compliant manufacturing, and drug product from pre-formulation development through fill-finish. This platform is equipped with advanced technologies including oligonucleotide solid-phase synthesizer and purification equipment from gram-scale to kg-scale. In addition, we have a wide variety of analytical equipment to support our analytical services, including oligonucleotide structure characterization, analytical method development and validation, final product release testing, and stability study.

Our process chemistry, analytical, formulation, and regulatory teams closely work together to provide our customers with a fast, efficient, and flexible integrated solution for oligonucleotide development and manufacturing. Our dedicated project teams, leveraging our strong oligonucleotide technology capabilities, are highly responsive to the changing needs of

customers throughout different stages of a project and thus ensuring satisfactory delivery of the products to our customers in a short lead time. Our oligonucleotide team consisted of 60 process chemists and analysts as of June 30, 2021.

Polymers and Excipients

We provide customized process development and manufacturing solutions for polymers such as glycans and its key components. We have the capacity to produce GLP and cGMP products from grams to multi-kilograms. Coupled with our chemical synthesis and biosynthesis capabilities in polymers, polypeptides, and oligonucleotides, we have developed solutions and methods to produce an expanding range of glycan conjugations, such as oligosaccharides and peptidoglycans. As part of our comprehensive, high-quality services, our experienced scientific team provides documentation preparation services to support IND and NDA filings. In addition, we have the capability to produce high-quality excipients for both clinical and commercial use, including novel lipids for mRNA vaccines, functionalized cyclodextrins, dendrimers, and excipients for oral peptides such as SNAC.

Biologics CDMO Solutions

Our biologics CDMO business is of strategic importance to us as it further expands the scope of our business and the spectrum of our serviced drug modalities. We have established an integrated technical team with extensive industrial expertise for both process development and manufacturing of biologics. In response to the rapidly growing demand of both domestic and overseas customers, we have established a R&D and manufacturing center in Shanghai that is dedicated to the development and offering of biologics CDMO solutions.

Recombinant DNA Products (including Monoclonal Antibodies)

We provide comprehensive CMC services for a range of recombinant DNA (rDNA) products, including monoclonal antibodies (mAb) and other bio-therapeutics. Our services include: (i) cell line development, such as sequence optimization and high yield/titer cell line development; (ii) process development, validation and characterization; (iii) upstream cell culture and downstream purification process of drug substance; and (iv) formulation, fill-finish and lyophilization process of drug products. We possess kilogram-level drug substance manufacturing capacity for mAb. We have in place two dedicated upstream units and one downstream unit for the manufacturing of drug substance, which also support pilot-scale aseptic fill/finish manufacturing for both liquid and freeze-dried drug product. These facilities are fully compliant with cGMP regulatory requirements for biologics. We are capable of quickly achieving capacity expansion in response to customers' evolving needs. In addition, our well-established analytical platform, which covers comprehensive physico-chemical characterization, biological and immunological functional tests, stability studies, in-process control (IPC) and release control can provide strong support to in-depth comparability study during R&D and process development, and tech transfer.

Antibody-Drug Conjugates

Our expertise accumulated through years of small molecule drug development and manufacturing serves as the cornerstone for our capabilities in the development of antibody-drug conjugates (ADCs). We have a research team dedicated for the development of ADCs, which are biological products built by attaching a payload (either a high-potency API or a biologically active cytotoxic drug) to an antibody through a conjugation process with chemical linkers. Without the antibodies, highly potent payloads may be too toxic to be used in patients independently as it cannot discriminate healthy cells from cancer cells and as a result so-called off-target side effective will compromise the drugability. Through precise delivery by mAb and internalization into tumor cells, payloads can achieve an ideal balance between efficacy and adverse reactions. We have stockpiled an extensive library of payload-linkers and built up capacities for various conjugation processes. We use our high throughput screening platform for the conjugation process. Our CBST supports critical components preparation for the process development of ADCs, such as enzymes for site-specific conjugation process.

mRNA

In light of the booming growth of the mRNA vaccine market, we are expanding our cGMP manufacturing capabilities to meet the increasing demand for mRNA vaccine production. We plan to provide our customers with integrated CDMO services throughout the clinical development and commercial manufacturing stages of their mRNA molecules, covering *in vitro* mRNA transcription, and enzyme modification and synthesis. Based on our established manufacturing capabilities for enzymes and critical excipients, we are confident in our ability to empower the development and commercialization of mRNA therapeutics worldwide.

Closely mimicking the natural transcription reactions, *in vitro* transcription (IVT) turns a synthesized DNA template encoding protein of therapeutic interest into the desired mRNA, and it is accomplished via an incubated enzymatic reaction. The mRNA molecule that is generated from the IVT reaction is then encapsulated in delivery carrier such as lipid nanoparticles (LNP) through a formulation process to produce the mRNA drug product. LNP, a non-viral delivery system, facilitates the internalization of mRNA into cells and as a result the translation of functional protein for therapeutic or prophylaxis purposes in the cytoplasm is initiated. This process utilizes the host body as a factory to manufacture the biopharmaceuticals that help achieve the desirable medical effect.

We have a dedicated research team with rich experience and expertise in the relevant area to offer customized mRNA CDMO solutions required by the evolving industry. We closely monitor the latest technology developments in this area, building integrated capacities, and developing proprietary know-how and technologies. With our well-established quality control system and a track record of consistently and successfully passing both client audits and regulatory authority inspections, we provide our customers with reliable manufacturing services for both clinical- and commercial-stage cGMP grade mRNA drug products, as well as

cGMP grade critical raw materials, including DNA templates, enzyme clusters for both mRNA synthesis and modifications, and the other key components of mRNA therapeutics such as PEG-lipid and cationic liposome for LNP formulation.

Drug Product

We are engaged in the development and manufacturing of drug products with high-quality services, competitive pricing and rapid turnaround time. We provide integrated drug product services including solid form screening and selection, pre-formulation study, formulation development, analytical method development and validation, process development and scale up, and clinical supply cGMP production. We provide one stop drug-product services to meet varying needs of our customers. We differentiate ourselves from our competitors through high-quality delivery, superior services and strong capabilities in both oral solid dosage and sterile injectables.

Our pre-formulation development services include polymorph/salt/co-crystal screening, solid state characterization, physicochemical and pharmaceutical profiling, drug-excipient compatibility studies, and pre-clinical formulation development. With advanced in-house analytical instruments and technical expertise, we can characterize the physicochemical properties of API to assess the developability of the drug and guide drug product development strategy.

For projects at the early clinical stage, we develop fit-for-purpose formulations to quickly transform a compound into drugs for clinical trial. Given the limited API quantity at early clinical stage, we developed a proprietary platform which can rapidly develop fit-in-human (FIH) formulation with minimum API consumption. This creates considerable value for programs at the early stage. For poorly soluble compound which accounts for a majority of the global development pipeline, we develop enabling formulations to enhance solubility and bioavailability and provide sound solutions for our customers to tackle challenges in drug development.

Our formulation development services cover a variety of dosage forms including general tablet and capsule, sustained and control release tablet, enteric coated tablet, granules, sterile solution, sterile lyophilized powder, and eyedrops. We conduct full-spectrum release and stability testing for drug product to assure the quality of delivery and meet regulatory requirements.

To meet various production needs, our cGMP manufacturing facilities are installed with equipment of different scales and have multiple suites for unit operations including blending, powder and pellet encapsulation, wet granulation, dry granulation, fluid bed granulation, fluid bed drying, pellet coating, tablet compression, film coating, blister and bottle package, autoclave sterilization, fill-finish and lyophilization. Our drug product cGMP manufacturing facilities are awarded the Drug Manufacturing License by NMPA for oral solid dosage and sterile injectables production.

Biosynthesis Solutions

To provide faster, more cost-efficient and more environment-friendly CDMO solutions, we continuously invest in biosynthesis technologies and have developed an in-house platform encompassing all enzymatic functions, including enzyme discovery, enzyme screening, enzyme production, substrate production, biocatalysis and application in chemical process. To quickly screen biosynthesis reactions for specific substrate, we established a Center of Biosynthesis Technology, consisting of more than 150 scientists among which over half hold Ph.D. and master's degree in biology as of June 30, 2021.

As of September 30, 2021, our enzyme library comprised over 1,700 enzymes from multiple families. We have developed customizable enzyme evolution methodologies and applied appropriate post-modification technologies, such as affinity purification, lyophilization, and immobilization, to improve enzyme performance. We have 24 sets of fermenters in the sizes of 5L, 15L, 50L, 200L, 500L and 5,000L for enzyme production and fermentation process optimization.

In addition, we provide integrated services for efficient, high-quality process development and cGMP production of therapeutic proteins for clinical and commercial use. We have an experienced team of microbiologists, molecular biologists, fermentation scientists and purification technology experts for the development and manufacturing of therapeutic proteins. With a 5,000L GMP facility, we are capable of carrying out various post-treatment processes such as cell separation, homogenization, ultrafiltration, affinity purification, lyophilization, and spray drying.

Clinical CRO Solutions

We offer comprehensive and integrated services for the design, initiation, and management of clinical trial programs, a critical element in obtaining regulatory approval for our customers' pharmaceutical products. Clinical trials represent one of the most costly and time-consuming aspects of the overall drug development process. The data generated during these trials is pivotal for approvals from the NMPA and other comparable regulatory agencies globally.

Throughout the pre-clinical and clinical stage, we help our customers maintain the safety and efficacy profile of their investigational products. We offer services from pre-clinical trials, first-in-human trials, proof-of-concept trials to post-marketing trials. Our clinical CRO solutions encompass clinical trial operation services and other core clinical services for new drugs, including project management, medical writing, trial monitoring and data management, translation services, pharmacovigilance services, biostatistics and programming. We offer solutions for clinical trials in a variety of therapeutic areas, including oncology, endocrinology and metabolism, pulmonology and cardiovascular diseases.

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Our service team possesses extensive technical expertise and project management experience accumulated from years of work at multinational pharmaceutical companies, clinical CROs, and large state-owned enterprises. We conduct and monitor clinical trials in adherence with Good Clinical Practice (GCP). Our clinical research associates (CRAs) provide effective case report forms (CRFs) and detailed operations manuals and undertake site monitoring to ensure that clinical investigators and their staff adhere to established study protocols.

We have adopted comprehensive standard operating procedures (SOPs) that are intended to satisfy regulatory requirements and serve as a tool for controlling and enhancing the quality of our clinical services. We take a patient-oriented approach in helping our customers design and conduct clinical trial programs. Effectiveness and safety are our priorities. During the pre-clinical stage, we assist customers to study the pathogenesis of the disease and to improve drug design. We conduct interviews with experts and patients to understand their unmet needs and expectations. Based on customers' instructions and patients' needs, we help customers formulate different forms of clinical trials to test the efficacy and safety of the relevant drug candidate toward different groups of patients. We put together scientific and feasible protocols to generate reliable data for later stage R&D. During early-phase clinical trials, especially first-in-human trials, there exist high uncertainties and we prioritize the safety of the participants and benefits of patients. In designing clinical trials, we put in place comprehensive safety observation indicators and monitoring plans to ensure the safety of participants, which are prepared based on the results of animal clinical trials and draw experience from similar drugs. We formulate risk management plans before clinical trials, which clearly stipulate the adverse event (AE) and serious adverse event (SAE) that may occur to the participants, and the corresponding treatment measures. We carry out a rigorous screening to ensure that only appropriate participants are included in the trial. We provide trainings for researchers to ensure that participants are fully informed throughout the process and their participation is fully voluntary. We prepare brochures for participants that provide important information about the trial and instructions they should observe.

OUR TECHNOLOGIES AND INNOVATIONS

With decades of industrial experience, we apply a broad array of chemical technologies to provide customized synthetic and manufacturing solutions, including catalytic cross-coupling reaction and other transition metal catalyzed reaction, catalytic hydrogenation, non-precious metal catalysis (NPMC), hazardous reactions, asymmetric synthesis, organometallic reaction, high-pressure reactions, high-temperature and low temperature reactions, heterocyclic chemistry, electrochemistry and photochemistry. To differentiate ourselves from our competitors, we have integrated our core technological competence on flow and continuous technology, biosynthesis technology, and high through put screening technology with these backbone chemistry technologies. We had obtained 100 patents on flow and continuous technology and biosynthesis technology as of the Latest Practicable Date and applied them in over 30% of our Phase II or later Clinical Stage Projects and Commercial Stage Projects in 2020.

Flow and continuous technology

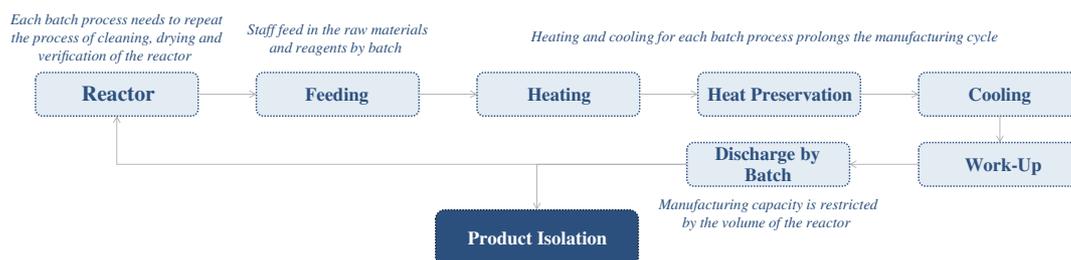
The traditional batch process develops the ultimate finished products in a series of steps, which must be completed before a new batch can be processed. Batch manufacturing typically utilizes batch reactors to which starting materials need to be loaded in batches and from which intermediate products or end products need to be unloaded in batches as well in order to allow the reaction to proceed over time. It is often necessary to make considerable efforts to control the temperature, pressure and volume of the reactors. The traditional batch process has struggled to keep up with the increasing demand for large-scale manufacturing of high-quality APIs and intermediates that often require complex multi-step synthetic reactions. Additionally, the traditional batch process also faces difficulties in improving safety and control over reactant concentrations and reaction conditions, and reducing side reactions and environmental impact from the reactions.

To meet the evolving customer demand and to overcome the limitations of batch processes, we utilize flow and continuous technology in pharmaceutical manufacturing. With flow and continuous technology, materials move continuously through an integrated equipment train, minimizing inventories between steps, shorten operation time and thereby leading to higher productivity and lower manufacturing costs. We successfully deployed flow and continuous technology in tonne-scale pharmaceutical manufacturing in 2012. According to Frost & Sullivan, we were the first China-based CDMO to apply the technology in tonne-scale pharmaceutical manufacturing and remain to be one of the few organizations in the world to achieve so today.

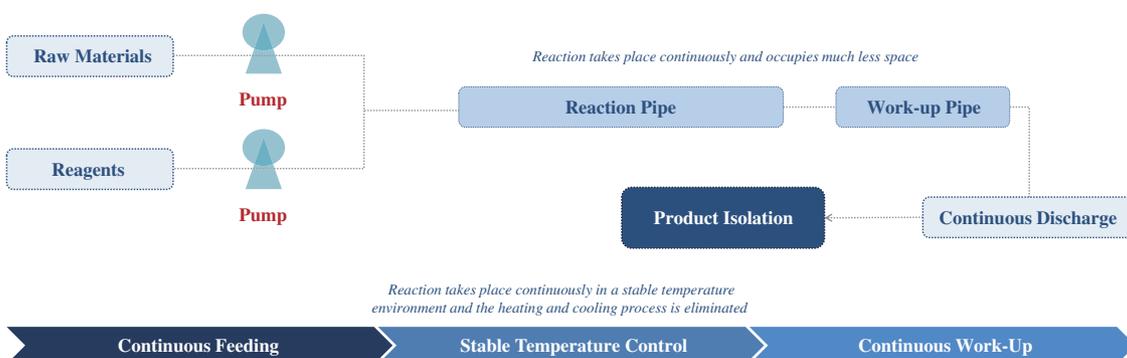
The following flow chart illustrates the comparison between traditional batch process and the flow and continuous manufacturing process.

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Batch Manufacturing: labor-intensive process and requires substantial wait times



Flow and Continuous Manufacturing: requires less manpower and results in higher efficiency



As of September 30, 2021, we had applied for and obtained 43 patents for our flow and continuous technology in China. Our patented continuous manufacturing processes provide considerable advantages over batch processes:

- We believe that continuous manufacturing has intrinsic engineering advantages since it enables intensified mixing, highly efficient heat and mass transfer, and precise control of reaction parameters, which often contribute to reproducibility and robustness of the process, minimize scale effect, and lead to improved process performance.
- Continuous manufacturing often requires fewer raw materials and may be applied to chemical reactions that otherwise cannot run safely in batch mode.
- Continuous manufacturing affords more precise control of process variables which leads to improved quality control.
- Equipment designed for continuous manufacturing usually occupies less space and requires lower up-front investments than intermittent batch reaction, which is particularly beneficial for multi-tonne, large-scale manufacturing.

Our sector-leading flow and continuous technology affords us substantial competitive advantages. According to Frost & Sullivan, the flow and continuous technology is a highly cost-effective solution in improving the development process and shortening the manufacturing time, and only a few top players in the market are capable of applying it to the process

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optimization of innovative drugs at a large scale. Pharmaceutical and biotechnology companies today are under immense pressure to accelerate drug development and reduce costs. They would prefer to choose CDMOs who they can truly bring value to the drug innovation process with advanced technologies and know-how. Leveraging our extensive experience in the application of flow and continuous technology, we help our customers tackle intricate process challenges, accelerate NDA submission timeline and achieve stable commercial supply, which in combination set us apart from our competitors.

Our flow and continuous technology supports a wide range of reaction types on various scales. We assess the feasibility of continuous manufacturing based on the composition of each drug substance or product. Our flow services include (i) prototype design, manufacturing, installation, validation and commissioning of continuous reaction equipment; (ii) development and optimization of continuous reaction processes; and (iii) flow technology transfer to production.

We combine flow and continuous technology with other advanced technologies, such as supercritical fluid extraction, photochemistry and electrochemistry, to achieve green and efficient manufacturing. Striving for a more sustainable approach, we have invested considerable resources in photochemistry to provide greener, more cost-effective options for our customers and use flow and continuous technology to improve the efficiency of photochemistry. In addition, we have developed extensive electrochemistry capabilities. We conduct systematic studies to determine whether a redox reaction can be done electrochemically and whether it is feasible for scale-up. The studies include selection of appropriate cathode, anode, electrolyte, and other conditions, such as concentration and applied voltage.

We continuously enhance our flow and continuous technology through in-house development and external collaboration. In September 2020, we announced a strategic investment in Snapdragon Chemistry, a U.S. chemical technology company co-founded by two preeminent scientists in the field of flow and continuous technology. Our expertise in clinical and commercial manufacturing, coupled with Snapdragon's advanced flow chemistry technology and process development capabilities, creates a synergistic partnership that will complement our integrated CDMO services. For details, please see “– Strategic Collaborations, Acquisitions and Investments – Strategic Investment in Snapdragon Chemistry.”

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The following chart provides examples of how we utilize our flow and continuous technology for different reaction types and illustrates its advantages as compared with traditional batch process.

Our technology	Field of application	Traditional batch process	Advantages of our flow and continuous technology
Continuous ozonation reaction	Large-scale production of 4-acetoxy-2-azetidine (4-AA), a critical intermediate for the production of carbapenems, which are a class of highly effective antibiotic agents commonly used for the treatment of severe or high-risk bacterial infections	Traditional batch processes utilize precious-metal catalysts, such as rubidium, highly toxic metals, such as osmium, or highly polluting metals, such as cadmium, and use chemicals such as iodine and manganese for oxidation. The average yield is low, the cost of catalysts is high, and heavy metals are toxic and may cause severe pollution.	With flow and continuous technology, we use ozone as the oxidant to replace toxic reagents. Ozonation can easily cause explosion in traditional batch process, whereas the risk of ozone explosion is eliminated during continuous manufacturing. Only a few liters of liquid are required in the reactor, ozone and raw materials continuously enter the reactor, and waste gas and products are continuously discharged from the reactor, which avoids the accumulation of ozone and significantly improves process safety. Continuous ozonation can significantly improve the yield, achieve nearly quantitative conversion of the reactants and is more environmentally-friendly.

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<u>Our technology</u>	<u>Field of application</u>	<u>Traditional batch process</u>	<u>Advantages of our flow and continuous technology</u>
Continuous diazomethane reaction	Production of key intermediates for a new generation of anti-AIDS protease inhibitors	Traditional batch process uses expensive N-Butyllithium as reagent, and requires low operation temperature and extremely strict operation procedures. Because of the explosive nature of diazomethane, it is impossible to use this reaction in large-scale manufacturing under batch mode.	A continuous diazomethane reactor with a volume of merely 20 liters is capable of producing eight tons of chlorohydrin products a year, which eliminated the need of over 20 tons of expensive N-Butyllithium. The continuous manufacturing process is safe and energy-efficient. It also eliminates the emission of flammable gas of butane.
Continuous catalytic hydrogenation reaction	Production of 2- methyl tetrahydrofuran, a recyclable solvent from non-petroleum resources	Traditional batch process produces tetrahydrofuran, from unrenewable petroleum resources and is hard to recycle. Notably, the market price of tetrahydrofuran significantly increased over the last ten years.	Our continuous catalytic hydrogenation reaction produces 2- methyl tetrahydrofuran, which is not miscible with water and easy to recycle, thereby capable of reducing pollution. In addition, it is produced from furfural, a renewable, cost-efficient resource. Due to these benefits, we believe that 2-methyl tetrahydrofuran represents an attractive alternative to tetrahydrofuran in relevant industrial uses. According to Frost & Sullivan, only a few manufacturers are known to be capable of mass producing 2-methyl tetrahydrofuran. With continuous manufacturing, we help our customers significantly reduce the production cost.

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<u>Our technology</u>	<u>Field of application</u>	<u>Traditional batch process</u>	<u>Advantages of our flow and continuous technology</u>
Continuous photochemistry	Large-scale production of high value-added pharmaceutical intermediates from [2+2] photocycloaddition	The traditional process synthesizes the product in six steps with an overall yield of merely 10.6%. It uses highly toxic chemical compounds such as bromine, dichlorosulfoxide and potassium cyanide, and requires high pressure and high temperature in operations.	Our flow photochemical process synthesizes the product in one simple photochemical step using two readily available olefin substrates and can be effectively applied to [2+2] cycloaddition. The process generates high yield and produces a number of high value-added pharmaceutical intermediates at multi-kilogram scale. We have become one of the pioneers in realizing industrialization of [2+2] photo cycloaddition.

Case studies

The below examples illustrate how we apply flow and continuous technology in our services and how it benefits our customers and differentiates us from our competitors.

(1) Continuous DIBAL Reduction Reaction

DIBAL is an organoaluminium compound used as a reducing agent in organic synthesis. In order to help one of our customers synthesize the intended organic compound, we need to use DIBAL for the reduction of esters to aldehydes. DIBAL reacts violently with air and water and is therefore dangerous to handle. In addition to these challenges, the traditional batch process also comes with risks of highly toxic byproducts, fire and even explosion. We designed a proprietary end-to-end continuous manufacturing process which successfully overcame these safety challenges in the scale-up manufacturing process.

Using continuous manufacturing process in lieu of batch process, we successfully reduced the manufacturing time from 18 months to ten months for Phase III clinical trial supply, which accelerated the commercial launch of the innovative drug product for our customer. We also reduced the time needed to complete a full synthetic cycle from 120 hours in batch mode to 24 hours in continuous manufacturing process. In addition, our continuous manufacturing process allows commercial-scale manufacturing at the rate of approximately 15 metric tons per month while reducing waste discharge from the reaction by approximately 80% as compared with the batch process.

(2) *Carbapenem Synthesis*

4-AA is an important intermediate for carbapenems and penem antibiotics. Carbapenems are a class of highly effective antibiotics commonly used for the treatment of severe or high-risk bacterial infections. Given its unique ring structure, the manufacturing of 4-AA is a technically challenging problem, and numerous methods have been designed with varying levels of cost, yield and environmental impact. One prevalent method takes a seven-step batch process, while producing a large amount of wastes, creating high safety risk and occupying a lot of facilities and equipment. The complex, multi-step reactions prolong the manufacturing time while generating low yield.

To meet and exceed our customer's technical, quality and timing requirements, we developed a proprietary end-to-end continuous manufacturing process for the synthesis of 4-AA. This process enables continuous process for multiple chemical transformations including continuous ozonation (which is environment-friendly but unsafe to carry out in batch mode), Lewis acid mediated cyclization, condensation, and sialylation reactions. The time required to complete a full synthetic cycle has been significantly reduced. In addition, the raw material cost reduced by approximately 30%, waste discharge cut by approximately 30%, while the yield increased by approximately 30%.

We have established dedicated production lines for carbapenem and penem antibiotics in Dunhua. As of September 30, 2021, we had an annual production capacity of 100 metric tons of 4-AA, which may be expanded in response to market demand. The stable supply of 4-AA has laid a solid foundation for our growth in the CDMO market for carbapenem and penem antibiotics.

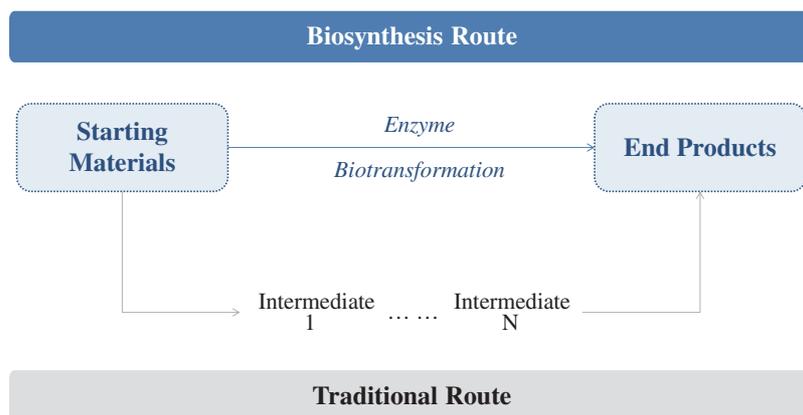
(3) *Antiviral Drug*

We were tasked to provide process development services from gram- to tonne-scale for an antiviral drug and deliver over ten tons of products within nine months from order date, which was an exceedingly challenging timeline. The original synthesis route involved more than 20 steps of reactions, which made it difficult to implement the traditional batch process. On-time delivery would not be possible with the traditional batch process as the original route required a substantial amount of raw materials that could not be easily procured on the market. In addition, yield of some steps of the original route is lower than 40% and it is difficult to control the impurity level. The inefficient traditional batch process was not able to meet the demand of large-scale manufacturing under the tight schedule.

To overcome technical challenges of the original route, we used high throughput screening technology to quickly identify a synthesis route which is suitable for using flow and continuous technology and reach optimized conditions for multiple chemical transformations within a short period. We designed and developed a one-step synthetic route to replace the original four-step route for an important intermediate. We also applied flow and continuous technology for multiple high-risk transformations and continuous distillation of raw materials. These efforts enabled us to complete this extremely challenging project and delivered products at multi-ton scale to our customer with an unprecedented short period.

Biosynthesis

Biosynthesis, different from chemical synthesis, uses enzymes as catalysts to replace heavy metal or other chemical catalysts. The following flow chart illustrates the comparison between the biosynthesis process and traditional chemical synthetic processes.



Biosynthesis technology provides faster, more cost-efficient and more environment-friendly CDMO solutions. Traditional chemical synthetic processes usually have stringent reaction requirements, such as requiring high temperature or high pressure or using toxic reagents. They are in general more costly as they often require multi-step catalytic reactions, use expensive chemical catalysts and organic reagents and have low yield rate. In addition, the use of heavy metal catalysts brings higher risk of pollution. In contrast, biosynthesis uses enzymes to replace heavy-metal catalysts and other toxic reagents and thus is more environment-friendly. Biosynthesis is generally a milder reaction process and results in a higher level of safety. Further, biosynthesis is more cost-efficient as it combines multi-step catalytic reactions into one, significantly reducing manufacturing waste and costs.

We have provided biosynthesis solutions since 2015. As of September 30, 2021, we had applied for and obtained 64 patents for our biosynthesis technology in China, the United States, Europe, Korea, India and Japan, including patents related to enzyme evolution, enzyme immobilization, and enzyme-catalyzed synthesis routes. We focus our efforts on the seamless development, application and scale-up of advanced enzymes. We combine molecular biology, fermentation and chemical development skills to realize the full potential of biosynthesis while reducing production cost and potentially hazardous environmental impact.

As of September 30, 2021, we had established an enzyme database containing over 1,700 types of enzymes, which enables us to efficiently and effectively identify, design and develop suitable enzymes customized to each customer order. We design enzymes according to the desired chemical process. Our customers generally prefer not to use proprietary enzymes offered by a single enzyme supplier. Therefore, we source enzymes from a panel of enzyme suppliers and are also capable of optimizing and producing the requisite enzymes on-site. The manufacturing and utilization of enzymes within our facility minimizes the loss of enzyme activity during transportation, lowers supply-chain risk, and reduces operational cost. We

immobilize enzymes or modify their properties for maximum efficiency in a manufacturing environment. We believe that we are one of the few CDMOs to truly integrate the design, development, manufacturing and application of enzymes into multi-step chemical processes.

We provide integrated solutions for biosynthesis process development:

- *Enzyme screening.* We provide multiple enzyme screening kits that target a broad range of biosynthesis processes. We also provide standalone enzyme screening against our customers' processes.
- *Enzyme evolution.* We develop customized enzymes for improved characteristics through directed evolution and rational design.
- *Enzyme production.* With rich experience, technologies and fermentation facilities, we have the capability to produce and supply enzymes from gram- to ton-scale.
- *Biosynthesis process optimization.* We are experienced in process optimization for enzyme catalyzed biosynthesis processes. We develop efficient and scalable processes for our customers, including the immobilization of enzymes as needed.
- *Biosynthesis in chemical production.* By producing and utilizing enzymes in-house, we add value by avoiding additional work needed for transportation. We can also seamlessly combine biosynthesis with other technologies for optimized overall process.

Case Studies

The below examples illustrate how we apply biosynthesis technology in our manufacturing services and how it benefits our customers and differentiates us from our competitors.

(1) Enzymatic Transamination Reaction

We were mandated by our customer to synthesize an important raw material for beta-lactamase inhibitors, which are drugs co-administered with beta-lactam antimicrobials to prevent antimicrobial resistance. We developed a greener biosynthesis route using transaminase to replace the traditional chemical route. The traditional route is faced with multiple process challenges, including the need to use expensive heavy metal catalysts, enzyme deactivation caused by organic co-solvent, as well as long and cumbersome work-up process after the transformation. Through enzyme evolution, we identified an active transaminase variant which remains robust under the reaction conditions. Compared with the traditional chemical process, the new enzymatic route reduced two reaction steps down to one and cut the production cost by 30%. Using our enzyme immobilization technology, the work-up process

was reduced to a single filtration and the cost was substantially lower since the immobilized enzyme can be reused multiple times without losing activity. In addition, the process eliminated the need for heavy metal catalysts and thus is much safer and more environmental-friendly.

(2) *Cell-free synthesis*

Cell-free synthesis is a cutting-edge technology that can be used to design, modify and produce proteins without the use of living cells. The *in vitro* protein synthesis environment is not constrained by a cell wall or homeostasis conditions necessary to maintain cell viability. Therefore, cell-free synthesis enables direct access and control of the translation environment and has a wide range of applications in the life sciences industry.

Cell-free synthesis represents a simpler, faster engineering solution as compared to traditional *in vivo* synthesis. It enables controllable transcription, translation, and post-translational modification. It facilitates more efficient use of high throughput screening, and offers higher synthesis rate and product yield. Cell-free synthesis provides a novel solution for producing soluble membrane proteins, complex proteins, and difficult-to-express proteins (DTEPs) and for protein fermentation. We have successfully completed a proof-of-concept for cell-free synthesis with a pilot protein yield of 3~4 mg/mL.

We have heavily invested in the combination of cell-free synthesis and flow and continuous technology to create a novel method to synthesize chemical macromolecule drugs and biologics. The traditional batch process for cell-free synthesis releases phosphoric acid in the reaction process, the accumulation of which may inhibit protein synthesis. In addition, the batch process consumes amino acid and energy, which result in shortened reaction cycles and reduced yield. With our advanced continuous manufacturing capabilities, we have developed a cell-free protein synthetic system that enables continuous mass and energy exchange. We prolong the reaction cycle and increase synthetic efficiency by immobilizing multiple enzymes on the carrier, continuously feeding in mass and energy, and continuously removing by-products of the reaction. The combination of cell-free synthesis and flow and continuous technology enabled us to more than doubled the yield of the target protein as compared with traditional batch process.

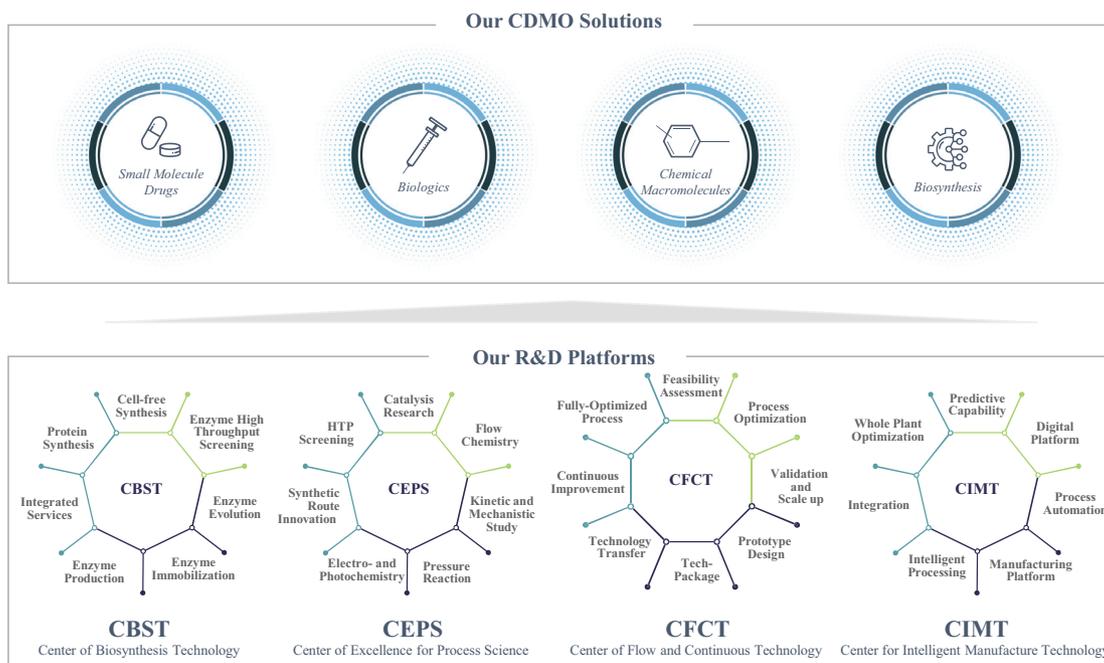
High Throughput Screening Technology

Our high throughput screening technology has a wide range of applications in process development and optimization. Our platform has comprehensive R&D capability for a variety of challenging reactions, such as catalyzed cross-coupling reactions, asymmetric hydrogenation, non-precious metal catalysis, and photocatalytic reactions. Using statistical DoE powered by high throughput screening, we can effectively and efficiently identify optimal reaction conditions, post-treatment processes, metal removal processes and crystallization processes. Our high throughput screening platform collects high-quality data from over 150,000 experiments annually. In addition, as of September 30, 2021, we had developed a library of over 1,700 enzymes and over 1,000 catalysts, ligands and reagents, and are

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continuously expanding our enzyme and catalyst library. We use high throughput screening to identify the enzyme or catalyst best suited for the desired reactions and to find alternatives to precious metal catalysts. With high-throughput screening technology, we successfully solved more than 150 process challenges for our customers in 2020.

OUR RESEARCH AND DEVELOPMENT CAPABILITIES



As a R&D driven company, our key to success lies in seamlessly integrating cutting-edge technologies and their industrial application, continuously strengthening our technological competitiveness and solidifying our leading position in the CDMO industry. Our R&D activities are primarily supported by four R&D platforms, namely the Center of Excellence for Process Science (CEPS), the Center of Flow and Continuous Technology (CFCT), the Center of Biosynthesis Technology (CBST) and the Center for Intelligent Manufacture Technology (CIMT). Our process development team provides customized solutions for our customers using technologies and know-how developed by the four R&D platforms.

In 2018, 2019 and 2020, our R&D expenses were RMB155.2 million, RMB192.5 million and RMB258.9 million, respectively, accounting for 8.5%, 7.9% and 8.3% of our revenue for the corresponding periods. For the six months ended June 30, 2020 and 2021, our R&D expenses were RMB108.8 million and RMB163.9 million, accounting for 8.7% and 9.3% of our revenue for the corresponding periods. We expect to increase our R&D expenses in line with our revenue growth.

Center of Excellence for Process Science (CEPS)

CEPS consists of nearly 100 leading scientists and researchers and aims to develop and apply innovative strategies and cutting-edge technologies to pharmaceutical process development. It is a pivotal R&D platform for our small molecule CDMO business.

CEPS has seven functions, namely high throughput screening, synthetic route innovation, flow chemistry, photochemistry and electrochemistry, functional polymer technology, kinetic and mechanistic study, and pressure reaction. It is tasked to (i) tackle difficult, complex process challenges in our small molecule projects through the application of frontier technologies and the development of novel process methodologies; (ii) continuously improve the manufacturing processes of our existing commercial projects and reduce costs; (iii) establish new technology platforms for challenging process chemistry and technologies, such as process development platforms for catalyzed reactions, reaction kinetics and mechanism, and continuous manufacturing; and (iv) develop innovative synthetic routes for blockbuster drugs in collaboration with CFCT and CBST and to explore external technological cooperation.

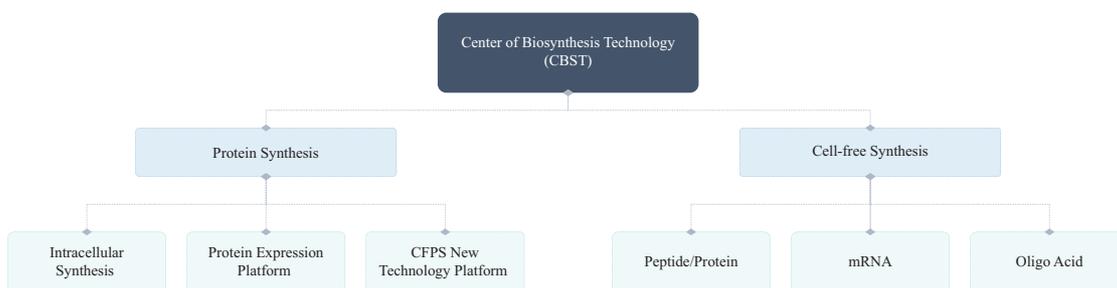
Center of Flow and Continuous Technology (CFCT)

CFCT's mission is to penetrate each of our business segments with our self-developed flow and continuous technology. To maximize economic and environmental benefits, our core technologies can be extended to the entire pharmaceutical industry through external technological collaboration or licensing. In particular, CFCT dedicates itself to the following initiatives:

- *Flow and continuous technology services and licensing.* CFCT provides a full range of services related to flow and continuous technology for our customers in collaboration with our other platforms. In addition to supporting our CDMO projects, CFCT will explore opportunities to license and transfer our sector-leading flow and continuous technology to other organizations to build a new revenue stream.
- *Flow and continuous technology innovation.* CFCT conducts in-depth theoretical research, simulation, and equipment design to better guide the application of flow and continuous technology. Combined with other technologies, CFCT applies flow and continuous technology in novel fields, including protein synthesis through continuous cell-free system, and continuous manufacturing of biologicals.
- *Continuous reaction equipment design.* In response to robust demand for continuous reaction equipment, we have established a design and manufacturing center for key continuous reaction equipment tailored to the business needs of our various business segments.

- *Flow and continuous technology implementation.* CFCT provides technical services related to the implementation of flow and continuous technology, including the design, installation and commissioning of continuous reaction equipment, to achieving cost effective, green and efficient flow production. CFCT will also promote the application of flow and continuous technology in novel areas, such as synthesis of chemical macromolecules and biologics, enzymatic reactions, cell-free protein synthesis, and manufacturing of drug products.

Center of Biosynthesis Technology (CBST)



CBST spearheads the R&D on biosynthesis technology, building on our existing bio-transformation, protein synthesis, and production capabilities. Our newly developed cell-free synthesis capability can be integrated with flow and continuous technology to revolutionize the production of new generation drugs and provide us with additional competitive edges in the biosynthesis field. We have achieved initial successes in the application of cell-free synthesis. The three modules work in tandem to support our full-suite of solution offerings.

- *Protein synthesis.* The protein synthesis module aims to improve our existing capabilities on catalytic enzymes and pharmaceutical enzymes and to expand into new technologies and applications. We have built five technology platforms related to small-molecule catalytic enzymes, namely enzyme evolution, high throughput screening, enzyme production, biotransformation, and enzyme immobilization. We have a team of over 120 experienced R&D and production specialists dedicated to applying sector-leading biosynthesis technology in pharmaceutical process development and scale-up manufacturing. With advances in cell-free protein synthesis, we are confident to make breakthroughs in the development of pharmaceutical enzymes, vaccines, other enzyme tools and therapeutic proteins and to innovate the expression system of therapeutic proteins.
- *Production technology.* Relying on our expertise in traditional intracellular synthesis, we continue to provide enzyme engineering solutions for our small molecule CDMO business. We support GMP-compliant manufacturing of enzymes from gram to ton scale with advanced freeze dryers and spray drying equipment. We will continue to upgrade our enzyme manufacturing process and technologies, increase our manufacturing capacity and expand our service capabilities. In addition

to producing catalytic enzymes for small molecule processes, we intend to build up our capabilities in GMP-compliant manufacturing of high value-added raw materials for enzymes. We will also carry out research on the in vitro transcription method to synthesize mRNA to transform the development and manufacturing of innovative drugs.

- *Cell-free synthesis.* The cell-free synthesis module intends to further the application of cell-free protein synthesis technology for novel therapeutic drugs, including therapeutic proteins, oligonucleotides, ADCs, mRNA, and polypeptides. CBST will also work with CFCT to combine flow and continuous technology into the biosynthesis of therapeutic drug molecules, which offers considerable manufacturing advantages.

Center for Intelligent Manufacture Technology (CIMT)

We see great potential in the digitalization of pharmaceutical development and commercial operations. To seize this opportunity, we initiated the Center for Intelligent Manufacture Technology (CIMT) to develop intelligent manufacturing technologies and digitalize operations and supply chain management. We aim to effectively transform data into information, knowledge and intelligence, move from reactive actions to proactive and preventative strategies, and shift from standalone and isolated unit operations towards an integrated infrastructure at the process, plant and enterprise level.

Through internal and external collaboration, CIMT will undertake three key initiatives:

- *Intelligent automation and process.* We intend to build an intelligent technology development platform, which enables us to quickly optimize our manufacturing process and control strategies. CIMT will develop intelligent process with fully automated equipment, intelligent control system, and process analytical technology (PAT). We expect to improve our competitive advantages in flow and continuous technology and enzyme engineering through AI and intelligent manufacturing.
- *Intelligent facilities and equipment management.* CIMT aims to establish an intelligent manufacturing platform that captures real-time data and supports proactive and predictive control instead of reactive actions. It promises to automate the decision-making process and provide practical insights for the management to streamline quality assurance, achieve process optimization, and maximize operational efficiency.
- *Digital transformation.* CIMT will coordinate with other business functions to integrate data from manufacturing equipment, production process, R&D, technology transfer, and logistics and achieve our digital transformation. CIMT will also explore the use of digital twin and simulation technologies in process development and manufacturing. With digital transformation, we will be empowered to effectively perform business analysis, information and knowledge management, and process and facility optimization.

BSA and BDSA

In addition to our core R&D platforms, we have assembled a Board of Scientific Advisors (BSA) and a Board of Development Strategy Advisors (BDSA) comprised of distinguished scientists from the industry and academia, executives of multinational pharmaceutical companies, leading experts in the pharmaceutical industry across different regions, including MacArthur Award winners and members of the U.S. National Academy of Science. Our BSA hold regular and special meetings, offer insights of cutting-edge technologies and participate in the evaluation and appraisal of our projects. Our BDSA brings extensive industry know-how and provides valuable input on our development strategy, particularly our growth strategy in China.

OUR FEE MODELS

Our service fee arrangement can be primarily divided into two types: (i) fee-for-service, or FFS, model, and (ii) full-time-equivalent, or FTE, model.

Fee-For-Service Model

We generate fees for our integrated CDMO solutions primarily on a FFS basis. Our FFS contracts may specify multiple deliverable units depending on the services required from our customers, which may involve, among others, designing and optimizing the entire drug development process, solving a specific technical challenge in the drug development process, manufacturing drug samples for clinical trials and delivering drug substance and drug products for commercial sales. Different deliverable units may take different forms, such as technical laboratory reports, samples, drug substance and/or drug products. We allocate separate prices to each deliverable unit and our FFS contracts typically set forth specifications of and anticipated time required for completing each deliverable unit as well as the corresponding payment. We generally recognize revenue when the customers obtain control of our deliverables, which occurs upon finalization, delivery and acceptance of the respective deliverable unit or after the end of a confirmation period. We determine the fee level for each deliverable unit based on, among others, the nature of the services required and the underlying drug candidate, the estimated costs and expenses of the required services, the estimated amount of time to be allocated to such services, and the prices charged by our competitors for similar services. Based on the unique nature and specific considerations pertaining to a particular project, the total service fees we charged for different projects varied with a broad range. During the Track Record Period, for our Clinical Stage Projects, the total services fees we charge range from approximately US\$0.3 million typically for pre-clinical projects to approximately US\$6 million typically for late-stage clinical projects; for our Commercial Stage Projects, the total services fees we charge range from approximately US\$4 million typically to approximately US\$40 million.

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Full-Time-Equivalent Model

We also generate revenue on a FTE basis, under which we charge an hourly rate for each employee assigned to the customer's projects. For each employee assigned to the project, we charge a fixed hourly rate. Our total fees are the hourly rate multiplied by the actual working hours spent by all employees on the project. We generally apply a standard hourly rate for mandates from the same customer, which rate is determined based on, among others, the number of professionals assigned to the project, their specialty and qualifications, and the technical challenges involved. Our FTE contracts have a typical term ranging from one to three years. We generally settle with our customers on a monthly or quarterly basis. We usually adopt the FTE fee model for projects involving process development and optimization services, when the work scope of a project makes it difficult for us to estimate the cost and adopt the FFS model.

The following table sets forth a breakdown of our revenue by fee model for the periods indicated, both in actual terms and as a percentage of total revenue:

	For the year ended December 31,						For the six months ended June 30,			
	2018		2019		2020		2020		2021	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	(unaudited)									
Fee-For-Service Model	1,757,589	96.4	2,390,349	97.7	3,049,210	97.2	1,241,163	98.8	1,692,273	96.4
Full-Time-Equivalent Model	50,126	2.7	52,553	2.1	39,977	1.3	14,463	1.2	34,247	2.0
Others ¹	15,072	0.8	2,947	0.1	47,537	1.5	1,148	0.0	29,049	1.6
Total	1,822,787	100.0	2,445,849	100.0	3,136,724	100.0	1,256,774	100.0	1,755,569	100.0

Note:

- Others mainly refer to the fee model used for clinical CRO services under which our performance does not create an asset with an alternate use to us and we have an enforceable right to payment for performance completed to date that we recognize revenue overtime.

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OUR CUSTOMERS

We have a diverse, high-quality and loyal customer base. We served a total of 118, 145, 241 and 197 customers in 2018, 2019 and 2020 and the six months ended June 30, 2021, respectively. During the Track Record Period, we primarily served pharmaceutical and biotechnology companies with headquarters located in the United States, Europe, China, Japan and Korea. Our clientele includes a large group of renowned multinational pharmaceutical companies. In 2018, 2019 and 2020 and the six months ended June 30, 2021, we worked with 11, 12, 12 and 12 out of the 20 largest pharmaceutical companies in the world in terms of sales in 2020, respectively. As of the Latest Practicable Date, we had worked with 15 out of the 20 largest pharmaceutical companies in the world in terms of sales in 2020, among which eight had done business with us for more than ten consecutive years. Leveraging our extensive experience accumulated in serving multinational pharmaceutical companies, we also work with many leading biotechnology firms and a broad range of small- and medium sized pharmaceutical companies, such as Mirati Therapeutics, Mersana Therapeutics, Zai Lab, Betta Pharmaceuticals, HUTCHMED, Innovent Biologics and Jacobio Pharmaceuticals. Revenue contribution from small and medium-sized customers increased steadily from around 28.4% in 2018 to more than 34.0% in 2020.

The following table sets forth a breakdown of our revenue based on the type of our customers for the periods indicated, both in actual terms and as a percentage of total revenue:

	For the year ended December 31,						For the six months ended June 30,	
	2018		2019		2020		2021	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except percentages)</i>							
Multinational pharmaceutical customers	1,309,257	71.8	1,707,586	69.8	2,073,363	66.1	975,722	55.6
Small and medium-sized pharmaceutical customers	513,530	28.2	738,263	30.2	1,063,361	33.9	779,847	44.4
Total	1,822,787	100.0	2,445,849	100.0	3,136,724	100.0	1,755,569	100.0

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The following table sets forth a breakdown of our revenue based on the location of our customers' headquarters for the periods indicated, both in actual terms and as a percentage of total revenue:

	For the year ended December 31,						For the six months ended June 30,	
	2018		2019		2020		2021	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except percentages)</i>							
The U.S.	1,513,199	83.0	1,941,768	79.4	2,513,785	80.1	1,402,869	79.9
China	173,660	9.5	218,074	8.9	369,261	11.8	190,631	10.9
Europe ⁽¹⁾	125,086	6.9	275,530	11.3	220,599	7.0	110,713	6.3
Other Countries and Regions ⁽²⁾	10,842	0.6	10,477	0.4	33,079	1.1	51,357	2.9
Total	1,822,787	100.0	2,445,849	100.0	3,136,724	100.0	1,755,569	100.0

(1) Include the United Kingdom, France, Ireland, Portugal, Belgium, Germany, and Switzerland.

(2) Include Japan, South Korea, Australia, India, Singapore and Hong Kong.

In 2018, 2019 and 2020 and the six months ended June 30, 2021, our five largest customers together accounted for 64.1%, 53.3%, 58.0% and 53.2% of our revenue, respectively, and our largest customer in each year or period during the Track Record Period accounted for 27.9%, 22.4%, 20.4% and 18.6% of our revenue for the same periods, respectively. 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.

We enjoy a high level of customer loyalty and have developed solid working relationships with many customers. Many of our customers return to us for additional projects. During the Track Record Period, our overall customer retention rate was 97.9%. Our customer retention rate for the Track Record Period is calculated as the number of customers who placed at least one order with us during the two years ended June 30, 2021 (regardless of whether such order was ultimately taken by us or not), divided by the total number of customers who placed at least one order with us during the Track Record Period. Our five largest customers in 2020 had uninterrupted business relationships with us ranging from five to ten years. To deepen our customer relationships, we have signed framework cooperation agreements with our key customers, including HUTCHMED, Zai Lab, Jacobio Pharmaceuticals, and Betta Pharmaceuticals, under which we agreed to cooperate in technological innovation and brand building.

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The following table sets forth the details of our five largest customers during the Track Record Period:

Rank	Customer	Type of services purchased	Background	Approximate years of business relationship as of September 30, 2021	Revenue amount <i>(RMB'000)</i>	Percentage of our total revenue
<i>For the year ended December 31, 2018</i>						
1	Customer A	small molecule CDMO solutions, chemical macromolecule CDMO solutions	Customer A is a global, research-based biopharmaceutical company headquartered in the U.S., with a diversified drug portfolio in key therapeutic areas, such as immunology, oncology, and neuroscience. It is listed on the New York Stock Exchange and recorded net revenue of over US\$40 billion in 2020.	Over 10 years	508,027	27.9%
2	Customer B	small molecule CDMO solutions	Customer B is a global health care company headquartered in the U.S. offering health solutions through its prescription medicines, vaccines, biologic therapies and animal health products. It is listed on the New York Stock Exchange and recorded annual sales of over US\$40 billion in 2020.	Over 10 years	238,908	13.1%
3	Customer C	small molecule CDMO solutions, chemical macromolecule CDMO solutions	Customer C is a research-based multinational biopharmaceutical company headquartered in the U.S., which develops and produces medicines and vaccines for immunology, oncology, cardiology, endocrinology, neurology and other therapeutic areas. It is listed on the New York Stock Exchange and recorded annual sales of over US\$40 billion in 2020.	Over 10 years	183,105	10.0%
4	Customer D	small molecule CDMO solutions	Customer D is a global biopharmaceutical company headquartered in the U.S. which discovers, develops and manufactures prescription pharmaceuticals and biologics in key therapeutic areas, such as oncology, HIV/AIDS, cardiovascular disease, diabetes, hepatitis, rheumatoid arthritis and psychiatric disorders. It is listed on the New York Stock Exchange and recorded annual sales of over US\$40 billion in 2020.	Over 10 years	175,939	9.7%
5	Customer E	small molecule CDMO solutions	Customer E is a pharmaceutical company based in Italy specialized in the development, scale-up and production of APIs and advanced intermediates.	6 years	61,122	3.4%

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Rank	Customer	Type of services purchased	Background	Approximate years of business relationship as of September 30, 2021	Revenue amount (RMB'000)	Percentage of our total revenue
<i>For the year ended December 31, 2019</i>						
1	Customer A	small molecule CDMO solutions, chemical macromolecule CDMO solutions	Customer A is a global, research-based biopharmaceutical company headquartered in the U.S., with a diversified drug portfolio in key therapeutic areas, such as immunology, oncology, and neuroscience. It is listed on the New York Stock Exchange and recorded net revenue of over US\$40 billion in 2020.	Over 10 years	548,527	22.4%
2	Customer C	small molecule CDMO solutions, chemical macromolecule CDMO solutions	Customer C is a research-based multinational biopharmaceutical company headquartered in the U.S., which develops and produces medicines and vaccines for immunology, oncology, cardiology, endocrinology, neurology and other therapeutic areas. It is listed on the New York Stock Exchange and recorded annual sales of over US\$40 billion in 2020.	Over 10 years	265,394	10.9%
3	Customer B	small molecule CDMO solutions	Customer B is a global health care company headquartered in the U.S. offering health solutions through its prescription medicines, vaccines, biologic therapies and animal health products. It is listed on the New York Stock Exchange and recorded annual sales of over US\$40 billion in 2020.	Over 10 years	202,270	8.3%
4	Customer D	small molecule CDMO solutions	Customer D is a global biopharmaceutical company headquartered in the U.S. which discovers, develops and manufactures prescription pharmaceuticals and biologics in key therapeutic areas, such as oncology, HIV/AIDS, cardiovascular disease, diabetes, hepatitis, rheumatoid arthritis and psychiatric disorders. It is listed on the New York Stock Exchange and recorded annual sales of over US\$40 billion in 2020.	Over 10 years	145,388	5.9%
5	Customer F	small molecule CDMO solutions	Customer F is a pharmaceutical company headquartered in Belgium which focuses on therapeutic areas such as cardiovascular and metabolism, immunology, infectious diseases and vaccines, neuroscience, oncology, and pulmonary hypertension. It has over 40,000 employees worldwide.	9 years	142,461	5.8%

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Rank	Customer	Type of services purchased	Background	Approximate years of business relationship as of September 30, 2021	Revenue amount <i>(RMB'000)</i>	Percentage of our total revenue
<i>For the year ended December 31, 2020</i>						
1	Customer C	small molecule CDMO solutions, chemical macromolecule CDMO solutions	Customer C is a research-based multinational biopharmaceutical company headquartered in the U.S., which develops and produces medicines and vaccines for immunology, oncology, cardiology, endocrinology, neurology and other therapeutic areas. It is listed on the New York Stock Exchange and recorded annual sales of over US\$40 billion in 2020.	Over 10 years	640,795	20.4%
2	Customer B	small molecule CDMO solutions	Customer B is a global health care company headquartered in the U.S. offering health solutions through its prescription medicines, vaccines, biologic therapies and animal health products. It is listed on the New York Stock Exchange and recorded annual sales of over US\$40 billion in 2020.	Over 10 years	431,991	13.8%
3	Customer G	small molecule CDMO solutions	Customer G is a leading provider of discovery, toxicology, biologics, chemistry, and formulation services headquartered in the U.S.	5 years	286,413	9.1%
4	Customer A	small molecule CDMO solutions, chemical macromolecule CDMO solutions	Customer A is a global, research-based biopharmaceutical company headquartered in the U.S., with a diversified drug portfolio in key therapeutic areas, such as immunology, oncology, and neuroscience. It is listed on the New York Stock Exchange and recorded net revenue of over US\$40 billion in 2020.	Over 10 years	285,630	9.1%
5	Customer H	small molecule CDMO solutions, chemical macromolecule CDMO solutions	Customer H is a global pharmaceutical company headquartered in the U.S. engaged in discovering, developing, manufacturing, and marketing human pharmaceutical products, such as diabetes products, oncology products, immunology products and neuroscience products. It is listed on the New York Stock Exchange and recorded annual sales of over US\$20 billion in 2020.	Over 10 years	176,591	5.6%

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Rank	Customer	Type of services purchased	Background	Approximate years of business relationship as of September 30, 2021	Revenue amount <i>(RMB'000)</i>	Percentage of our total revenue
<i>For the six months ended June 30, 2021</i>						
1	Customer C	small molecule CDMO solutions, chemical macromolecule CDMO solutions	Customer C is a research-based multinational biopharmaceutical company headquartered in the U.S., which develops and produces medicines and vaccines for immunology, oncology, cardiology, endocrinology, neurology and other therapeutic areas. It is listed on the New York Stock Exchange and recorded annual sales of over US\$40 billion in 2020.	Over 10 years	326,012	18.6%
2	Customer B	small molecule CDMO solutions	Customer B is a global health care company headquartered in the U.S. offering health solutions through its prescription medicines, vaccines, biologic therapies and animal health products. It is listed on the New York Stock Exchange and recorded annual sales of over US\$40 billion in 2020.	Over 10 years	187,609	10.7%
3	Customer G	small molecule CDMO solutions	Customer G is a leading provider of discovery, toxicology, biologics, chemistry, and formulation services headquartered in the U.S.	5 years	156,988	8.9%
4	Customer I	small molecule CDMO solutions	Customer I is a global clinical-stage oncology company headquartered in the U.S. which develops drug candidates to address the genetic and immunological promoters of cancer. It is listed on the Nasdaq Global Select Market.	2.5 years	136,935	7.8%
5	Customer D	small molecule CDMO solutions	Customer D is a global biopharmaceutical company headquartered in the U.S. which discovers, develops and manufactures prescription pharmaceuticals and biologics in key therapeutic areas, such as oncology, HIV/AIDS, cardiovascular disease, diabetes, hepatitis, rheumatoid arthritis and psychiatric disorders. It is listed on the New York Stock Exchange and recorded annual sales of over US\$40 billion in 2020.	Over 10 years	127,116	7.2%

On July 2, 2021, the Center for Drug Evaluation solicited comments for the Draft for Comments of the Guiding Principles for Clinical Research and Development of Oncology Drugs Oriented by Clinical Value. We believe that the draft guidelines, if officially adopted, are expected to raise the regulatory bar for oncology drug innovation, cool down the R&D activities of “me-too” drugs and direct resources to true innovation. During the Track Record Period, we maintained a diverse, high-quality and loyal customer base. Our clientele includes a large group of renowned multinational pharmaceutical companies and leading biotechnology firms with a clear focus on developing innovative drug candidates. These leading market

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players generally have already adopted the approach proposed in the draft guidelines. As we take customers' instructions in providing our clinical CRO solutions, we generally conduct clinical trials in accordance with the approach proposed in the draft guidelines as well. For details of the protocols relating to our clinical CRO solutions, see “– Emerging Services – Clinical CRO Solutions.” Further, we believe that the draft guidelines, if adopted, will be beneficial to a majority of our customers, who possess true innovation capabilities. As the focus shifts towards innovation, it becomes increasingly paramount for pharmaceutical and biotechnology companies who wish to accelerate their drug development timeline to focus more on faster and better CMC development. This will result in more demand for outsourced CMC or process development services and increasing CDMO penetration rate, especially the demand for services offered by leading CDMO players, who are capable of developing better synthesis routes and lowering the costs (attributable to leading CDMOs' technology leadership) as well as faster approval timeline (attributable to leading CDMOs' strong operational and quality management system). As such, we believe that the guidelines, if adopted, will greatly benefit leading CDMO players such as us. For related risks, please refer to “Risk Factors – Risks Relating to Our Business and Industry – We have made significant capital investments to meet our customers' needs, and, as a result, we depend on the continued success of our customers' projects and business.”

As of the Latest Practicable Date, none of our Directors, their respective associates, or Shareholders who, to the knowledge of our Directors, own 5% of our issued share capital immediately following completion of the Global Offering (but without considering the exercise of the Over-allotment Option) nor any their respective associates had any interest in any of our customer.

Key Contractual Terms with Our Customers

We enter into service agreements with our customers, which set forth the general rights and obligations of the parties.

Service agreements for our Clinical Stage Projects typically have a term ranging from two months and 12 months. The agreements set forth project deliverables and specifications, project management regime and schedule, rules governing reporting and transfer of data and results, ownership of intellectual property rights, service fees and payment terms, termination clause and other general terms and conditions. These contracts terminate upon the completion of the relevant projects.

For our Commercial Stage Projects, we generally enter into framework agreements with our customers, which typically have a term ranging from one year and five years. The framework agreements set forth manufacturing specifications and quality requirements, delivery schedule and methods, ownership of intellectual property rights, prices and payment terms, termination clause and other general terms and conditions.

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During the Track Record Period and up to the Latest Practicable Date, there were no material breaches of our service agreements either on our part or the part of our customers, and there was no termination of any material contract. During the Track Record Period, some of our projects were loss-making, primarily because (i) for projects related to our Emerging Services, we incurred additional costs in expanding into new business areas and broadening our customer base, and (ii) during the ramping-up stage of our new manufacturing facilities, the utilization rate was relatively low and production costs allocated to the relevant projects were higher than usual. Our loss-making projects during the Track Record Period were not significant to the Group, taken as a whole.

Customer Service

Upon securing a service engagement, we will typically assemble a service team tailored to the needs of the specific customer and project. We typically appoint a project leader to oversee the overall project planning and assign dedicated personnel as the primary points of contact during the entire project lifecycle to facilitate effective customer communication and ensure first-rate customer service. The primary contact will ensure that the project team provides consistent information to the customer, that customer instructions are communicated with the right persons, and that technical issues are effectively resolved. The service team will usually coordinate our internal resources according to project requirements.

Projects during the drug development stage bear uncertainties influenced by multiple factors. We typically communicate with the customer on a weekly basis and make timely adjustments according to the latest progress of the project to smooth execution. We use project codes to protect the customer's intellectual property rights.

RAW MATERIALS AND SUPPLIERS

External Suppliers

To support our vast array of services, we procure a wide variety of raw materials. These raw materials are generally available from various suppliers in quantities adequate to meet our needs. We primarily source our raw materials from a variety of suppliers that are located in China or have branches or subsidiaries in China.

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The following table sets forth a breakdown of our total purchase amount for raw materials based on the location of our suppliers' headquarters for the periods indicated, both in actual terms and as a percentage of total purchase amount:

	For the year ended December 31,						For the six months ended June 30,	
	2018		2019		2020		2021	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except percentages)</i>							
China	645,922	85.1%	787,998	81.1%	1,392,250	98.5%	1,152,651	99.5%
India	112,255	14.8%	177,671	18.3%	812	0.1%	–	–
Other Countries and Regions ⁽¹⁾	489	0.1%	5,871	0.6%	20,773	1.5%	5,581	0.5%
Total	758,667	100.0	971,540	100.0	1,413,836	100.0	1,158,232	100.0

(1) Include the United States, Germany, Russia, Switzerland, Singapore, the United Kingdom, Spain, Italy, Japan, Australia, and Hong Kong.

In 2018, 2019 and 2020 and the six months ended June 30, 2021, our five largest suppliers together accounted for 25.8%, 23.7%, 21.2% and 28.7% of our total purchase for raw materials, respectively, and our largest supplier in each year or period during the Track Record Period accounted for 6.6%, 5.5%, 7.1% and 9.9% of our total purchase for raw materials for the respective period, respectively.

We established a rigorous supply chain management and supplier selection system. We select suppliers based on a variety of factors, including their qualification, track record, reputation, pricing, and service quality. Through careful evaluation and screening, we selected over 1,000 qualified suppliers and review the qualified list from time to time. We maintain stable relationships with our key suppliers. None of our Directors, their respective associates, or Shareholders who, to the knowledge of our Directors, own 5% or more of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period.

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The following table shows the details of our five largest suppliers during the Track Record Period:

Rank	Supplier	Type of products/ services provided	Principal business	Approximate years of business relationship as of September 30, 2021	Purchase amount	Percentage of our total purchase
<i>(RMB'000)</i>						
<i>For the year ended December 31, 2018</i>						
1	Supplier A	Raw materials	A manufacturer of fine chemicals based in China	Over 10 years	49,915	6.6%
2	Supplier B	Raw materials	A provider of pharmaceutical chemicals based in China	8 years	49,010	6.5%
3	Supplier C	Raw materials	A provider of pharmaceutical products headquartered in India	2.5 years	39,795	5.2%
4	Supplier D	Chemical solvents	A provider of liquid chemicals based in China	Over 10 years	29,928	3.9%
5	Supplier E	Raw materials	A multinational chemical company headquartered in the U.S. providing APIs, fine chemicals and other pharmaceutical products	3 years	26,944	3.6%

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Rank	Supplier	Type of products/ services provided	Principal business	Approximate years of business relationship as of September 30, 2021	Purchase amount <i>(RMB'000)</i>	Percentage of our total purchase
<i>For the year ended December 31, 2019</i>						
1	Supplier C	Raw materials	A provider of pharmaceutical products headquartered in India	2.5 years	53,197	5.5%
2	Supplier F	Raw materials	A CRO and CDMO service provider headquartered in India	2.5 years	51,013	5.3%
3	Supplier G	Raw materials	A provider of advanced intermediates and fine chemicals based in the United Kingdom	2.5 years	47,911	4.9%
4	Supplier D	Chemical solvents	A provider of liquid chemicals based in China	Over 10 years	45,945	4.7%
5	Supplier B	Raw materials	A provider of pharmaceutical chemicals based in China	8 years	31,648	3.3%

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Rank	Supplier	Type of products/ services provided	Principal business	Approximate years of business relationship as of September 30, 2021	Purchase amount	Percentage of our total purchase
					<i>(RMB'000)</i>	
<i>For the year ended December 31, 2020</i>						
1	Supplier D	Chemical solvents	A provider of liquid chemicals based in China	Over 10 years	100,636	7.1%
2	Supplier H	Precious metal catalysts	A provider of catalysts, precious metals and other specialty chemicals based in China	Over 10 years	68,842	4.9%
3	Supplier I	Liquid oxygen, liquid nitrogen	A nitrogen and oxygen provider based in China	4 years	44,124	3.1%
4	Supplier J	Precious metal catalysts	A provider of metal catalysts and other chemical materials based in China	8 years	43,148	3.1%
5	Supplier K	Chemical solvents	A provider of liquid chemicals based in China	6 years	42,284	3.0%

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Rank	Supplier	Type of products/ services provided	Principal business	Approximate years of business relationship as of September 30, 2021	Purchase amount <i>(RMB'000)</i>	Percentage of our total purchase
<i>For the six months ended June 30, 2021</i>						
1	Supplier D	Chemical solvents	A provider of liquid chemicals based in China	Over 10 years	55,255	9.9%
2	Supplier H	Precious metal catalysts	A provider of catalysts, precious metals and other specialty chemicals based in China	Over 10 years	31,921	5.7%
3	Supplier L	Precious metal catalysts	A provider of precious metals and other chemicals based in China	3 years	27,389	4.9%
4	Supplier N	Raw materials	A provider of pharmaceutical intermediates and fine chemicals based in China	One year	23,405	4.2%
5	Supplier I	Liquid oxygen, liquid nitrogen	A nitrogen and oxygen provider based in China	4 years	22,183	4.0%

We generally enter into long-term supply agreements or project-based supply agreements with our suppliers. These supply agreements set forth the quality criteria, delivery schedule and terms of pricing and payment. Our suppliers typically charge us upon delivery of the procured supplies and equipment 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 15 to 90 days, which are in line with industry norms. 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.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material 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.

Backward Integration

We began in-house operations for custom and bulk production of raw materials and registered starting materials (RSM) in 2003 and such in-house production guarantees our raw material supply. Our experience and expertise in organic synthesis and our proprietary technologies, such as flow and continuous technology, asymmetric catalytic hydrogenation and enzyme chemistry, enable us to manufacture, from gram to metric ton scale, a wide variety of fine chemical raw materials, API raw materials, and intermediates throughout various stages of API production, including non-GMP intermediates, registered cGMP starting material and cGMP intermediates.

Supply Chain Integrity

We value our supply chain since it is critical for our successful development and manufacture of pharmaceutical drug substances and products. We have in place standard operating procedures for quality assurance of our raw material supply. We demand a partner who can ensure reliable delivery of APIs, intermediates, and registered starting materials for approved drugs while meeting the applicable quality and regulatory requirements. Our commitment to trustworthy supply chain management starts with our executive team and extends through every aspect of the process with careful oversight by management bodies such as the Validation Management Committee. Our purchasing group is well versed in China's chemicals market and has relationships with hundreds of vendors.

We make considerable effort in backward integration to avoid shortages or difficulties with external vendors. We procure basic chemical raw materials exclusively from external suppliers as these materials are widely available. In deciding whether to procure raw materials externally or produce in-house, we take into account factors such as the market price and availability of the raw materials in need, the difficulty of delivery and storage, the quality offered by external suppliers and the standard required by our customers, our production capacity, timing and technological requirements, and the cost of in-house manufacturing. When there is shortage of, or difficulties in acquiring, certain raw materials, or when their market price is too high, we may choose to produce such raw materials in-house to meet customer demands. Generally, we produce raw materials in-house when there is no stable supply from external suppliers, or when in-house manufacturing brings substantial cost efficiency and higher profit margin. As a result, during the Track Record Period, changes in the proportion of in-house production and external procurement did not have any material impact on our costs and margins. We typically self-qualify to produce pharmaceutical raw materials that are not commodity chemicals but complex chemical compounds which require special synthesis. We

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also have a research group dedicated to developing processes to make these complex raw materials. For certain key raw materials, we develop process technology in house and then set up a joint venture with a trusted supplier to produce them, thus extending our backward integration capability reach.

FACILITIES

We maintain advanced manufacturing sites built from the ground up to stringent standards. As of September 30, 2021, we had eight manufacturing sites in China. The following map illustrates the locations of our manufacturing sites, as well as our offices in across China, the United States and the United Kingdom.



Existing Manufacturing Sites

The following table sets forth certain details of our manufacturing sites as of September 30, 2021. For more information about these sites, see “– Properties.”

City	Manufacturing Sites	Regulatory Inspections ⁽¹⁾	Site Area	Key Features
			<i>(sq.m.)</i>	
Tianjin	Asymchem Laboratories (Tianjin) Co., Ltd. (TJ1)	USFDA in May 2014 and January 2019	29,773	<ul style="list-style-type: none"> • High Potency R&D and Pilot Manufacturing • Analytical

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City	Manufacturing Sites	Regulatory Inspections ⁽¹⁾	Site Area <i>(sq.m.)</i>	Key Features
	Asymchem Life Science (Tianjin) Co., Ltd. (TJ2)	USFDA in May 2011, May 2014 and July 2018; PMDA in August 2016	86,128	<ul style="list-style-type: none"> • Development and cGMP Manufacturing • Production: cGMP Pilot Plant, cGMP Bulk Plant, cGMP-like Plant, API Plant, Flow Chemistry Pilot Plant, Fermentation Pilot Plant, Formulation Plant, Polypeptide API • Analytical • DoE
	Tianjin Asymchem Pharmaceuticals Co., Ltd. (TJ3)	NMPA in November 2019 and October 2020	47,680	<ul style="list-style-type: none"> • API and Drug Product Manufacturing
Fuxin, Liaoning Province	Asymchem Laboratories (Fuxin) Co., Ltd. (FX1)	USFDA in May 2011, May 2014 and March 2018	65,422	<ul style="list-style-type: none"> • Dedicated Carbapenem Key Intermediates Manufacturing • Production: cGMP Bulk Plant, cGMP-like Bulk Plant • RSM Manufacturing
	Liaoning Asymchem Laboratories Co., Ltd. (FX2)	–	49,930	<ul style="list-style-type: none"> • Backward Integration non-GMP Manufacturing Facility • RSM Manufacturing
Dunhua, Jilin Province	Jilin Asymchem Laboratories Co., Ltd. (DH1)	USFDA in March 2017 and April 2019; TGA in May 2015 and June 2017; PMDA in August 2016 and February 2021; MFDS in September 2017	164,367	<ul style="list-style-type: none"> • Commercial cGMP Manufacturing • Backward Integration non-GMP Manufacturing Facility

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City	Manufacturing Sites	Regulatory Inspections ⁽¹⁾	Site Area <i>(sq.m.)</i>	Key Features
	Jilin Asymchem Pharmaceuticals Co., Ltd. (DH2)	–	147,970	<ul style="list-style-type: none"> • Commercial cGMP Manufacturing
Shanghai	Shanghai Asymchem Biotechnology Co., Ltd. (SH)	–	17,982	<ul style="list-style-type: none"> • Integrated Biologics R&D and Manufacturing Platform • Cell Line R&D • Process Development • Drug Substance and Drug Product Pilot Production

(1) Sites that manufacture APIs, intermediates and drug products for commercial stage drugs are subject to routine surveillance GMP inspections by regulatory authorities at a planned frequency designated by regulatory authorities (typically every two or three years). When the drug candidates we service submit their NDA applications, we are also subject to pre-approval inspection by regulatory authorities. As of September 30, 2021, we had successfully passed all our previous regulatory inspections.

The following table sets forth the production capacity of our eight manufacturing sites as of June 30, 2021.

Manufacturing Site	Capacity ⁽¹⁾ (m ³)	Vessel Size	Purpose
TJ1	5.35	5L-1,000L	Development and cGMP manufacturing of High-Potency API
TJ2	7.47	5L-2,000L	Development and cGMP manufacturing of chemical compounds

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Manufacturing Site	Capacity ⁽¹⁾ (m ³)	Vessel Size	Purpose
	4,500 m ²⁽²⁾		<ul style="list-style-type: none"> - Three independent workshops for solid formulation One independent workshop for spray drying with the capability of processing 200 tons of organic solvents annually Manufacturing of tablets, capsules and granules
	2,500 m ²⁽²⁾		<ul style="list-style-type: none"> - Three independent workshops for injectables with the capability of manufacturing sterile solution, sterile lyophilized powder and eyedrops
TJ3	199.25	100L-8,000L	Development and cGMP manufacturing of common chemical compounds
FX1	618.00	80L-12,500L	RSMs and carbapenems
FX2	372.10	200L-12,500L	Non-GMP manufacturing

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Manufacturing Site	Capacity ⁽¹⁾ (m ³)	Vessel Size	Purpose
DH1	1,490.60	200L-20,000L	cGMP manufacturing, RSMs and high-pressure chemistry
DH2	287.00	500L-20,000L	Manufacturing of intermediates for carbapenems
SH	–	50L/200L/ 500L	cGMP small-scale and pilot-scale manufacturing
Total	2,979.77		

(1) Capacity refers to the total volume of all the equipment for reactions such as reactors and fermenters.

(2) Manufacturing capacity for drug products is calculated in the form of the area of workshops.

The following table sets forth a breakdown of the GFA of our eight manufacturing sites by functions as of June 30, 2021.

Manufacturing Site	Manufacturing Facility	R&D Laboratory	Storage	Office	Total
			<i>(sq.m.)</i>		
TJ1	1,617.3	2,914.8	–	11,218.9	15,751.0
TJ2	19,341.1	17,767.3	2,593.9	15,685.0	55,387.3
TJ3	12,675.7	–	3,967.1	2,959.0	19,601.9
FX1	13,302.4	900.0	1,263.6	1,003.9	16,469.9
FX2	13,365.2	115.0	2,853.1	2,432.5	18,765.9
DH1	67,877.7	1,580.0	4,147.0	4,374.2	77,978.9
DH2	13,476.8	1,101.0	6,500.0	4,768.7	25,846.5
SH	2,720.2	4,329.2	500.0	300.0	7,849.4

Tianjin Sites

We have three manufacturing sites located in Tianjin, including Asymchem Laboratories (Tianjin), Asymchem Life Science and Asymchem Pharmaceuticals.

Asymchem Laboratories (Tianjin) provides high potency API R&D and pilot manufacturing, and analytical services. We utilize two API suites with 5-80L glass reactors and 500-1,000L GL/SS reactors with maximum flexibility equipment trains, two independent production lines with a max yield of 10 kg per batch and different specifications to develop our high potency R&D and manufacturing capabilities. We commenced the construction of a new R&D and manufacturing facility at Asymchem Laboratories (Tianjin) in 2018, which was put into use in 2019. As of June 30, 2021, there were 167 employees at Asymchem Laboratories (Tianjin).

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Asymchem Life Science has an R&D center including chemical lab, kilo lab, FTE lab, chemical engineering lab, process safety evaluation lab, biotechnology lab and formulation lab, and an analytical research center equipped with advanced analytical test equipment. Asymchem Life Science houses a cGMP pilot plant, a cGMP bulk plant, an API plant, a flow chemistry pilot plant, a fermentation pilot plant and a formulation plant. Asymchem Life Science provides polypeptide API production, analytical and DoE services. We commenced the construction of workshops for injectables and the upgrade of workshops for chemical macromolecule drugs in 2018, which were put into use in 2019. We commenced the construction of an API manufacturing plant in 2019, which entered into pilot production in 2020. As of June 30, 2021, there were 2,692 employees at Asymchem Life Science.

Asymchem Pharmaceuticals is dedicated for API and drug product manufacturing. It houses a cGMP API plant with 500-8,000L GL/SS reactor(s) and a formulation plant capable of handling oral solid dosage and lyophilized powder injection. We commenced the construction of two additional API manufacturing plants in 2020. In the first quarter of 2021, we completed the construction of the second plant and put it into pilot production. As of June 30, 2021, there were 459 employees at Asymchem Pharmaceuticals.

Fuxin Sites

Our two Fuxin sites house dedicated carbapenem key intermediates manufacturing, RSM manufacturing, backward integration and non-GMP manufacturing facilities. As of June 30, 2021, there were 459 and 271 employees at Asymchem Laboratories (Fuxin) and Liaoning Asymchem Laboratories, respectively.

We utilize various equipment at our Asymchem Laboratories (Fuxin) site, such as tray dryer, rotary conical dryer, nutsche filter dryer and centrifuge, which are used to develop productions such as cGMP bulk plant with 100-12,500L GL/SS reactor(s), cGMP-like bulk plant with 100-8,000L GL/SS reactor(s) and autoclaves with 500-3,000L reactor(s).

The construction project at Liaoning Asymchem Laboratories is a non-GMP bulk plant, dedicated for production of RM/RSM with 500-12,500L GL/SS reactor(s). We commenced the construction of this plant in 2019 and put it into use in 2020.

Jilin Sites

Our Jilin sites house our commercial cGMP manufacturing facilities, including a cGMP-like pilot plant, a cGMP-like bulk plant, a cGMP plant and a catalytic hydrogenation plant with a range of 500-20,000L GL/SS reactor size. We have built analytical center at our Jilin sites equipped with advanced analytical test equipment, in-process control (IPC) and full release. As of June 30, 2021, there were 1,153 and 205 employees at Jilin Asymchem Laboratories and Jilin Asymchem Pharmaceuticals, respectively.

We commenced the construction of new manufacturing workshops and plants at Jilin Asymchem Laboratories in 2018 and put them into use in 2019. We commenced the construction of another three manufacturing plants at Jilin Asymchem Laboratories in 2020 and the construction was ongoing as of September 30, 2021. At Jilin Asymchem Pharmaceuticals, a manufacturing plant for intermediates was constructed and put into use in 2019.

Shanghai Site

Our Shanghai site houses our biologics R&D and manufacturing facilities. We have established a cGMP-compliant, pilot-scale manufacturing plant, with a disposable bioreactor production line and a vial production line and the capacity to manufacture liquid and freeze-dried powder injections of various specifications. As of June 30, 2021, there were 80 employees at Shanghai Asymchem.

Future Expansion

We generally expand and build our development and manufacturing facilities in anticipation of increased demand arising from new customer engagements. Our major future expansion plans include the following:

- Small Molecule CDMO Solutions
 - We plan to establish a comprehensive R&D and manufacturing site for small molecule drugs in Zhenjiang, Jiangsu Province that integrates drug synthesis research, biological and genetic engineering technology development, specialized analytical testing services, process safety testing services, and drug manufacturing. Phase I of the site will be funded by our cash in hand. Phase II of the site will be funded through the net proceeds from the Global Offering. For further details, see “Future Plans and Use of Proceeds – Use of Proceeds.”
 - We will continue to expand our existing manufacturing facilities and upgrade our existing equipment and machinery with respect to small molecule drugs. In particular, we plan to expand the manufacturing capacity of small molecule drugs at our existing sites in Tianjin and Dunhua, which will be funded through the net proceeds from the Global Offering. For further details, see “Future Plans and Use of Proceeds – Use of Proceeds.”
- Emerging Services
 - We plan to construct an integrated process development and manufacturing site for biologics in Shanghai. The estimated total investment falls between RMB1.5 billion to RMB1.8 billion.
 - We plan to expand our API manufacturing facilities for oligonucleotide and peptide products to meet the research and development needs of this expanding area of therapeutics. The new site will be an expansion of our existing small molecule API facilities in Tianjin. Built with advanced equipment from premier technology providers, this cGMP facility will accommodate gram to tonne production scales. The facility will be funded through the net proceeds from the Global Offering. For further details, see “Future Plans and Use of Proceeds – Use of Proceeds.”

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- We plan to invest in R&D and manufacturing facilities for recombinant DNA products (including mAb) and ADC in Tianjin, which will be funded through the net proceeds from the Global Offering. For further details, see “Future Plans and Use of Proceeds – Use of Proceeds.”
- We plan to establish a biosynthesis R&D and manufacturing platform in Tianjin, which will be funded through the net proceeds from the Global Offering. For further details, see “Future Plans and Use of Proceeds – Use of Proceeds.”
- We intend to further strengthen our manufacturing capabilities for drug products, which will partially be funded through the net proceeds from the Global Offering. For further details, see “Future Plans and Use of Proceeds – Use of Proceeds.”

QUALITY MANAGEMENT

Our quality management policy, consisting of quality control and quality assurance, covers all operations within the organization, such as making sure that an approved manufacturing site to develop and produce API and intermediates is in compliance with high quality standards that are fit for human consumption as defined in cGMP and the ICH guidelines and meet USFDA, EMA and NMPA regulatory requirements. We believe that an effective quality management system for our products is critical to ensure the quality of our products and to maintain our reputation and success. Therefore, we are committed to ensuring and maintaining the highest standard of regulatory compliance while providing quality and safe products to our customers.

We have developed and implemented a company-wide in-house quality management system comprising a quality assurance (QA) department responsible for supervising the implementation of our quality policies throughout the organization. As of June 30, 2021, our QA department consisted of 168 dedicated employees with chemistry, biology or related educational backgrounds, of whom 36 held master’s or higher degrees. Our QA department also organizes regular training programs to provide updates to its members regarding new quality assurance and control measures and policies.

We have implemented quality management policies and operational procedures stringently in compliance with cGMP standards for our cGMP-compliant facilities. Our QA department conducts regular internal audits during the ordinary course of our business to ensure that our facilities, policies and procedures are up to the standards expected by regulators and customers. Our stringent quality management system is demonstrated by an outstanding track record. During the Track Record Period and up to the Latest Practicable Date, we did not recall any product because of material quality issues. Since 2011, we have achieved outstanding performance and successfully passed various regulatory audits, including twelve USFDA audits, seven NMPA audits, five PMDA audits, two TGA audits and one MSDS audit.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are committed to ensuring the health, safety and welfare of all employees and visitors and minimizing impact to the environment.

Our operations and facilities are subject to extensive environmental protection and health and safety laws and regulations. These laws and regulations require us to obtain permits from governmental authorities for certain operations. See “Regulatory Environment – Laws and Regulations of the PRC – Environmental Protection” and “Regulatory Environment – Laws and Regulations of the PRC – Work Safety” for more details.

We have established an environmental, health and safety department, or EHS department, which is responsible for overseeing the implementation of measures and procedures to ensure compliance with all applicable environmental protection and health and safety laws, regulations and standards and to safeguard the health and safety of our employees and the neighboring communities. These measures and procedures include:

- We develop and apply proprietary, environmental-friendly technologies including flow and continuous technology and biosynthesis technology in providing CDMO services, which are safer and more efficient and enable us to reduce waste generation compared with traditional production methods.
- We monitor and continuously improve the EHS aspects of our chemical processes with support from our technological capabilities. For example, our self-established process safety laboratory is equipped with advanced devices and highly experienced professionals, who regularly conduct safety evaluation of every chemical process and carry out computation and analysis to improve design of the processes.
- We have invested heavily in EHS facilities and equipment. For example, the centralized emission processing system equipped with regenerative thermal oxidizer installed in our two manufacturing sites in Tianjin keeps volatile organic compound, or VOC, emission under 10 mg/m³, far lower than both the national and local discharge limits. In addition, our manufacturing sites in Dunhua and Fuxin use waste solvents as auxiliary fuel for high-temperature incinerators, to effectively process waste solvents and save energy at the same time.
- We have established and strictly implemented a comprehensive EHS management system by (i) promulgating safety operation procedures and rules relating to every aspect of our operation; (ii) implementing a three-shift working schedule in the EHS department to ensure 24/7 EHS supervision; (iii) making EHS evaluation results a key performance indicator for every management personnel and setting up location-specific responsibility such that each management personnel is liable for all EHS aspects at a designated location, such as room, area or site; and (iv) providing EHS training tailored to the demand of our R&D and production activities to all relevant personnel.

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- We receive EHS audits and inspections by leading pharmaceutical and biotechnology companies based on Pharmaceutical Supply Chain Initiative (PSCI) standards, which have stringent criteria in selecting and evaluating CDMO providers. As of the Latest Practicable Date, we had successfully passed all our previous EHS audits and inspections by leading pharmaceutical and biotechnology companies based on PSCI standards.
- We receive EHS audits and inspections by leading pharmaceutical and biotechnology companies based on their internal business continuity plans, which have stringent criteria in selecting and evaluating CDMO providers. As of the Latest Practicable Date, we had successfully passed all our previous EHS audits and inspections by leading pharmaceutical and biotechnology companies based on their internal business continuity plans.

Our EHS department is responsible for the development of our EHS policies and implementation of the policies and programs to ensure the safety and security of the facilities and people concerned and to reduce the risk of potential EHS hazards. These policies and programs cover occupational safety and health, potent compound handling, process safety, environmental protection, hazardous material handling, emergency response and business continuity. The focus of EHS policies and programs is to eliminate hazards, protect people and the environment, and ensure compliance with relevant laws and regulations.

We follow applicable standards in the PRC on emission of wastewater and waste gas, such as DB12/356-2018 (integrated wastewater discharge standard), DB21/1627-2008 (Liaoning integrated wastewater discharge standard), GB37823-2019 (emission standard of air pollutants for pharmaceutical industry), GB13271-2014 (emission standard of air pollutants for boiler), GB18484-2001 (pollution control standard for hazardous wastes incineration), and DB12/524-2014 (emission control standard for volatile organic compounds from industrial enterprises). We control the discharge of wastewater and the emission of air pollution within a permitted limit by complying with the metrics and requirements under these specific standards. Our operations also produce chemical waste. We store hazardous wastes in special warehouse and contract with third parties for the disposal of hazardous materials and wastes. During the Track Record Period and up to the Latest Practicable Date, we had complied with applicable national standards with respect to waste disposal and emission in all material aspects.

The following chart summarizes the actual emission volume and target emission volume specified in regulatory requirements or agreements with third-party sewage treatment plants for each type of pollutants in 2020.

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<u>Manufacturing site</u>	<u>Pollutant content</u>	Actual emission volume	Target emission volume
		<i>(ton)</i>	<i>(ton/year)</i>
Asymchem Pharmaceuticals	Waste water – chemical oxygen demand (COD)	4.8067	25.929
	Waste water – ammonia nitrogen	0.2232	1.8
	Waste water – total nitrogen content	0.9871	3.62
	Waste gas – volatile organic compounds (VOCs)	1.1090	3.5
Asymchem Laboratories (Fuxin)	Waste water – chemical oxygen demand (COD)	5.017	13
	Waste water – ammonia nitrogen	0.122	1.3
	Waste gas – SO ₂	0.101	2.31
	Waste gas – NO _x	3.141	10.8
Liaoning Asymchem Laboratories	Waste water – chemical oxygen demand (COD)	4.7816	70.89
	Waste water – ammonia nitrogen	0.1974	5.042
	Waste gas – SO ₂	0.6994	0.94
	Waste gas – NO _x	1.2584	8.37
	Waste gas – smoke dust	0.177	6.87
	Waste gas – volatile organic compounds (VOCs)	8.2643	9.086
Jilin Asymchem Laboratories	Waste water – chemical oxygen demand (COD)	28.01	33.42
	Waste water – ammonia nitrogen	1.24	1.702
	Waste gas – NO _x (boiler)	5.91	44.98
	Waste gas – SO ₂ (boiler)	0.12	36.62
	Waste gas – dust (boiler)	0.46	1.44
	Waste gas – dust (incinerator)	2.87	8.98
	Waste gas – NO _x (incinerator)	5.28	44.98
	Waste gas – SO ₂ (incinerator)	3.45	36.62
Waste gas – volatile organic compounds (VOCs) (incinerator)	26.13	52.27	

In our clinical CRO services, we take a patient-oriented approach in helping our customers design and conduct clinical trial programs. We have adopted comprehensive standard operating procedures (SOPs) to ensure the safety of participants and to satisfy regulatory requirements. For details of our protocols, see “– Emerging Services – Clinical CRO Solutions.” As of the Latest Practicable Date, we had not used animals in providing our

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services. We currently have no concrete plans to conduct animal testing in the future. Should we engage in animal testing in the future, we will obtain the relevant licenses and approvals in advance and conform our practices with applicable regulatory requirements and ethical standards.

In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our total cost of compliance with environmental protection and health and safety laws and regulations was approximately RMB53.6 million, RMB55.3 million, RMB123.0 million, RMB41.1 million and RMB68.2 million, respectively. These costs did not include historical capital expenditures for plants and equipment that may be attributable to such compliance. We do not expect our costs of complying with current and future environmental protection and health and safety laws to increase significantly going forward. 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, chemical or biological hazards or personal injury.”

There had not been any material accidents in the course of our operation or any material claims for personal injury or property damage in connection with environmental protection, occupational health or work safety against us during the Track Record Period and up to the Latest Practicable Date.

CORPORATE SOCIAL RESPONSIBILITY

As a leading CDMO service provider in China, we are committed to the global pharmaceutical technology innovation and commercial application. We are sincerely dedicated to providing customers with quality products and professional services, and actively fulfill and assume responsibility for our employees, shareholders, investors. While maximizing economic benefits, we pursue the collaborative development of social benefits and environmental protection, in order to achieve sustainable development. We are highly focused on protecting the interests of our shareholders, customers, all employees, suppliers and other interest groups. We have established an improved corporate governance structure, a complete internal control system, and a platform to interact with investors, to assure all shareholders of fairness, justice and openness. In our daily operations, we are committed to our customer-centric approach and provide our customers with high-quality services through continuous development of technologies and processes. In terms of employee rights and interests, we comply in all material respects with the PRC Company Law, Labor Contract Law and other laws and regulations and have formed a management philosophy that “there will be no quality products without satisfactory employees,” caring about the health, safety and satisfaction of our employees. At the same time, we maintain good interaction with suppliers, especially suppliers with long-term cooperative relationship. During the Track Record Period, we organized the first Asymchem Suppliers Conference and established a supplier screening system to achieve a win-win situation.

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We have established “Teda-Asymchem Scholarship” in several colleges and universities to support the study and research of college students, showing our concern for the growth of young students and encouragement to them. Particularly, we have set up several scholarships for college students in hardship in many universities and colleges. We have also set up several fellowships for outstanding research results of drug synthesis in some universities and colleges and sponsored various academic conferences and symposiums.

We have made donations of both cash and goods to affected communities and areas after the 2008 earthquake in Wenchuan, Sichuan. In 2020, in response to the sudden outbreak of COVID-19 pandemic, we quickly launched an emergency response mechanism and made donations to Hubei and other places, contributing to the development of a harmonious society. Meanwhile, we have organized several charitable events to make donations to people in need and to actively give back to the community. We provided assistance to hearing-impaired children wearing cochlear implants from all districts and counties in Tianjin.

STRATEGIC COLLABORATIONS, ACQUISITIONS AND INVESTMENTS

During the Track Record Period, we have made strategic acquisitions and investments to expand our technological capabilities and broaden our service scope.

Strategic Investment in Snapdragon Chemistry

In September 2020, we announced a strategic investment in Snapdragon Chemistry, a private U.S. chemical technology company focused on the design and development of efficient and sustainable manufacturing processes for pharmaceutical applications. Snapdragon Chemistry was co-founded in 2014 by Timothy F. Jamison and Aaron B. Beeler, two preeminent scientists in the field of flow and continuous technology. Dr. Jamison is a world-renowned expert in flow chemistry, methodology development, and organic synthesis. With a career spanning over 15 years as a professor at the Massachusetts Institute of Technology, he has advanced the organic chemistry field with over 125 academic publications. Dr. Beeler has authored 31 publications and made fundamental contributions to flow chemistry and medicinal chemistry. Our expertise in clinical and commercial manufacturing, coupled with Snapdragon’s advanced flow chemistry technology and process development capabilities, creates a synergistic partnership that will complement our integrated CDMO services. This investment is another milestone in our strategy to enhance comprehensive service capabilities and improve our geographic footprint. We aim to provide customers from Snapdragon’s early-stage services with our late-stage manufacturing and commercialization services, offering them a complete solution to drug development.

Strategic Acquisition of GoalGen Biotech

In September 2020, we announced the acquisition of 100% equity interest in GoalGen Biotech, a leading CRO specialized in pre-clinical and clinical trial services based in China. Founded in 2007, GoalGen Biotech provides high-quality, integrated services, including pre-clinical research project management and registration affairs, clinical research project

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management, SMO services, data management and collection, third-party audits, and pharmacovigilance. As of September 30, 2021, GoalGen Biotech had served over 200 IND projects during the pre-clinical stage and over 200 clinical trial projects.

This acquisition will greatly accelerate our strategic layout and business expansion into the clinical CRO sector and significantly enhance our service capability in clinical research, which is a key part of our growth strategy and will enable us to increase customer stickiness in the IND field. Upon completion of the acquisition, GoalGen Biotech will support our Tianjin Technology Innovation Centre for Clinical Research (TICCR) in business development and project management. We aim to convert our clinical research projects into clinical and commercial stage orders. In addition, GoalGen Biotech's successful track record in the pre-clinical research can also be synergistic with our Early Phase Pharmaceutical Development Team (EPPD) to significantly expand the customer base and order size, which is of strategic importance to us.

Strategic Investment in Yugen Medtech

Prior to November 30, 2020, Shanghai Asymchem Laboratories Testing Technology Co., Ltd was our wholly-owned subsidiary, through which we provided pharmacology, toxicology and pharmacokinetic evaluation services. On August 11, 2020, we established Yugen Medtech, which wholly owned Shanghai Asymchem Laboratories Testing Technology Co., Ltd. On November 30, 2020, we introduced a leading pharmacokinetic research team in China as investors in Yugen Medtech. The team, led by a renowned scientist, Dr. SI Duanyun (司端運), has over 30 years of experience in innovative drug evaluation and R&D. Upon completion of the change, Yugen Medtech became our associated company, with a total registered capital of RMB10,769,200. We and the professional team owned 46.43% and 53.57% of the interests in Yugen Medtech, respectively. On December 21, 2020, we introduced Tianjin Haihe Asymchem Fund as a new investor. Upon completion of the change, the total registered capital of Yugen Medtech increased to RMB15,384,600. We, the professional team and Tianjin Haihe Asymchem Fund owned 32.50%, 37.50% and 30.00% of the interests in Yugen Medtech, respectively. Tianjin Haihe Asymchem Fund specializes in strategic investments in the pharmaceutical industry and is our affiliate. Haiyingchuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) is a general partner of Tianjin Haihe Asymchem Fund, owning 0.13% of the partnership as of the Latest Practicable Date. Our directors, Ms. Yang Rui and Mr. Zhang Da, act as directors of Haiyingchuang (Tianjin) Investment Management Co., Ltd., and Mr. Xu Xiangke, our Deputy General Manager and Secretary to the Board, acts as its supervisor. Further, on July 2, 2021, we introduced Tianjin Tianhao as a new investor. Upon completion of the change, the total registered capital of Yugen Medtech increased to RMB32,478,600. As of the Latest Practicable Date, we, the professional team, Tianjin Haihe Asymchem Fund and Tianjin Tianhao owned 29.08%, 33.55%, 26.84% and 10.53% of the interests in Yugen Medtech, respectively. Tianjin Tianhao is our affiliate. Dr. Hao Hong, our Chairman, is a limited partner of Tianjin Tianhao, owning 90.7% of the partnership as of the Latest Practicable Date. By introducing a professional team and institutional investors, we transformed Yugen Medtech into a research-based CRO platform

that performs drugability studies for innovative drugs and provides systematic evaluation and registration services during the pre-clinical and clinical stage. As our strategic partner, Yugen Medtech supplements the services provided by our EPPD and clinical CRO business during the pre-clinical and clinical stage.

Strategic Partnership with Ribo Life Science

In January 2021, we signed a strategic partnership agreement with Tianjin Haihe Asymchem Fund and Ribo Life Science, a leading biopharmaceutical company dedicated to the development of oligonucleotide drugs. The agreement stipulated an innovative collaboration model to industrialize oligonucleotide manufacturing, modified based on the build–operate–transfer (BOT) model. We, as the service provider, will offer comprehensive services to design, construct, manage and operate new API manufacturing facilities for oligonucleotide products in Tianjin. Ribo Life Science will propose the desired parameters of the manufacturing facilities and offer their know-how in the oligonucleotide field. We will be the exclusive CDMO service provider of their pipeline projects. In addition to satisfying their clinical and manufacturing needs, we may use any spare capacity for other customers' projects. Tianjin Haihe Asymchem Fund, as the investor, will fund the construction and is entitled to investment returns as stipulated in the agreement. Through the collaboration, Ribo Life Science can focus their resources on the expansion and enhancement of their R&D pipeline, and we can secure CDMO services engagements from them during the initial development stage of our oligonucleotide CDMO business. In addition, know-how provided by such a leading oligonucleotide player will enable us to rapidly build up our process development and manufacturing capabilities for oligonucleotide drugs and quickly advance our market position in the field.

SALES AND MARKETING

We have adopted a direct sales model and established a full-service marketing strategy. We primarily market our technologies, products and services directly to pharmaceutical and biotechnology companies through regular meetings with their representatives and senior management. During those meetings, we highlight the advantages of our integrated capabilities and how we can expedite and optimize their drug development and manufacturing process. We have also established an active online presence through our corporate websites at <http://www.asymchem.com.cn/> and <http://www.asymchem.com/>. We provide extensive information about our technology platform, our superior services and our competitive and technical advantages on our corporate websites. In addition, we actively participate in, sponsor and organize trade conferences, trade shows and scientific conferences. For example:

- In each of 2018, 2019 and 2020, we were invited to participate in CPhI Worldwide in Italy, which is one of the world's largest pharmaceutical events.
- In 2019, we jointly sponsored the ACS Green Chemistry Institute Pharmaceutical Roundtable, dedicated to catalyzing the integration of green chemistry and engineering in the pharmaceutical industry.

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- In 2019, we attended the BIO International Convention, hosted by the Biotechnology Innovation Organization (BIO), the largest global non-profit biotechnology trade association.

In light of our specialized customer base, customer referrals and word-of-mouth marketing have also significantly contributed to new customer acquisition. Since our inception, our senior management has been actively involved in managing our sales and marketing activities and maintaining direct relationships with our key customers. Our sales department, R&D department, production department, QA department work closely and cooperate to maintain and develop the market system to ensure and maintain our customers' satisfaction.

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

We aim to broaden our customer base by targeting pharmaceutical and biotechnology companies that recognize or appreciate the efficiency and cost-effectiveness from outsourcing their discovery, development and manufacturing activities to us. We also target customers that lack in-house R&D capabilities and view outsourcing as an attractive option to achieve their commercial objectives.

We have a team of well-trained sales and marketing specialists who are dedicated to understanding the demands of existing and potential customers and work closely with our technical experts to promote our technologies and services and to prepare quotes and to secure customer orders. Our sales and marketing specialists are strategically located in key geographic locations, including the United States, Europe and China to conduct on-the-ground marketing activities. Specifically, as of June 30, 2021, we had 49, 9 and 2 sales and marketing staff members located in China, the United States and Europe to help ensure continued success in our most important market.

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AWARDS AND RECOGNITIONS

Our R&D capacities and high-quality services are widely recognized by our customers.

<u>Awarding Customer</u>	<u>Recognition</u>	<u>Recipient</u>	<u>Award Time</u>
Mirati Therapeutics, Inc.	Most Valuable Partner	Asymchem Laboratories (Tianjin) Co., Ltd.	May 2021
Mersana Therapeutics, Inc.	Project Excellence Award	Asymchem Laboratories (Tianjin) Co., Ltd.	February 2021
Shanghai Hutchison Pharmaceuticals	Outstanding Partner	Asymchem Laboratories (Tianjin) Co., Ltd.	2020
Zai Lab Limited	Best Partner	Asymchem Laboratories (Tianjin) Co., Ltd.	October 2018
Hutchison MediPharma Limited	Most Valuable Partner Award	Asymchem Laboratories (Tianjin) Co., Ltd.	April 2016
Roche R&D Center (China) Ltd.	Most Valuable Partner Award	Asymchem Life Science (Tianjin) Co., Ltd.	December 2015
AbbVie Inc.	Supplier Recognition Award	Asymchem Laboratories (Tianjin) Co., Ltd.	October 2014
Roche R&D Center (China) Ltd.	Most Valuable Partner Award	Asymchem Life Science (Tianjin) Co., Ltd.	January 2010
Pfizer's API Strategic Sourcing & Planning Group	2008 Top Intermediates CMO	Asymchem Laboratories Inc.	March 2009
Merck & Co., Inc.	2007 Supplier Diversity Tier 1 Award	Asymchem Laboratories Inc.	September 2008

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We also received a number of awards and recognitions from government authorities and industrial organizations. The table below sets forth a summary of major awards and recognitions we received in the past years.

Award/Recognition	Recipient	Award Time	Awarding Organization/ Authority
2020 Hurun China 500 Most Valuable Private Companies (2020年度胡潤中國民營500強企業)	Asymchem Laboratories (Tianjin) Co., Ltd.	December 2020	Hurun Research Institute (胡潤研究院)
China's Top 20 Pharmaceutical Enterprises (中國CDMO企業20強)	Asymchem Laboratories (Tianjin) Co., Ltd.	September 2020	China Pharmaceutical R&D and Innovation Summit (中國醫藥研發創新峰會組委會)
2020 Top 100 China Pharmaceutical Enterprises (2020年度中國化學製藥行業工業企業綜合實力百強)	Asymchem Laboratories (Tianjin) Co., Ltd.	October 2020	China Pharmaceutical Industry Association (中國化學製藥工業協會), China Association of Pharmaceutical Commerce (中國醫藥商業協會), China Nonprescription Medicines Association (中國非處方藥物協會), China Association for Vaccines (中國疫苗行業協會), Reed Sinopharm Exhibitions Co., Ltd. (國藥勵展展覽有限責任公司)
2019 "Top 100 Enterprises" in Leading Enterprises in Digital Services and Service Outsourcing Industry in China (2019年度中國數字服務暨服務外包領軍企業“百強企業”)	Asymchem Laboratories (Tianjin) Co., Ltd.	September 2019	China Council for International Investment Promotion International Data Corporation (IDC) (中國國際投資促進會聯合國際數據公司)

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<u>Award/Recognition</u>	<u>Recipient</u>	<u>Award Time</u>	<u>Awarding Organization/ Authority</u>
2019 “Leading Enterprise in Pharmaceutical Health Industry” in Leading Enterprises in Digital Services and Service Outsourcing Industry in China (2019年度中國數字服務暨服務外包領軍企業“醫藥健康行業領軍企業”)	Asymchem Laboratories (Tianjin) Co., Ltd.	September 2019	China Council for International Investment Promotion International Data Corporation (IDC) (中國國際投資促進會聯合國際數據公司)
2019 “Top 10 Leading Enterprises in Service Outsourcing Industry” in Leading Enterprises in Digital Services and Service Outsourcing Industry in China (2019年度中國數字服務暨服務外包領軍企業“十大服務外包領軍企業”)	Asymchem Laboratories (Tianjin) Co., Ltd.	September 2019	China Council for International Investment Promotion International Data Corporation (IDC) (中國國際投資促進會聯合國際數據公司)
Top 100 in Pharmaceutical Industry in China (中國醫藥工業百強)	Asymchem Laboratories (Tianjin) Co., Ltd.	August 2019	All-China Federation of Industry and Commerce Medical and Pharmaceutical Chamber (中華全國工商業聯合會醫藥業商會)
Top 20 Pharmaceutical Outsourcing Enterprises in China (中國醫藥外包公司20強)	Asymchem Laboratories (Tianjin) Co., Ltd.	June 2019	All-China Federation of Industry and Commerce Medical and Pharmaceutical Chamber (中華全國工商業聯合會醫藥業商會)

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<u>Award/Recognition</u>	<u>Recipient</u>	<u>Award Time</u>	<u>Awarding Organization/ Authority</u>
2018 Leading Enterprise in Pharmaceutical Health Service Outsourcing Industry in China (2018年度中國服務外包醫藥健康行業領軍企業)	Asymchem Laboratories (Tianjin) Co., Ltd.	September 2018	China Council for International Investment Promotion International Data Corporation (IDC) (中國國際投資促進會聯合國際數據公司)
Tianjin Key Laboratories of Green Pharmaceutical Synthesis Technology Enterprises (天津市藥物綠色合成技術企業重點實驗室)	Asymchem Laboratories (Tianjin) Co., Ltd.	February 2018	Tianjin Municipal Science & Technology Commission (天津市科學技術委員會)
2017 Top 100 China Pharmaceutical Enterprises (2017中國化學製藥行業工業企業綜合實力百強)	Asymchem Laboratories (Tianjin) Co., Ltd.	November 2017	China Pharmaceutical Industry Association (中國化學製藥工業協會), China Association of Pharmaceutical Commerce (中國醫藥商業協會), China Nonprescription Medicines Association (中國非處方藥物協會), China Pharmaceutical Enterprise Development and Promotion Association (中國醫藥企業發展促進會), Reed Sinopharm Exhibitions Co., Ltd. (國藥勵展展覽有限責任公司)
Green Manufacturing Demonstration List in 2017 – Green Factory (2017年第一批綠色製造示範名單 – 綠色工廠)	Asymchem Life Science (Tianjin) Co., Ltd.	August 2017	The General Office of Ministry of Industry and Information Technology of the PRC (工業和信息化部辦公廳)

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<u>Award/Recognition</u>	<u>Recipient</u>	<u>Award Time</u>	<u>Awarding Organization/ Authority</u>
2016 Excellent Manufacturing Enterprise in Tianjin Binhai New Area (2016年度天津濱海新區製造業優秀企業)	Asymchem Life Science (Tianjin) Co., Ltd.	March 2017	People's Government of Tianjin Binhai New Area (天津市濱海新區人民政府)
National and Regional Joint Engineering Laboratory for Green Pharmaceutical Technology (Tianjin) (綠色製藥技術國家地方聯合工程實驗室(天津))	Asymchem Laboratories (Tianjin) Co., Ltd.	December 2015	Tianjin Development and Reform Commission (天津市發展和改革委員會)
National Enterprise Technology Center (國家認定企業技術中心)	Asymchem Laboratories (Tianjin) Co., Ltd.	Since 2013	National Development and Reform Commission (國家發展和改革委員會), Ministry of Science and Technology of the PRC (國家科技部), Ministry of Finance of the PRC (財政部), General Administration of Customs of the PRC (海關總署), State Taxation Administration (國家稅務總局)
High-tech Enterprises (高新技術企業)	Asymchem Laboratories (Tianjin) Co., Ltd.	October 2009 to October 2017; since October 2018	Tianjin Municipal Science & Technology Commission (天津市科學技術委員會), Tianjin Finance Bureau (天津市財政局), Tianjin Municipal Tax Service, State Taxation Administration (天津市國家稅務局), Tianjin Local Taxation Bureau (天津市地方稅務局)

INTELLECTUAL PROPERTY**Protection of Our Intellectual Property**

Intellectual property rights are critical to our business. We develop and use a number of proprietary technologies, methodologies, analytics and know-hows in our business operations, and we rely on a combination of trademark, patent, copyright and intellectual property laws as well as contractual arrangements to protect our intellectual property. As of the Latest Practicable Date, we had 148 issued invention patents and 70 issued utility model patents in China, and 22 issued patents in other jurisdictions including the United States, European Union, Japan, Korea and India. As of the same date, we had made 124 patent applications, including 88 applications in China, 11 in European Union, 10 in the United States, seven in Japan, two in India, one in Korea, one in Australia, one in Brazil and one in Canada. As of the same date, we had 12 registered trademarks in China and three registered trademarks in Hong Kong, and two registered trademarks in the United States. See “Statutory and General Information – Further Information about the Business – Intellectual Property” in Appendix VI for further details of our material intellectual property rights.

Protection of Our Customers’ Intellectual Property

Our reputation and business success also depend on our ability to protect the intellectual property rights of our customers. Due to the nature of our services, we typically have access to drug formulations and other intellectual property owned by or licensed to our customers. Protecting our customers’ intellectual property has been a strategic priority of our business since our inception. We strategically focus on the role of the partner of choice in developing and manufacturing a drug instead of the role of a drug maker ourselves and therefore do not have interests that conflict with those of our customers. We have established a comprehensive intellectual property protection system to properly manage the document transmission and archiving, preservation of documents related to R&D and manufacturing, supervision and control of laboratory computers and access to documents in connection with confidential information. We typically enter into a confidentiality agreement with each employee and provide lectures and trainings hosted by law enforcement authorities for our employees to enhance their awareness of intellectual property protections. In particular, we have adopted policies to limit the disclosure of the development and manufacturing process of our projects to our employees on a need-to-know basis, and generally only core management personnel of a project have knowledge and access to the entire process of such projects.

Despite the precautions and measures we have taken to protect our and our customers’ intellectual property, third parties may obtain and use intellectual property that we or our customers own without our consent. See “Risk Factors – Risks Relating to Our Business and Industry – We may not be successful in protecting our customers’ or our own intellectual property” for more information. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material disputes or pending legal proceedings of intellectual property rights with third parties.

COMPETITION

We face competition from other CDMOs. The market in which we operate is highly competitive and fragmented. The 15 largest CDMOs generated a combined revenue of US\$20.9 billion in 2020, accounting for 37.8% of the global CDMO market, according to Frost & Sullivan. In terms of revenue in 2020, we ranked fifth in the global drug substance CDMO market, first in the China-based commercial stage chemical drug CDMO market, 13th in the global chemical drug CDMO market, and second in the China-based chemical drug CDMO market, according to Frost & Sullivan. A few large multinational CDMO companies dominate the market in the U.S. and other overseas markets, followed by a number of much smaller players focusing on different geographic areas and segments. Our major competitors include multinational companies such as Patheon (a subsidiary of Thermo Fisher), Fareva SA, Lonza and Catalent, as well as China-based companies such as STA Pharma (a subsidiary of Wuxi AppTec), Jiuzhou, Porton and Pharmaron.

We face competition based on several factors, including quality and breadth of services, ability to protect our customers' intellectual property or other confidential information, timeliness of delivery, maintenance of GMP and cGMP standards, depth of customer relationships, price and geography. In terms of entry barriers, according to Frost & Sullivan, the CDMO services market generally requires high upfront costs and time commitment, significant financial and time commitment in recruiting experienced talents, a successful track record and solid reputation to attract customers and emphasis on cost efficiency. For more details of the competitive landscape of the CDMO industry, please refer to "Industry Overview – Competitive Landscape of the CDMO Industry".

The size of the CDMO market is impacted by the in-house manufacturing capacities of pharmaceutical or biotechnological companies. According to Frost & Sullivan, engaging CDMOs in the drug development and manufacturing process has become a prevailing industry trend among pharmaceutical and biotechnological companies. In the context of rapidly growing new drug development costs, increasingly complex development processes, and ever more intense competition, multinational pharmaceutical and biotechnology companies have continued to increase outsourcing to CDMOs, while small and medium-sized firms have developed even greater reliance on CDMO services. In general, pharmaceutical and biotechnology companies are under increasing drug pricing pressure, as a result of governmental efforts to cut down healthcare costs and generic competition after patent expiry. Also, as the molecular structure of drugs becomes increasingly complex and cGMP standards becomes more prevalently applied, pharmaceutical companies are more frequently relying on the specialized expertise of CDMOs to gain access to advanced drug development and manufacturing technologies. CDMOs, especially those with advanced technologies such as continuous manufacturing, can provide solutions to improve efficiency and reduce costs. In addition, small and medium-sized pharmaceutical companies and biotech start-ups are responsible for a growing share of new drug approvals, who generally focus on the discovery stage with limited manufacturing capabilities of their own. Outsourcing to CDMOs allows

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them to expand manufacturing capacity without increasing overhead and capital expenditure. For more information about the market trend and drivers in the CDMO industry, please refer to “Industry Overview – Overview of the CMO/CDMO Market” in this Prospectus.

According to Frost & Sullivan, what has become a prevailing trend in the CDMO market is a growing preference for CDMOs like us that provide full-service offerings, as using a single CDMO for multiple services allows a drug developer to reduce the complexity of technology transfer and the time needed for its drugs to reach the market. In the meantime, for smaller CDMOs, to build comprehensive platform and acquire the necessary technologies and industry know-how require considerable investments of time and resources. Today, the highly fragmented global CDMO market implies significant potential for consolidation. To seize the tremendous market opportunities in the CDMO industry and set ourselves apart from competitors, we have made strategic plans to build and solidify Asymchem as a premium global CDMO brand. With integrated capabilities in technology innovation, process development, scale-up and commercial manufacturing, quality assurance, and project management, we believe that we enjoy an enormous competitive advantage and are well positioned to capture the massive opportunities presented by the fast-evolving industry.

INSURANCE

We maintain property insurance policies covering physical damage to, or loss of, our facilities and their improvements, equipment, office furniture and inventory; employer’s liability insurance generally covering death or work injury of employees; public liability insurance covering certain incidents involving third parties that occur on our premises; machinery breakdown insurance covering unforeseen and sudden physical loss or damage to our machinery; cargo insurance covering physical loss or damage to freight during transportation; and directors and officers liability insurance. We do not maintain key-man life insurance for any members of our senior management or other key personnel or business disruption insurance, nor do we maintain product liability and professional errors and omissions insurance covering product liability claims arising from the use or operation of our small molecule compounds and claims arising from negligence in connection with our services to customers. Our Directors believe that it is not the industry norm to maintain such insurance policies. The insurance industry in China is still at an early stage of development. Insurance companies in China generally offer limited business-related insurance products and such products typically command a high premium that may not be justifiable from a cost benefit perspective. The availability of product liability and professional errors and omissions insurance for companies in the pharmaceutical and related industries is generally more limited than insurance available to companies in other industries. As advised by our PRC Legal Advisor, we are not required by the applicable PRC law and regulations to maintain product liability and professional errors and omissions insurance.

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We believe that our insurance coverage is adequate, and during the Track Record Period, we did not make any material insurance claims in relation to our business. Nevertheless, our insurance coverage may be insufficient to cover all claims arising from personal injury or wrongful death during clinical trials, the use or operation of our products or negligence in connection with our services to customers. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources. See “Risk Factors – Risks Relating to Our Business and Industry – We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources” for more information.

EMPLOYEES

As of June 30, 2021, we had 5,755 employees, among which 155 held doctorate degrees, 914 held master’s degrees, and 111 received education overseas.

The following table sets forth the breakdown of our employees by geographical location as of June 30, 2021:

<u>Geographical location</u>	<u>Number</u>	<u>% of Total</u>
Tianjin	3,517	61.1%
Dunhua	1,358	23.6%
Fuxin	730	12.7%
Shanghai	88	1.5%
Beijing	23	0.4%
Zhenjiang	2	0.03%
Overseas	37	0.6%
Total	5,755	100.0%

The following table sets forth the breakdown of our employees by function as of June 30, 2021:

<u>Function</u>	<u>Number</u>	<u>% of Total</u>
R&D and analysis	2,778 ⁽¹⁾	48.3%
Manufacturing	1,847	32.1%
General and administrative ⁽²⁾	1,070	18.6%
Sales and marketing	60	1.0%
Total	5,755	100.0%

(1) Among which 774 held master’s degrees, 145 held doctorate degrees, and more than 80 received education overseas. Over 40.0% of our R&D and analysis personnel have over five years of relevant professional experience.

(2) Our general and administrative employees include (i) employees in the finance department, human resources department, information management department, policy research department, audit department and other functions that support our daily operations; (ii) employees in the supply chain management department; (iii) employees responsible for our infrastructure construction and equipment maintenance and upgrade; and (iv) employees responsible for our EHS management.

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We believe attracting, retaining and motivating our key employees is important for our business success. We enter into a standard-form employment agreement and confidentiality agreement with our employees. The contracts with our key management and research personnel typically include a standard non-compete agreement that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for at least two years after the termination of his or her employment. The contracts also typically include undertakings regarding assignment of inventions and discoveries made during the course of his or her employment.

As part of our human resources strategy, we offer competitive remuneration packages to our employees, including salaries, bonuses, social security contributions and other welfare payment. In addition, we provide our employees with opportunities to work on cutting-edge drug projects and develop their knowledge and skills through our effective training system. Our employees usually attend a three-day orientation program shortly after they join us, and continue to attend training sessions and have on-job training from time to time.

In accordance with PRC laws and regulations, we contributed to various statutory employee benefits schemes, including pension, medical, work-related injury, unemployment and maternity social insurance schemes and housing fund provident. As of the Latest Practicable Date, we had complied with statutory social insurance fund and housing fund obligations applicable to us under the PRC laws in all material aspects. In addition, to motivate and retain our key employees, we have introduced the A Share Incentive Schemes to align the interests of our employees with those of our Company.

PROPERTIES

We own and lease a number of properties in Tianjin, Beijing, Shanghai, Liaoning Province and Jilin Province in China and North Carolina in the United States. The following table sets forth a summary of the properties owned by us as of the Latest Practicable Date:

Location	Number of Properties	Type of Property	GFA (<i>sq.m.</i>)	Mortgage Status
Tianjin, China	5	Facilities and office	90,626.1	No mortgage
Dunhua, Jilin Province, China	55 ¹	Facilities, office and dormitory	91,217.1	Partially under mortgage
Fuxin, Liaoning Province, China	18 ²	Facilities, office and dormitory	35,484.4	No mortgage
Lingshui Li Autonomous County, Hainan Province, China	1 ³	Training center	144.4	No mortgage

(1) We have not obtained title certificates for three of these properties, two of which are for manufacturing uses.

(2) We have not obtained title certificates for one of these properties, which is for manufacturing uses.

(3) We have not obtained title certificates for the property.

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The following table sets forth a summary of properties leased by us as of the Latest Practicable Date:

<u>Location</u>	<u>Number of Properties</u>	<u>Type of Property</u>	<u>GFA</u> <i>(sq.m.)</i>	<u>Expiry Date²</u>
Tianjin, China	26	Office and dormitory	2,822.8 ¹	Ranging from November 29, 2021 to May 7, 2023
Beijing, China	2	Office and dormitory	596.0	Ranging from December 14, 2022 to September 9, 2023
Shanghai, China	2	Facilities and office	17,884.4	Ranging from March 31, 2026 to December 31, 2028
Fuxin, Liaoning Province, China	54	Dormitory	5,227.2	Ranging from December 31, 2021 to March 31, 2022
Dunhua, Jilin Province, China	27	Dormitory	13,890.2	Ranging from November 30, 2021 to February 08, 2025
Zhenjiang, Jiangsu Province, China	3	Dormitory	67.2 ¹	Ranging from December 31, 2021 to June 14, 2022
North Carolina, the United States	1	Office	622.8	February 28, 2022
Suzhou, Jiangsu Province, China	1	Office	1,652.5	June 14, 2023

- (1) Excluding the GFA of certain rental apartments whose lease agreements do not specify the area leased.
- (2) We generally commence the renewal process of a lease agreement within one or two months before the expiry date. For the lease agreements expiring in 2021, we are in the process of renewal, or will commence the renewal of these lease agreements close to the respective expiry dates. As advised by our PRC Legal Advisor, we are not aware of any material legal impediment for such renewal. All the lease agreements expiring in 2021 are for properties used as staff dormitory. Even if we fail to renew certain of the lease agreements expiring in 2021, we do not expect any material difficulty in relocating to other comparable properties.

As of the Latest Practicable Date, we owned 79 properties in China, with a total GFA of approximately 217,472.0 square meters, and had obtained title certificates for 74 of them, with a total GFA of approximately 149,841.9 square meters (accounting for 68.9% of the total GFA of our owned properties).

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We have not obtained title certificates for three properties we constructed on land parcels owned by us, with a total GFA of 61,975.2 square meters. All three properties are for manufacturing uses, including 1) one in Fuxin with a GFA of 6,443.8 square meters, the construction of which was completed in December 2020 and has not yet been put into use, 2) one in Dunhua with a GFA of 12,955.6 square meters, the construction of which was completed in March 2020 and has not yet been put into use, and 3) one in Dunhua with a GFA of 42,575.8 square meters, the construction of which was completed in May 2019 and was put into use in December 2019. The last property is related to the DH2 manufacturing site operated by Jilin Asymchem Pharmaceuticals Co., Ltd. and is primarily used for the manufacturing of intermediates for carbapenems. For the three properties, we have obtained the planning permits and construction permits and completed the filing a record of completion and acceptance as required by relevant PRC laws and regulations, and we are in the process of applying for title certificates for them. Our PRC Legal Advisor is of the view that there is no legal impediment for us to occupy and use the three properties or to obtain title certificates for them since we (i) own the land use rights for the land parcels on which the properties were constructed, and (ii) have obtained the necessary planning permits and construction permits and completed the filing a record of completion and acceptance.

In addition, we purchased two properties with a total GFA of 5,654.8 square meters, which are commercial housing used as dormitory and training centers. We have entered into commercial housing contracts with the original owners and paid the purchase price, and are in the process of applying for title certificates for the two properties. Our PRC Legal Advisor is of the view that there is no legal impediment for us to obtain title certificates for the two properties.

As of the Latest Practicable Date, we leased 115 properties in China, among which 55 had title defects. The leased properties with title defects are used as offices and dormitories. The title defects are mainly due to the failure of our lessors to provide either property ownership certificates or relevant authorization documents to demonstrate their legal right to lease such properties. We cannot assure you that the landlords 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 or government authorities. In such cases 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. In the event we are required to relocate, we plan to find alternative premises nearby and relocate in a short time. We do not believe that the lack of certain certificates and approvals will have a material adverse effect on our financial conditions or results of operations as a whole.

As of the Latest Practicable Date, we had four properties under construction, located in Tianjin and Jilin Province, with a total GFA of 53,980.4 square meters. As advised by our PRC Legal Advisor, we had obtained the land use rights and all necessary construction approvals

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and permits for such properties as of the Latest Practicable Date and there is no legal impediment in obtaining the title certificates for such properties upon completion and acceptance of the construction work.

As of the Latest Practicable Date, in addition to the land parcels where our owned properties and properties under construction are situated, we owned five additional land parcels in China, with a total GFA of approximately 474,152.7 square meters. As advised by our PRC Legal Advisor, we have obtained land use right certificates for such land parcels and are entitled to occupy, use and transfer them in accordance with relevant laws and regulations.

As of the Latest Practicable Date, no single property accounted for 15% or above of our consolidated total assets by book value. Therefore, this prospectus is exempt from the requirements under Chapter 5 of Hong Kong Listing Rules and Paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance that the interests in the lands and buildings shall be included in the valuation report according to section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

CERTIFICATES, PERMITS AND LICENSES

During the Track Record Period and as of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits that are material for our business operations in China, and all of such licenses, approvals and permits are within their respective effective periods.

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The following table sets forth a summary of the key licenses, approvals and permits that we obtained:

Holder	License/Approval/Permit	Issue Authority	Issue Date	Expiry Date ¹
Asymchem Laboratories (Tianjin) Co., Ltd.	Drug Manufacturing License (藥品生產許可證)	Tianjin Municipal Medical Products Administration (天津市藥品監督管理局)	August 5, 2020	May 20, 2024
	Registration of Fixed Source Pollution Discharge (固定污染源排污登記)	N/A	June 24, 2020	June 23, 2025
	Foreign Trader Filing (對外貿易經營者備案登記表)	Bureau of Administrative Examination and Approval of Tianjin Binhai New Area (天津市濱海新區行政審批局)	December 21, 2020	N/A
	Registration Certificate of Customs Declaration (海關報關單位註冊登記證書)	Tianjin Customs of the PRC (中華人民共和國天津海關)	June 3, 2015	N/A
	Certificate of High-tech Enterprise (高新技術企業證書)	Jointly by Tianjin Municipal Science and Technology Bureau (天津市科學技術局), Tianjin Finance Bureau (天津市財政局), Tianjin Municipal Tax Service, State Taxation Administration (國家稅務總局天津市稅務局)	November 30, 2018	November 30, 2021 ²
Asymchem Life Science	Drug Manufacturing License (藥品生產許可證)	Tianjin Municipal Medical Products Administration (天津市藥品監督管理局)	November 12, 2020	April 25, 2025
	Radiation Safety Permit (輻射安全許可證)	Bureau of Administrative Examination and Approval of Tianjin Binhai New Area (天津市濱海新區行政審批局)	May 7, 2021	May 6, 2026

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Holder	License/Approval/Permit	Issue Authority	Issue Date	Expiry Date ¹
	Pollution Discharge Permit (排污許可證)	Ecology and Environment Bureau of Tianjin Economic-Technological Development Area (天津經濟技術開發區生態環境局)	July 14, 2020	July 13, 2025
	Foreign Trader Filing (對外貿易經營者備案登記表)	Bureau of Administrative Examination and Approval of Tianjin Binhai New Area (天津市濱海新區行政審批局)	June 17, 2019	N/A
	Customs Return Receipt for Registration of a Consignee or Consignor of Imported or Exported Goods (海關進出口貨物收發貨人備案回執)	Tianjin Customs of the PRC (中華人民共和國天津海關)	January 26, 2006	N/A
	Certificate of High-tech Enterprise (高新技術企業證書)	Jointly by Tianjin Municipal Science and Technology Bureau (天津市科學技術局), Tianjin Finance Bureau (天津市財政局), Tianjin Municipal Tax Service, State Taxation Administration (國家稅務總局天津市稅務局)	November 23, 2018	November 23, 2021 ³
	Food Distribution Permit (食品經營許可證)	Bureau for Market Regulation of Tianjin Binhai New Area (天津市濱海新區市場和質量監督管理局)	December 8, 2016	December 7, 2021 ²
	Food Distribution Permit (食品經營許可證)	Bureau for Market Regulation of Tianjin Binhai New Area (天津市濱海新區市場和質量監督管理局)	March 5, 2019	March 4, 2024

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Holder	License/Approval/Permit	Issue Authority	Issue Date	Expiry Date ¹
Asymchem Pharmaceuticals	Pollution Discharge Permit (排污許可證)	Ecology and Environment Bureau of Tianjin Economic-Technological Development Area (天津經濟技術開發區生態環境局)	December 21, 2020	December 27, 2025
	Foreign Trader Filing (對外貿易經營者備案登記表)	Bureau of Administrative Examination and Approval of Tianjin Binhai New Area (天津市濱海新區行政審批局)	June 24, 2019	N/A
	Registration Certificate of Customs Declaration (海關報關單位註冊登記證書)	Tianjin Customs of the PRC (中華人民共和國天津海關)	April 21, 2016	N/A
	Certificate of High-tech Enterprise (高新技術企業證書)	Jointly by Tianjin Municipal Science and Technology Bureau (天津市科學技術局), Tianjin Finance Bureau (天津市財政局), Tianjin Municipal Tax Service, State Taxation Administration (國家稅務總局天津市稅務局)	November 30, 2018	November 30, 2021 ³
	Food Distribution Permit (食品經營許可證)	Bureau for Market Regulation of Tianjin Binhai New Area (天津市濱海新區市場和質量監督管理局)	September 5, 2017	September 4, 2022
Asymchem Laboratories (Fuxin)	Pollution Discharge Permit (排污許可證)	Ecology and Environment Bureau of Fuxin High- Tech Development Area (阜新市生態環境局高新技術產業開發區分局)	August 28, 2020	August 27, 2023
	Foreign Trader Filing (對外貿易經營者備案登記表)	Fuxin Foreign Trade and Economic Cooperation Bureau (阜新市外經貿局)	July 27, 2016	N/A

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Holder	License/Approval/Permit	Issue Authority	Issue Date	Expiry Date ¹
	Registration Certificate of Customs Declaration (海關報關單位註冊登記證書)	Jinzhou Customs of the PRC (中華人民共和國錦州海關)	July 28, 2016	N/A
	Certificate of High-tech Enterprise (高新技術企業證書)	Jointly by Department of Science and Technology of Liaoning Province (遼寧省科學技術廳), Liaoning Province Finance Department (遼寧省財政廳), Liaoning Provincial Tax Service, State Taxation Administration (國家稅務總局遼寧省稅務局)	July 31, 2018	July 31, 2021 ²
	Food Distribution Permit (食品經營許可證)	Fuxin Market Regulation Bureau (阜新市食品藥品監督管理局)	April 16, 2018	April 15, 2023
Liaoning Asymchem Laboratories	Pollution Discharge Permit (排污許可證)	Fuxin Ecology and Environment Bureau (阜新市生態環境局)	August 26, 2020	August 25, 2023
	Registration Certificates of Hazardous Chemicals (危險化學品登記證)	Jointly by Work Safety Service Center of Liaoning Province (遼寧省安全生產服務中心) and Chemical Registration Center of Liaoning Provincial Emergency Management Department (遼寧省應急管理部化學品登記中心)	February 2, 2021	February 1, 2024
	Work Safety Permit (安全生產許可證)	Department of Emergency Management of Liaoning Province (遼寧省應急管理廳)	September 30, 2021	September 29, 2024
	Foreign Trader Filing (對外貿易經營者備案登記表)	Fuxin Foreign Trade and Economic Cooperation Bureau (阜新市外經貿局)	June 20, 2019	N/A

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Holder	License/Approval/Permit	Issue Authority	Issue Date	Expiry Date ¹
	Customs Return Receipt for Registration of a Consignee or Consignor of Imported or Exported Goods (海關進出口貨物收發貨人備案回執)	Fuxin Customs of the PRC (中華人民共和國阜新海關)	June 24, 2019	N/A
	Certificate of High-tech Enterprise (高新技術企業證書)	Jointly by Department of Science and Technology of Liaoning Province (遼寧省科學技術廳), Liaoning Province Finance Department (遼寧省財政廳), Liaoning Provincial Tax Service, State Taxation Administration (國家稅務總局遼寧省稅務局)	November 30, 2018	November 30, 2021 ²
	Food Distribution Permit (食品經營許可證)	Market Regulation Bureau of Fuxin Mongol Autonomous County (阜新市蒙古族自治縣市場監督管理局)	September 9, 2019	September 8, 2024
Jilin Asymchem Laboratories	Pollution Discharge Permit (排污許可證)	Ecology and Environment Bureau of Yanbian Korean Autonomous Prefecture (延邊朝鮮族自治州生態環境局)	July 1, 2020	June 30, 2023
	Foreign Trader Filing (對外貿易經營者備案登記表)	Jilin Provincial Department of Commerce (吉林省商務廳)	September 14, 2016	N/A
	Registration Certificate of Customs Declaration (海關報關單位註冊登記證書)	Yanji Customs of the PRC (中華人民共和國延吉海關)	September 30, 2016	N/A

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Holder	License/Approval/Permit	Issue Authority	Issue Date	Expiry Date ¹
	Certificate of High-tech Enterprise (高新技術企業證書)	Jointly by Department of Science and Technology of Jilin Province (吉林省科學技術廳), Jilin Province Finance Department (吉林省財政廳), Jilin Provincial Tax Service, State Taxation Administration (國家稅務總局吉林省稅務局)	September 10, 2020	September 10, 2023
	Food Distribution Permit (食品經營許可證)	Market Regulation Bureau of Dunhua (敦化市市場和質量監督管理局)	March 15, 2017	March 14, 2022
Jilin Asymchem Pharmaceuticals	Pollution Discharge Permit (排污許可證)	Ecology and Environment Bureau of Yanbian Korean Autonomous Prefecture (延邊朝鮮族自治州生態環境局)	July 6, 2020	July 5, 2023
	Foreign Trader Filing (對外貿易經營者備案登記表)	Dunhua Bureau of Commerce (敦化市商務局)	August 5, 2019	N/A
	Customs Return Receipt for Registration of a Consignee or Consignor of Imported or Exported Goods (海關進出口貨物收發貨人備案回執)	Yanji Customs of the PRC (中華人民共和國延吉海關)	August 5, 2019	N/A
	Certificate of High-tech Enterprise (高新技術企業證書)	Jointly by Department of Science and Technology of Jilin Province (吉林省科學技術廳), Jilin Province Finance Department (吉林省財政廳), Jilin Provincial Tax Service, State Taxation Administration (國家稅務總局吉林省稅務局)	September 10, 2020	September 10, 2023

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Holder	License/Approval/Permit	Issue Authority	Issue Date	Expiry Date ¹
Shanghai Asymchem	Pollution Discharge Permit (排污許可證)	Ecology and Environment Bureau of Shanghai Jinshan Area (上海市金山區生態環境局)	August 21, 2020	August 20, 2023
	Foreign Trader Filing (對外 貿易經營者備案登記表)	Shanghai Municipal Commission of Commerce (上海市商務 委員會)	April 10, 2019	N/A
	Customs Return Receipt for Registration of a Consignee or Consignor of Imported or Exported Goods (海關進出口貨物收 發貨人備案回執)	Shanghai Customs of the PRC (中華人民共和國上 海海關)	April 12, 2019	N/A
GoalGen Biotech	Foreign Trader Filing (對外 貿易經營者備案登記表)	Bureau of Administrative Examination and Approval of Tianjin Binhai New Area (天津 市濱海新區行政審批局)	March 23, 2020	N/A
	Customs Return Receipt for Registration of a Consignee or Consignor of Imported or Exported Goods (海關進出口貨物收 發貨人備案回執)	Tianjin Customs of the PRC (中華人民共和國天 津海關)	May 15, 2020	N/A
	Certificate of High-tech Enterprise (高新技術企業 證書)	Jointly by Tianjin Municipal Science and Technology Bureau (天津市科學技術局), Tianjin Finance Bureau (天津市財政局), Tianjin Municipal Tax Service, State Taxation Administration (國家稅 務總局天津市稅務局)	November 28, 2019	November 28, 2022

- (1) “N/A” represents licenses that do not have an expiration date and will remain valid unless revoked.
- (2) For licenses that are expiring or have expired in 2021, we are in the process of preparing the application materials for renewal or have commenced the relevant renewal process. As advised by our PRC Legal Advisor, we are not aware of any material legal impediment for such renewal.
- (3) The renewal of Certificates of High-tech Enterprise of Asymchem Laboratories (Tianjin) Co., Ltd., Asymchem Life Science, Asymchem Pharmaceuticals, Asymchem Laboratories (Fuxin) and Liaoning Asymchem Laboratories has entered into the phase of publicity and will become official at the end of the publicity period.

LEGAL PROCEEDINGS

As of the Latest Practicable Date, we were not subject to, nor a party to, any pending or threatened material disputes, litigations, arbitrations or administrative proceedings. However, we may from time to time be involved in various legal or administrative claims and proceedings arising out of the ordinary course of business.

COMPLIANCE

We are committed to maintaining the highest standards of compliance with the laws and regulations applicable to our business. 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.

The following sets forth certain incidents which we consider to be immaterial and do not constitute material or systemic non-compliances.

Non-Registration of Lease Agreements

As of the Latest Practicable Date, the lease agreements with respect to 114 properties we lease in the PRC for our business operations and staff dormitories 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, resulting in a maximum aggregate fine of RMB1.14 million. 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.

We undertake to cooperate fully with the lessors to facilitate the registration of lease agreements once we receive any requirements from relevant government authorities. We also intend to register future house lease agreements to the extent possible.

Failure to Make Full Contributions to Social Insurance and Housing Provident Funds

During the Track Record Period and up to the Latest Practicable Date, the social insurance and housing provident fund contribution we made for certain employees of a few of our PRC subsidiaries were not based on their actual salary level, which is not strictly in compliance with the relevant laws and regulations in the PRC. The occurrence of these incidents was primarily because we followed the local practices and interpretations of the laws and regulations by the local authorities, which may deviate from the strict implementation of the relevant laws and regulations. As advised by our PRC Legal Advisor, 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. Furthermore, 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.

We have obtained written confirmation from the social insurance and housing provident fund authorities in the cities where our PRC subsidiaries operate confirming that the relevant PRC subsidiaries had made social insurance contributions and housing provident fund contributions in the past in accordance with applicable laws and regulations and had not been subject to any penalties from such authorities.

On July 20, 2018, the State Council issued a reform plan (the “**Reform Plan**”) of the collection system of state tax and local tax, pursuant to which from January 1, 2019, the social insurance contributions are collected by the tax bureaus. Nevertheless, according to the Circular of the General Office of the State Administration of Taxation on Working Steadily and Orderly on the Collection and Administration of Social Insurance Contributions (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》) issued on September 13, 2018 by the General Office of the State Taxation Administration, and the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization on 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》) issued on September 21, 2018 by the Ministry of Human Resources and Social Security, administrative enforcement authorities are prohibited from organizing and conducting centralized collection of enterprises’ historical social insurance arrears. In this regard, our PRC Legal Advisor has made further inquiries to the local social insurance authorities in Tianjin, Dunhua, and Fuxin and obtained confirmations that they will not proactively collect historical outstanding social insurance contributions or impose a fine, unless they receive any complaint from our employees or relevant authorities which requests them to initiate investigations and non-compliance is found against us. We confirm that we had not received any notice from relevant authorities requesting us to take rectification actions or imposing any fine on us due to any complaints from employees or any non-compliance findings made by relevant authorities. Based on the above, our PRC Legal Advisor is of the view that the risk of us being ordered to make up the contributions or being imposed with a fine by the relevant authorities for our outstanding contribution of social insurance and housing provident fund is low.

We have enhanced our internal control measures, including (i) designating our human resources department to review and monitor the reporting and contributions of social insurance and housing provident fund on a regular basis; (ii) monitoring closely any updates of the laws, regulations and policies from time to time so as to ensure that we can respond to any changes with respect to social insurance and housing provident fund requirements; and (iii) consulting our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations.

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Our Directors believe that such non-compliance would not have a material adverse effect on our business and results of operations, considering that: (i) to our knowledge 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; (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 initiated by the relevant PRC authorities due to our failure to provide full social insurance and housing provident funds contributions for our employees is remote; and (v) the total outstanding amount of the social insurance and housing provident funds contributions that should have been contributed is insignificant, and our Directors are of the view that to pay for such shortfalls and the late payment and any penalties which may be imposed by the relevant authorities would not have a material adverse impact on our financial condition or results of operations taken as a whole. Our Controlling Shareholders have undertaken to indemnify us in full for any outstanding contributions and fines or penalties arising therefrom. 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 and Housing Provident Funds

During the Track Record Period, a few of our PRC subsidiaries engaged third-party human resources agencies to pay social insurance premiums and housing provident funds for certain of our employees, accounting for approximately 1.1% of the total number of our employees as of June 30, 2021. This is mainly because such employees work in a number of cities across the nation where we do not have legal entities to pay social insurance premium or housing provident funds for them locally. 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 such third-party human resources agencies and our relevant PRC subsidiaries, the third-party human resources agencies have the obligation to pay social insurance premiums and housing provident funds for our relevant employees. As of the Latest Practicable Date, none of the third-party human resources agencies that our relevant subsidiaries cooperate with had failed to pay, or delayed in paying, any social insurance premiums or housing provident fund contributions for our employees.

Although we believe that the third-party human resources agencies we engaged have paid on our behalf the required amount of the social security insurance and housing provident funds contributions for these affected employees, the relevant competent government authorities may determine that our use of such agency arrangements does not satisfy the requirements under the relevant PRC laws and regulations, and thus we may be subject to additional contributions, late payment fees 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

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employer or be ordered to rectify. Please also refer to “Risk Factors – Risks Relating to Our Business and Industry – Failure to make full contribution to social insurance and housing provident funds for some of our employees in accordance with relevant PRC laws and regulations may subject us to penalties.”

In respect of housing provident funds, if we fail 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 to the social insurance, we might be ordered to pay the outstanding balance within a certain period of time and the under-contribution of social insurance within such a prescribed period may subject us to a daily overdue charge of 0.05% of the delayed payment amount and a fine of one to three times of the overdue amount further imposed by the competent authorities. As advised by our PRC Legal Advisor, if we can pay the outstanding balance to the relevant authorities within a certain period of time when we are required to do so, the likelihood of us being subject to fines by the relevant government authorities is low.

Our Directors believe that such non-compliance would not have a material adverse effect on our business and results of operations, considering that: (1) as advised by our PRC Legal Advisor, considering the facts stated above, paying social insurance premium or housing provident funds through third-party agencies does not harm the benefits of employees, and the risk of us being subject to material penalties as a result of paying the social insurance premium or housing provident funds through third-party agencies is remote; (2) the total amount involved is insignificant and such non-compliance will not have any material adverse effect on our financial condition or results of operations taken as a whole; (3) to our knowledge and based on the confirmations issued by the competent government authorities, we had not been subject to any administrative penalties in relation to the agency arrangements during the Track Record Period; (4) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay for any amount in addition to what we have paid to the social insurance and housing provident funds either directly or through third-party human resources agencies; and (5) we were neither aware of any employee complaints filed against us nor involved in any labor disputes with our employees with respect to the payment of social insurance or housing provident funds through third party agencies during the Track Record Period and up to the Latest Practicable Date.

INTERNAL CONTROL AND RISK MANAGEMENT**Risk Management**

Risk management is critical to the success of our business operations. Key operational risks that we face include changes in the overall market conditions and regulatory environment relating to the global CDMO market, our ability to offer quality outsourced pharmaceutical development and manufacturing solutions and services, our ability to manage anticipated growth and to execute on our growth strategies and our ability to compete with other CDMO providers. For a discussion of various risks and uncertainties that we are subject to, please refer to the section headed “Risk Factors” in this prospectus. We also face various market risks. In particular, we are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business. For more details, please refer to “Financial Information – Quantitative and Qualitative Disclosures about Market Risk” in this prospectus.

In response to these challenges, we have developed a risk management framework as follows:

- Our audit committee, chaired by Ms. Zhang Kun, oversees and manages the overall risks associated with our business operations from time to time. Our audit committee is mainly responsible for reviewing and overseeing financial reporting procedure, risk management system and internal control system of the Group.
- The senior management is responsible for (i) formulating and updating our risk management policy and objectives; (ii) conducting risk assessment, including the identification, prioritization, measurement and categorization of all major risks which may have potential impacts on our operations; (iii) making action plans to mitigate potential risks; and (iv) reporting significant risks to our audit committee.
- Our internal audit department and other relevant departments are responsible for implementing our risk management policy and our day-to-day risk management practices. They are responsible for (i) collecting data on risks related to all departments’ operation and function; (ii) preparing auditing reports for the review of our chief operating officer and our audit committee; (iii) proposing appropriate measures in response to our risk exposure where necessary; and (iv) continuously monitoring major risks related to our operations.
- We provide regular anti-corruption and anti-bribery compliance training for senior management and employees in order to enhance their knowledge of and compliance with applicable laws and regulations. We also adopted and optimized a set of internal policies against bribery and corrupt activities, which strictly prohibit all employees and other personnel acting on behalf of us from making, proposing or promising improper payments, directly or indirectly, in any form of cash, physical assets, loans, gifts, luxury trips, entertainment, donations, other valuables or benefits to anyone, including government officers and healthcare professionals, for

the purposes of acquiring or securing any business or improper advantage, regardless of whether we benefit from such improper payments. Employees who violate such policies are subject to penalties, including termination of employment. During the Track Record Period and up to the Latest Practicable Date, we had complied with relevant anti-corruption and anti-bribery laws in all material aspects. The internal control consultant is of the view that, as of the Latest Practicable Date, there was no material issue about our internal control policies and measures in relation to anti-corruption and anti-bribery compliance. Based on our internal control consultant's view, we believe that our internal control policies and measures in relation to anti-corruption and anti-bribery compliance are adequate and effective. According to our internal control consultant, our internal control policies and measures in relation to anti-corruption and anti-bribery compliance are adequate and effective.

Internal Control

We have engaged an internal control consultant, to perform certain agreed-upon procedures in connection with our internal control and our major operating subsidiaries and to report factual findings on our Group's entity-level controls and internal controls of various processes, including financial reporting and disclosure controls, sales, accounts receivable and collection, procurement, accounts payable and payment, fixed assets and assets under construction, human resources and payroll management, cash and treasury management, inventory management, general controls of IT system, taxation management, production and costing, insurance management, R&D and intangible assets. The internal control consultant performed procedures in April 2021 and follow-up procedures in June 2021 on our internal control system. The internal control consultant is of the view that, as of the Latest Practicable Date, there was no material issue remaining in relation to the internal controls of our Group.

In connection with the Global Offering, the internal control consultant performed procedures in April 2021 and follow-up procedures in June 2021 on our internal control system. The internal control consultant identified two internal control deficiencies that may be material to the Group's internal control system, including:

1. The PRC subsidiaries of the Company had yet to formulate formal internal policies regulating their external investment projects. The internal control consultant also noted that an investment project made by a branch company of the Company had been properly approved according to the authorization level set forth in the Articles of Association of the Company, while no written records in relation to initiating this investment project were properly kept. Lack of a formal and specific system to manage the Group's external investments may adversely affect the risk control over the Group's external investments; and

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2. The Group has formulated clear internal policies regulating employees' reimbursement claims. However, during its review of samplings, the internal control consultant noticed that certain reimbursement application forms were not fully filled in and certain proofs for reimbursement were not fully kept. Such deficiencies may lead to non-compliant or even fraudulent reimbursement claims made by employees.

In respect of the deficiencies associated with external investment projects, the Company formulated the Management Measures of External Investments (《對外投資管理辦法》) which was approved by the Board on May 31, 2021. Such regulations set forth, among others, the internal departments responsible for approving and managing the Group's external investments, and authorization required at different levels in respect of approval, management, supervision and monitoring, internal audit and transfer of interest of external investments.

In respect of the deficiencies associated with employees' reimbursement claims, we have further strengthened the internal requirements that reimbursement application forms should be fully completed and detailed breakdowns of expenses and receipts should be provided together with the reimbursement forms.

As of the Latest Practicable Date, the internal control consultant confirmed that there was no outstanding material issue in relation to the internal controls of our Group.

We have adopted a series of internal control policies, measures and procedures designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. During the Track Record Period, we regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have set up an internal audit department, which are responsible for our overall internal control development and assessment.
- Our internal audit department is responsible for reviewing and overseeing financial reporting procedure, risk management system and internal control system of the Group.
- Our internal audit department organizes periodic inspections relating to the implementation of and adherence to the internal controls of each business department. We conduct internal control inspections through on-site inspection, sampling method, document review, and walk-through test. Upon completion of the inspections, our internal audit department delivers to the head of the relevant business department information and statistics related to the risks discovered during the visits and any suggested remedial action. The head of the relevant business department is then required to carry out the relevant remedies.

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- The head of each business department is responsible for implementing relevant internal control policies, measures and procedures and conducting regular review regarding the implementation of such policies, measures and procedures.
- We have adopted various measures and procedures for all of our business operations, including project management, quality assurance, intellectual property protection, environmental protection and occupational health and safety. For more information, please refer to the paragraphs headed “– Quality Management,” “– Intellectual Property” and “– Health, Safety and Environmental Matters” in this section. We provide our employees with regular training on these measures and procedures.
- Our internal audit department has established a mechanism to deal with the complaints against inappropriate behaviors under our internal control policies. The internal audit department has established a specific email for our employees to report their complaints and inquiries and employees can also report their complaints and inquiries through a specific application. Our internal audit department removes the identifying information of the reporting employees and send the complaints to the reported personnel or departments for further adjustment and improvement.
- We have engaged Anglo Chinese Corporate Finance, Limited as our compliance adviser to provide advice to our Directors and management team for at least the period commencing from the Listing Date and ending on the date that we publish our first full financial year results regarding matters relating to the Listing Rules.

U.S.-CHINA TRADE RELATIONSHIP

Our business is subject to constantly changing international economic, regulatory, social and political conditions, as well as local conditions in foreign countries and regions. International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to applicable trade policies, treaties and tariffs, or the perception that these changes, 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. In 2018, 2019 and 2020 and the six months ended June 30, 2021, our revenue generated from customers headquartered in the U.S. amounted to approximately RMB1,513.2 million, RMB1,941.8 million, RMB2,513.8 million and RMB1,253.0 million, respectively. During the Track Record Period, our purchase from suppliers headquartered in the U.S. amounted to less than 1% of our total purchase for raw materials. It is notably that the U.S. government has made significant changes to its trade policy over the past few years. 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 other duties in exchange for China to purchase more U.S. agricultural products and to make changes regarding intellectual property and technology. Based on our service agreements with customers, our customers are responsible for any tariffs imposed by government authorities on the products we sell to them. During the Track Record Period, we had not directly handled any tariff payment and settlement matters. To the best knowledge of the Directors, according to

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relevant U.S. regulations, products that are to be used exclusively for development, testing, product evaluation, or quality control purposes are not subject to U.S. tariffs and their entry into the U.S. is duty-free. Therefore, we believe that the products we sell for our Clinical Stage Projects are not subject to U.S. tariffs. For our Commercial Stage Projects, most of our customers headquartered in the United States designate countries and regions other than the United States, such as Europe and Singapore, as shipment destinations. Only the products shipped to the United States for our Commercial Stage Projects are subject to the U.S. standard tariffs, at a rate up to 6.5%. In 2018, 2019, 2020 and the six months ended June 30, 2021, the revenue generated from products shipped to the United States accounted for 22.5%, 29.7%, 24.0% and 28.8% of our total revenue from Commercial Stage Projects, respectively. As of the Latest Practicable Date, there had not been, and the Directors of the Company expects that there will not be, any additional tariff, quota, or other restrictions imposed by the government authorities of the United States, the PRC and other countries on the materials, products, machinery and technologies consumed or sold by us, our major customers and suppliers. The presidency of Joe Biden began in January 2021, and the Biden's administration is likely to set a balanced, centrist course in its relationship with China and on world trade. In light of the current situations and the peculiarities of the CDMO industry, and given that our business relationships with customers, our data transfer, supply chain and related regulatory approval process were not materially and adversely affected by the U.S.-China trade tensions, our Directors are of the view that the U.S.-China tension would not have a material impact on our business operations, and it is expected that the recent development in the relationship between China and other countries will not lead to any material adverse impact on our relationships with our customers and other business partners in the U.S. and other countries or on our ability to carry out our business activities. However, we cannot guarantee that the U.S.-China tension will not escalate. For more details, please refer to "Risk Factors – Risks Relating to Our Business and Industry – The political relationships between China and other countries may affect our business operations" in this prospectus.

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You should read the following discussion and analysis in conjunction with our audited consolidated financial statements as at and for the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2021, including the notes thereto, set out in “Appendix IA – Accountants’ Report.” Our audited consolidated financial statements have been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. Historical results are not indicative of future performance.

The following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. We caution you that our business and financial performance are subject to substantial risks and uncertainties. Our actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information provided in “Risk Factors” and “Forward-looking Statements.”

OVERVIEW

We are a leading, technology-driven CDMO providing comprehensive solutions throughout the drug development and manufacturing process. According to Frost & Sullivan, we were the fifth largest drug substance CDMO globally, with a market share of 1.5%, and the largest China-based commercial stage chemical drug CDMO, with a market share of 22.0%, in each case as measured by revenue in 2020. With over two decades of industry experience, we provide process development and manufacturing services for small molecule drugs throughout the pre-clinical, clinical and commercial manufacturing stage, becoming an integral part of the global value chain for innovative drugs. Leveraging our deep industry insights, established R&D and manufacturing capabilities, and premium reputation among customers, we have expanded our CDMO solutions to include other drug modalities, such as polypeptides, oligonucleotides, monoclonal antibodies (mAbs), antibody-drug conjugates (ADCs) and messenger RNA (mRNA), and broadened our service scope to include drug product solutions, biosynthesis solutions and clinical CRO solutions, collectively referred to as our Emerging Services.

We possess a leading CDMO technology platform. Backed by scalable knowledge and experience accumulated over two decades, we are capable of solving a broad array of complex technical challenges in the development and manufacturing of small molecule drugs. Our R&D expenditure was one of the highest across the global CDMO industry, according to Frost & Sullivan. Our leading-edge core technologies and comprehensive R&D platforms have been an engine for our customer-focused technology innovation, which propel us to continually improve process efficiency, lower manufacturing costs and reduce environmental impact for our customers.

We established a first-class operating system encompassing R&D, manufacturing, quality control and project management, meeting the highest global industry standards. We are the partner of choice for blue-chip customers such as multinational pharmaceutical companies and leading biotechnology firms. As of the Latest Practicable Date, we had worked with 15 out of the 20 largest pharmaceutical companies in the world in terms of sales in 2020, among which eight had done business with us for more than ten consecutive years. In addition, during the

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Track Record Period, our revenue generated from small and medium-sized customers had seen solid growth. We have an extensive pipeline of projects at various stages, creating a broad funnel through which projects advance from clinical to commercial stage and bring a larger contract value. During the Track Record Period, our late-stage Clinical Stage Projects and Commercial Stage Projects continued to increase, which substantially improved the stability and predictability of our revenue growth. As of the Latest Practicable Date, we were servicing a number of blockbuster drugs with annual sales of US\$1 billion or more and some drug candidates of our other projects hold great promise to become blockbuster drugs in the future. Driven by technological innovation and exceptional execution, we help our customers achieve substantial cost efficiencies and improve the market competitiveness of their innovative drugs.

Benefited from the positive market trend, we achieved robust growth during the Track Record Period. Our revenue increased from RMB1,822.8 million in 2018 to RMB2,445.8 million in 2019 and further to RMB3,136.7 million in 2020, representing a CAGR of 31.2%. Further, our revenue increased by 39.7% from RMB1,256.8 million in the six months ended June 30, 2020 to RMB1,755.6 million in the six months ended June 30, 2021. Our profit for the year increased from RMB406.4 million in 2018 to RMB551.6 million in 2019 and further to RMB719.7 million in 2020, representing a CAGR of 33.1%. According to Frost & Sullivan, we had the highest gross profit margin among all publicly listed CDMO players and CDMO players which are subsidiaries of publicly listed companies in the world in each of 2018, 2019 and 2020.

BASIS OF PREPARATION

Our Group consists of our Company and its subsidiaries. The historical financial information of our Group has been prepared with the results of operations of both our Company and its subsidiaries consolidated, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of our Group during the Track Record Period, and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The financial statements of our Company’s subsidiaries are prepared for the same reporting period as our Company, using consistent accounting policies. The results of operations of our Company’s subsidiaries are consolidated from the date on which our Group obtains control and continue to be consolidated until the date that such control ceases.

The Historical Financial Information of our Group has been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “**IASB**”). All IFRSs effective for the accounting period commencing from January 1, 2020 together with the relevant transitional provisions have been early adopted by us in the preparation of the Historical Financial Information throughout the Track Record Period.

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 has been prepared in accordance with IFRS. There are certain differences between PRC GAAP and IFRS, which result in differences between our historically disclosed financial information and that contained in this Prospectus. In particular, to provide

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investors with financial information on a consistent basis, we have applied IFRS 16 throughout the Track Record Period. The adoption of IFRS 16 primarily affects our accounting as a lessee of leases for buildings which are classified as operating leases under IAS 17, Leases. Upon the adoption of IFRS 16, according to the accounting policies described in note 2.3 of the Accountant Report, at the lease commencement date, which is the date the underlying asset is available for use, we as a lessee recognize right-of-use assets and lease liabilities using its incremental borrowing rate. We have adopted the Amendment to IFRS 16, COVID-19-Related Rent Concessions (early adopted) for the first time for the year ended December 31, 2020. Before January 1, 2021, under PRC GAAP, our Group did not recognize right-of-use assets and lease liabilities regarding applicable operating leases. As a result, during the years ended December 31, 2018, 2019, 2020, under PRC GAAP, we have not recognized right-of-use assets and lease liabilities accordingly, resulting in the difference between our historically disclosed financial information and that contained in this Prospectus.

FACTORS AFFECTING OUR BUSINESS, RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our business, results of operations, financial condition and the period-to-period comparability of our financial results have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Growth of the global pharmaceutical contract development and manufacture market

Changes in the demand for contract development and manufacturing services in the global pharmaceutical market will have an impact on our business and results of operations. According to Frost & Sullivan, in 2020, the size of the global CDMO market was US\$55.4 billion. Going forward, the CDMO market is expected to continue its strong growth with the size of the global CDMO market expected to reach US\$106.6 billion in 2025. The strong growth of global pharmaceutical research and development spending and the increasing penetration of outsourcing pharmaceutical development and manufacturing services has created a favorable market environment for us to achieve continuous growth in our business and results of operations. Our revenue increased steadily from RMB1,822.8 million in 2018 to RMB2,445.8 million in 2019 and further to RMB3,136.7 million in 2020. We expect to continue to benefit from such favorable market trend in the near future. For a detailed discussion on the growth drivers of the pharmaceutical contract development and manufacturing market, please see the section headed “Industry Overview.”

Our ability to win new projects from existing customers and expand our customer base

Our business and results of operations depend on our ability to win new projects from both existing customers and new customers. Maintaining a strong pipeline and being able to continuously replenish our backlog are crucial to our long-term success as they underpin the continued growth of our operations. Our ability to win new projects from both existing customers and new customers is affected substantially by our brand image, technology capabilities, service offerings, high-quality services and products, geographic footprint, strict manufacturing and EHS control and proven track record in serving our customers. Leveraging our advantages in these aspects, we strive to win more projects from our existing customers to maintain and strengthen the current level of cooperation. In addition, these advantages also

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enable us to further grow our customer base globally and acquire new customers to increase the size of our backlog. In 2018, 2019 and 2020 and the six months ended June 30, 2021, we recognized revenue from 158, 217, 282 and 216 pre-clinical, Phase I or Phase II Clinical Stage Projects, 24, 39, 42 and 48 Phase III Clinical Stage Projects and 27, 30, 32 and 28 Commercial Stage Projects, respectively. During the same periods, we recognized revenue from 185, 215, 221 and 179 projects relating to our small molecule CDMO solutions, and 24, 71, 135 and 113 projects relating to our Emerging Services, respectively. As of June 30, 2021, we had 246 ongoing projects from which we had partially recognized revenue and 284 projects for which we had secured the contracts but not yet recognized any revenue. The continual increase in the number of projects during the Track Record Period reflects our customers' trust in us and our strong capability to grow our business. If we fail to maintain or grow our customer base, our business, results of operations and financial conditions would be materially and adversely affected. For more details, please see the section headed "Risk Factors – Risks Relating to Our Business and Industry – Our growth strategies and business expansion may not be successful."

Scope of services

Our business and results of operations are affected by the scope of services that we are able to provide to our customers. While strategically positioned as a specialized small molecule CDMO solutions provider, we have, in response to customer demands, been gradually supplementing our existing offerings with new type of services to better serve our customers. In addition to providing comprehensive small molecule CDMO solutions, we have expanded our service offerings to include drug product solutions, chemical macromolecule CDMO solutions, biosynthesis solutions, biologics CDMO solutions, clinical CRO solutions and flow and continuous technology transfer solutions. Our revenue derived from these Emerging Services increased rapidly from RMB40.0 million in 2018 to RMB85.1 million in 2019 and further to RMB236.5 million in 2020. While we will continue to strengthen our competitive advantages in small molecule CDMO solutions depending on our customers' demand, we expect to continue to expand our service scope to bring greater value to our customers. However, our plan to further expand our service offerings may not be successful, and any such failure may have an adverse impact on our results of operations. See "Risk Factors – Risks Relating to Our Business and Industry – Our growth strategies and business expansion may not be successful."

Pricing terms

Competitive pricing is an important factor that affects our business and results of operations. If we are able to negotiate favorable contract terms with our customers, our gross profit and profit margin may increase. In order to obtain better contract terms, especially pricing terms, we rely on our research and development capabilities, quality control, stringent manufacturing management and compliance, timely delivery of quality services and products, and proven track record. We have developed a number of proprietary pharmaceutical development and manufacturing technologies, including our sector-leading flow and continuous and biosynthesis technologies. However, we may not be able to obtain favorable pricing terms as we expected. For details, see "Risk Factors – Risks Relating to our Business and Industry – We operate in a highly competitive market, and if we do not compete effectively, our business, results of operations, financial condition and prospects could be harmed."

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Our ability to manage our costs of sales

In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our cost of sales amounted to RMB984.7 million, RMB1,345.3 million, RMB1,683.5 million, RMB653.5 million and RMB970.2 million, accounting for 54.0%, 55.0%, 53.7%, 52.0% and 55.3% of our total revenue, respectively. Our cost of sales mainly consists of cost of raw materials, manufacturing overhead, labor costs and others. Costs of raw materials and manufacturing overhead were the two largest components of our cost of sales during the Track Record Period. In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our raw materials costs were RMB405.7 million, RMB671.5 million, RMB823.9 million, RMB315.0 million and RMB390.9 million, respectively, representing approximately 22.3%, 27.5%, 26.3%, 25.1% and 22.3% of the total revenue in each corresponding period. During the same periods, our manufacturing overhead was RMB385.6 million, RMB482.4 million, RMB617.6 million, RMB248.5 million and RMB430.3 million, respectively, representing approximately 21.2%, 19.7%, 19.7%, 19.8% and 24.5% of the total revenue in each corresponding period. To manage our costs and improve our profit margins while ensuring timely delivery of quality services and products, we are continually optimizing our manufacturing management and improving our efficiency in using raw materials by, among others, applying advanced manufacturing technologies we developed in-house, such as flow and continuous technology. The application of flow and continuous technology improves the efficiency in using raw materials and increases production output. For more details, please see the section headed “Business – Our Technologies and Innovations – Flow and Continuous Technology.” We also realize operation efficiency by continually streamlining our manufacturing activities, such as reducing unnecessary or redundant manufacturing processes to realize a higher per capita output in a given time.

Manufacturing capacity

To ensure we are able to deliver high-quality and reliable pharmaceutical products to our customers in a timely manner, we need to have sufficient manufacturing capacity. In light of our anticipated growth in the number of pharmaceutical development and manufacturing projects, in particular Commercial Stage Projects, we plan to expand our manufacturing capacity, including increase the capacity of existing manufacturing sites in Dunhua and Tianjin and construct a comprehensive small molecule R&D and manufacturing site in Zhenjiang. For more details of our expansion plan, please see the section headed “Business – Facilities – Future Expansion.” If we are unable to successfully implement our capacity expansion plan, our business and results of operations in the near future will be negatively affected. For more details, please see the section headed “Risk Factors – Risks Relating to Our Business and Industry – Our growth strategies and business expansion may not be successful.” In addition to these measures, we have adopted strategies to maximize the utilization of our existing manufacturing capacity. Before making decisions to expand our manufacturing capacity, we conduct detailed analyses on its return on assets and budgetary requirements based on the potential income we expect to receive in the coming years. We generally will not expand our manufacturing capacity before we are able to anticipate that there will be an increase in purchase orders and that our current manufacturing capacity does not allow us to deliver in a timely manner.

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Fluctuations in foreign exchange rates

During the Track Record Period, a vast majority of our revenue was generated from sales to overseas customers denominated in U.S. dollars and other foreign currencies. However, a majority of our cost of sales and operating costs and expenses are denominated in Renminbi, and our financial information is presented in Renminbi. We are thus subject to foreign exchange risk. For example, if the U.S. dollar appreciates against the Renminbi after we enter into a U.S. dollar denominated project-based service contract or a work order with a customer, our cost of sales as a percentage of our revenue attributable to such service contract or work order would decrease due to such appreciation, increasing both our gross profit and gross profit margin. Conversely, if the Renminbi appreciates against the U.S. dollar after we enter into a U.S. dollar denominated project-based service contract or a work order with a customer, our gross profit would be adversely affected. We have put in place foreign exchange risk control policies, such as using derivative financial instruments, to manage potential risks we may face during volatile fluctuations in foreign exchange rates. For details of such policies, please see the section headed “Risk Factors – Risks Relating to Doing Business in China – Fluctuation in exchange rates may result in foreign exchange losses and adversely impact our profitability.”

EFFECTS OF THE COVID-19 PANDEMIC 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, many countries and regions where we or our customers operate, including the PRC, the United States and Europe, had been affected by the COVID-19 outbreak and, in response, had imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus.

The COVID-19 pandemic influenced the global healthcare markets in numerous ways, according to Frost & Sullivan. Due to the COVID-19 outbreak, certain of our ongoing pharmaceutical development and manufacturing projects in China and overseas have been adversely affected in a number of ways:

- During the lockdowns in early 2020, we had to temporarily close certain of our office facilities and manufacturing sites, restrict employee travel, switch to online virtual meetings or even cancel meetings with existing or prospective customers, all of which had temporarily restrained our operating activities. To the extent physical meetings were required or preferred, our operations, sales and marketing activities had been affected.
- International transportation and logistics have been adversely affected by the various quarantine and travel restrictions imposed by governments, which impacted our ability to deliver products to our customers overseas, causing delay in recognition of revenue in some cases. In addition, international transportation and logistics expenses increased.

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- Construction of our manufacturing facilities and office buildings were temporarily suspended during the first quarter of 2020, which constrained our expansion of manufacturing capacities, thus adding pressure to our overall manufacturing schedule.
- The execution of certain existing projects had been adversely affected and the increase of new projects temporarily slowed down during the first quarter of 2020.

Despite the temporary disruption caused by the COVID-19 pandemic, we are able to sustain a steady growth in 2020. Our revenue increased by 28.2% from RMB2,445.8 million in 2019 to RMB3,136.7 million in 2020, and our profit increased by 30.5% from RMB551.6 million in 2019 to RMB719.7 million in 2020. To alleviate the influence of COVID-19 on businesses and corporations, Chinese government put forward certain COVID-19-related governmental assistances. For instance, we received remission of employer's portion of social society insurance and stipends for encouraging employees to work remotely and avoid traveling during the Chinese New Year period.

In China, the COVID-19 outbreak peaked during the period between January 2020 and March 2020, after which the Chinese society and market has gradually recovered and normalized. We were among the first companies in Tianjin, where we headquartered, to normalize operations. Our operation quickly recovered, and our manufacturing capacity fully restored to our pre-outbreak level by the end of the first quarter of 2020. Despite sporadic new cases, the COVID-19 outbreak is largely under control in China, where all our manufacturing facilities are located. We believe that our financial performance, business operations, liquidity, expansion plans and long-term growth potential have not been adversely and materially affected by the COVID-19 outbreak.

We develop an online audit process for customers who are unable to audit us in person. Therefore, while our ability to onboard new customers is affected by the COVID-19 outbreak, our online audit process provides an alternative to in-person audit and partially offset the impacts of the COVID-19 outbreak. We maintain a diverse pool of raw material suppliers. In 2020, substantially all of our raw materials were sourced within China. Therefore, while we incurred some shortage in supply during the first quarter of 2020, our raw material supply was largely undisturbed for the rest of the year.

Further, the COVID-19 pandemic presented new opportunities for the pharmaceutical industry, including increased investment in new drug and COVID-19-related pharmaceutical research and development, as the outbreak elevated public awareness's of healthcare management and disease control. 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.

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There remain significant uncertainties associated with COVID-19, including with respect to the ultimate spread of the virus, the severity and duration of the pandemic and further actions that may be taken by governmental authorities around the world to contain the virus, and the full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations, cash flows and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted. 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, and may in the future continue to be affected by the COVID-19 outbreak, and may be affected by other natural disasters, epidemics and unforeseeable catastrophes which we cannot control.”

CRITICAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies that we believe are most 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 are believed to be reasonable under the circumstances. We have not changed our material 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 significant estimates, assumptions and judgments in the preparation of our financial statements. For more comprehensive and detailed information on our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, please see notes 2.3 and 3 to the Accountants’ Report in Appendix IA to this prospectus.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services.

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When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which our Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Our Group has satisfied a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) The customer simultaneously receives and consumes the benefits provided by the Group's performance as our Group performs
- (b) Our Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced
- (c) Our Group's performance does not create an asset with an alternate use to our Group and our Group has an enforceable right to payment for performance completed to date

If none of the above conditions is met, our Group recognizes revenue at the point in time when the customer obtains control of the distinct good or service.

If control of the service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at the point in time when the customer obtains control of the service.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, our Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which our Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, our Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which our Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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, our Group generally measures its progress using cost-to-cost (input method). Our Group uses the known cost measure of progress when it best depicts the transfer of value to the customer which occurs as our Group incurs costs on

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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.

As a practical expedient, if our Group has a right to consideration in an amount that corresponds directly with the value of our Group's performance completed to date, our Group recognizes revenue in the amount to which our Group have the right to invoice.

Other income

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

Business combinations and goodwill

Business combinations (other than business combinations under common control) are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by us, liabilities assumed by us to the former owners of the acquiree and the equity interests issued by us in exchange for control of the acquiree. For each business combination, we elect whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

We determine that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When we acquire a business, we assess the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

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Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of our previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. We perform its annual impairment test of goodwill as of December 31. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of us are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

We measure our non-principal protected investments, derivative financial instruments and equity investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous

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market must be accessible by us. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices unadjusted in active markets for identical assets or liabilities;

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; and

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required other than inventories, construction contract assets, financial assets, investment properties and noncurrent assets/a disposal group classified as held for sale, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of

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the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.85%
Manufacturing and research and development equipment	9.90% to 19.80%
Office equipment	19.80% to 33.00%
Motor vehicles	9.90% to 19.80%
Leaseholds improvements	The shorter of the lease terms and their useful lives

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Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents

Purchased patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of ten years. The estimated useful life of patents is determined by considering the period of the economic benefits to our Group or the periods of validity of patents protected by the relevant laws, as well as by referring to the industry practice.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of ten years. The estimated useful life of purchased software is determined by considering the period of the economic benefits to our Group.

Research and development costs

All research costs are charged to profit or loss as incurred.

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Expenditure incurred on projects to develop new products is capitalised only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Expenditure which does not meet these criteria is expensed when incurred.

Leases

We assess at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee, we apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the rights to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 10 years
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If ownership of the leased asset transfers to us by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for termination of a lease, if the lease term reflects us exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

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In calculating the present value of lease payments, we use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

We apply the short-term lease recognition exemption to our short-term leases of rental properties for staff (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). We also apply the recognition exemption for leases of low-value assets to lease of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which we operate.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if we have a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

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Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where we receive grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where we receive government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for “Financial liabilities” in notes to the Historical Financial Information. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If we perform by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. Contract liabilities are recognized as revenue when we perform under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalized as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalized as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

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- (c) The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

Our Company operates several restricted A share incentive schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Employees (including Directors) of us receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“**equity-settled transactions**”).

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model, further details of which are given in note 31 to the Historical Financial Statement.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

The dilutive effect of outstanding restricted A shares is reflected as additional share dilution in the computation of earnings per share.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Accountants' Report in Appendix IA to this prospectus.

Foreign currencies

These Historical Financial Information are presented in RMB, which is our functional currency. Each of our entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by our entities are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which we initially recognize the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, we determine the transaction date for each payment or receipt of the advance consideration.

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The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As of the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

The preparation of our Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying our accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Performance obligation determination

A performance obligation represents a good and service that is distinct or a series of distinct goods or services that are substantially the same. In certain long-term sales contracts, we are required to fulfil multiple promised goods and/or services. In determining performance obligations, the Directors of our Company consider whether the nature of the promise, within the context of the contract, is to transfer each of those goods and/or services individually or, instead, to transfer a combined item. Considering those goods and/or services are considered to be distinct, separately identifiable, the Directors of our Company concluded those goods and/or services as multiple performance obligations.

Significant judgement in determining the lease term of contracts with renewal options

We have several lease contracts that include extension and termination options. We apply judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, we consider all relevant factors that create an economic incentive for us to exercise either the renewal or termination. After the commencement date, we reassess the lease term if

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there is a significant event or change in circumstances that is within our control and affects our ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2020 was RMB43,186,000 (2018 and 2019: nil). The recoverable amount of the cash-generating unit estimated from the cash flow forecast exceeded its carrying amount by RMB2,926,000 as at December 31, 2020 (2018 and 2019: nil). For the purpose of expanding our clinical trial services business, we acquired a 100% interest in a third-party company, which was primarily engaged in the provision of clinical trial service, for a consideration of RMB30,000,000. The acquisition has been accounted for using the acquisition method. After the acquisition, goodwill of RMB43,186,000 was recognized.

Based on the impairment assessment we conducted using certain key assumptions, the recoverable amount of the cash-generating unit estimated from the cash flow forecast exceeded the carrying amount of goodwill and no impairment was considered necessary. The recoverable amount of the cash-generating unit estimated from the cash flow forecast exceeded its carrying amount by RMB2,926,000 as at December 31, 2020 while it was nil as at December 31, 2018 and 2019. If the pre-tax discount rate increases by 1% with other assumptions remaining unchanged, the recoverable amount of the cash-generating unit exceeds its carrying amount by RMB1,878,000 as at December 31, 2020 while it was nil as at December 31, 2018 and 2019. For more details, please see note 15 to the Historical Financial Information.

Provision for expected credit losses on trade receivables

We use a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to the increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on our trade receivables is disclosed in note 21 to the Accountants' Report in Appendix IA to this prospectus.

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 17 to the Accountants' Report in Appendix IA to this prospectus.

Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers' needs and prices change when the products' expiration dates are approaching. Management reassesses these estimates at the end of the reporting period.

Useful lives of property, plant and equipment and intangible assets

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

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DESCRIPTION OF KEY CONSOLIDATED STATEMENT OF PROFIT OR LOSS ITEMS

The following table presents our consolidated statements of profit or loss in 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021.

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
	<i>(in thousands of RMB)</i>			(unaudited)	
Revenue	1,822,787	2,445,849	3,136,724	1,256,774	1,755,569
Cost of sales	(984,677)	(1,345,286)	(1,683,500)	(653,533)	(970,182)
Gross profit	838,110	1,100,563	1,453,224	603,241	785,387
Other income and gains	79,306	100,482	119,773	64,181	98,760
Selling expenses	(71,367)	(82,827)	(84,253)	(39,321)	(39,564)
Administrative expenses	(214,901)	(275,599)	(320,599)	(135,139)	(198,654)
Research and development expense	(155,178)	(192,522)	(258,934)	(108,770)	(163,895)
(Losses on)/reversal of impairment of financial and contract assets, net	(4,851)	(9,605)	(25,751)	(15,067)	8,167
Other expenses	(9,154)	(19,639)	(70,583)	(14,158)	(6,586)
Share of profits/(losses) of associates	–	1,469	2,084	1,474	(939)
Finance costs	(1,467)	(1,768)	(3,728)	(624)	(752)
Profit before tax	460,498	620,554	811,233	355,817	481,924
Income tax expense	(54,141)	(68,965)	(91,530)	(41,526)	(52,600)
Profit for the year/period	<u>406,357</u>	<u>551,589</u>	<u>719,703</u>	<u>314,291</u>	<u>429,324</u>
Attributable to:					
Owners of the parent	428,202	551,589	719,742	314,291	429,327
Non-controlling interests	(21,845)	–	(39)	–	(3)
Total	<u>406,357</u>	<u>551,589</u>	<u>719,703</u>	<u>314,291</u>	<u>429,324</u>

Revenue

During the Track Record Period, we derived our revenue primarily from providing outsourced pharmaceutical development and manufacturing solutions and services. Leveraging our technology know-how and expertise, we provide our customers with integrated pharmaceutical development and manufacturing services from pre-clinical development to commercial manufacturing. For a detailed description of our business, please see the section headed “Business.” In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, we recorded revenue of RMB1,822.8 million, RMB2,445.8 million, RMB3,136.7 million, RMB1,256.8 million and RMB1,755.6 million, respectively.

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Revenue by type of goods and services

We categorize our revenue by goods and service type into (i) clinical stage CDMO solutions, (ii) commercial stage CDMO solutions, and (iii) Emerging Services. Below is a brief description of the three types of goods and services we provided:

- *Clinical Stage CDMO Solutions:* As part of our comprehensive small molecule CDMO solutions, our Clinical Stage CDMO Solutions include process development and optimization, analytical services and scale-up manufacturing services for small molecule drugs throughout the pre-clinical and clinical stage.
- *Commercial Stage CDMO Solutions:* For small molecule drugs that have advanced from clinical stage into commercial stage, we provide ton-scale manufacturing services for registered starting materials (RSMs), advanced intermediates, and active pharmaceutical ingredients (APIs) with high quality.
- *Emerging Services:* In recent years, we have gradually expanded our service offering by leveraging our established research and development platforms and capabilities. Our Emerging Services include (i) chemical macromolecule CDMO solutions for polypeptides, oligonucleotides, polymers, excipients and other macromolecules, (ii) biologics CDMO solutions for recombinant DNA products (including monoclonal antibodies), antibody-drug conjugates (ADCs), messenger RNA (mRNA) and other bio-therapeutics, (iii) drug product solutions, (iv) biosynthesis solutions, and (v) clinical CRO solutions.

The following table sets forth a breakdown of our revenue by service type for the periods indicated, both in actual terms and as a percentage of total revenue:

	For the year ended December 31,						For the six months ended June 30,			
	2018		2019		2020		2020		2021	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except percentages)</i>									
	(unaudited)									
Small Molecule										
CDMO Solutions										
Clinical stage CDMO solutions	743,022	40.8	1,144,897	46.8	1,247,437	39.8	480,940	38.3	826,918	47.1
Commercial stage CDMO solutions	1,037,590	56.9	1,215,784	49.7	1,651,006	52.6	715,724	57.0	785,405	44.7
Emerging Services¹	40,000	2.2	85,109	3.5	236,458	7.5	58,287	4.6	143,246	8.2
Other²	2,175	0.1	59	0.0	1,823	0.1	1,823	0.1	-	-
Total	1,822,787	100.0	2,445,849	100.0	3,136,724	100.0	1,256,774	100.0	1,755,569	100.0

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Notes:

1. All projects of our Emerging Services during the Track Record Period were Clinical Stage Projects. We did not recognize any revenue from Commercial Stage Projects relating to our Emerging Services during the Track Record Period.
2. Other mainly refers to revenue from the resale of raw materials that we purchased.

During the Track Record Period, our revenue generally increased as we obtained new projects from existing customers, expanded our customer base and increased our manufacturing capacity by establishing new and upgrading facilities in Tianjin and Dunhua. While small molecule CDMO solutions contributed to a substantial majority of our revenue during the Track Record Period, revenue generated from Emerging Services and their percentage of total revenue continued to increase as a result of our strategic investments in CDMO solutions for new drug modalities.

- *Clinical Stage CDMO Solutions:* During the Track Record Period, our revenue generated from Clinical Stage CDMO Solutions steadily increased, primarily due to an increase in number of Clinical Stage Projects as a result of the expansion of our customer base and an increase in our customers' stickiness, as well as an increase in the scale of production as our existing Clinical Stage Projects moved across the development cycle into late-stage clinical manufacturing. In 2020, we completed 42 Clinical Stage Projects with the relevant drug candidate at Phase III clinical stage.
- *Commercial Stage CDMO Solutions:* During the Track Record Period, our revenue generated from commercial stage CDMO solutions generally increased, primarily due to an increase in number of Commercial Stage Projects as existing Clinical Stage Projects moved to commercial scale manufacturing and continued expansion of our customer base, as well as the growth in demand under existing Commercial Stage Projects. In 2020, we completed 32 revenue-generating Commercial Stage Projects.
- *Emerging Services:* During the Track Record Period, our revenue generated from Emerging Services grew rapidly, primarily due to the development of our CDMO solutions for new drug modalities, such as polypeptides, oligonucleotides, mAbs, ADCs and mRNA, the launch of drug product solutions, and the expansion of our clinical CRO services as a result of our strategic acquisition of 100% equity interest in GoalGen, a specialized clinical CRO service provider in China.

Revenue by geographic markets

During the Track Record Period, we derived a vast majority of our revenue from overseas customers determined based on the location of their headquarters, primarily including the customers based in the U.S., Europe and Japan. Meanwhile, the revenue contributed by Chinese customers continued to increase primarily due to the booming demand for CDMO solutions from biopharmaceutical companies in China.

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The following table sets forth a breakdown of our revenue by geographical markets based on the location of the headquarters of the customers, for the years/periods indicated, both in actual terms and as a percentage of total revenue:

	For the year ended December 31,						For the six months ended June 30,	
	2018		2019		2020		2021	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except percentages)</i>							
The U.S.	1,513,199	83.0%	1,941,768	79.4%	2,513,785	80.1%	1,402,869	79.9%
China	173,660	9.5%	218,074	8.9%	369,261	11.8%	190,631	10.9%
Europe ⁽¹⁾	125,086	6.9%	275,530	11.3%	220,599	7.0%	110,713	6.3%
Other Countries and Regions ⁽²⁾	10,842	0.6%	10,477	0.4%	33,079	1.1%	51,357	2.9%
Total	1,822,787	100.0%	2,445,849	100.0%	3,136,724	100.0%	1,755,569	100.0%

(1) Include the United Kingdom, France, Ireland, Portugal, Belgium, Germany, and Switzerland.

(2) Include Japan, South Korea, Australia, India, Singapore and Hong Kong.

Cost of sales

Our cost of sales primarily consists of costs of raw materials, manufacturing overhead and labor costs. In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our cost of sales was RMB984.7 million, RMB1,345.3 million, RMB1,683.5 million, RMB653.5 million and RMB970.2 million, respectively.

Cost of sales by category

The table below sets forth a breakdown of our cost of sales for the periods indicated, both in actual terms and as a percentage of total cost of sales:

	For the year ended December 31,						For the six months ended June 30,			
	2018		2019		2020		2020		2021	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except percentages)</i>									
	(unaudited)									
Costs of raw materials	405,736	41.2	671,520	49.9	823,888	48.9	315,027	48.2	390,920	40.3
Manufacturing overhead	385,589	39.2	482,434	35.9	617,603	36.7	248,539	38.0	430,319	44.3
Labor costs	120,634	12.3	155,098	11.5	203,983	12.1	79,184	12.1	126,956	13.1
Others ¹	72,718	7.4	36,234	2.7	38,026	2.3	10,783	1.7	21,987	2.3
Total	984,677	100.0	1,345,286	100.0	1,683,500	100.0	653,533	100.0	970,182	100.0

Note:

1. Others primarily comprise of the logistics and insurance fees.

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Our costs of raw materials primarily consist of costs incurred for the purchase of raw materials used in the rendering of our CMC and commercial manufacturing services. As we provide customized CDMO services to our customers, our costs of raw material as a percentage of our total costs of sales varies based on the needs of specific projects in each respective period. Our costs of raw materials increased during the Track Record Period primarily reflected the increase in the demand of our services and the growth of our business.

Our manufacturing overhead primarily consists of depreciation and amortization costs of manufacturing facilities, utility costs, and analytical and testing costs related to the quality assurance/quality control in the manufacturing process. Our manufacturing overhead increased during the Track Record Period primarily due to the expansion, renovation and upgrade of our manufacturing facilities and the growth of our business.

Our labor costs primarily consist of payroll expenses for employees who provide process development and optimization, and manufacturing directly related to the projects of our customers. Our labor costs increased during the Track Record Period primarily due to an increase in the headcount of relevant employees as a result of the increasing demand for our services.

Cost of sales by type of services

The following table sets forth a breakdown of our cost of sales by type of services for the periods indicated, both in actual terms and as a percentage of total cost of sales:

	For the year ended December 31,						For the six months ended June 30,			
	2018		2019		2020		2020		2021	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except percentages)</i>						<i>(unaudited)</i>			
Clinical stage										
CDMO solutions	396,609	40.3	578,419	43.0	636,221	37.8	240,397	36.8	443,903	45.8%
Commercial stage										
CDMO solutions	562,392	57.1	716,212	53.2	907,219	53.9	368,276	56.4	445,975	46.0%
Emerging Services	25,076	2.5	50,596	3.8	138,589	8.2	43,345	6.6	80,304	8.2%
Others ¹	600	0.1	59	0.0	1,471	0.1	1,515	0.2	-	-
Total	984,677	100.0	1,345,286	100.0	1,683,500	100.0	653,533	100.0	970,182	100.0

Note:

- Others mainly refer to resale of raw materials that we purchased.

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Gross profit and gross profit margin

In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our gross profit was RMB838.1 million, RMB1,100.6 million, RMB1,453.2 million, RMB603.2 million and RMB785.4 million, respectively, and our gross profit margin in each respective period was 46.0%, 45.0%, 46.3%, 48.0% and 44.7%.

As our gross profit continued to increase during the Track Record Period, our gross profit margin remained relatively stable during the same period. Our gross profit margin decreased from 48.0% for the six months ended June 30, 2020 to 44.7% for the six months ended June 30, 2021 primarily due to the greater appreciation of the Renminbi against the U.S. dollar in the first half of 2021 as compared to the first half of 2020. Most of our cost of sales is denominated in Renminbi and a majority of our revenue is denominated in U.S. dollars. Due to the relatively greater appreciation of Renminbi against the U.S. dollar that the rate of U.S. dollars into Renminbi decreased from US\$1.00 to RMB7.06 in the first half of 2020 to US\$1.00 to RMB6.44 in the first half of 2021, the increase in our cost of sales outpaced the increase of our revenue. Applying a constant exchange rate, we would have achieved gross profit margin of 49.1% in the six months ended June 30, 2021, which slightly increased as compared to 48.0% in the six months ended June 30, 2020.

The following table sets forth a breakdown of our gross profit and the respective gross profit margins by type of services for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2018		2019		2020		2020		2021	
	<i>Gross Profit Margin</i>		<i>Gross Profit Margin</i>		<i>Gross Profit Margin</i>		<i>Gross Profit Margin</i>		<i>Gross Profit Margin</i>	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
<i>(in thousands, except percentages)</i>										
(unaudited)										
Clinical Stage										
CDMO Solutions	346,413	46.6	566,478	49.5	611,216	49.0	240,543	50.0	383,015	46.3
Commercial Stage										
CDMO Solutions	475,198	45.8	499,572	41.1	743,787	45.1	347,448	48.5	339,430	43.2
Emerging Services	14,924	37.3	34,513	40.6	97,869	41.4	14,942	25.6	62,942	43.9
Other ¹	1,575	72.4	–	–	352	19.3	308	16.9	–	–
Total	838,110	46.0	1,100,563	45.0	1,453,224	46.3	603,241	48.0	785,387	44.7

Note:

- Other mainly refers to resale of raw materials that we purchased.

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The increase in gross profit margin for Clinical Stage CDMO Solutions from 46.6% in 2018 to 49.5% and 49.0% in 2019 and 2020, respectively, was primarily due to our efforts in enhancing the efficiency of our process development and manufacturing process. The decrease in the gross profit margin for Clinical Stage CDMO Solutions from 50.0% in the six months ended June 30, 2020 to 46.3% in the six months ended June 30, 2021 was primarily due to the impact of foreign exchange rate fluctuation as the payments for a large portion of our Clinical Stage Projects were settled in U.S. dollar. Applying a constant exchange rate, we would have achieved gross profit margin of 50.7% for this type of services in the six months ended June 30, 2021, which remained relatively stable as compared to 50.0% in the six months ended June 30, 2020.

The gross profit margin for our Commercial Stage CDMO Solutions decreased from 45.8% in 2018 to 41.1% in 2019, primarily due to the high costs of raw materials used in some Commercial Stage Projects with large manufacturing scale. The gross profit margin for Commercial Stage CDMO Solutions rebounded and increased to 45.1% due to the reduction of our manufacturing costs achieved by technological advancements. The decrease in the gross profit margin for Commercial Stage CDMO Solutions from 48.5% in the six months ended June 30, 2020 to 43.2% in the six months ended June 30, 2021 was primarily due to the appreciation of the Renminbi against the U.S. dollar as the payments for a large portion of our Commercial Stage Projects were settled in U.S. dollar. Applying a constant exchange rate, we would have achieved gross profit margin of 48.3% for this type of services in the six months ended June 30, 2021, which remained relatively stable as compared to 48.5% in the six months ended June 30, 2020.

The gross profit margin for our Emerging Services was relatively lower compared to small molecule CDMO solutions during the Track Record Period as we were still ramping up our emerging service business. During the same period, this gross profit margin continued to increase primarily due to the growth of emerging service business and the increase in the utilization of our capacity, which enabled us to achieve greater economies of scale. Applying a constant exchange rate, we would have achieved gross profit margin of 49.2% for this type of services in the six months ended June 30, 2021.

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Other income and gains

Other income and gains primarily consist of (i) government grants, (ii) gain on fair value changes of derivative financial instruments, (iii) bank interest income, and (iv) other income. In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our other income and gains were RMB79.3 million, RMB100.5 million, RMB119.8 million, RMB64.2 million and RMB98.8 million, respectively. The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year ended 31 December			Six months ended June 30	
	2018	2019	2020	2020	2021
	<i>(in thousand of RMB)</i>				
	(unaudited)				
Government grants	55,124	90,484	99,257	52,918	74,776
Gain on fair value changes of derivative financial instruments	10,330	–	5,311	4,832	–
Bank interest income	3,805	4,956	15,111	807	7,321
Gain on wealth management products	9,682	1,652	–	–	16,390
Foreign exchange gain	–	3,305	–	5,606	–
Others	365	85	94	18	273
	<u>79,306</u>	<u>100,482</u>	<u>119,773</u>	<u>64,181</u>	<u>98,760</u>

During the Track Record Period, we received various grants from PRC local government authorities, primarily including government grants to support our research and development activities and investment in manufacturing facilities and to incentivize technological innovations. In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, we recognised income from government grants of RMB55.1 million, RMB90.5 million, RMB99.3 million, RMB52.9 million and RMB74.8 million, respectively.

Gain on fair value changes of derivative financial instruments mainly represents the fair value change, including forward currency contracts used to hedge against exchange rate risk exposure. In 2018, 2020 and the six months ended June 30, 2020, we recorded gain on fair value changes of derivative financial instruments of RMB10.3 million, RMB5.3 million and RMB4.8 million, respectively. We did not record any such gain in 2019 and the six months ended June 30, 2021, as we did not purchase such derivative financial instruments in the respective period.

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In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our bank interest income was RMB3.8 million, RMB5.0 million, RMB15.1 million, RMB0.8 million and RMB7.3 million, respectively. Our bank interest income significantly increased in 2020, mainly due to an increase in our cash balances through proceeds from our private placement in 2020.

In 2018, 2019, and the six months ended June 30, 2021, our gain on wealth management products was RMB9.7 million, RMB1.6 million and RMB16.4 million. We did not record gain on wealth management products in 2020 and for the six months ended June 30, 2020 as we did not purchase such wealth management products.

Selling expenses

Our selling expenses primarily consist of staff costs, office expenses, travelling expenses and marketing expenses. Our staff costs primarily consist of payroll and benefits for our employees in business development team. Our office expenses primarily consist of office supplies and overheads for our sales and marketing employees. Our traveling expenses primarily consist of the travelling expenses incurred by our business development team. Our transportation expenses primarily include the shipping expenses for the delivery of our samples, and for the transportation of materials between our different facilities. Our marketing expenses primarily consist of expenses associated with our marketing and promotion activities, such as seminars, conferences and advertisements on social media.

In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our selling expenses were RMB71.4 million, RMB82.8 million, RMB84.3 million, RMB39.3 million and RMB39.6 million, respectively. Our selling expenses as a percentage of our revenue remained stable at 3.9%, 3.4%, and 2.7% in 2018, 2019 and 2020, and at 3.1% and 2.3% in the six months ended June 30, 2020 and 2021, respectively.

The following table sets forth a breakdown of our selling expenses for the years/periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
	<i>(in thousands of RMB)</i>				
	(unaudited)				
Staff costs	48,868	56,011	60,714	25,614	27,378
Office expenses	6,496	3,075	4,888	2,803	2,696
Travelling expenses	6,041	7,302	3,159	1,873	1,137
Transportation expenses	2,963	4,755	5,605	3,802	2,381
Marketing expenses	2,360	3,134	3,490	1,380	1,950
Others ¹	4,639	8,550	6,397	3,849	4,022
Total	71,367	82,827	84,253	39,321	39,564

Note:

- Others mainly comprise of property management costs, depreciation and amortization, hospitality expenses and maintenance, and agency costs.

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Staff costs accounted for the largest proportion of our selling expenses. During the Track Record Period, our staff costs were RMB48.9 million, RMB56.0 million, RMB60.7 million, RMB25.6 million and RMB27.4 million for the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021. Staff costs generally increased during the Track Record Period, primarily due to the increase in headcount of our business development team as our business continuously expanded.

Administrative expenses

Our administrative expenses primarily consist of staff costs, office expenses, depreciation and amortization, facilities maintenance, traveling expenses, and consulting and professional fees. Staff costs mainly represent payroll and benefits for our general administrative employees. Our office expenses mainly consist of office rental expenses, and office supplies and overheads for our administrative staff. Our depreciation and amortization mainly represent the depreciation and amortization of facilities for administrative use, such as office buildings. Our facilities maintenance mainly consists of maintenances cost of facilities for administrative use. Our traveling expenses mainly consist of the travelling expenses incurred by our administrative staff. Our consulting and professional fees mainly consist of fees for external legal, consulting and auditing services.

In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our administrative expenses were RMB214.9 million, RMB275.6 million, RMB320.6 million, RMB135.1 million and RMB198.7 million, respectively. Our administrative expenses as a percentage of our revenue remained stable at 11.8%, 11.3%, and 10.2% in 2018, 2019 and 2020, and 10.8% and 11.3% in the six months ended June 30, 2020 and 2021, respectively.

The following table sets forth a breakdown of our administrative expenses for the years/periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
	<i>(in thousands of RMB)</i>			<i>(unaudited)</i>	
Staff costs	121,410	151,776	188,259	79,808	120,417
Office expenses	19,098	21,992	23,668	9,148	9,550
Depreciation and amortisation	16,525	25,857	31,376	16,451	18,673
Facilities maintenance	13,097	21,990	21,921	7,376	12,866
Traveling expenses	10,481	9,531	7,753	2,090	3,761
Consulting and professional fees ¹	10,011	11,868	5,975	3,170	4,880
Others ²	24,279	32,585	41,647	17,096	28,507
Total	214,901	275,599	320,599	135,139	198,654

Notes:

1. Consulting and professional fees mainly comprise of fees for legal services, auditing services and consulting services incurred during the normal course of business.
2. Others mainly comprises of other tax fees, security fees, property maintenance fees, insurance fees, and fees related to maintenance of patents.

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Staff costs accounted for the largest proportion of our administrative expenses. During the Track Record Period, our administrative staff costs were RMB121.4 million RMB151.8 million, RMB188.3 million, RMB79.8 million and RMB120.4 million for the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, respectively. Staff costs increased during the Track Record Period primarily due to an increase in the headcount of our administrative and management staff along with the growth of our business.

Research and development expenses

Our research and development expenses primarily consist of staff costs, material costs, testing expenses, and depreciation and amortization costs. Staff costs mainly consist of payroll and benefits for our research and development employees. Material costs mainly consist of raw materials and consumables used in the research and development activities. Testing expenses are incurred related to costs and expenses for analytics and testing activities in our research and development process. Depreciation and amortization mainly consisted of the depreciation and amortization costs related to research and development facilities.

In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our research and development expenses were RMB155.2 million, RMB192.5 million, RMB258.9 million, RMB108.8 million and RMB163.9 million, respectively. Our research and development expenses as a percentage of our revenue remained stable at 8.5%, 7.9%, and 8.3% in 2018, 2019 and 2020, and 8.7% and 9.3% in the six months ended June 30, 2020 and 2021, respectively.

The following table sets forth a breakdown of our research and development expenses for the years/periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
	<i>(in thousands of RMB)</i>				
	(unaudited)				
Staff costs	100,139	116,389	143,231	59,427	96,442
Material costs	21,610	28,036	41,153	13,719	18,995
Testing expenses	17,580	29,963	46,310	23,255	32,859
Depreciation and amortization	10,796	13,481	20,951	8,970	12,779
Others ¹	5,053	4,653	7,289	3,398	2,820
Total	155,178	192,522	258,934	108,770	163,895

Note:

- Others primarily comprise of utilities fees and office expenses.

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Staff costs were the largest component of our research and development expenses. The staff costs amounted to RMB100.1 million, RMB116.4 million, RMB143.2 million, RMB59.4 million and RMB96.4 million for the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, respectively. Staff costs increased during the Track Record Period primarily as we continued to expand our research and development team to support our technological developments and innovations.

(Losses on)/ reversal of impairment of financial and contract assets, net

Our losses on/reversal of impairment of financial and contract assets primarily represent the expected credit losses, net of reversal, on trade receivables and other receivables. For the years ended December 31, 2018, 2019 and 2020, we recorded net losses on impairment of financial and contract assets of RMB4.9 million, RMB9.6 million, RMB25.8 million, respectively. The increase in impairment is in line with the increase of trade receivables. For the six months ended June 30, 2020, we recorded net losses on impairment of financial and contract assets of RMB15.1 million as our trade receivables increased. For the six months ended June 30, 2021, we recorded net reversal on impairment of financial and contract assets of RMB8.2 million, mainly due to our trade receivables provision decreased, which is in line with the decrease in the trade receivables from December 31, 2020 to June 30, 2021. The decrease in the provision made for the trade receivables as of June 30, 2021 resulted in the net reversal on impairment of financial and contract assets. Our trade receivables decreased as we received payments from our clients in accordance with the payment schedules in relevant contracts.

Other expenses

Our other expenses primarily consist of foreign exchange losses, and fair value loss on and investment loss related to derivative financial instruments in connection with foreign exchange transactions. In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, we incurred other expenses of RMB9.2 million, RMB19.6 million, RMB70.6 million, RMB14.2 million and RMB6.6 million, respectively. Our other expenses increased from RMB9.2 million in 2018 to RMB19.6 million in 2019, primarily due to the decrease in fair value of our derivative financial instruments in connection with foreign exchange transactions. Our other expenses further increased to RMB70.6 million in 2020 primarily due to the increase of foreign exchange losses as Renminbi strengthened against the U.S. dollar in 2020.

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The following table sets forth a breakdown of our other expenses for the year/period indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
	<i>(in thousands of RMB)</i>			(unaudited)	
Foreign exchange losses	5,219	2,770	55,955	–	4,120
Fair value loss on derivative financial instruments	–	12,420	–	11,225	–
Investment losses ¹	3,170	4,364	12,066	–	–
Others	765	85	2,562	2,933	2,466
Total	9,154	19,639	70,583	14,158	6,586

Note:

- Investment losses primarily consist of losses recognized on disposal of our investment in derivative financial instruments in connection with foreign exchange transactions and other investments if the disposal proceeds are less than the purchase prices.

Finance costs

Our finance costs mainly consist of (i) interest on bank loans, and (ii) interest on lease liabilities. In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our finance costs were RMB1.5 million, RMB1.8 million, RMB3.7 million, RMB0.6 million and RMB0.8 million, respectively.

The following table sets forth a breakdown of our finance costs for the years/periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
	<i>(in thousands of RMB)</i>			(unaudited)	
Interest on bank loans	1,358	774	2,502	–	21
Interest on lease liabilities	109	994	1,226	624	731
Total	1,467	1,768	3,728	624	752

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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, and other jurisdictions where we operate. In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our income tax expenses were RMB54.1 million, RMB69.0 million, RMB91.5 million, and RMB41.5 million and RMB52.6 million, respectively. Our effective tax rate in 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021 was 11.8%, 11.1%, 11.3%, 11.7% and 10.9%. We have paid all relevant taxes in accordance with tax regulations and do not have any disputes or unresolved tax issues with the relevant tax authorities.

The following table sets forth a breakdown of our income tax expenses for the years/periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
	<i>(in thousands of RMB)</i>				
	(unaudited)				
Current	61,124	70,026	105,054	58,766	65,700
Deferred	(6,983)	(1,061)	(13,524)	(17,240)	(13,100)
Total tax charge for the year/period	54,141	68,965	91,530	41,526	52,600

Under the Enterprise Income Tax Law of the PRC (the “**EIT Law**”) (《中華人民共和國企業所得稅法》) and its implementation regulation, the standard EIT rate of the PRC subsidiaries is 25%. Our Company and almost all of our subsidiaries were established in China and are primarily subject to the EIT at a rate of 25% on our taxable income. As of June 30, 2021, eight of our PRC subsidiaries were approved as “High and New Technology Enterprises” (“**HNTes**”) by the relevant government authorities and were therefore subject to a preferential income tax rate of 15% during part or all of the Track Record Period. However, qualified HNTes status is subject to a three-year periodic review. For more details, please see the section headed “Risk Factors – Risks Relating to Our Business and Industry – The discontinuation of any of government incentives or preferential tax treatment currently available to us could adversely affect our financial position, results of operation, cash flows and prospect.” As of the Latest Practicable Date, five of these subsidiaries were in the process of applying for the renewal of HNTe certification for the period from 2021 to 2023.

The United States

We are subject to U.S. federal and state income taxes. 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).

Our subsidiaries established in the United States, Asymchem Inc. and Asymchem Boston Corporation, are subject to a tax rate of 21% on its taxable income currently. There was a tax cut in the United States in 2018, decreasing the tax rate from 35% to 21%.

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DISCUSSION OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

Revenue

Our revenue increased by 39.7% from RMB1,256.8 million in the six months ended June 30, 2020 to RMB1,755.6 million in the six months ended June 30, 2021. This increase was primarily due to (i) the increasing demand for our services, and (ii) the disruptions to our business activities caused by COVID-19 outbreak during the first quarter of 2020.

Our revenue generated from Clinical Stage CDMO Solutions increased by 71.9% from RMB480.9 million in the six months ended June 30, 2020 to RMB826.9 million in the six months ended June 30, 2021, primarily due to (i) an increase of the revenue generated from the Clinical Stage Projects for small molecule drugs assigned by our existing customers of RMB794.6 million for the six months ended June 30, 2021, which is 65.2% higher than the revenue from all Clinical Stage Projects in the six months ended June 30, 2020, (ii) the acquisition of new customers who accounted for 20.5% of our total customers of Clinical Stage CDMO Solutions for the six months ended June 30, 2021 and contributed 4.0%, or RMB32.4 million of our revenue from this type of services for the same period, and (iii) the disruptions to our business activities caused by COVID-19 outbreak during the first quarter of 2020.

Our revenue generated from Commercial Stage CDMO Solutions increased by 9.7% from RMB715.7 million in the six months ended June 30, 2020 to RMB785.4 million in the six months ended June 30, 2021, primarily due to the increase in the number of Commercial Stage Projects from which we recognized revenue from 24 in the first half of 2020 to 28 in the first half of 2021.

For the six months ended June 30, 2021, as compared to the six months ended June 30, 2020, the revenue generated from our Emerging Services increased by 145.8% from RMB58.3 million to RMB143.2 million, primarily due to (i) the increased demand for our chemical macromolecule CDMO solutions as the number of our customers for our chemical macromolecule CDMO solutions increased by over 40% from the six months ended June 30, 2020 to the six months ended June 30, 2021, and we acquired seven new Phase II/III clinical stage project mandates relating to our chemical macromolecule CDMO solutions, (ii) the growth in demand for our drug product solutions from overseas customers which contributed over 40% of new projects during the first half of 2021 and included revenues generated from our existing small molecule CDMO molecule solutions customers who have also engaged us for various projects under our Emerging Services segment, and (iii) the expansion of our clinical CRO services after the acquisition of GoalGen, a specialized clinical CRO service provider, in September 2020.

Cost of sales

Our cost of sales increased by 48.5% from RMB653.5 million in the six months ended June 30, 2020 to RMB970.2 million in the six months ended June 30, 2021, primarily reflecting the strong growth of our business, the expansion of our operations and the impact of exchange rate fluctuations.

Our cost of sales for raw materials increased by 24.1% from RMB315.0 million in the six months ended June 30, 2020 to RMB390.9 million in the six months ended June 30, 2021, which was in line with the strong growth of our business.

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Our cost of sales for manufacturing overhead increased by 73.1% from RMB248.5 million in the six months ended June 30, 2020 to RMB430.3 million in the six months ended June 30, 2021, primarily reflecting the strong growth of our business and the commencement of operations of new facilities in Dunhua and Tianjin.

Our labor costs increased by 60.3% from RMB79.2 million in the six months ended June 30, 2020 to RMB127.0 million in the six months ended June 30, 2021, primarily due to an increase in headcount of our employees, including employees with expertise related to our process development and optimization services, as a result of the strong growth of our business.

Gross profit and gross profit margin

Our gross profit increased by 30.2% from RMB603.2 million in the six months ended June 30, 2020 to RMB785.4 million in the six months ended June 30, 2021. Our gross profit margin decreased from 48.0% in the six months ended June 30, 2020 to 44.7% in the six months ended June 30, 2021, primarily due to the impact of exchange rate fluctuations that the rate of U.S. dollars into Renminbi decreased from US\$1.00 to RMB7.06 to US\$1.00 to RMB6.44. Applying a constant exchange rate, we would have achieved gross profit margin of 49.1% in the six months ended June 30, 2021, which slightly increased as compared to 48.0% in the six months ended June 30, 2020.

Our gross profit from Clinical Stage CDMO Solutions increased by 59.2% from RMB240.5 million in the six months ended June 30, 2020 to RMB383.0 million in the six months ended June 30, 2021. Gross profit margin for this type of services decreased from 50.0% in the six months ended June 30, 2020 to 46.3% in the six months ended June 30, 2021, primarily due to the impact of exchange rate fluctuations. Applying a constant exchange rate, we would have achieved gross profit margin of 50.7% for this type of services in the six months ended June 30, 2021, which remained relatively stable as compared to 50.0% in the six months ended June 30, 2020.

Our gross profit from Commercial Stage CDMO Solutions decrease by 2.3% from RMB347.4 million in the six months ended June 30, 2020 to RMB339.4 million in the six months ended June 30, 2021. The gross profit margin for this type of services decreased from 48.5% in the six months ended June 30, 2020 to 43.2% in the six months ended June 30, 2021, primarily due to the impact of exchange rate fluctuations. Applying a constant exchange rate, we would have achieved gross profit margin of 48.3% for this type of services in the six months ended June 30, 2021, which remained relatively stable as compared to 48.5% in the six months ended June 30, 2020.

Our gross profit from Emerging Services increased by 321.2% from RMB14.9 million in the six months ended June 30, 2020 to RMB62.9 million in the six months ended June 30, 2021. Our gross profit margin increased from 25.6% in the six months ended June 30, 2020 to 43.9% in the six months ended June 30, 2021, primarily due to (i) enhanced operating efficiency achieved through economies of scale as our Emerging Services expanded, and (ii) the relatively low utilization rate of our facilities as the demand for our Emerging Services was reduced in the first quarter of 2020 a result of COVID-19 outbreak. Applying a constant exchange rate, we would have achieved gross profit margin of 49.2% for this type of services in the six months ended June 30, 2021.

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Other income and gains

Our other income and gains increased by 53.9% from RMB64.2 million in the six months ended June 30, 2020 to RMB98.8 million in the six months ended June 30, 2021. This increase was primarily due to the increase in income recognized from government grants and investment gain on wealth management products purchased in 2021.

Selling expenses

We recorded our selling expenses of RMB39.6 million in the six months ended June 30, 2021, which remained stable compared with RMB39.3 million in the six months ended June 30, 2020.

Administrative expenses

Our administrative expenses increased by 47.1% from RMB135.1 million in the six months ended June 30, 2020 to RMB198.7 million in the six months ended June 30, 2021 primarily due to (i) an increase in the headcount of administrative staff to support our business growth, (ii) a relatively lower administrative expenses incurred in the first half of 2020 as we received remission of employer's portion of social society insurance and stipends as a result of the COVID-19 outbreak and (iii) the issuance of share-based incentives.

Research and development expenses

Our research and development expenses increased by 50.6% from RMB108.8 million in the six months ended June 30, 2020 to RMB163.9 million in the six months ended June 30, 2021, primarily due to our increased research and development activities related to technological development and innovations, resulting in the increases in our employee headcount, consumption of raw materials and testing service expenses.

Reversal of impairment of financial and contract assets, net

For the six months ended June 30, 2020, we recorded net losses on impairment of financial and contract assets of RMB15.1 million. For the six months ended June 30, 2021, we recorded net reversal on impairment of financial and contract assets of RMB8.2 million, mainly due to our trade receivables provision decreased, which is in line with the decrease in the trade receivables from December 31, 2020 to June 30, 2021. The decrease in the provision made for the trade receivables as of June 30, 2021 resulted in the net reversal on impairment of financial and contract assets. Our trade receivables decreased as we received payments from our clients in accordance with the payment schedules in relevant contracts.

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Other expenses

Our other expenses decreased by 53.5% from RMB14.2 million in the six months ended June 30, 2020 to RMB6.6 million in the six months ended June 30, 2021, primarily due to the investment losses recorded in the first half of 2020 which were losses recognized on disposal of our investment in derivative financial instruments in connection with the foreign exchange transactions while there was no such loss in the first half of 2021.

Income tax expense

Our income tax expense increased by 26.7% from RMB41.5 million in the six months ended June 30, 2020 to RMB52.6 million in the six months ended June 30, 2021, primarily due to an increase in our profit before tax as a result of the growth of our business, which was partially offset by the impact of preferential tax treatment of pre-tax deduction for research and development expenses, effective from 2021.

Profit for the period

As a result of the foregoing, our profit increased by 36.6% from RMB314.3 million in the six months ended June 30, 2020 to RMB429.3 million in the six months ended June 30, 2021.

Year ended December 31, 2020 compared to year ended December 31, 2019

Revenue

Our revenue increased by 28.2% from RMB2,445.8 million in 2019 to RMB3,136.7 million in 2020, primarily due to the increasing demand for our services.

Our revenue generated from Clinical Stage CDMO Solutions increased by 9.0% from RMB1,144.9 million in 2019 to RMB1,247.4 million in 2020, primarily due to (i) an increase in the total value of Clinical Stage Projects mandates we obtained from our existing customers and (ii) the acquisition of new biotechnology customers, which have substantial needs for CMC services related to the research and development of innovative drugs. For chemical small molecules, our revenue-generating Clinical Stage Projects increased from 185 in 2019 to 189 in 2020. In 2020, the Clinical Stage Projects for small molecule drugs assigned by our existing customers generated revenue of RMB1,177.5 million, which is 2.8% higher than the revenue from all Clinical Stage Projects in 2019. On the other hand, newly acquired biotechnology customers accounted for 32.0% of our total customers of Clinical Stage CDMO Solutions in 2020, contributing 5.6% of our revenue from this type of services in 2020, or RMB69.9 million.

Our revenue generated from Commercial Stage CDMO Solutions increased by 35.8% from RMB1,215.8 million in 2019 to RMB1,651.0 million in 2020, primarily due to (i) an increase in the number of chemical small molecule Commercial Stage Projects from 30 in 2019 to 32 in 2020, and (ii) the continued growth of demands under existing Commercial Stage Projects along with the increase in the sales volumes of our customers' products after commercial launch.

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Our revenue generated from Emerging Services increased by 177.8% from RMB85.1 million in 2019 to RMB236.5 million in 2020, primarily attributable to (i) the strong growth of our chemical macromolecule CDMO solutions as a result of the growth of chemical macromolecule drug market, the year-on-year increase by 160% in the number of our customers for such services, and the increase in the contract value of projects as the molecules progressed to later development stage, (ii) the growth of our drug product solutions as we continued to expand into overseas markets and enhance our capabilities in offering high-end drug product solutions, and (iii) the growth in our clinical CRO solutions through the acquisition of GoalGen in September 2020, which contributed revenue of RMB45.3 million for the year ended 31 December 2020. For more details, please see “Business – Strategic Collaborations, Acquisitions and Investments.”

Cost of sales

Our cost of sales increased by 25.1% from RMB1,345.3 million in 2019 to RMB1,683.5 million in 2020, primarily reflecting our business growth and the expansion of our operations. Cost of raw materials increased by 22.7% from RMB671.5 million in 2019 to RMB823.9 million in 2020, which was largely in line with our revenue growth. Manufacturing overhead increased by 28.0% from RMB482.4 million in 2019 to RMB617.6 million in 2020, primarily due to our business growth. Labor costs increased by 31.5% from RMB155.1 million in 2019 to RMB204.0 million in 2020, primarily due to an increase in employee headcount to support our business growth.

Gross profit and gross profit margin

Our gross profit increased by 32.0% from RMB1,100.6 million in 2019 to RMB1,453.2 million in 2020. Our gross profit margin increased from 45.0% in 2019 to 46.3% in 2020, primarily driven by the growth of higher-margin projects.

Our gross profit from Clinical Stage CDMO Solutions increased by 7.9% from RMB566.5 million in 2019 to RMB611.2 million in 2020, and the gross profit margin for this type of services remained stable at 49.5% in 2019 and 49.0% in 2020.

Our gross profit from Commercial Stage CDMO Solutions increased by 48.9% from RMB499.6 million in 2019 to RMB743.8 million in 2020. The gross profit margin for this type of services increased from 41.1% in 2019 to 45.1% in 2020, primarily due to the reduction of our manufacturing costs achieved through technological advancement.

Our gross profit from Emerging Services increased by 183.6% from RMB34.5 million in 2019 to RMB97.9 million in 2020. Our gross profit margin increased from 40.6% in 2019 to 41.4% in 2020, primarily due to the strong growth of our Emerging Services business and the improved operating efficiency achieved through economies of scale.

Other income and gains

Our other income and gains increased by 19.2% from RMB100.5 million in 2019 to RMB119.8 million in 2020. This increase was primarily due to (i) an increase in bank interest income generated by the proceeds from the private placement in 2020, and (ii) an increase income recognized from government grants.

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Selling expenses

Our selling expenses slightly increased by 1.7% from RMB82.8 million in 2019 to RMB84.3 million in 2020, primarily due to the increased number of business development employees, partially offset by a decrease in traveling expenses due to travel restrictions during COVID-19 pandemic.

Administrative expenses

Our administrative expenses slightly increased by 16.3% from RMB275.6 million in 2019 to RMB320.6 million in 2020, primarily due to an increase in the headcount of our administrative staff as our business expanded.

Research and development expenses

Our research and development expenses increased by 34.5% from RMB192.5 million in 2019 to RMB258.9 million in 2020 primarily due to our increased research and development activities related to technological development and innovations, resulting in the increases in our employee headcount, consumption of raw materials and testing service expenses.

Losses on impairment of financial and contract assets, net

Our losses on impairment increased by 168.1% from RMB9.6 million in 2019 to RMB25.8 million in 2020, primarily due to the increase of our trade receivables as our business expanded.

Other expenses

Our other expenses increased significantly by 259.4% from RMB19.6 million in 2019 to RMB70.6 million in 2020, primarily due to the foreign exchange loss.

Finance costs

Our finance costs increased by 110.9% from RMB1.8 million in 2019 to RMB3.7 million in 2020, primarily due to the interest incurred on a new short-term bank borrowing obtained in 2020.

Income tax expense

Our income tax expense increased by 32.7% from RMB69.0 million in 2019 to RMB91.5 million in 2020, primarily due to an increase in our profit before tax as a result of our business growth.

Profit for the year

As a result of the foregoing, our profit for the year increased by 30.5% from RMB551.6 million in 2019 to RMB719.7 million in 2020.

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Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue

Our revenue increased by 34.2% from RMB1,822.8 million in 2018 to RMB2,445.8 million in 2019, primarily due to the increasing demand for our services.

Our revenue generated from Clinical Stage CDMO Solutions significantly increased by 54.1% from RMB743.0 million in 2018 to RMB1,144.9 million in 2019, primarily due to (i) the increase in the total value of Clinical Stage Projects mandates we obtained from our existing customers and (ii) the acquisition of new biotechnology customers, which have substantial needs for CMC services related to research and development of innovative drugs. For chemical small molecules, our revenue-generating Clinical Stage Projects increased from 158 in 2018 to 185 in 2019. In 2019, the Clinical Stage Projects assigned by our existing customers generated revenue of RMB982.3 million, which is 32.2% higher than the revenue from all Clinical Stage Projects in 2018. On the other hand, newly acquired biotechnology customers accounted for 38.7% of our total customers of Clinical Stage CDMO Solutions in 2019, contributing 14.2% of our revenue from this type of services in 2019, or RMB162.6 million.

Our revenue generated from Commercial Stage CDMO Solutions increased by 17.2% from RMB1,037.6 million in 2018 to RMB1,215.8 million in 2019, primarily due to (i) an increase in the number of new Commercial Stage Projects from 27 in 2018 to 30 in 2019, and (ii) the continued growth of demands under existing Commercial Stage Projects along with the increase in the sales volumes of our customers' products after commercial launch.

Our revenue generated from Emerging Services increased by 112.8% from RMB40.0 million in 2018 to RMB85.1 million in 2019, primarily attributable to (i) the rapid growth of chemical macromolecule CDMO solutions as a result of the growth of chemical macromolecule drug market, the year-on-year increase by over 60% in the number of our customers for such services, and the commencement of operation of a new production line for oligonucleotides, and (ii) the growth of drug product solutions driven by effective cross-selling to existing customers of our small molecule CDMO solutions.

Cost of sales

Our cost of sales increased by 36.6% from RMB984.7 million in 2018 to RMB1,345.3 million in 2019, primarily reflecting our business growth and the expansion of our operations. Costs of raw materials increased by 65.5% from RMB405.7 million in 2018 to RMB671.5 million in 2019, primarily due to our business growth and the high costs of raw materials used in some Commercial Stage Projects with large manufacturing scale. Manufacturing overhead increased by 25.1% from RMB385.6 million in 2018 to RMB482.4 million in 2019, primarily due the expansion of our operations, including the commencement of operations of our new

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facilities in Dunhua, which was partially offset by our measures to improve manufacturing and operation efficiency. Labor costs increased by 28.6% from RMB120.6 million in 2018 to RMB155.1 million in 2019, primarily due to an increase in employee headcount to support our business growth.

Gross profit and gross profit margin

Our gross profit increased by 31.3% from RMB838.1 million in 2018 to RMB1,100.6 million in 2019. Our gross profit margin remained stable at 46.0% in 2018 and 45.0% in 2019, respectively.

Our gross profit from Clinical Stage CDMO Solutions increased by 63.5% from RMB346.4 million in 2018 to RMB566.5 million in 2019. The gross profit margin for Clinical Stage CDMO Solutions increased from 46.6% to 49.5%, primarily due to our efforts in enhancing the efficiency of our process development and manufacturing process.

Our gross profit from Commercial Stage CDMO Solutions increased by 5.1% from RMB475.2 million in 2018 to RMB499.6 million in 2019. The gross profit margin for Commercial Stage CDMO Solutions decreased from 45.8% in 2018 to 41.1% in 2019, primarily due to the high costs of raw materials used in some Commercial Stage Projects with large manufacturing scale. Our gross profit from Emerging Services increased by 131.3% from RMB14.9 million in 2018 to RMB34.5 million in 2019. Our gross profit margin for Emerging Services increased from 37.3% in 2018 to 40.6% in 2019, primarily due to the strong growth of our Emerging Services business and the increase in the utilization of our capacity, which enabled us to achieve greater economies of scale.

Other income and gains

Our other income and gains increased by 26.7% from RMB79.3 million in 2018 to RMB100.5 million in 2019, primarily due to an increase in income recognized from government grant.

Selling expenses

Our selling expenses increased by 16.1% from RMB71.4 million in 2018 to RMB82.8 million in 2019, primarily because we hired more business development employees to support our business expansion.

Administrative expenses

Our administrative expenses increased by 28.2% from RMB214.9 million in 2018 to RMB275.6 million in 2019, primarily due to (i) the increased in the headcount of our administrative staff as our business expanded, (ii) increased depreciation costs related to the purchase of manufacturing facilities in 2019 and (iii) increased in facility maintenance fees.

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Research and development expenses

Our research and development expenses increased by 24.1% from RMB155.2 million in 2018 to RMB192.5 million in 2019 primarily due to our increased research and development activities related to technological development and innovations, resulting in the increases in our employee headcount, consumption of raw materials and testing service expenses.

Losses on impairment of financial and contract assets, net

Our losses on impairment of financial and contract assets, net increased by 98.0% from RMB4.9 million in 2018 to RMB9.6 million in 2019, primarily due to the increase of our trade receivables as our business expanded.

Other expenses

Our other expenses increased by 114.5% from RMB9.2 million in 2018 to RMB19.6 million in 2019 primarily because the fair value losses on our derivative financial instruments in connection with our foreign exchange transactions.

Finance costs

Our finance costs increased by 20.5% from RMB1.5 million in 2018 to RMB1.8 million in 2019, primarily due to an increase in interest on lease liabilities recognized under IFRS 16.

Income tax expense

Our income tax expense increased by 27.4% from RMB54.1 million in 2018 to RMB69.0 million in 2019, primarily due to an increase in our profit before tax as a result of our business growth.

Profit for the year

As a result of the foregoing, our profit for the year increased by 35.7% from RMB406.4 million in 2018 to RMB551.6 million in 2019.

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DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,			As of	As of
	2018	2019	2020	June 30, 2021	September 30, 2021
	<i>(in thousands of RMB)</i>				(unaudited)
Current Assets					
Inventories	424,117	448,783	726,384	878,986	1,083,103
Trade receivables	521,396	656,908	978,149	830,548	1,149,889
Contract assets	3,843	1,597	9,046	13,268	14,593
Prepayment, deposit and other receivables	73,124	91,601	189,598	286,284	473,641
Tax recoverable	4,668	4,487	2,756	4,245	–
Financial assets at fair value through profit or loss (“FVTPL”)	37,110	–	–	1,405,663	1,100,000
Cash and cash equivalents	629,971	435,252	2,124,615	627,585	424,922
Total current assets	<u>1,694,229</u>	<u>1,638,628</u>	<u>4,030,548</u>	<u>4,046,579</u>	<u>4,246,148</u>
Current Liabilities					
Trade payables	198,024	194,052	378,616	341,361	392,848
Other payables and accruals	334,802	288,244	518,089	732,146	1,090,221
Interest-bearing bank borrowings	–	–	10,034	–	–
Financial liabilities at FVTPL	–	5,311	–	–	–
Lease liabilities	931	3,452	2,925	6,846	9,442
Tax payable	6,847	16,378	18,919	17,868	38,316
Total current liabilities	<u>540,604</u>	<u>507,437</u>	<u>928,583</u>	<u>1,098,221</u>	<u>1,530,827</u>
Net Current Assets	<u>1,153,625</u>	<u>1,131,191</u>	<u>3,101,965</u>	<u>2,948,358</u>	<u>2,715,321</u>

We recorded net current assets of RMB2,948.4 million as of June 30, 2021, which remained relatively stable as compared with net current assets of RMB3,102.0 million as of December 31, 2020. The decrease of our cash and cash equivalents from RMB2,124.6 million as of December 31, 2020 to RMB627.6 million as of June 30, 2021 was due to our purchase of low-risk or principal-guaranteed wealth management products, which were reclassified into financial assets at FVTPL.

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We recorded net current assets of RMB3,102.0 million as of December 31, 2020, compared with net current assets of RMB1,131.2 million as of December 31, 2019, primarily due to (i) an RMB1,689.4 million increase in cash and cash equivalents as we received proceeds from our private placement in 2020, (ii) an RMB321.2 million increase in trade receivable, and (iii) an RMB277.6 million increase in inventories, which was partially offset by (i) an RMB229.8 million increase in other payables and accruals and (ii) an RMB184.6 million increase in trade payables.

We recorded net current assets of RMB1,131.2 million as of December 31, 2019, which remained stable compared with net current assets of RMB1,153.6 million as of December 31, 2018, primarily due to an RMB194.7 million decrease in cash and cash equivalents, which was largely offset by (i) an RMB135.5 million increase in trade receivables and (ii) an RMB46.6 million decrease in other payables and accruals.

We recorded net current assets of RMB2,715.3 million as of September 30, 2021, which compared with net current assets of RMB2,948.4 million as of June 30, 2021, primarily due to (i) an RMB358.1 million increase in other payables and accruals, (ii) an RMB305.7 million decrease in financial assets at fair value through profit or loss, and (iii) an RMB202.7 million decrease in cash and cash equivalents, which was partially offset by (i) an RMB204.1 million increase in inventories and (ii) an RMB319.3 million increase in trade receivables.

Inventories

Our inventories consist of raw materials, work in progress and finished goods related to our CDMO services. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	<i>in thousands of RMB</i>			
Raw material	150,891	200,377	203,729	300,679
Work in progress	267,133	243,727	522,655	578,307
Finished goods	6,093	4,679	–	–
Total	424,117	448,783	726,384	878,986

We generally purchase corresponding raw materials after we win new project orders from our customers. Once we start processing raw materials, we record them as work in progress. We record completed but undelivered products as finished goods. An increase in work in progress occurs when we have started processing raw materials but not yet completed the manufacturing process.

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Our inventories increased by 21.0% from RMB726.4 million as of December 31, 2020 to RMB879.0 million as of June 30, 2021, primarily due to the increase in purchases of raw material in preparation for manufacturing projects.

Our inventories increased by 61.9% from RMB448.8 million as of December 31, 2019 to RMB726.4 million as of December 31, 2020, primarily due to an increase in work in progress.

Our inventories increased by 5.8% from RMB424.1 million as of December 31, 2018 to RMB448.8 million as of December 31, 2019, primarily due to an increase in purchases of raw materials. Subsequent to the Track Record Period, we have consumed inventories of RMB566.4 million as of September 30, 2021, representing 64.4% of our inventories as of June 30, 2021.

The following table sets forth the number of turnover days for our inventories for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2018	2019	2020	2021
	<i>(days)</i>			
Inventory turnover days ⁽¹⁾	127	118	127	149

Note:

- (1) Inventory turnover days for a given year/period is the average of the opening and ending balances of inventories divided by cost of sales for that period and multiplied by 365 days for a full-year period or 180 days for a six-month period.

Our inventory turnover days remained relatively stable during the Track Record Period. Our inventory turnover days of 149 days for the six months ended June 30, 2021 was longer as compared to 127 days for the full year 2020, primarily as our cost of sales is usually lower in the first half of the year.

Prepayment, deposit and other receivables

Our prepayment, deposit and other receivables primarily consist of prepayments for raw materials, other tax recoverable related to prepayments for corporate income tax, rental deposits and security deposits for purchase of property, and other receivables.

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The following table sets forth a breakdown of our prepayment, deposit and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	<i>(in thousands of RMB)</i>			
Prepayments	126,185	69,948	219,631	327,476
Other tax recoverable	41,270	64,066	100,832	112,451
Deposits	8,300	9,151	37,744	43,846
Other receivables	5,585	5,841	8,172	40,186
	<u>181,340</u>	<u>149,006</u>	<u>366,379</u>	<u>523,959</u>
Impairment allowance	<u>(2,054)</u>	<u>(3,279)</u>	<u>(7,234)</u>	<u>(7,555)</u>
Total	<u>179,286</u>	<u>145,727</u>	<u>359,145</u>	<u>516,404</u>
Current portion	73,124	91,601	189,598	286,284
Non-current portion	<u>106,162</u>	<u>54,126</u>	<u>169,547</u>	<u>230,120</u>

Our prepayment, deposit and other receivables increased by 43.8% from RMB359.1 million as of December 31, 2020 to RMB516.4 million as of June 30, 2021 and increased by 146.5% from RMB145.7 million as of December 31, 2019 to RMB359.1 million as of December 31, 2020, primarily due to the increases in prepayments for the construction and equipment of new plants and projects in Tianjin and Dunhua to increase our manufacturing facilities. Our prepayment, deposit and other receivables decreased by 18.7% from RMB179.3 million as of December 31, 2018 to RMB145.7 million as of December 31, 2019, primarily due to a decrease in prepayments for construction and manufacturing equipment in connection with the renovation and upgrade of our manufacturing facilities.

Trade receivables

Our trade receivables represent the outstanding amounts receivable by us for the CDMO services that we provided to our customers. The following table sets forth a breakdown of our trade receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	<i>(in thousands of RMB)</i>			
Trade receivables	548,890	692,274	1,034,766	878,133
Impairment of trade receivables	<u>(27,494)</u>	<u>(35,366)</u>	<u>(56,617)</u>	<u>(47,585)</u>
Total	<u>521,396</u>	<u>656,908</u>	<u>978,149</u>	<u>830,548</u>

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Our trade receivables decreased by 15.1% from RMB978.1 million as of December 31, 2020 to RMB830.5 million as of June 30, 2021, as we received payments from our clients in accordance with the payment schedules in relevant contracts.

Our trade receivables increased by 48.9% from RMB656.9 million as of December 31, 2019 to RMB978.1 million as of December 31, 2020, primarily due to a strong growth of project delivery in the fourth quarter of 2020.

Our trade receivables increased by 26.0% from RMB521.4 million as of December 31, 2018 to RMB656.9 million as of December 31, 2019, which was primarily due to, and generally in line with, the growth of our business.

As of September 30, 2021, RMB636.5 million, or 72.5% of our trade receivables as of June 30, 2021, had been subsequently settled. We are of the view that there would be no material obstacle for us to recover the trade receivables from our customers as of June 30, 2021 that remained outstanding as of September 30, 2021 based on the following factors (i) the top five customers with the largest amount of outstanding balances of trade receivables as of September 30, 2021 are five reputable pharmaceutical companies globally, with whom we have a stable business relationship; (ii) we review the business relationships with our customers and their general business performance from time to time so as to ensure that these customers are in healthy financial position; (iii) for overdue trade receivables, we take a variety of measures to collect the payments from the relevant customers, including but not limited to, ongoing communications, site visits and granting a grace period to the relevant customers; and (iv) during the Track Record Period, none of the Group's customers had failed to settle their trade payables.

The Joint Sponsors have conducted the following due diligence work in respect of recoverability of our outstanding trade receivables as of September 30, 2021, including (a) reviewed the breakdown of the detailed trade receivables as of September 30, 2021; and (b) discussed with us to understand, among others, (i) its business relationship with the top five customers with the largest amount outstanding balances of trade receivables as of September 30, 2021; (ii) our credit term policy; (iii) various measures adopted by us to recover the trade receivables due; and (iv) our impairment analysis and treatments of provision in respect of trade receivables.

Based on the due diligence work performed by the Joint Sponsors, nothing has come into the Joint Sponsors' attention that would cause the Joint Sponsors to disagree with our view that there would be no material obstacle for us to recover those outstanding trade receivables as of September 30, 2021.

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The table below sets forth an aging analysis of our trade receivables, net of loss allowance, presented based on the date of invoice or the revenue recognition date if earlier:

	As of December 31,			As of June 30,
	2018	2021	2020	2021
	<i>(in thousands of RMB)</i>			
Within one year	521,133	652,894	958,128	817,656
Over one year	263	4,014	20,021	12,892
	521,396	656,908	978,149	830,548

We generally grant our customers a credit term ranging from 30 to 90 days. The outstanding balances of our trade receivables are non-interest-bearing. We seek to maintain strict control over our outstanding receivables and have credit control procedures to minimize credit risk. Before we accept any new customers, we assess their credit quality and set a credit limit for each potential customer. Overdue balances are reviewed regularly by our senior management.

The following table sets forth the number of turnover days of our trade receivables for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2018	2019	2020	2021
	<i>(days)</i>			
Trade receivables turnover days ⁽¹⁾	102	93	100	98

Note:

- (1) Trade receivables turnover days for a given year/period is the average of the opening and ending balances of original book value of trade receivables, divided by revenue for that year/period and multiplied by 365 days for a full-year period or 180 days for six-month period.

Our trade receivables turnover days remained relatively stable in 2018, 2019 and 2020 and for the six months ended June 30, 2021.

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Trade payables

Our trade payables mainly represent payables relating to the purchases of raw materials. As of December 31, 2018, 2019 and 2020 and June 30, 2021, our trade payables were RMB198.0 million, RMB194.1 million, RMB378.6 million and RMB341.4 million, respectively. The significant increase in our trade payables from December 31, 2019 to December 31, 2020 was primarily due to a higher procurement amount of raw materials as a result of business growth.

As of September 30, 2021, RMB232.2 million, or 68.0% of our trade payables as of June 30, 2021, had been subsequently settled.

The credit terms our suppliers grant us generally range from 15 days to 90 days. For purchases we pay annually, our suppliers generally grant us credit term of 90 days. The table below sets forth an aging analysis of our trade payables, presented based on the date of receiving the services as of the dates indicated:

	As of December 31,			As of
				June 30,
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	189,377	182,005	362,841	334,268
1 to 2 years	8,647	4,776	5,311	4,169
Over 2 years	–	7,271	10,464	2,924
	<u>198,024</u>	<u>194,052</u>	<u>378,616</u>	<u>341,261</u>

The following table sets forth the number of turnover days of our trade payables for the periods indicated:

	For the year ended December 31,			For the
				six months
	2018	2019	2020	ended
				June 30,
				2021
	<i>(days)</i>			
Trade payables turnover days ⁽¹⁾	55	53	62	67

Note:

- (1) Trade payables turnover days for a given year/period is the average of the opening and ending balances of accounts payables divided by cost of sales for that year/period and multiplied by 365 days for a full-year or 180 days for a six-month period.

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Our trade payable turnover days remained relatively stable in 2018 and 2019. Our trade payable turnover days increased from 53 days in 2019 to 62 days in 2020, primarily because we started to optimize our supplier management system since late 2019 by selecting preferred suppliers and entering into framework agreements with them which granted longer credit period to us. Our trade payable turnover days was 67 days in the six months ended June 30, 2021, which remained relatively stable compared with 62 days in 2020.

Financial assets/liabilities at FVTPL

Our financial assets/liabilities at FVTPL mainly consist of low-risk wealth management products we that purchased from commercial banks in China, derivative financial instrument for exchange risk and other investments.

The following table sets forth the breakdown of our financial assets/liabilities at FVTPL as of the dates indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	<i>(in thousands of RMB)</i>			
Financial assets (liabilities)				
Wealth management products	30,000	–	–	1,405,663
Derivative financial instruments				
– Forward currency contracts	7,110	(5,311)	–	–
Other unlisted investments, at fair value	–	20,000	35,000	50,000
Current portion	37,110	(5,311)	–	1,405,663
Non-current portion	–	20,000	35,000	50,000

Our financial assets/liabilities at FVTPL were low-risk wealth management products, forward currency contracts issued by banks and an unlisted investment in an investment fund in Mainland China. They were mandatorily classified as financial assets/liabilities FVTPL as their contractual cash flows are not solely payments of principal and interest.

During the Track Record Period, we invested in certain RMB-denominated wealth management products issued by reputable commercial banks in China. Our finance department is responsible for making investment decisions and monitoring and controlling risks associated with our wealth management product portfolio with the guidance from our comprehensive set of internal policies and guidelines to manage our investment in wealth management products. Our finance department will then submit the investment proposals to our Chief Finance Officer for review and approval. Our internal audit department will review and monitor the return and risks of our wealth management products and report to our Audit Committee. Our Supervisors will also monitor the status of our wealth management products and can report any issues they find to the Board of Directors. Our shareholder's meeting and Board of Directors review and approve the annual quota of our investments in wealth management products. Investments in wealth management products made using proceeds raised from A-share private placements were approved by board resolutions and relevant announcements were made in compliance

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with A-share listing rules. We believe that our internal control and risk management measures regarding investment in financial assets are adequate. We generally only purchase wealth management products with principal-guaranteed or low-risks and issued by the state-owned banks or banks with good credit rating. Before making investment in wealth management products, we evaluate on a case-by-case basis, cautiously consider a number of factors such as macro-economic environment, general market conditions and the expected profit or potential loss of the proposed investment, and ensure that the proposed investment will not interfere with our daily operation and business prospects. We prudently match the maturities of our wealth management product portfolio with our anticipated cash needs. During the Track Record Period, the annual return rates of those wealth management products ranged from 3.05% to 4.10%, with a relatively short term of 30 to 146 days to ensure sufficient liquidity.

The details on the fair value measurement of the financial instruments, particularly the fair value hierarchy, the valuation techniques and key inputs, are disclosed in Note 37 of the Accountant's Report set out in Appendix IA to this prospectus.

In relation to the valuation of our financial instruments during the Track Record Period, we adopted the following procedures: (i) reviewed the terms of the relevant financial instruments; (ii) reviewed the fair value measurement assessment of the relevant financial instruments presented by our finance personnel and carefully considered all information available and various applicable valuation techniques and process in determining the valuation of the relevant financial instruments; and (iii) reviewed the fair value measurement of the financial investments in the Accountant's Report taking into account of the valuation techniques and assumptions of unobservable inputs and determine if the fair value measurement of level 3 investments is in compliance with the applicable IFRS. Having performed these procedures, the Directors consider that the carrying amount of the level 3 investments, including the investment fund which mainly invested in a portfolio of unlisted equities measured at FVTPL and a money market fund with low risk and short-term maturity, were reasonable and approximate to the fair values.

The Reporting Accountants have performed relevant procedure in accordance with Hong Kong Standard on Auditing ("HKSA") 540 (Revised) "Auditing Accounting Estimates and Related Disclosures" and Hong Kong Auditing Practice Guidance 1000 "Special Considerations in Auditing Financial Instruments" for the valuation. The Reporting Accountant's opinion on the historical financial information of our Group for the Track Record Period is set out in Appendix IA to this prospectus.

In relation to the valuation of the Company's level 3 financial assets at fair value, the Joint Sponsors have conducted, among others, the following due diligence work: (i) reviewed the relevant notes in the Accountants' Report set forth in Appendix IA to this Prospectus; (ii) discussed with the Company to understand (a) the procedures performed by the Company for such valuation; (b) the key factors, valuation methodologies and key assumptions taken into account by the Company when performing the valuation; (c) reason that the Company did not separately engage an external valuer to value its level 3 financial assets; and (d) the internal control process undertaken by the Company for reviewing the relevant valuation; (iii) reviewed the Company's underlying investment agreements in respect of level 3 financial assets and its A-share announcements relating to the investments; and (iv) discussed with the Reporting Accountants on its work performed in relation to the Company's level 3 financial assets.

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Having considered the work done by the Company and the relevant due diligence work conducted as stated above, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to disagree with the views of the Company in respect of the valuation of level 3 financial instrument.

Our financial assets/liabilities at FVTPL declined by 60.4% from RMB37.1 million as of December 31, 2018 to RMB14.7 million as of December 31, 2019, primarily due to (i) the disposal of our wealth management products in 2019, and (ii) the fair value loss of our derivative financial instruments in connection with foreign exchange transactions, partially offset by our RMB20.0 million investment in a private equity fund focused on investment in pharmaceutical and biotech startups. Our financial assets/liabilities at FVTPL increased by 138.1% from RMB14.7 million as of December 31, 2019 to RMB35.0 million as of December 31, 2020, as we further increased our investment in the private equity fund focused on investment in pharmaceutical and biotech startups. Our financial assets/liabilities at FVTPL increased significantly from RMB35.0 million as of December 31, 2020 to RMB1,455.7 million as of June 30, 2021, primarily due to (i) our purchase of wealth management products to better utilize our excess cash when cash sufficiently covers our ordinary course of business, and (ii) an increase in our investment in the private equity fund focused on investment in pharmaceutical and biotech startups.

Other payables and accruals

Our other payables and accruals consist of payroll and welfare payable, other tax payables, contract liabilities, repurchase obligation of restricted shares issued under our share-based employee incentive plan, other payables and deferred income. The following table sets forth the breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,			As of
	2018	2019	2020	June 30, 2021
	<i>(in thousands of RMB)</i>			
Current portion				
Payroll and welfare payable	54,399	69,993	102,743	67,748
Other tax payables	4,899	6,931	10,608	8,447
Contract liabilities ⁽¹⁾	14,636	20,152	91,552	142,503
Repurchase obligation of restricted shares ⁽²⁾	123,126	90,529	143,058	163,738
Other payables	137,742	100,639	170,128	349,710
Total	334,802	288,244	518,089	732,146
Non-current portion				
Deferred income	110,570	148,042	151,445	174,474

Notes:

- (1) Advances received from customers for undelivered transfer of goods and services.
- (2) Repurchase obligation of restricted shares was primarily in relation to restricted share units granted under the Restricted A Share Incentive Scheme.

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Our current portion of other payables and accruals decreased by 13.9% from RMB334.8 million as of December 31, 2018 to RMB288.2 million as of December 31, 2019, primarily due to decreases in repurchase obligation of restricted shares and other payables, partially offset by the increase in payroll and welfare payable to employees. Our other payables and accruals increased by 79.7% from RMB288.2 million as of December 31, 2019 to RMB518.1 million as of December 31, 2020, primarily due to the increase in payroll and welfare payable to employees, the increased issuance of share-based incentives and the increased payables for construction and machinery. Our other payables further increased by 41.3% to RMB732.1 million as of June 30, 2021, primarily due to increased issuance of share-based incentives, and increase in advances received from customers and an increase in other payables, partially offset by the decrease in payroll and welfare payables as the annual bonuses had been paid in the first quarter.

Contract liabilities

Our contract liability is recognized when a payment is received or due, whichever is earlier, from a customer before we transfer the related goods or services. The contract liability is recognized as revenue when we perform our obligations under the contract, such as transfer of control of the related goods or services to our customer. For details, see “– Critical Accounting Policies, Judgements and Estimates – Contract Liabilities.”

Our contract liabilities increased by 37.7% from RMB14.6 million as of December 31, 2018 to RMB20.2 million as of December 31, 2019, and further increased by 354.3% to RMB91.6 million as of December 31, 2020, and then increased by 55.6% to RMB142.5 million as of June 30, 2021, which was generally in line with the growing demands for our services under our contracts with customers, which typically contained provisions requiring an upfront payment before the commencement of our services. In addition, our contract liabilities are typically higher in the first half of a year since we generally receive upfront payments from our customers in the first half year and such payments are then recognized as revenue as we deliver the services or goods in the remaining of the year.

The table below sets forth an aging analysis of our contract liabilities, presented based on the date of payment received as of the dates indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	<i>(in thousands of RMB)</i>			
Within one year	14,636	20,152	91,552	142,503

As of September 30, 2021, RMB83.7 million, or 58.8% of our contract liabilities as of June 30, 2021 had been subsequently utilized.

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In relation to the Group's contract liabilities as at the end of each of the years/period comprising the Track Record Period, the Joint Sponsors have performed, among others, the following due diligence work: (i) reviewed the relevant notes in the Accountants' Report set forth in Appendix IA to the Prospectus; (ii) obtained and reviewed the underlying documents reflecting the procedures and policies adopted by us to record contract liabilities as at the end of each of the years/period comprising the Track Record Period; (iii) discussed with us about various aspects of our contract liabilities; (iv) conducted independent due diligence interviews with our major customers to understand their business cooperative relationship and performance of business contracts; and (v) discussed with the Company's Reporting Accountants on its work performed in relation to our contract liabilities and corresponding revenue recognition.

Our Directors confirm that they have no doubt about the genuineness, existence and reasonableness of our contract liabilities as at the end of each of the year/period comprising the Track Record Period. Based on the relevant due diligence work performed by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to disagree with the belief held by the Directors in respect of our contract liabilities.

Other payables

The following table sets forth a breakdown of our other payables for the year/period indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	<i>(in thousands of RMB)</i>			
Payables for construction and machinery	78,015	72,929	143,231	165,853
Payables for equity acquisition	45,363	14,030	10,000	–
Others ¹	14,364	13,680	16,897	183,857
Total	137,742	100,639	170,128	349,710

Note:

- Others for the six months ended June 30, 2021 mainly consists of dividends of RMB145.5 million, which was approved by our Shareholders in May 2021 and fully distributed in cash in July 2021.

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Our other payables decreased by 26.9% from RMB137.7 million as of December 31, 2018 to RMB100.6 million as of December 31, 2019 primarily due to the decrease in payables for the purchase of minority equity in our subsidiaries. Our other payables increased by 69.0% from RMB100.6 million as of December 31, 2019 to RMB170.1 million as of December 31, 2020, primarily due to the increase in payables for construction and machinery related to our expansion of manufacturing facilities in Tianjin. Our other payables further increased by 105.6% to RMB349.7 million as of June 30, 2021, primarily due to (i) the increase in payables for construction and machinery related to our expansion of manufacturing facilities in Dunhua and (ii) payables for dividends of RMB145.5 million, which was approved by our Shareholders in May 2021 and fully distributed in cash in July 2021.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our principal uses of cash were to fund our payment for the purchase of property, plant and equipment, purchase of raw materials, labor costs and other recurring expenses to support the expansion of our operations. We funded our cash requirements principally from cash generated from our operations, proceeds from A share listing and private placement as well as bank borrowings. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash generated from operations, proceeds from our private placement in 2020, proceeds from the Global Offering and bank borrowings.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
	<i>(in thousands of RMB)</i>				
				(Unaudited)	
Cash flows from operating activities	415,899	602,034	572,913	122,743	478,005
Cash flows used in investing activities	(583,702)	(699,898)	(1,101,772)	(256,361)	(1,982,509)
Cash flows from/used in financing activities	(43,541)	(103,264)	2,264,245	(134,132)	7,668
Net increase/(decrease) in cash and cash equivalents	(211,344)	(201,128)	1,735,386	(267,750)	(1,496,836)
Effect of foreign exchange rate changes, net	(11,919)	10,984	(28,211)	(2,000)	(2,488)
Cash and cash equivalents at end of year/period	604,528	414,384	2,121,559	144,634	622,235

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Cash flows from operating activities

We generate cash from operating activities primarily from the provision of contract development and manufacturing services for our customers.

In the six months ended June 30, 2021, our net cash generated from operating activities was RMB478.0 million. In such period, the difference between our net cash generated from operating activities and our profit before tax of RMB481.9 million was primarily resulted from tax paid of RMB68.2 million and changes in working capital, partially offset by depreciation of property, plant and equipment of RMB93.4 million. Change in working capital accounts primarily included (i) a decrease in trade payables of RMB37.3 million, (ii) an increase in inventories of RMB152.6 million, (iii) an decrease in trade receivables RMB156.6 million, (iv) an increase in other payables and accruals RMB90.8 million, and (v) an increase in prepayments, deposits and other receivables of RMB73.0 million.

In 2020, our net cash generated from operating activities was RMB572.9 million. In this year, the difference between our net cash generated from operating activities and our profit before tax of RMB811.2 million, primarily resulted from tax paid of RMB89.4 million and changes in working capital, partially offset by depreciation of property, plant and equipment of RMB154.0 million. Change in working capital accounts primarily included (i) an increase in trade receivables of RMB341.4 million, (ii) an increase in other payables and accruals of RMB154.9 million, (iii) an increase in inventories of RMB270.3 million, (iv) an increase in prepayments, deposits and other receivables of RMB98.4 million, and (v) an increase of trade payables RMB178.4 million. The increase in working capital primarily reflects our business growth.

In 2019, our net cash generated from operating activities was RMB602.0 million. In such period, the difference between our net cash generated from operating activities and our profit before tax of RMB620.6 million primarily resulted from tax paid of RMB60.3 million and changes in working capital, partially offset by depreciation of property, plant and equipment of RMB120.7 million. Change in working capital accounts primarily included (i) an increase in trade receivables of RMB143.4 million, (ii) an increase in other payables and accruals of RMB63.5 million, (iii) an increase in inventories of RMB24.7 million, and (iv) an increase in prepayments, deposits and other receivables of RMB22.2 million. The increase in working capital primarily reflects our business growth.

In 2018, our net cash generated from operating activities was RMB415.9 million. In such period, the difference between our net cash generated from operating activities and our profit before tax of RMB460.5 million primarily resulted from tax paid of RMB82.2 million and changes in working capital, partially offset by depreciation of property, plant and equipment of RMB100.9 million. Change in working capital accounts primarily included (i) an increase in inventories of RMB163.9 million, (ii) an increase in trade payables of RMB99.1 million, (iii) an increase in other payables and accruals of RMB97.2 million, and (iv) an increase in trade receivables of RMB77.2 million. The increase in working capital primarily reflects our business growth.

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Cash flows used in investing activities

Our cash used in investing activities mainly reflects our cash used in payments for purchases of property, plant and equipment, as well as financial assets at FVTPL.

Net cash used in investing activities was RMB1,982.5 million in the six months ended June 30, 2021, primarily attributable to purchases of items of property, plant, equipment and other intangible assets of RMB575.6 million and purchase of investments designated at FVTPL of RMB2,615 million, partially offset by proceeds from disposal of investments at FVTPL of RMB1,210.7 million.

Net cash used in investing activities was RMB1,101.8 million in 2020, primarily attributable to (i) purchases of items of property, plant, equipment and other intangible assets of RMB1,015.0 million, (ii) increase in investments in associates of RMB48.6 million, (iii) increase in pledged deposits of RMB26.9 million, and (iv) purchases of investments designated at FVTPL of RMB15.0 million partially offset by interest received of RMB15.1 million.

Net cash used in investing activities was RMB699.9 million in 2019, primarily attributable to (i) purchases of items of property, plant, equipment and other intangible assets of RMB510.8 million, (ii) increase investments in associates of RMB200.0 million, and (iii) purchase of investments designated at FVTPL of RMB20.0 million, partially offset by proceeds from disposal of investments at FVTPL of RMB30.0 million.

Net cash used in investing activities was RMB583.7 million in 2018, primarily attributable to (i) purchases of items of property, plant, equipment and other intangible assets of RMB543.2 million, and (ii) purchase of investments designated at FVTPL of RMB30.0 million.

Cash flows from/used in financing activities

Our cash flows from financing activities mainly comprise proceeds from issue of shares and new bank borrowings. Our cash flows used in financing activities mainly comprise dividends paid to shareholders.

Net cash generated from financing activities was RMB7.7 million in the six months ended June 30, 2021, primarily attributable to proceeds from issuance of restricted shares in 2020 of RMB26.4 million, partially offset by repayment of bank borrowings of RMB10.0 million and share repurchase payment of RMB5.7 million.

Net cash generated from financing activities was RMB2,264.2 million in 2020, primarily attributable to proceeds from issue of shares of RMB2,275.0 million and new bank borrowings of RMB150.0 million, partially offset by repayment of borrowings of RMB140.0 million and dividends paid to shareholders of RMB115.6 million.

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During the Track Record Period, we financed our capital expenditures primarily with cash generated from operations, bank facilities and net proceeds received from the A share Listing in 2016 and private placement in 2020. We expect to incur approximately RMB1.3 billion in capital expenditures for in 2021 primarily in relation to the expansion of manufacturing facilities. We expect to fund such capital expenditures through cash generated from operations, net proceeds received from the private placement in 2020, and the net proceeds from the Global Offering. For more details, please see the section headed “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

Our indebtedness consists of interest-bearing borrowings we obtained from commercial banks and lease liabilities.

Borrowings

The following table sets forth our borrowings by source of funding as of the dates indicated:

	As at December 31,			As at June 30,	As at September 30,
	2018	2019	2020	2021	2021
	<i>RMB'000</i>				
Short-term bank borrowings					
– Secured	–	–	10,000	–	–
– Unsecured	–	–	–	–	–
Total	–	–	10,000	–	–

As of December 31, 2018, and 2019, we did not have outstanding loans. As of December 31, 2020, the amount of our interest-bearing borrowings was RMB10.0 million, because we obtained a new short-term bank borrowing in 2020. This secured short-term bank borrowing was fully repaid by us in February 2021, and therefore we did not have any outstanding borrowings as of June 30, 2021 and September 30, 2021.

As of September 30, 2021, we had unutilized banking facilities of an aggregate of RMB592.1 million, including RMB430.0 million and US\$25.0 million (equivalent to RMB162.1 million).

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In October and November 2021, we drawn down an aggregate of RMB85.0 million under a short-term secured credit facility which was entered into by us with Tianjin Branch of Citi Bank, all of which will become due on December 30, 2021. We were granted with a general credit line of up to US\$25.0 million with a fixed interest rate of 3.5% per annum. We provide a guarantee against those loans from Tianjin Branch of Citi Bank. In October 2021, we entered into two bank loans with Dunhua Branch of Bank of China, including (i) a one-year bank loan with a principal amount of RMB120.0 million and a fixed interest rate of 3.6% per annum, which is secured by our buildings and land use rights as collateral and will become due on October 25, 2022, and (ii) a one-year unsecured bank loans with a principal amount of RMB100.0 million and a fixed interest rate of 3.6% per annum, which will become due on October 26, 2022. We have fully drawn down the principal amount of those two bank loans. As of Latest Practicable Date, the total outstanding balance amount of our interest-bearing borrowings was RMB305.0 million. 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 not experienced any difficulty in obtaining bank loans and other borrowings, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. As of Latest Practicable Date we had unutilized banking facilities of an aggregate of RMB485.5 million, including RMB410.0 million and US\$11.8 million (equivalent to RMB75.5 million).

Lease Liabilities

As of December 31, 2018, 2019 and 2020, June 30, 2021 and September 30, 2021, we recorded current lease liabilities of RMB0.9 million, RMB3.5 million, RMB2.9 million, RMB6.8 million, and RMB9.4 million, respectively, and non-current liabilities RMB2.0 million, RMB28.3 million, RMB25.9 million, RMB39.5 million and RMB41.2 million, respectively. The following table set forth the breakdown of our lease liabilities for the date indicated.

	As at December 31,			As at June 30,	As at September 30,
	2018	2019	2020	2021	2021
	<i>RMB'000</i>				
Current lease liabilities	931	3,452	2,925	6,846	9,442
Non-current lease liabilities	1,986	28,320	25,882	39,500	41,170
Total	2,917	31,772	28,807	46,346	50,612

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Except as discussed above, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of the Latest Practicable Date.

CONTRACTUAL OBLIGATIONS

Capital commitments

Our capital commitments are related to our construction of facilities and purchase of property and equipment. We expect to satisfy our capital commitments using cash from operations, proceeds from our private placement in 2020, net proceeds to be received from the Global Offering and bank borrowings available to us.

The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,			As of
	2018	2019	2020	June 30,
	<i>(in thousands of RMB)</i>			2021
Contracted, but not provided for:				
Buildings	26,004	26,089	63,990	9,574
Plant and machinery	153,265	100,603	271,890	433,282
Total	<u>179,269</u>	<u>126,692</u>	<u>335,880</u>	<u>442,856</u>

CONTINGENT LIABILITIES

As of June 30, 2021, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that is likely to have a material and adverse effect on our business, financial condition or results of operations. During the Track Record Period and up to the Latest Practicable Date, we had no contingent liabilities.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

	As of/for the year ended December 31,			As of/ for the six months ended June 30,
	2018	2019	2020	2021
	Gross profit margin ⁽¹⁾	46.0%	45.0%	46.3%
Net profit margin ⁽²⁾	22.3%	22.6%	22.9%	24.5%
Return on assets ⁽³⁾	13.9%	15.8%	13.1%	N.A.
Return on equity ⁽⁴⁾	17.4%	19.9%	15.9%	N.A.
Current ratio ⁽⁵⁾	313.4%	322.9%	434.1%	368.5%
Gearing ratio ⁽⁶⁾	0.0%	0.0%	0.2%	0.0%

Notes:

- (1) Gross profit margin equals our gross profit for the year/period divided by revenue for the year/period.
- (2) Net profit margin equals our profit for the year/period divided by revenue for the year/period.
- (3) Return on assets equals profit for the year divided by the average of the opening and ending balances of total assets for the year/period.
- (4) Return on equity equals profit for the year divided by the average of the opening and ending balances of total equity for the year.
- (5) Current ratio equals our current assets divided by current liabilities as of the end of the year/period.
- (6) Gearing ratio equals total debt divided by total equity as of the end of the year/period. Total debt consists of all interest-bearing bank loans.

Analysis of key financial ratios

Our net profit margin remained stable at 22.3% in 2018, 22.6% in 2019, 22.9% in 2020 and 24.5% for the six months ended June 30, 2021.

Our return on assets increased from 13.9% in 2018 to 15.8% in 2019, primarily due to an increase in the profit for the year. Our return on assets decreased from 15.8% in 2019 to 13.1% in 2020, primarily due to an increase in our cash and cash equivalents as a result of our private placement in 2020.

Our return on equity increased from 17.4% in 2018 to 19.9% in 2019, primarily due to an increase in the profit for the year. Our return on equity decreased from 19.9% in 2019 to 15.9% in 2020, primarily due to an increase in our equity as a result of our private placement in 2020, which was partially offset by the increase in profit for the year.

Our current ratio remained stable at 313.4% and 322.9% as of December 31, 2018 and December 31, 2019, respectively. The current ratio increased to 434.1% as of December 31, 2020, primarily due to an increase in cash and cash equivalents as a result of our private placement in 2020. Our current ratio decreased to 368.5% as of June 30, 2021, primarily due to the increase of other payables in relation to our distributable dividends which was approved by our Shareholder in May 2021 and fully distributed in July 2021.

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Our gearing ratio was 0.0% as of December 31, 2018 and December 31, 2019, because we did not have outstanding interest-bearing loans as of December 31, 2018 and December 31, 2019. Our gearing ratio was 0.2% as of December 31, 2020, as we obtained a short-term bank loan in 2020. We have repaid the full amount of this bank loan. As of June 30, 2021, we did not have any outstanding interest-bearing loans and our gearing ratio was 0.0%.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we had no off-balance sheet commitments and arrangements.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, there was one related party transaction between us and Shanghai Asymchem Laboratories Testing Technology Co., Ltd (“**Shanghai Asymchem Technology**”), a subsidiary of an associate of us, of which the amount due from Shanghai Asymchem Technology was RMB1.9 million as of December 31, 2020 and June 30, 2021. The amounts due from Shanghai Asymchem Technology are non-trade in nature, unsecured, non-interest-bearing and repayable within one year. The outstanding amounts due from Shanghai Asymchem Technology of RMB1,900,000 as of June 30, 2021 will be fully settled before the Listing. Save for the foregoing, we did not enter into any other transactions with related party transaction. For further details about our related party transaction, please refer to note 35 to the Accountants’ Report set out in Appendix IA to this prospectus. Our Directors believe that our transaction with related party during the Track Record Period was conducted in the ordinary course of business, and it did not distort our track record results or make our historical results not reflective of our future performance.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of risks, including foreign currency risk, credit risk, liquidity risk and interest rate risk. We set out below the policies on how to mitigate these risks. We regularly monitor our exposure to these risks to ensure appropriate measures are implemented on a timely and effective manner. For further details, including relevant sensitivity analysis, see note 38 to the Accountants’ Report set out in Appendix IA to this Prospectus.

Foreign currency risk

We have foreign currency risk exposures. Such exposures primarily arise from sales or purchases by operating units and investing and financing activities by investment holding units in U.S. dollars and other foreign currencies. A vast majority of our revenue was generated from sales to overseas customers denominated in U.S. dollars and other foreign currencies, while a majority of our cost of sales and operating costs and expenses were denominated in Renminbi, and our financial information is presented in Renminbi. We have adopted foreign exchange risk control policies and entered into foreign exchange transactions to mitigate the impacts brought by fluctuations in foreign exchange rates. During the Track Record Period, we entered into foreign exchange transactions, such as long-term or short-term forward and swap contracts, and we regularly assess our needs to manage potential risks we may face during volatile fluctuations in foreign exchange rates. We evaluate the risks of the investment by our financial

FINANCIAL INFORMATION

center or engaging third-party consultants before we made any investments on foreign exchange transactions. Our audit department is responsible for making investment decisions and risk management and will submit to the Board of our Company or Shareholder's meetings for approval. A dedicated working group reviews our investments on foreign exchange transactions on a regular basis and report to the audit department quarterly.

Sensitivity analysis

We are mainly exposed to the foreign currency risk related to the exchange rate change of U.S. dollars against our functional currency, Renminbi. The following table sets forth our sensitivity to a 5% increase and decrease in U.S. dollars against Renminbi. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each of the Track Record Period for a 5% change in foreign currency rates.

	As of December 31, 2018		As of December 31, 2019		As of December 31, 2020		As of June 30, 2021	
	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity						
	<i>(in thousands of RMB)</i>							
If USD depreciates								
5% against RMB	(2,380)	(2,918)	(1,395)	(3,620)	(1,818)	(6,482)	(4,731)	(10,323)
If USD appreciates								
5% against RMB	2,380	2,918	1,395	3,620	1,818	6,482	4,731	10,323

Credit risk

We are exposed to credit risk primarily arising from trade receivables, cash and cash equivalents and other receivables. The carrying amounts of our trade receivables, cash and cash equivalents and other receivables in the consolidated statements of financial position represent our maximum exposure to credit risk in relation to those financial assets. To diminish our credit risk, we trade only with recognized and creditworthy third parties. Our management has established procedures for credit verification and approvals. In addition, our management monitors the recoverability of receivable balances on an ongoing basis to ensure our exposure to bad debts is not significant and follow-up actions are taken to recover overdue debts.

We have concentration of credit risks with respect to trade receivables, as the amount due from our largest customer in each year or period during the Track Record Period accounted for 27.2%, 17.4%, 21.0% and 14.0% of our total trade receivables as of December 31, 2018, 2019 and 2020 and June 30, 2021, respectively, and the aggregated amount due from our five largest customers accounted for 61.8%, 49.2%, 65.9% and 49.9% of our trade receivables as of December 31, 2018, 2019 and 2020 and June 30, 2021, respectively. Further, we expect that there is no significant credit risk associated with our cash and cash equivalents since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Our management does not expect that there will be any significant losses from non-performance by these counterparties. For details, please refer to note 38 to the Accountants' Report set out in Appendix IA to this prospectus.

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Liquidity risk

We manage our liquidity risks by monitoring and maintaining a level of cash and cash equivalents or to have available funding through the use of bank loans and other borrowings to finance our operations and mitigate the effects of fluctuations in cash flows. For further details, please refer to note 38 to the Accountants' Report set out in Appendix IA to this prospectus.

Interest rate risk

Our exposure to the risk of changes in market interest rates relates primarily to our interest-bearing bank borrowings. Some of these interest-bearing bank borrowings were obtained at floating interest rates, which have exposed us to interest rate risk. For details, please refer to note 27 to the Accountants' Report set out in Appendix IA to this prospectus.

DISTRIBUTABLE RESERVES

As of June 30, 2021, our Company had retained profits of RMB69.1 million.

DIVIDEND POLICY

After the completion of the Global Offering, we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. A decision to declare or to pay dividends in the future and the amount of dividends will be at the discretion of our Board and will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory restrictions on our declaration and payment of dividends and other factors that our Board may consider important. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Our Shareholders in a general meeting may approve any declaration of dividends.

According to the applicable PRC laws and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations: recovery of the losses incurred in the previous year; allocations to the statutory reserve equivalent to 10% of our profit after tax; and allocations to a discretionary common reserve of certain percentage of our profit after tax that are approved by a Shareholders' meeting.

Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. Pursuant to our Articles of Association, the amount of the cash dividend distributed should be at least 10% of our profits available for distribution generated in each financial year.

In 2018, 2019 and 2020, we distributed dividends of RMB80.5 million, RMB92.5 million, and RMB115.6 million, respectively, representing a dividend of RMB0.35, RMB0.40, and RMB0.50 per share, respectively. On May 18, 2021, our Shareholders approved to distribute an unpaid dividend of RMB145.5 million, representing a dividend of RMB0.6 per share. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Directors and subject to the approval of the Shareholders' meeting.

FINANCIAL INFORMATION

LISTING EXPENSES

Our listing expenses mainly include underwriting fees and commissions and professional fees paid to legal advisers and service providers for their services rendered in relation to the Global Offering. Assuming full payment of the discretionary incentive fee of 1% of the aggregate Offer Price of all the Offer Shares under the Global Offering, we expect to incur a total of RMB238.4 million of listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering, of which an estimated amount of RMB0.8 million is expected to be recognized as administrative expenses in the statement of profit or loss pursuant to IAS 32 and guidance of HKICPA and the remaining RMB237.6 million is expected to be recognized directly as a deduction from equity upon the Listing. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations in 2021.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules for illustration purpose only, and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as of June 30, 2021 as if it had taken place on that date.

Our unaudited pro forma 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 financial position of our Group had the Global Offering been completed as of June 30, 2021 or any future date. It is prepared based on our consolidated net tangible assets as of June 30, 2021 as set out in the Accountants' Report in Appendix IA to this prospectus, and adjusted as described below:

	Audited consolidated net tangible assets attributable to owners of our Company as of June 30, 2021	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company as of June 30, 2021	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company as of June 30, 2021 per Share	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i>
Based on the Offer Price of HK\$350 per Share	6,220,659	5,068,959	11,289,618	42.91	52.35
Based on the Offer Price of HK\$410 per Share	6,220,659	5,944,239	12,164,898	46.24	56.41

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Notes:

1. The consolidated net tangible assets attributable to owners of the Company as of June 30, 2021 is arrived at after deducting RMB23,300,000 intangible assets and RMB43,186,000 goodwill from the audited consolidated equity attributable to owners of the Company of RMB6,287,145,000 as of June 30, 2021, as shown in the Accountants' Report, the text of which is set out in Appendix IA to this prospectus.
2. The estimated net proceeds from the Global Offering are based on estimated offer prices of HK\$350 or HK\$410 per Share after deduction of the underwriting fees and other related expenses payable by our Company and take no account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds are converted into RMB at the rate of RMB1.00=HK\$1.22. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at the rate or at any other rates at all.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 263,076,518 Shares are in issue assuming that the grant of 2,048,200 A shares of the Company under the Restricted A Share Incentive Scheme 2021, cancellation of 13,775 restricted shares and the Global Offering has been completed on June 30, 2021 and an Offer Price of HK\$350 per Share, being the low end of the Offer Price range and an Offer Price of HK\$410 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of the Over-allotment Option.
4. No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to June 30, 2021.

Please refer to “Appendix II – Unaudited Pro Forma Financial Information” in this prospectus for further details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2021 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since June 30, 2021 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix IA to this prospectus.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

SHARE CAPITAL

SHARE CAPITAL

Immediately before the Global Offering

As of the Latest Practicable Date, the registered share capital of the Company was RMB244,661,118, comprising of 244,661,118 A Shares with a nominal value of RMB1.00 each which were all listed on the Shenzhen Stock Exchange.

Upon the Completion of the Global Offering

Immediately after the Global Offering (assuming that the Over-allotment Option is not exercised and no additional restricted A Shares are granted under the A Share Incentive Schemes), the share capital of the Company will be as follows.

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate % of the enlarged issued share capital after the Global Offering</u>
A Shares	244,661,118	93.0%
H Shares to be issued pursuant to the Global Offering	<u>18,415,400</u>	<u>7.0%</u>
Total	<u><u>263,076,518</u></u>	<u><u>100%</u></u>

Immediately after the Global Offering (assuming that the Over-allotment Option exercised in full and no additional restricted A Shares are granted under the A Share Incentive Schemes), the share capital of the Company will be as follows.

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate % of the enlarged issued share capital after the Global Offering</u>
A Shares	244,661,118	92.03%
H Shares to be issued pursuant to the Global Offering	<u>21,177,700</u>	<u>7.97%</u>
Total	<u><u>265,838,818</u></u>	<u><u>100%</u></u>

SHARE CAPITAL

CLASS OF SHARES

Upon the completion of the Global Offering, the Shares will consist of A Shares and H Shares. The two classes of Shares are all ordinary Shares in the share capital of the Company. H Shares may only be subscribed for and traded in Hong Kong dollars.

Shanghai-Hong Kong Stock Connect, activated on November 17, 2014, and Shenzhen-Hong Kong Stock Connect, initiated on December 5, 2016, have established a stock connect mechanism between the PRC and Hong Kong. A Shares of the Company 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. H Shares of the Company can be subscribed or traded by Hong Kong and other overseas investors and qualified domestic institutional investors. If the H Shares of the Company 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.

A Shares and H Shares are regarded as different classes of Shares. The differences between the two classes of Shares, provisions on rights of class of Shareholders, dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares, the procedure of Share transfer and appointment of dividend receiving agents are set out in the Articles of Association, which is summarized in “Appendix V – Summary of the Articles of Association.”

Furthermore, any change or abrogation of the rights of class Shareholders shall be approved by way of a special resolution of the general meeting of Shareholders and by a separate class shareholders meeting of class Shareholders convened by the affected class of Shareholders. The circumstances under which a general meeting and/or a class meeting is required are summarized in “Appendix V – Summary of the Articles of Association.” However, the special approval process of separate classes of Shareholders is not required under the following circumstances:

- (i) issue of A Shares or H Shares of not more than 20% of existing A Shares or H Shares, respectively, either separately or concurrently in a period of 12 months, pursuant to an approval by a special resolution of the general meeting;
- (ii) proposal to issue of A Shares and H Shares of the Company upon its establishment pursuant to approval of the securities regulatory authority under the State Council, provided that such proposal is carried out within 15 months after such approval; or
- (iii) transfer of A Shares by A shareholder to foreign investors, or conversion of A Shares by A shareholder to foreign Shares in part or in full, and such transferred or converted Shares are listed on overseas stock exchange as approved by the securities regulatory authority under the State Council and with the consent of the Hong Kong Stock Exchange.

SHARE CAPITAL

Save as disclosed above, the A Shares and H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. All dividends on H Shares shall be paid in Hong Kong dollars whereas dividends on A Shares shall be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

The Company does not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months from the Listing Date.

SHAREHOLDERS' APPROVAL FOR THE GLOBAL OFFERING

Approval from holders of the A Shares is required for the Company to issue H Shares and seek the listing of H Shares on the Hong Kong Stock Exchange. The Company has obtained such approval at the Shareholders' general meeting held on June 16, 2021.

SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, the following persons directly or indirectly held, or are entitled to exercise the control of, 5% or more of our A Shares:

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares Held or Interested	Approximate Percentage (%)
Dr. Hao Hong ⁽¹⁾	Interest held by controlled corporations	A Shares	88,510,520	36.18
	Beneficial owner	A Shares	10,191,928	4.17
ALAB ⁽¹⁾	Beneficial owner	A Shares	88,510,520	36.18

Note:

- As of the Latest Practicable Date, Dr. Hao Hong directly held 71.19% equity interest in ALAB, which is a limited liability company incorporated in the United States. Therefore, Dr. Hao Hong was deemed to be interested in the Shares held by ALAB.

So far as is known to the Directors, as at the Latest Practicable Date, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no additional restricted A Shares are granted under the A Share Incentive Schemes), each of following persons will have an interest and/or short position (as applicable) in the Shares or underlying Shares which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the Shares, once the Shares are listed on the Hong Kong Stock Exchange:

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares Held or Interested	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Issued Share Capital
Dr. Hao Hong ⁽¹⁾	Interest held by controlled corporations	A Shares	88,510,520	36.18%	33.64%
	Beneficial owner	A Shares	10,191,928	4.17%	3.87%
ALAB ⁽¹⁾	Beneficial owner	A Shares	88,510,520	36.18%	33.64%

Note:

- As of the Latest Practicable Date, Dr. Hao Hong directly held 71.19% equity interest in ALAB, which is a limited liability company incorporated in the United States. Therefore, Dr. Hao Hong was deemed to be interested in the Shares held by ALAB.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, the Directors are not aware of any person who will, immediately following the completion of the Global Offering (and the offering of any additional H Shares pursuant to the Over-allotment Option), have an interest or short position in the Shares or underlying shares of the Company which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at any general meeting of the Company.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no additional restricted A Shares are granted under the A Share Incentive Schemes), Dr. Hao Hong and ALAB will directly hold approximately 3.87% and 33.64% interest of our share capital, respectively. As of the Latest Practicable Date, ALAB was owned as to 71.19% by Dr. Hao Hong. Dr. Ye Song, the spouse of Dr. Hao Hong who owned 19.52% of the share capital of ALAB, is presumed to be a controlling shareholder by virtue of the spousal relationship between Dr. Ye Song and Dr. Hao Hong. Accordingly, Dr. Hao Hong, Dr. Ye Song and ALAB are regarded as a group of Controlling Shareholders for the purpose of the Listing Rules and will remain as a group of Controlling Shareholders immediately upon the Listing. For details of the biography of the Dr. Hao Hong and Dr. Ye Song, see “Directors, Supervisors and Senior Management.” ALAB is a limited liability company incorporated in the United States on November 27, 1995 with no substantial business activities as of the Latest Practicable Date. For details of the shareholding structure of ALAB, see “History and Development – Shareholding of ALAB.”

For more information relating to the Controlling Shareholders and their shareholdings in the Company, see “Substantial Shareholders” and “Statutory and General Information – Disclosure of Interests” in Appendix VI to this prospectus.

CONFIRMATION OF NO COMPETING INTEREST

Each of our Controlling Shareholders and Directors has confirmed that he/it does not have any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Taking into consideration the following factors, the Directors are of the view that we can conduct our business independently from each of our Controlling Shareholders and their respective close associates after the completion of the Global Offering.

Operational Independence

We operate our business independently from our Controlling Shareholders and their respective close associates.

We hold or enjoy the benefits of all relevant licenses necessary to carry out our business in all material respects. We have obtained all relevant qualifications and authorizations, independent operating premises, facilities, intellectual properties, domain names and electronic information systems needed for our business in all material respects.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

We have our own independent and complete organizational corporate structure, including departments in relation to production, research and development, purchasing and supply, QA&EHS&RA, infrastructure and equipment, sales, finance, administration and general management and other supporting departments, each with specific areas of responsibility to facilitate the effective operation of our business.

In addition to the fact that the business of the Company and ALAB are clearly delineated, we identify our own distributors and customers, manage our own distributing network, enter into the distribution contracts and communicate with, serve, and maintain relationship with our distributors and customers independently from ALAB.

Based on the above, our Directors are satisfied that the Group is able to operate independently from our Controlling Shareholders and their respective close associates.

Financial Independence

We have the ability to operate independently from our Controlling Shareholders and their respective close associates from the financial perspective.

As of June 30, 2021, the Company has sufficient funds to carry on its operations and we had approximately RMB844.28 millions of unutilized and unrestricted banking facilities granted by several commercial banks which are all independent third parties. Our Directors are of the view that we are capable of obtaining financing from external sources independently without reliance on our Controlling Shareholders and/or their close associates.

We have set up the financial department to be responsible for the financial management, accounting, taxation, sales financial management and fund management in the ordinary and usual course of business of the Company. The Group has our own risk management and internal control system, independent accounting and financial management system and independent management for cash receipts and payments, and we make financial decisions according to our own business needs.

We do not rely on the Controlling Shareholders and/or their respective close associates by virtue of their provision of financial assistance. Our Directors confirmed that, as of the Latest Practicable Date, none of the Controlling Shareholders or their respective close associates had provided any loans, guarantees or pledges to the Group.

Based on the above, the Directors are of the view that the Group is able to maintain financially independent from our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Management Independence

The Board consists of nine Directors, including four executive Directors (including Dr. Hao Hong, our ultimate Controlling Shareholder), two non-executive Directors (including Dr. Ye Song, one of our Controlling Shareholders), and three independent non-executive Directors, among whom, two Directors also hold positions in ALAB (see details below). None of our senior management holds position in ALAB. Our management and operational decisions are made by our executive Directors and senior management, most of whom have served the Group for over ten years and have extensive experiences in the industry we are engaged in. For details of the biography of the Directors and senior management and their roles in the Company, see “Directors, Supervisors and Senior Management.”

The following table sets forth the positions held by the Directors in ALAB as at of the Latest Practicable Date:

<u>Name</u>	<u>Position(s) held in the Group</u>	<u>Significant position(s) held in ALAB</u>
Dr. Hao Hong	Founder, Chairman of the Board, Executive Director and General Manager	Chairman of the board of ALAB
Dr. Ye Song (Dr. Hao Hong’s wife)	Non-executive Director	General manager, director and chief financial officer of ALAB

Save as disclosed above, as of the Latest Practicable Date, none of the other Directors or senior management held any position in ALAB and/or its subsidiaries (excluding the Group).

We believe the Directors and senior management can independently perform their duties in the Company and we can operate independently from our Controlling Shareholders due to the following reasons:

- (i) our Directors are well aware of and understand their fiduciary duties which, among other things, require them to act in the best interests of the Company and the Shareholders as a whole. As Dr. Hao Hong is the founder of both ALAB and the Company, it is necessary for him to remain as chairman of the board of both companies. Nevertheless, when performing his duty as an executive Director and the general manager of the Company, he has been and will continue to allocate sufficient time and resources to the management and operation of the Company;
- (ii) we have three executive Directors and ten senior management members besides Dr. Hao Hong to oversee the operation and the development of the Group and make independent decisions, all of whom have extensive experiences in the industry we are engaged in and will not have any role in ALAB or its subsidiaries;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (iii) Dr. Ye Song, as a non-executive Director, has not been and will not be involved in our daily operation. As a member of the Board, Dr. Ye Song only participates in formulating the Company's corporate and business strategies and the decision-making process of significant events through attending Board meetings;
- (iv) the decision-making mechanism of the Board as specified in the Articles of Association has set out relevant provisions to avoid conflicts of interests, including but not limited to the followings:
- a Director shall be abstained from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the Board meeting;
 - under the circumstance that a Director shall be abstained from voting, a resolution proposed at such Board meeting shall be passed by more than half of all the other Directors who have no related relationship; if the number of the other Directors who have no related relationship present is less than three, the resolution shall be submitted to the general meeting of the Company for deliberation; and
 - when connected transactions are considered by the general meeting of the Company, Shareholders who shall be abstained from voting according to applicable laws, rules or Listing Rules shall not vote and the voting Shares held by them shall not be counted in the total number of voting Shares.
- (v) we have three independent non-executive Directors to balance the numbers of interested Director(s) and independent non-executive Directors for the protection of the interests of the Company and the Shareholders as a whole. The independent non-executive Directors, Ms. Zhang Kun, Mr. Wang Qingsong and Mr. Lee, Kar Chung Felix are not involved in the daily business operations and management of the Company. Ms. Zhang Kun, Mr. Wang Qingsong and Mr. Lee, Kar Chung Felix are primarily responsible for supervising and providing independent judgement to the Board. The daily business operations and management of the Company are managed by the executive Directors and senior management who have substantial experiences in the industry we are engaged in to ensure the proper functioning of the daily operation and management of the Company.

Based on the above, the Directors are of the view that our management is independent from our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

In order to further safeguard the interests of the Shareholders, we will adopt the following corporate governance measures to manage any potential conflicts of interest with the Controlling Shareholders and their respective close associates:

- (i) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules which will become effective upon the Listing. In particular, our Articles of Association provides that, a Director shall be abstained from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the Board meeting;
- (ii) the Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if the Company enters into connected transactions with the Controlling Shareholders or any of their associates, the Company will comply with the applicable requirements under the Listing Rules;
- (iii) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experience, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. For details of the independent non-executive Directors, see “Directors, Supervisors and Senior Management”;
- (iv) if a substantial Shareholder or a Director has a conflict of interest in a proposal which the Board has determined to be material, such matter should be dealt with by a Board meeting rather than a written resolution. Independent non-executive Directors who, and whose close associates, have no material interests in the matter should be present at such Board meeting; and
- (v) we have appointed Anglo Chinese Corporate Finance, Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

OVERVIEW

The Board currently consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. All Directors are elected at the Shareholders' general meetings. The Directors serve for a term of three years and shall be subject to re-election upon retirement. The Board is responsible for and has the general power over the management and operation of our business, including determining our business strategies and investment plans, implementing resolutions passed at our general meetings, and exercising other powers, functions and duties as conferred by the Articles of Association. The Board also assumes the responsibilities for developing and reviewing the policies and practices of the Company on corporate governance, risk management, internal control and compliance with legal and regulatory requirements.

The Supervisory Committee currently consists of three Supervisors, including one employee representative Supervisor and two shareholder representative Supervisors. The Supervisory Committee is responsible for supervising the performance of duty of the Board and the senior management of the Company and overseeing the financial, internal control and risk conditions of the Company. The employee representative Supervisor is elected by our employees for a term of three years, while shareholder representative Supervisors are elected at the Shareholders' general meetings for a term of three years.

The senior management is currently comprised of 11 members who are responsible for our day-to-day management and operation.

DIRECTORS

The following table sets forth the key information about our Directors as at the Latest Practicable Date.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Responsibilities</u>	<u>Date of first appointment</u>	<u>Date of joining the Group</u>
Dr. Hao Hong	65	Founder, Chairman of the Board, Executive Director and General Manager	<ul style="list-style-type: none">Responsible for the formulation of the strategic direction, business plans and major operational decisions and direct day-to-day management of our brands, sales and daily operation of the GroupChairman of the Strategy Committee	Appointed as the Chairman of the Board and the General Manager on July 18, 2011	October 1998

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Responsibilities	Date of first appointment	Date of joining the Group
Ms. Yang Rui (楊蕊)	44	Executive Director and Deputy General Manager	<ul style="list-style-type: none"> • Responsible for the major operational decisions and direct day-to-day management of the Group • Member of the Strategy Committee 	Appointed as a Director and a Deputy General Manager on July 18, 2011	April 1999
Mr. Zhang Da (張達)	40	Executive Director, Deputy General Manager and Chief Financial Officer	<ul style="list-style-type: none"> • Responsible for the financial operation, financing and investment activities of the Group • Member of the Remuneration and Examination Committee 	Appointed as the Chief Financial Officer on August 7, 2018, as a Deputy General Manager on April 4, 2019 and as a Director on April 18, 2019	May 2018
Mr. Hong Liang (洪亮)	47	Executive Director and Deputy General Manager	<ul style="list-style-type: none"> • Responsible for the major operational decisions and direct day-to-day management of the Group • Member of the Nomination Committee 	Appointed as a Director on July 18, 2011 and as a Deputy General Manager on October 31, 2017	October 1998
Dr. Ye Song	60	Non-executive Director	<ul style="list-style-type: none"> • Responsible for advising on our business plans, major decisions and investment activities 	Appointed as a Director on July 18, 2011	July 2011
Ms. Zhang Ting (張婷)	34	Non-executive Director	<ul style="list-style-type: none"> • Responsible for advising on our business plans, major decisions and investment activities • Member of the Audit Committee 	Appointed as a Director on February 9, 2021	March 2008

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Responsibilities	Date of first appointment	Date of joining the Group
Ms. Zhang Kun (張昆)	48	Independent non-executive Director	<ul style="list-style-type: none"> • Supervising and providing independent judgement to the Board and offering strategic advice and guidance as to our financial management, internal control and external investment • Chairman of the Audit Committee • Member of the Remuneration and Examination Committee 	Appointed as an independent non-executive Director on January 16, 2017	January 2017
Mr. Wang Qingsong (王青松)	42	Independent non-executive Director	<ul style="list-style-type: none"> • Supervising and providing independent judgement to the Board • Chairman of the Remuneration and Examination Committee • Member of the Nomination Committee • Member of the Audit Committee 	Appointed as an independent non-executive Director on April 18, 2019	April 2019
Mr. Lee, Kar Chung Felix (李家聰)	39	Independent non-executive Director	<ul style="list-style-type: none"> • Supervising and providing independent judgement to the Board • Chairman of the Nomination Committee • Member of the Strategy Committee 	Appointed as an independent non-executive Director on June 16, 2021	June 2021

Dr. Hao Hong, aged 65, was appointed as the Chairman of the Board and as the General Manager of the Company in July 2011 and an executive Director with effect from May 2021. Dr. Hao Hong is responsible for the formulation of the strategic direction, business plans and major operational decisions and direct day-to-day management of our brands, sales and daily operation of the Group.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Prior to founding ALAB, a Controlling Shareholder of the Company, in November 1995, Dr. Hao Hong has served at North Carolina State University (北卡州立大學) as a post-doctoral research associate and was mainly responsible for conducting scientific researches. Dr. Hao Hong founded Chirachem Laboratories (Tianjin) Co., Ltd. (天津凱萊英精細有機化工有限公司, the predecessor of the Company) in October 1998 and was appointed as the chairman of the board and the general manager.

Dr. Hao Hong obtained a bachelor's degree of medicine from Sichuan Medical College (四川醫學院, currently known as West China Hospital of Sichuan University (四川大學華西醫院)) in March 1982 and a master's degree of medicine from the China Capital Medical University (中國首都醫科大學) in June 1985. He also obtained a doctorate' degree of medicinal chemistry from the Chinese Academy of Medical Sciences (中國醫學科學院) in October 1988. Dr. Hao Hong has been awarded as “Outstanding Overseas Student of Tianjin” (“天津市傑出留學人員”) by Tianjin Municipal People's Government (天津市人民政府) and Tianjin Municipal Committee of Communist Party of China (中國共產黨天津市委員會) in February 2004, “Outstanding Entrepreneurship Award” of Professional Overseas Chinese (華僑華人專業人士“傑出創業獎”) by Overseas Chinese Affairs Office Of The State Council (國務院僑務辦公室) in September 2005, “2007 Excellent Entrepreneur of Tianjin” (“2007年度天津市優秀企業家”) by Tianjin Municipal People's Government (天津市人民政府) in June 2008 and “Excellent Overseas Student of Tianjin” (“天津市優秀留學人員”) by Tianjin Municipal People's Government (天津市人民政府) in January 2009.

Dr. Hao Hong is the spouse of Dr. Ye Song (a non-executive Director), the uncle of Mr. Hong Liang (an executive Director and deputy general manager).

Ms. Yang Rui (楊蕊), aged 44, was appointed as a Director and a Deputy General Manager of the Company in July 2011 and an executive Director with effect from May 2021. Ms. Yang Rui is responsible for the major operational decisions and direct day-to-day management of the Group.

Ms. Yang Rui joined the Company in April 1999 and successively served several managerial positions in the administration office, import and export department and accounting department, as a deputy general manager and as the executive deputy general manager. Ms. Yang Rui concurrently serves as a director or the chairman of the board of directors of several subsidiaries of the Company. Ms. Yang Rui has been serving as a director of Haiying Chuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) since April 2019.

Ms. Yang Rui obtained a bachelor's degree of engineering from Tianjin Institute of Light Industry (天津輕工業學院, currently known as Tianjin University of Science & Technology (天津科技大學)) in July 1999 and a master's degree of EMBA from Peking University in July 2013. She was selected as Tianjin New Entrepreneur Training Project (天津市新型企業家培養工程) and was named as 2020 Tianjin Model Worker (2020年天津市勞動模範).

Mr. Zhang Da (張達), aged 40, was appointed as the Chief Financial Officer in August 2018, a Director and a Deputy General Manager of the Company in April 2019 and an executive Director with effect from May 2021. Mr. Zhang Da is responsible for our financial operation, financing and investment activities of the Group.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Prior to joining the Company, Mr. Zhang Da joined the CSRC in July 2006 and served for 8 years. Mr. Zhang Da later served as a director, a deputy general manager and the secretary to the board in Beijing Youyuan Online Technology Company Limited (北京友緣在線網絡科技股份有限公司) from December 2014 to May 2018. He has been concurrently serving as an independent director of Hunan Nucien Pharmaceutical Co., Ltd. (湖南南新製藥股份有限公司) since April 2018 and a director of Haiying Chuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) since April 2019.

Mr. Zhang Da obtained a bachelor's degree of engineering from Tianjin University (天津大學) in June 2003 and a master's degree of economics from the Financial Research Institute of The People's Bank of China (中國人民銀行金融研究所) in October 2006.

Mr. Hong Liang (洪亮), aged 47, was appointed as a Director in July 2011, as a Deputy General Manager of the Company in October 2017 and an executive Director with effect from May 2021. He is responsible for the major operational decisions and direct day-to-day management of the Group.

Mr. Hong Liang joined the Group in October 1998 and successively served as the director of the production department and a deputy general manager of the engineering equipment department of the Company and a deputy general manager of the engineering equipment department, the general manager and the chairman of the board of directors of Asymchem Life Science, a wholly-owned subsidiary of the Company. Mr. Hong Liang concurrently serves as a director or the general manager of several subsidiaries of the Company.

Mr. Hong Liang obtained an associate's degree of clinical medicine from Jilin Medical School (吉林醫學院) in July 1996.

Mr. Hong Liang is the nephew of Dr. Hao Hong, the founder, chairman of the Board, executive Director and General Manager of the Company.

Dr. Ye Song, aged 60, was appointed as a Director in July 2011 and a non-executive Director with effect from May 2021. Dr. Ye Song is responsible for advising on our business plans, major decisions and investment activities.

Dr. Ye Song joined ALAB, a Controlling Shareholder of the Company, since it was founded in November 1995 and successively served as a deputy general manager, the general manager, a director and the chief financial officer of ALAB. Dr. Ye Song concurrently serves as a director and/or chief financial officer of several subsidiaries of the Company and has been serving as a director of Tianjin Qingya Tourism Information Consulting Co., Ltd. (天津青亞旅遊信息諮詢有限公司) since March 2017.

She obtained a bachelor's degree of science from Peking University in July 1983, a master's degree of science from Peking University in July 1986 and a PhD's degree from North Carolina State University in May 1999.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Ye Song is the spouse of Dr. Hao Hong, the founder, chairman of the Board, executive Director and General Manager of the Company.

Ms. Zhang Ting (張婷), aged 34, was appointed as a Director in February 2021 and a non-executive Director with effect from May 2021. Ms. Zhang Ting is responsible for advising on our business plans, major decisions and investment activities and is currently in charge of the audit department of the Company.

Ms. Zhang Ting joined the group in March 2008 and successively served as a clerk and deputy director of the department of project management and the executive deputy general manager assistant of Asymchem Life Science, a wholly-owned subsidiary of the Company. Ms. Zhang Ting concurrently serves as a supervisor of several subsidiaries of the Company.

Ms. Zhang Ting obtained a bachelor's degree of science from Hubei University (湖北大學) in June 2008.

Ms. Zhang Kun (張昆), aged 48, was appointed as an independent non-executive Director in January 2017. Ms. Zhang Kun is responsible for supervising and providing independent judgement to the Board and offering strategic advice and guidance as to our financial management, internal control and external investment.

Prior to joining the Company, Ms. Zhang Kun has served at Hujiang Deloitte Certified Public Accountants (滬江德勤會計師事務所, currently known as Deloitte Huayong Certified Public Accountants (德勤華永會計師事務所)). Ms. Zhang Kun later served as an audit manager, a senior audit manager and a partner (since September 2009) at ShineWing Certified Public Accountants (special general partnership) (信永中和會計師事務所) from October 1999, as an independent director at Jiuzhitang Co., Ltd. (九芝堂股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 000989) from December 2017 to July 2020.

Ms. Zhang Kun obtained a bachelor's degree of economics from Renmin University of China (中國人民大學) in July 1995. Ms. Zhang Kun is recognized by Chinese Institute of Certified Public Accountants (中國註冊會計師協會) as a certified public accountant.

Mr. Wang Qingsong (王青松), aged 42, was appointed as an independent non-executive Director in April 2019 and is responsible for supervising and providing independent judgement to the Board.

Mr. Wang Qingsong joined Deloitte Touche Tohmatsu CPA Ltd. Shenzhen Branch (德勤華永會計師事務所有限公司深圳分所) as an associate in September 2002 and transferred to Deloitte Touche Tohmatsu CPA Ltd. Beijing Branch (德勤華永會計師事務所有限公司北京分所) in January 2004. Later, he served as a lawyer in Orrick Herrington & Sutcliffe LLP from April 2006 to July 2008 and started working at JSM Beijing Representative Office (HK) (香港孖士打律師事務所北京代表處) in September 2008. He served as a partner of AllBright Law Offices (錦天城律師事務所) from April 2011 to April 2015 and continued to practice there as a lawyer until May 2020. Mr. Wang Qingsong also successively served as the chief legal officer of Beijing Beike Times Network Technology Co., Ltd. (北京貝殼時代網絡科技有限公司) and the general manager of management center of Beike Zhaofang (Beijing) Technology Co., Ltd. (貝殼找房(北京)科技有限公司) from March 2018 to April 2021.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Qingsong obtained a bachelor's degree from Northwestern Polytechnical University (西北工業大學) in July 2000 with major in management engineering and a master's degree of management from Guanghua School of Management, Peking University in July 2002.

Mr. Lee, Kar Chung Felix (李家聰), aged 39, was appointed as an independent non-executive Director in June 2021. Mr. Lee, Kar Chung Felix is responsible for supervising and providing independent judgement to the Board.

Mr. Lee, Kar Chung Felix is currently a senior vice president of Chow Tai Fook Enterprises Limited (“CTFE”) with responsibilities in making investments in the healthcare sector in Asia and globally since September 2014 and a director of Healthcare Ventures Holdings Limited, a wholly owned subsidiary of CTFE. Mr. Lee is also an executive director of UMP Healthcare Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 722) since September 2014 and an independent non-executive director of China Resources Medical Holdings Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1515, formerly known as Phoenix Healthcare Group Co., Ltd.) since August 2015. He has over 15 years of experience in law and finance. He served as a solicitor with the law firm Freshfields Bruckhaus Deringer from January 2005 to February 2008, an analyst in the investment banking department of UBS AG, Hong Kong branch from March 2008 to January 2009. He then joined Deutsche Bank AG, Hong Kong branch and last held the position of director in the Corporate Finance Division, where he worked from January 2009 to August 2014.

Mr. Lee obtained a bachelor's degree of laws from the London School of Economics and Political Sciences and a postgraduate certificate in Laws from the University of Hong Kong in July 2003 and June 2004, respectively. He is a solicitor of the High Court of Hong Kong since September 2007 and a solicitor (non-practicing) in the Senior Courts of England and Wales since February 2013. Mr. Lee is also a Vice Chairman of the China Committee, the Hong Kong General Chamber of Commerce.

SUPERVISORS

The following table sets forth the key information about our Supervisors as at the Latest Practicable Date.

Name	Age	Position	Responsibilities	Date of first appointment as Supervisor	Date of joining the Group
Ms. Zhi Xinxin (智欣欣)	40	Shareholder representative Supervisor and Chairman of the Supervisory Committee	• Overseeing our operations and financial activities	July 18, 2011	July 2003
Ms. Hou Jingyi (侯靖藝)	37	Employee representative Supervisor	• Overseeing our operations and financial activities	January 24, 2021	July 2007
Ms. Di Shanshan (狄珊珊)	34	Shareholder representative Supervisor	• Overseeing our operations and financial activities	October 31, 2017	August 2012

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Zhi Xinxin (智欣欣), aged 40, was appointed as a shareholder representative Supervisor in July 2011 and the Chairman of Supervisory Committee in February 2021 and is responsible for overseeing our operations and financial activities.

Ms. Zhi Xinxin joined the Group in July 2003 and successively served as a clerk of the comprehensive office and a deputy director of human resource department in Asymchem Life Science, a wholly-owned subsidiary of the Company.

Ms. Zhi Xinxin obtained an associate's degree of arts in general studies from Southwest Missouri State University in July 2003.

Ms. Hou Jingyi (侯靖藝), aged 37, was appointed as an employee representative Supervisor in January 2021 and is responsible for overseeing our operations and financial activities.

Ms. Hou Jingyi joined the Group in July 2007 and successively served as a general manager assistant, a director of the comprehensive office and a director of human resources department in Asymchem Laboratories (Fuxin), a wholly-owned subsidiary of the Company, from July 2007 to November 2020 and a director of the comprehensive office and a director of human resources department in Jilin Asymchem Laboratories, a wholly-owned subsidiary of the Company, from June 2015 to November 2020. Ms. Hou Jingyi currently serves as a director of human resources department in Asymchem Life Science, a wholly-owned subsidiary of the Company since November 2020.

Ms. Hou Jingyi obtained a bachelor's degree of engineering from Liaoning Petrochemical University (遼寧石油化工大學) in July 2007.

Ms. Di Shanshan (狄姍姍), aged 34, was appointed as a shareholder representative Supervisor of the Company in October 2017 and is responsible for overseeing our operations and financial activities.

Ms. Di Shanshan joined the Group in August 2012 and successively served as a clerk and a deputy director of the administration office of Asymchem Life Science, a wholly-owned subsidiary of the Company.

Ms. Di Shanshan obtained a bachelor's degree of pharmaceutical engineering from Hebei University of Technology (河北工業大學) in July 2009 and a master's degree of pharmaceutical engineering from Sichuan University (四川大學) in June 2012.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets forth the key information about our senior management as at the Latest Practicable Date.

Name	Age	Position	Responsibilities	Date of first appointment	Date of joining the Group
Dr. Hao Hong	65	Founder, Chairman of the Board, Executive Director and General Manager	<ul style="list-style-type: none"> • Responsible for the formulation of the strategic direction, business plans and major operational decisions and direct day-to-day management of our brands, sales and daily operation of the Group • Chairman of the Strategy Committee 	Appointed as the Chairman of the Board and the General Manager on July 18, 2011	October 1998
Ms. Yang Rui (楊蕊)	44	Executive Director and Deputy General Manager	<ul style="list-style-type: none"> • Responsible for the financial operation, financing and investment activities of the Group • Member of the Strategy Committee 	Appointed as a Director and a Deputy General Manager on July 18, 2011	April 1999
Mr. Zhang Da (張達)	40	Executive Director, Deputy General Manager and Chief Financial Officer	<ul style="list-style-type: none"> • Responsible for the financial operation, financing and investment activities of the Group • Member of the Remuneration and Examination Committee 	Appointed as the Chief Financial Officer on August 7, 2018, as a Deputy General Manager on April 4, 2019 and as a Director on April 18, 2019	May 2018
Mr. Hong Liang (洪亮)	46	Executive Director and Deputy General Manager	<ul style="list-style-type: none"> • Responsible for the overall strategic direction, business plans and major operational decisions and direct day-to-day management of the Group • Member of the Nomination Committee 	Appointed as a Director on July 18, 2011 and as a Deputy General Manager on October 31, 2017	October 1998

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Responsibilities	Date of first appointment	Date of joining the Group
Dr. James Randolph Gage	57	Deputy General Manager	<ul style="list-style-type: none"> Responsible for guiding the new technology development and commercial applications of the Company's research and development, production and drug synthesis development 	Appointed as a Deputy General Manager on July 18, 2011	February 2006
Dr. Xiao Yi (肖毅)	59	Deputy General Manager	<ul style="list-style-type: none"> Responsible for the innovation and breakthrough of the Company's business, technology and professional solutions 	Appointed as a Deputy General Manager on April 4, 2019	September 2018
Mr. Jiang Yingwei (姜英偉)	45	Deputy General Manager	<ul style="list-style-type: none"> Responsible for the overall management, organization and coordination, supervision and evaluation of the Group's human resources 	Appointed as a Deputy General Manager on June 23, 2020	January 2020
Mr. Chen Chaoyong (陳朝勇)	40	Deputy General Manager	<ul style="list-style-type: none"> Responsible for the overall management of commercial development, technology transfer and production quality control 	Appointed as a Deputy General Manager on October 31, 2017	July 2003
Dr. Zhou Yan (周炎)	41	Deputy General Manager	<ul style="list-style-type: none"> Responsible for the overall management of the Company's quality control system 	Appointed as a Deputy General Manager on October 31, 2017	July 2007
Ms. Huang Xiaolian (黃小蓮)	47	Deputy General Manager	<ul style="list-style-type: none"> Responsible for the overall management of procurement process, optimizing the supervising and evaluating process of suppliers 	Appointed as a Deputy General Manager on July 18, 2011	October 1998
Mr. Xu Xiangke (徐向科)	41	Deputy General Manager and Secretary to the Board	<ul style="list-style-type: none"> Responsible for managing day-to-day work of the Board and corporate governance matters 	Appointed as a Deputy General Manager and Secretary to the Board on July 18, 2011	July 2003

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the biographical details of Dr. Hao Hong, Ms. Yang Rui, Mr. Zhang Da and Mr. Hong Liang, please refer to “– Directors.”

Dr. James Randolph Gage, aged 57, was appointed as a Deputy General Manager of the Company in July 2011 and is responsible for guiding the new technology development and commercial applications of the Company’s research and development, production and drug synthesis development.

Dr. James Randolph Gage has nearly 30 years of work experience in the medicinal chemistry industry. From February 2006 to November 2010, Dr. James Randolph Gage served as a deputy general manager of ALAB, a Controlling Shareholder of the Company. In November 2010, Dr. James Randolph Gage joined Asymchem Inc., a wholly owned subsidiary of the Company, and has been serving as a deputy general manager of it since then. Prior to joining the Company, he has served at Pfizer Inc. and Pharmacia Corp., a subsidiary of Pfizer Inc., from October 1991 to February 2006.

Dr. James Randolph Gage obtained a bachelor’s degree of science from Columbia University in December 1985 and a PhD’s degree of Organic Chemistry from Harvard University in November 1991.

Dr. Xiao Yi (alias: Hsiao Yi) (肖毅), aged 59, was appointed as a Deputy General Manager of the Company in April 2019 and is responsible for the innovation and breakthrough of the Company’s business, technology and professional solutions.

Dr. Xiao Yi joined the Group in September 2018 as senior vice president in the project processing and development center of Asymchem Life Science, a wholly-owned subsidiary of the Company, and has been serving as the chairman and general manager of Asymchem Life Science since May 2019. Prior to joining the Group, Dr. Xiao Yi has worked at the department of Process Research of Merck Research Laboratories and then served as the senior principal scientist in Bristol-Myers Squibb (百時美施寶公司) from May 2006 to August 2018. Dr. Xiao Yi has over 20 years of work experience in pharmaceutical technology research and development and has created a catalyst research laboratory for Bristol-Myers Squibb (百時美施寶公司).

Dr. Xiao Yi obtained a bachelor’s degree of science from Sun Yat-Sen University (中山大學) in July 1983 and a PhD’s degree of chemistry from Nagoya University in Japan in January 1994.

Mr. Jiang Yingwei (姜英偉), aged 45, was appointed as a Deputy General Manager of the Company in June 2020 and is responsible for the overall management, organization and coordination, supervision and evaluation of the Group’s human resources.

Prior to joining the Company in January 2020, Mr. Jiang Yingwei served in Beijing Alliance PKU Management Consultants Ltd. (北京北大縱橫管理諮詢有限責任公司) from July 2008 to July 2014. He participated in the founding of Peking University Entrepreneurship Training Camp in August 2014 and has been working at there since then and served as the

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

co-founder and general manager of the Jiangsu Base of Peking University Entrepreneurship Training Camp from June 2015 to December 2019. Mr. Jiang Yingwei served as a supervisor of Yanyuan Alumni (Beijing) Technology Development Co., Ltd. (燕園校友(北京)科技發展有限公司) since February 2016.

Mr. Jiang Yingwei obtained a bachelor's degree of engineering from North China School of Engineering (華北工學院, currently known as North University of China (中北大學)) in June 1999 and a master's degree of MBA from Guanghua School of Management, Peking University in July 2008.

Mr. Chen Chaoyong (陳朝勇), aged 40, was appointed a Deputy General Manager of the Company in October 2017 and is responsible for the overall management of project commercial development and production.

Mr. Chen Chaoyong joined the Group in July 2003 and successively served as the R&D supervisor and deputy general manager of the Company. He currently serves as the general manager of Jilin Asymchem Laboratories, the chairman of Asymchem Laboratories (Fuxin) and the executive director of Jilin Asymchem Pharmaceuticals Co., Ltd. (吉林凱萊英製藥有限公司), all of which are subsidiaries of the Company.

Mr. Chen Chaoyong obtained a bachelor's degree of science from Sichuan University (四川大學) in July 2003.

Dr. Zhou Yan (周炎), aged 41, was appointed as a Deputy General Manager of the Company in October 2017 and is responsible for the overall management of the Company's quality system.

Dr. Zhou Yan joined the Group in July 2007 and successively served as a senior researcher, a R&D supervisor and a senior R&D supervisor of Asymchem Life Science, a wholly-owned subsidiary of the Company. In addition, he is currently deputy general manager of several subsidiaries of the Company.

Dr. Zhou Yan obtained a bachelor's degree of science from Central China Normal University (華中師範大學) in June 2002 and a doctor's degree of science from Wuhan University (武漢大學) in June 2007.

Ms. Huang Xiaolian (黃小蓮), aged 47, was appointed as a Deputy General Manager of the Company in July 2011 and is responsible for the overall management of procurement process, optimizing the supervising and evaluating process of suppliers.

Ms. Huang Xiaolian joined the company in October 1998 and successively served as a director and a senior director in the procurement department and a Deputy General Manager of the Company.

Ms. Huang Xiaolian obtained an associate's degree of business administration from China Central Radio and TV University (中央廣播電視大學, currently known as The Open University of China (國家開放大學)) in January 2016.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Xu Xiangke (徐向科), aged 41, was appointed as the Secretary to the Board and Deputy General Manager of the Company in July 2011 and is responsible for managing day-to-day work of the Board and corporate governance matters.

Mr. Xu Xiangke has extensive experience in corporate securities affairs, government affairs and public utilities. Mr. Xu Xiangke joined the Company in July 2003 and served successively as the director of the general manager secretariat and the director of the public affairs department of the Company. Mr. Xu Xiangke has served as a deputy general manager and the director of the public affairs department of Asymchem Life Science from June 2008 to December 2011, a wholly-owned subsidiary of the Company and has been serving as a supervisor of Jilin Asymchem Laboratories, a wholly-owned subsidiary of the Company, since March 2015. Other than positions in the Group, he also serves as a supervisor of Haiyingchuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) since April 2019.

Mr. Xu Xiangke obtained a bachelor's degree of engineering from Inner Mongolia Agricultural University (內蒙古農業大學) in July 2003 and has completed all the requirements prescribed by Shanghai Advanced Institute of Finance (上海高級金融學院) for the degree of EMBA in December 2018.

As at the Latest Practicable Date:

- (i) none of the Directors had any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business;
- (ii) save as disclosed above, none of the Directors, Supervisors or members of the senior management of the Company is related to any other Directors, Supervisors and members of the senior management;
- (iii) save as disclosed in the section headed "Statutory and General Information," none of the Directors, Supervisors or members of the senior management holds any interest in the Shares which would be required to be disclosed pursuant to Part XV of the Securities and Futures Ordinance; and
- (iv) there is no additional matter with respect to the appointment of the Directors or Supervisors that needs to be brought to the attention of the Shareholders, and there is no additional information relating to the Directors or Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

JOINT COMPANY SECRETARIES

Mr. Xu Xiangke (徐向科) is one of our joint company secretaries. For the biographical details of Mr. Xu Xiangke, please refer to "– Senior Management."

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Cheng Ching Kit (鄭程傑) will be a joint company secretary of the Company with effect from the Listing Date. Mr. Cheng Ching Kit is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited. He has worked for various professional firms, with over 9 years of experience in corporate secretarial field. He is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom since June 2018. Mr. Cheng Ching Kit obtained a bachelor's degree of finance from the University of Queensland, Australia in December 2010.

BOARD COMMITTEES

The Company has established four Board committees, namely the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration and Examination Committee.

Strategy Committee

The Strategy Committee consists of three Directors, namely Dr. Hao Hong, Ms. Yang Rui and Mr. Lee, Kar Chung Felix with Dr. Hao Hong currently serving as the chairman. The Strategy Committee is mainly responsible for reviewing and advising on long-term strategies and major investment plan of the Company.

Audit Committee

The Audit Committee consists of three Directors, namely Ms. Zhang Kun, Ms. Zhang Ting and Mr. Wang Qingsong with Ms. Zhang Kun currently serving as the chairwoman. Ms. Zhang Kun has the appropriate professional experiences as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee is mainly responsible for reviewing and overseeing the financial reporting procedure and internal control system of the Group.

Nomination Committee

The Nomination Committee consists of three Directors, namely Mr. Lee, Kar Chung Felix, Mr. Hong Liang and Mr. Wang Qingsong, with Mr. Lee, Kar Chung Felix currently serving as the chairman. The Nomination Committee is mainly responsible for identifying, screening and recommending to the Board qualified candidates to serve as the Directors and monitoring the procedures for evaluating the performance of the Board.

Remuneration and Examination Committee

The Remuneration and Examination Committee consists of three Directors, Mr. Wang Qingsong, Ms. Zhang Kun and Mr. Zhang Da with Mr. Wang Qingsong currently serving as the chairman. The Remuneration and Examination Committee is mainly responsible for evaluating the remuneration policies for Directors and senior management of the Group and making recommendations thereon to the Board.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIVERSITY

We have adopted the board diversity policy which sets out the objective and approach for achieving and maintaining diversity of the Board in order to enhance its effectiveness. In accordance with the board diversity policy, the Company seeks to achieve board diversity by taking into account a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or length of service. The board diversity policy is well implemented as evidenced by the fact that there are four female and five male Directors with experience from different industries and sectors. The Directors are of the view that our Board satisfies the board diversity policy. The Company aims to maintain at least a 20% of female representation in our Board. We will maintain a focus on gender diversity when recruiting staff at mid to senior level so as to develop a pipeline of potential female successors to our Board. Our Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by our nomination committee periodically to maintain gender diversity of our Board.

Upon the Listing, the Nomination Committee will from time to time (i) discuss and agree on expected goals to ensure board diversity, and (ii) review and, where necessary, update the board diversity policy to ensure that the policy remains effective. The Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the board diversity policy (including whether we have achieved board diversity) in its annual corporate governance report.

DIRECTORS' AND SUPERVISORS' REMUNERATION AND REMUNERATION OF FIVE HIGHEST PAID INDIVIDUALS

The Directors, Supervisors and senior management members who receive remuneration from the Company are paid in forms of salaries, allowances and benefits in kind, performance related bonuses, equity-settled share incentive scheme expense and pension scheme contributions. The remuneration of the Directors, Supervisors and senior management members is determined with reference to the remuneration paid by relevant companies in the PRC pharmaceutical industry and the achievement of major operating indicators of the Company.

The aggregate amount of remuneration (including salaries, allowances and benefits in kind, performance related bonuses, equity-settled share incentive scheme expense and pension scheme contributions) and other benefits in kind paid to the Directors for each of the years ended December 31, 2018, 2019 and 2020 amounted to RMB6.4 million, RMB7.7 million and RMB8.3 million, respectively. The aggregate amount of remuneration (including salaries, allowances and benefits in kind, performance related bonuses, equity-settled share incentive scheme expense and pension scheme contributions) and other benefits in kind incurred by the five highest paid individuals who are neither a director nor chief executive of our Group for each of the years ended December 31, 2018, 2019 and 2020 amounted to RMB10.5 million, RMB8.2 million and RMB6.0 million, respectively.

Under the arrangement currently in force, the Company estimates that the aggregate fixed remuneration (before tax) payable to the Directors and Supervisors for the year ended December 31, 2021 is approximately RMB11.7 million.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Track Record Period, no fees were paid by the Company to any of the Directors (or former Directors) or the five highest paid individuals as an inducement to join the Company or as compensation for loss of office. None of the Directors or Supervisors waived their remuneration during the Track Record Period.

COMPLIANCE ADVISER

The Company has appointed Anglo Chinese Corporate Finance, Limited as our compliance adviser in compliance with Rules 3A.19 and 19A.05 of the Listing Rules. The material terms of the compliance adviser's agreement are as follows:

- (i) Anglo Chinese Corporate Finance, Limited shall act as our compliance adviser for the purpose of Rules 3A.19 and 19A.05 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, or until the agreement is terminated, whichever is earlier;
- (ii) the compliance adviser will provide us with certain services, including proper guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, regulations and rules;
- (iii) the compliance adviser will, as soon as reasonably practicable, inform us of any amendment or supplement to the Listing Rules announced by the Hong Kong Stock Exchange from time to time, and of any amendment or supplement to the applicable laws, regulations and rules; and
- (iv) the compliance adviser will act as one of the key channels of communication of the Company with the Hong Kong Stock Exchange.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

Dr. Hao Hong is the Chairman and General Manager of the Company. As our founder, Dr. Hao Hong has extensive experience in the pharmaceutical industry and is responsible for the overall management of our business strategies and operations. We believe that Dr. Hao has been instrumental to our growth and business expansion since our establishment. The Board is of the view that vesting the roles of Chairman and General Manager in Dr. Hao Hong is beneficial to the management of the Company. We believe that the balance of power and authority is ensured by the operation of the senior management and the Board which comprises experienced and high-caliber individuals. The Board currently consists of four executive Directors (including Dr. Hao Hong), two non-executive Director and three independent non-executive Directors, therefore we consider that the Board has a fairly strong independence element in its composition.

Save as disclosed above, we have complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business – Our Growth Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

The table below sets forth the estimated net proceeds of the Global Offering which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering (assuming the Over-allotment Option is not exercised):

Assuming an Offer Price of HK\$380.00 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	HK\$6,707.5 million
Assuming an Offer Price of HK\$410.00 per Offer Share (being the high end of the Offer Price range stated in this prospectus)	HK\$7,240.6 million
Assuming an Offer Price of HK\$350.00 per Offer Share (being the low end of the Offer Price range stated in this prospectus)	HK\$6,174.4 million

FUTURE PLANS AND USE OF PROCEEDS

We intend to use the net proceeds as follows (based on the mid-point of the Offer Price range stated in this prospectus):

Allocation of the estimated net proceeds	Proposed main purposes
Approximately 20%, or HK\$1,341.5 million	<p>Further enhance the manufacturing capacity and capabilities of our small molecule CDMO solutions. We achieved robust growth in our small molecule CDMO solutions during the Track Record Period. Our revenue from small molecule CDMO solutions increased at a CAGR of 27.6% from RMB1,780.6 million in 2018 to RMB2,898.4 million in 2020, and increased by 34.7% from RMB1,196.7 million in the six months ended June 30, 2020 to RMB1,612.3 million in the six months ended June 30, 2021. Further, the global and China-based CDMO markets are projected to grow rapidly in the near future. See “Industry Overview” for more details. In the highly fragmented small molecule CDMO industry, we believe that companies possessing competitive strengths in technology, operational and cost efficiency and can seamlessly meet customer demand will set themselves apart from competitors and acquire a larger market share. We expect that our existing manufacturing capacity is not sufficient to satisfy the growing customer demand as our business expands and our market share increases, and we intend to adopt the following measures:</p> <p>(i) Approximately 15%, or HK\$1,006.1 million, will be used to construct phase II of the comprehensive small molecule R&D and manufacturing site in Zhenjiang and to purchase relevant equipment and machinery. For further details, see “Business – Facilities – Future Expansion.” The detailed breakdown of the allocated proceeds is as follows:</p> <ul style="list-style-type: none">• Approximately 8.4%, or HK\$563.4 million, will be used to procure and install equipment and machinery, such as equipment for GMP-compliant workshops, raw material workshops, hydrogenation workshops, and cubic tank workshops;

FUTURE PLANS AND USE OF PROCEEDS

**Allocation of the
estimated net proceeds**

Proposed main purposes

- Approximately 4.1%, or HK\$275.0 million, will be used to construct the facilities; and
- Approximately 2.5%, or HK\$167.7 million, will be used to recruit approximately 650 employees of various functions. Specifically, we plan to use the allocated net proceeds to recruit (1) approximately 380 R&D professionals with a bachelor's degree or above in chemistry, pharmaceutical and other relevant fields, (2) approximately 250 manufacturing specialists and operators with background in chemistry and pharmaceutical manufacturing, and (3) approximately 20 administrative staff with a bachelor's degree or above in administration, computer science, accounting and other relevant fields, and expect their typical salary range to be between RMB48,000 and RMB240,000 annually per person, depending on the specific positions they are hired into.

We expect to commence construction of phase II of the site by June 2022 and complete its construction by January 2024. Upon completion, we expect that phase II of the Zhenjiang site will have a manufacturing capacity of approximately 920 cubic meters, calculated as the total volume of reactors, and a total GFA of approximately 55,984 square meters.

FUTURE PLANS AND USE OF PROCEEDS

**Allocation of the
estimated net proceeds**

Proposed main purposes

- (ii) Approximately 5%, or HK\$335.4 million, will be used to strategically upgrade the equipment and machinery and expand the capacity of our existing manufacturing sites in Tianjin and Dunhua. We intend to finalize the relevant construction, renovation and development plans by the end of 2021. We intend to complete the construction and renovation within the next two to three years. Upon completion of the construction and renovation, we expect our annual manufacturing capacity to increase by approximately 135 and 1,100 cubic meters at the manufacturing sites in Tianjin and Dunhua, respectively, calculated as the total volume of additional reactors. We also plan to use the allocated net proceeds to recruit approximately 600 engineers, specialists and operators in chemistry, pharmaceutical, chemical engineering, pharmaceutical engineering and other relevant fields to assist with manufacturing and equipment management. We expect their typical salary range to be between RMB48,000 and RMB192,000 annually per person, depending on the specific positions they are hired into.

Upon completion of all foregoing expansion plans, we expect our total manufacturing capacity of small molecule CDMO solutions to increase by approximately 72.3% as compared to our manufacturing capacity of small molecule CDMO solutions as of June 30, 2021.

Approximately 35%, or
HK\$2,347.6 million

Strengthen our Emerging Services and expand our service offerings.

FUTURE PLANS AND USE OF PROCEEDS

Allocation of the estimated net proceeds

Proposed main purposes

Leveraging our existing platform and resources, we intend to recruit additional managerial, technical and research professionals to supplement the expertise of our existing talent pool and procure additional equipment and machinery dedicated to different drug modalities. In order to build up our service capabilities, we need to develop specialized manufacturing processes for different drug modalities and purchase dedicated manufacturing and analytical equipment. The deployment of dedicated facilities is critical in controlling the risk of cross-contamination between different projects. In particular:

- (i) Approximately 20%, or HK\$1,341.5 million, will be used to construct a R&D and manufacturing facility in Tianjin for oligonucleotides and polypeptides and invest in R&D and manufacturing facilities for recombinant DNA products (including mAb) and ADC. For further details, see “Business – Facilities – Future Expansion.”
 - *Oligonucleotides.* We currently mainly undertake oligonucleotide projects during the IND stage and possess kilogram-level manufacturing capacity. By 2024, we plan to establish an oligonucleotide platform with laboratory, pilot-scale and commercial-scale manufacturing capabilities. Through the platform, we aim to apply both traditional chemical synthetic methodology and emerging synthetic methodology (such as enzyme catalysis technology) in the laboratory R&D and commercial manufacturing of oligonucleotides. We will also build up complementary analytical and quality control capabilities. We plan to procure synthesizers at laboratory-, pilot- and commercial-scale and expect to increase our annual manufacturing capacity by 30 times to approximately 300 kilograms by 2024 as compared to our manufacturing capacity as of June 30, 2021.

FUTURE PLANS AND USE OF PROCEEDS

Allocation of the estimated net proceeds

Proposed main purposes

- *Polypeptides.* Our services for polypeptides range from pre-clinical services to NDA filings. We had the capacity to manufacture 50 to 100 kilograms of polypeptides per year as of June 30, 2021. We expect to increase our annual manufacturing capacity to 200 to 300 kilograms by 2025.
- *Recombinant DNA products and ADC.* We currently provide comprehensive services for recombinant DNA products (such as mAb) and ADCs, ranging from cell line establishment to drug product formulation development. We possessed pilot-scale manufacturing capabilities, producing approximately 25 kilograms of recombinant DNA products and ADCs per year as of June 30, 2021. By the end of 2022, we plan to use the allocated net proceeds to recruit approximately 100 specialists with at least five years of relevant work experience and background in, among others, biology, biotechnology, bioengineering, and molecular biology, and procure dedicated equipment and machinery for R&D, manufacturing, analysis and storage purposes. We expect the typical salary range for these specialists to be between RMB300,000 and RMB500,000 annually per specialist, subject to further adjustment. By 2024, we expect that our pilot-scale and commercial-scale manufacturing capacity for recombinant DNA products and ADCs will increase by approximately 580% to 1,220% and reach approximately 170 to 330 kilograms.

FUTURE PLANS AND USE OF PROCEEDS

**Allocation of the
estimated net proceeds**

Proposed main purposes

- (ii) Approximately 10%, or HK\$670.8 million, will be used to improve our capabilities related to our biosynthesis solutions and drug products solutions.
- *Biosynthesis solutions.* We plan to establish a biosynthesis R&D and manufacturing platform in Tianjin. We will expand the application of our existing biosynthesis capabilities to pilot- and commercial-scale manufacturing of, among others, catalytic enzymes (proteins that act as catalysts in biochemical reactions), medicinal enzymes (proteins with therapeutic effects), and recombinant proteins (proteins with specific biological functions obtained by gene recombination technology), which will be carried out by the independent R&D and manufacturing facility of our Center of Biosynthesis Technology. Through the procurement of bioreactors, separation and purification equipment, freeze dryers, spray dryers, analytical and testing equipment, and waste treatment facilities, we plan to build up GMP-compliant manufacturing capabilities from gram to ton scale.

FUTURE PLANS AND USE OF PROCEEDS

Allocation of the estimated net proceeds

Proposed main purposes

- *Drug products.* We currently own three workshops for solid formulation and one workshop for spray drying, with a total GFA of 4,500 square meters. We also own three workshops for injectables with a total GFA of 2,500 square meters. As the utilization rate of our existing workshops continues to increase, we intend to further strengthen our manufacturing capabilities for drug products through the following measures: (a) expanding the capacity of our existing drug product manufacturing facilities, the construction of which is expected to commence by 2022 and complete by 2023; (b) constructing new facilities for injectables, high-activity solid preparations and other drug products, the construction of which is expected to commence by January 2022 and complete by June 2023; (c) procuring advanced equipment and machinery, such as spray dryers; and (d) building up related technology capabilities, such as establishing a hot melt extrusion technology platform to improve the bioavailability of poorly soluble drugs. We also plan to use the allocated net proceeds to recruit approximately 50 additional manufacturing specialists and operators ideally with prior experience in drug product manufacturing, each of who is expected to receive an annual salary of approximately RMB100,000. We expect that our annual manufacturing capacity of solid preparations will increase by 120%, or 500 batches with approximately 5,000 to 100,000 tablets per batch, and our annual manufacturing capacity of injectables will increase by approximately 166%, or 50 million injectables, each as compared to our manufacturing capacity as of June 30, 2021.

FUTURE PLANS AND USE OF PROCEEDS

**Allocation of the
estimated net proceeds**

Proposed main purposes

- (iii) Approximately 5%, or HK\$335.4 million, will be used to build up our capabilities related to advanced therapy medicinal products (ATMPs), including cell therapy and gene therapy. We plan to procure advanced equipment and machinery, including pilot-scale viral vector manufacturing equipment, high throughput cell culture screening equipment, and complementary analytical and testing equipment, by 2023. We also plan to use the allocated net proceeds to recruit a team of approximately 70 professionals with at least three years of relevant work experience and background in, among others, molecular biology, virology and cell biology, who will be dedicated to the R&D and manufacturing of viral vector, by the end of 2022. We expect the typical salary range for these professionals to be between RMB400,000 and RMB600,000 annually per professional, subject to further adjustment.

FUTURE PLANS AND USE OF PROCEEDS

Allocation of the estimated net proceeds

Approximately 20%, or
HK\$1,341.5 million

Proposed main purposes

Invest in R&D initiatives and maintain our technology leadership, especially our sector-leading flow and continuous and biosynthesis technologies. We are a technology-driven CDMO and expect to increase our R&D expenses in the future in line with our business growth. We intend to develop innovative applications of cutting-edge technologies in novel development scenarios and manufacturing processes. In particular, over the next three to five years:

- (i) Approximately 10%, or HK\$670.8 million, will be used to upgrade our flow and continuous technology platform, under the leadership of our Center of Flow and Continuous Technology (CFCT), which aims to strengthen our flow and continuous technology and to promote its broad application in cGMP manufacturing. For details of the R&D initiatives led by CFCT, please see “Business – Our Research and Development Capabilities – Center of Flow and Continuous Technology (CFCT).” Specifically, we will build a flow and continuous technology facility in Tianjin, with conceptual design, equipment development, processing and manufacturing, and testing functions. The construction of the facility has commenced in 2021 and is expected to complete in 2022. We aim to enhance our capability to develop, test and manufacture new methodology and equipment for continuous manufacturing. We plan to procure processing equipment (such as high-precision machining centers, 3D printers, advanced computer numerical control (CNC) lathes, and automatic welding equipment), analytical and testing equipment, and waste treatment facilities. We also intend to use the allocated net proceeds to recruit, train and retain approximately 50 engineers, researchers and technicians with a bachelor’s degree or above in chemical engineering, organic chemistry, pharmaceutical engineering, and materials science and engineering, and acquire new technologies. We expect their typical salary range to be between RMB100,000 to RMB500,000 annually per specialist, subject to further adjustment. By 2022, we expect to establish a R&D laboratory with a GFA of 1,350 square meters, and a workshop with an annual capacity to manufacture 800 sets of equipment for continuous manufacturing.

FUTURE PLANS AND USE OF PROCEEDS

**Allocation of the
estimated net proceeds**

Proposed main purposes

- (ii) Approximately 10%, or HK\$670.8 million, will be used to fund the R&D initiatives led by our Center of Biosynthesis Technology (CBST), which aim to transform drug manufacturing through protein biosynthesis, cell-free system and other innovative methodologies. For details of the R&D initiatives led by CBST, please see “Business – Our Research and Development Capabilities – Center of Biosynthesis Technology (CBST).” Specifically, we intend to construct an independent R&D and manufacturing facility with an expected total GFA of 14,400 square meters. The facility will include a R&D center that is expected to support the R&D of cell-free synthesis, medicinal proteins, and engineered enzymes, and the R&D of the drug substance and drug product of recombinant proteins for human use. It will also include a manufacturing center expected to possess gram-scale to ton-scale manufacturing capabilities. The construction of phase I of the facility is planned to commence in 2021. The R&D center and the manufacturing center are expected to be put into service in 2022. We plan to procure advanced equipment and machinery, such as pilot- and commercial-scale fermentation, extraction and purification equipment, drying equipment, complementary analytical and testing equipment, and waste treatment facilities. We also plan to use the allocated net proceeds to recruit, train and retain approximately 80 to 110 R&D and manufacturing experts and specialists with background in, among others, biosynthesis, bioengineering, biotech, fermentation and pharmaceutical manufacturing. Their expected salary range is dependent on the specific positions they are hired into. The timetable for phase II of the facility has yet to be determined. Upon completion of phase II, the facility is expected to have an annual manufacturing capacity of 305 tons of enzyme solutions, 20 tons of medicinal proteins, and 12 kilograms of engineered proteins.

FUTURE PLANS AND USE OF PROCEEDS

Allocation of the estimated net proceeds	Proposed main purposes
Approximately 15%, or HK\$1,006.1 million	<p>Selectively pursue strategic investments and acquisitions that can enrich our service offerings and expand our global footprint. We will actively explore opportunities to acquire or invest in (i) target companies that possess technology expertise in a critical or novel area in the CDMO space, such as drug product, cell therapy and gene therapy, to enhance or complement our service capabilities, (ii) CROs, CMOs or CDMOs with a supplementary clientele to diversify our customer base or expand our business scope, and (iii) CMOs or CDMOs based overseas. We plan to acquire or invest in (i) one to three target companies with a valuation ranging from RMB100 million to RMB500 million, and (ii) three to five target companies with a valuation ranging from RMB10 million to RMB100 million. We expect that the planned acquisitions and investments will create synergy with our business and strategy by (i) improving our technology capabilities, particularly in areas that help to upgrade our existing solutions or in emerging areas with high growth potential, (ii) expanding our customer base, particularly through leveraging the target companies' established customer resources and increasing our geographical coverage, (iii) enriching our service offerings in fields where we have limited or no prior experience, (iv) strengthening our brand name and marketing capabilities, and (v) improving our operations management through exchanging experience.</p>

FUTURE PLANS AND USE OF PROCEEDS

**Allocation of the
estimated net proceeds**

Proposed main purposes

We believe our extensive industry experience and insights will enable us to identify suitable targets and effectively evaluate and execute potential opportunities. We select acquisition and investment targets based on a variety of factors, including (i) their potential to generate effective synergy with our existing platform, such as CDMOs that possess technological expertise and/or clientele in the fields of small molecule drugs, biologics, cell therapy and gene therapy, and clinical CRO services, (ii) their location and primary markets, including both companies located in China and those operating in attractive overseas markets, (iii) their size and growth potential, such as small and medium-sized companies located in strategic markets with professional teams of approximately 30-500 employees and sufficient facilities, (iv) the scale and quality of their existing customer base, such as a growing customer base that supplements our existing customer base with high-quality medium-sized and large pharmaceutical companies and/or emerging biotechnology companies, (v) their operating history, preferably with an operating history of approximately three to 20 years, (vi) their ability to bring in new business opportunities, (vii) their technology and expertise, particularly in emerging therapeutic areas, such as gene therapy and cell therapy, and (viii) their financial performance, preferably with a track record and forecast of steady growth. We will determine whether to acquire controlling or minority stakes in suitable targets based on the specific circumstances of the transaction. We may also consider forming joint ventures with strategic partners to cultivate mutually beneficial relationships.

FUTURE PLANS AND USE OF PROCEEDS

**Allocation of the
estimated net proceeds**

Proposed main purposes

Based on our industry intelligence and concurred by Frost & Sullivan, our Directors believe that we will be able to identify suitable acquisition targets that satisfy our selection criteria. As advised by Frost & Sullivan, there are approximately 100 to 120 suitable acquisition targets in the relevant markets. We will leverage our industry resources and network and continue to monitor the market conditions and engage financial and legal advisors to explore and evaluate, from time to time, potential acquisition opportunities when they arise.

As of the Latest Practicable Date, we had not identified any specific targets or entered into any binding commitment, whether oral or written, for any business or asset acquisitions, and we did not expect to pursue any imminent acquisitions or investments, using the net proceeds of the Global Offering. For more information about the proposed and possible acquisitions using our internal resources after the Track Record Period, see “Summary – Recent Developments” and “Waivers from Strict Compliance with the Listing Rules – Waiver in Respect of Acquisitions after the Track Record Period”. Based on the criteria described above, we plan to execute our strategies within a period of 12 to 24 months from the Listing subject to market conditions and the opportunistic nature of acquisitions and investments. As many global and regional CDMOs or CROs are looking for similar acquisition targets globally to improve their competitiveness, we may not be able to identify appropriate acquisition or investment targets and materialize our acquisition plan.

Approximately 10%, or
HK\$670.8 million

Working capital and general corporate purposes to support our business operation and growth.

Following the completion of the expansion plans, we expect that our total number of employees will increase by approximately 35.8% to approximately 7,762 as compared with June 30, 2021. The new employees will assume various functions in supporting our expansion plans, including operating our new manufacturing facilities, providing process development and optimization services for additional projects, engaging in the R&D of critical or novel technologies, and managing other aspects of our daily operations.

FUTURE PLANS AND USE OF PROCEEDS

The following table sets forth the implementation timeframe for each of our expansion plans:

Use of Proceeds	Allocation of the estimated net proceeds
Further enhance the manufacturing capacity and capabilities of our small molecule CDMO solutions	Approximately 20%, or HK\$1,341.5 million
Expansion Plans	Expected Timeframe
(i) Phase II of the comprehensive small molecule R&D and manufacturing site in Zhenjiang;	Commence by June 2022 and complete by January 2024
(ii) Expansion of the capacity of our existing manufacturing sites in Tianjin;	Commence by 2022 and complete by 2023
(iii) Expansion of the capacity of our existing manufacturing sites in Dunhua.	Commence by 2022 and complete by 2023
Use of Proceeds	Allocation of the estimated net proceeds
Strengthen our Emerging Services and expand our service offerings	Approximately 35%, or HK\$2,347.6 million
Expansion Plans	Expected Timeframe
(i) Construction of the R&D and manufacturing facility in Tianjin for oligonucleotides;	Complete by 2024
(ii) Construction of the R&D and manufacturing facility in Tianjin for polypeptides;	Complete by 2025
(iii) Construction of manufacturing facilities for rDNA products and ADCs;	Complete by 2024
(iv) Drug products:	
(a) Expansion of the capacity of our existing drug product manufacturing facilities;	Commence by 2022 and complete by 2023
(b) Construction of new facilities	Commence by January 2022 and complete by June 2023
(v) Building up our capabilities related to advanced therapy medicinal products (ATMPs)	Complete by 2023

FUTURE PLANS AND USE OF PROCEEDS

<u>Use of Proceeds</u>	<u>Allocation of the estimated net proceeds</u>
Invest in R&D initiatives and maintain our technology leadership, especially our sector-leading flow and continuous and biosynthesis technologies	Approximately 20%, or HK\$1,341.5 million
Expansion Plans	Expected Timeframe
(i) Construction of a flow and continuous technology facility in Tianjin;	Commenced in 2021 and complete in 2022
(ii) Construction of an independent R&D and manufacturing facility.	Commence in 2021 and put into use in 2022

The above allocation of the 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 extent 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 and to the extent permitted by the relevant law and regulations, the unused net proceeds will only be held in short-term deposits with licensed banks or authorized financial institutions. We will make an appropriate announcement if there is any material change to the above proposed use of proceeds.

If the Over-allotment Option is fully exercised, we will receive additional net proceeds of approximately HK\$1,012.9 million for 2,762,300 Shares to be allotted and issued upon the full exercise of the Over-allotment Option based on the Offer Price of HK\$380.00 per Offer Share, being the mid-point of the Offer Price range, and after deducting the underwriting fees and commissions payable by us. The additional amount raised will be applied to the above areas of use of proceeds on pro-rata basis.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation of the Global Offering, the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant for listing on the Hong Kong Stock Exchange must have a sufficient management presence in Hong Kong and, under normal circumstances, at least two of the new applicant's executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Hong Kong Stock Exchange.

The Company's business operations are mostly located in the PRC and most of the Company's assets are located in the PRC. The Company's executive Directors are based in the PRC as the Board believes it would be more effective and efficient for its executive Directors to be based in a location where the Company's operations are located. Therefore, no executive Directors will, in the foreseeable future be ordinarily resident in Hong Kong.

Accordingly, pursuant to Rule 19A.15 of the Hong Kong Listing Rules, the Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted the Company, a waiver from strict compliance with the requirements under Rule 8.12 of the Hong Kong Listing Rules, provided that the Company implements the following arrangements:

- (i) the Company has appointed Mr. Zhang Da, an executive Director and Mr. Xu Xiangke, one of the joint company secretaries of the Company, as the authorized representatives of the Company (the "**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will serve as the Company's principal channel of communication with the Hong Kong Stock Exchange. They can be readily contactable by phone, fax and email to deal promptly with enquiries from the Hong Kong Stock Exchange and will also be available to meet with the Hong Kong Stock Exchange to discuss any matters on short notice. The contact details of our Authorized Representatives have been provided to the Hong Kong Stock Exchange.
- (ii) all the Directors who are not ordinarily resident 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. In addition, each Director has provided his/her contact details, including mobile phone numbers, office phone numbers, email addresses and fax numbers, to the Authorized Representatives and to the Hong Kong Stock Exchange. The Directors have also provided the contact information of their emergency contacts to the Authorized Representatives, so that each of the Authorized Representatives would be able to contact all the Directors (including the independent non-executive Directors) promptly at all times if and when the Hong Kong Stock Exchange wishes to contact the Directors.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (iii) the Company has appointed Anglo Chinese Corporate Finance, Limited as its compliance adviser for the period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the Company's financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier. The Company's compliance adviser will act as the Company's additional and alternative channel of communication with the Hong Kong Stock Exchange, and its representatives will be readily available to answer enquiries from the Hong Kong Stock Exchange.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the Company must appoint a company secretary who possesses the necessary academic or professional qualifications or relevant experience and is therefore capable to discharge the functions of the company secretary.

Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (i) a member of The Hong Kong Institute of Chartered Secretaries (currently known as The Hong Kong Chartered Governance Institute);
- (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

In addition, Note 2 to Rule 3.28 of the Listing Rules provides that in assessing "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 played;
- (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, 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.

The Company has appointed Mr. Xu Xiangke, and Mr. Cheng Ching Kit, as the joint company secretaries of the Company to jointly discharge the duties and responsibilities of company secretary of the Company with reference to their work experience and qualifications. Mr. Xu Xiangke is currently the secretary to the Board. He joined the Company in 2003. For further biographical details of Mr. Xu Xiangke, see "Directors, Supervisors and Senior

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Management – Senior Management.” Although Mr. Xu Xiangke does not possess the qualifications set out in Rule 3.28 of the Listing Rules, the Company has appointed him as one of the joint company secretaries of the Company due to his extensive experience in corporate governance matters, information disclosure, investor relationship and corporate secretarial affairs and his familiarity with the Company. Mr. Cheng Ching Kit has been appointed as the other joint company secretary of the Company with effect from the Listing Date to assist Mr. Xu Xiangke in discharging the duties of a company secretary of the Company. Mr. Cheng Ching Kit is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and is therefore qualified under Rule 3.28 of the Listing Rules to act as a joint company secretary of the Company. For further biographical details of Mr. Cheng Ching Kit, see “Directors, Supervisors and Senior Management – Joint Company Secretaries.”

The following arrangements have been, or will be, put in place to assist Mr. Xu Xiangke in acquiring the qualifications and experience required under Rule 3.28 of the Listing Rules:

- (i) In preparation of the application of the Listing, Mr. Xu Xiangke has attended training on the respective obligations of the Directors, Supervisors, senior management and the Company under the relevant Hong Kong laws and the Listing Rules organised by the Hong Kong legal advisers to the Company.
- (ii) Mr. Xu Xiangke will continue to be assisted by Mr. Cheng Ching Kit and the compliance adviser of the Company on matters concerning the Company’s ongoing compliance with the Listing Rules and the applicable laws and regulations.
- (iii) Mr. Cheng Ching Kit will work closely with Mr. Xu Xiangke to jointly discharge the duties and responsibilities as the joint company secretaries of the Company and to assist Mr. Xu Xiangke to acquire the relevant experience as required under the Listing Rules for an initial period of three years from the date of the Listing, a period which should be sufficient for Mr. Xu Xiangke to acquire the relevant experience as required under the Listing Rules.
- (iv) The Company will ensure that Mr. Xu Xiangke continues to have access to the relevant training and support in relation to the Listing Rules and the duties required for a company secretary of an issuer listed on the Hong Kong Stock Exchange. Furthermore, both Mr. Cheng Ching Kit and Mr. Xu Xiangke will seek advice from the Company’s Hong Kong legal and other professional advisers as and when required. Mr. Xu Xiangke also undertakes to take no less than 15 hours of relevant professional training in each financial year of the Company.
- (v) At the end of the three years period, the qualifications and experience of Mr. Xu Xiangke and the need for on-going assistance of Mr. Cheng Ching Kit will be further evaluated by the Company. The Company will then endeavour to demonstrate to the Hong Kong Stock Exchange’s satisfaction that Mr. Xu Xiangke, having had the benefit of the assistance of Mr. Cheng Ching Kit for the immediately preceding three years, has acquired the relevant experience (within the meaning of Note 2 to Rule

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

3.28 of the Listing Rules) such that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary. The Company understands that the Hong Kong Stock Exchange may revoke the waiver if Mr. Cheng Ching Kit ceases to provide assistance to Mr. Xu Xiangke during the three-year period.

The Company have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted the Company, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. Pursuant to the Guidance Letter HKEX-GL108-20, the waiver is granted on the condition that the waiver can be revoked if there are material breaches of the Listing Rules by the Company. It is intended that before the expiry of the initial three-year period, the Company will demonstrate to the Hong Kong Stock Exchange that Mr. Xu Xiangke, having had the benefit of Mr. Cheng Ching Kit's assistance for three years, would then have acquired the relevant experience within the meaning of Rule 3.28 so that a further waiver will not be necessary.

PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) and Rule 8.08(1)(b) of the Hong Kong Listing Rules requires that there shall be an open market for the securities for which listing is sought, and that a sufficient public float of an issuer's listed securities shall be maintained. It normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public and (ii) where an issuer has more than one class of securities 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 issued share capital, and must have an expected market capitalization at the time of listing of not less than HK\$125,000,000.

We have applied to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 8.08(1)(b) of the Hong Kong Listing Rules. Therefore, (i) the minimum public float of the Company shall be the highest of:

- a. 7.0% of the total issued share capital of the Company; or
- b. such percentage of H Shares to be held by the public immediately after the completion of the Global Offering as increased by the H Shares to be issued upon any exercise of the Over-allotment Option; and

(ii) the minimum percentage of the H Shares being not subject to lock-up (i.e. freely-floated) from time to time to be the highest of:

- a. 7.0% of the total issued share capital of the Company; or

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- b. such percentage of freely-floated H Shares to be held by the Shareholders immediately after the completion of the Global Offering as increased by the H Shares to be issued upon any exercise of the Over-allotment Option.

In order to support the application of this waiver, our Company has confirmed to the Hong Kong Stock Exchange that:

- a. we will make appropriate disclosure of the lower prescribed percentage of the public float and the free float of our Company, respectively, in the prospectus;
- b. we will confirm sufficiency of our public float and our free float, respectively, in its successive annual reports after the proposed listing; and
- c. we will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum 7.0% (or a higher percentage upon completion of the exercise of the Over-allotment Option) public float and free float, respectively, upon Listing and from time to time.

In the event that the public float percentage and/or the free float percentage falls below the minimum percentage prescribed by the Stock Exchange, we will take appropriate measures to ensure that the minimum percentage of public float and/or free float (as the case may be) prescribed by the Stock Exchange is complied with.

WAIVER IN RESPECT OF ACQUISITIONS AFTER THE TRACK RECORD PERIOD

Rules 4.04(2) and 4.04(4)(a) of the Listing Rules require that the new applicant include in its accountants' report the results and balance sheet of any business or subsidiary acquired, agreed 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.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Pursuant to note (4) of Rule 4.04(4) of the Listing Rules, the Stock Exchange may consider granting a waiver of Rules 4.04(2) and 4.04(4)(a) of the Listing Rules taking into account the following factors: (a) that all the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) are less than 5% by reference to the most recent audited financial year of the new applicant's trading record period; (b) if the acquisition will be financed by the proceeds raised from a public offer, the new applicant has obtained a certificate of exemption from the SFC in respect of the relevant requirements under paragraphs 32 and 33 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and (c)(i) where a new applicant's principal activities involve the acquisition of equity securities, the new applicant is not able to exercise any control, and does not have any significant influence over the underlying company or business to which Rules 4.04(2) and 4.04(4) of the Listing Rules relate, and has disclosed in its listing document the reasons for the acquisition and a confirmation that the counterparties and their respective ultimate beneficial owners are independent of the new applicant and its connected persons; or (ii) with respect to an acquisition of a business (including acquisition of an associated Company and any equity interest in a company other than in the circumstances covered under sub-paragraph (i) above) or a subsidiary by a new applicant, the historical financial information of such business or subsidiary is unavailable, and it would be unduly burdensome for the new applicant to obtain or prepare such financial information; and the new applicant has disclosed in its listing document information required for the announcement for a discloseable transaction under Rules 14.58 and 14.60 of the Listing Rules on each acquisition. In this regard, "unduly burdensome" will be assessed based on each new applicant's specific facts and circumstances.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Background of the Proposed and Possible Acquisitions

1. *Proposed Acquisition of Beijing Improve Quality Technology Co., Ltd. (北京醫普科諾科技有限公司) (“Improve Quality”)*

On October 24, 2021, Tianjin Clin-nov Medical Technology Co., Ltd. (天津凱諾醫藥科技發展有限公司) (“**Clin-nov Medical**”), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with the existing shareholders of Improve Quality (the “**Sellers**”), pursuant to which Clin-nov Medical agreed to purchase 100% equity interest in Improve Quality from the Sellers for a total consideration of RMB136.30 million (the “**Proposed Improve Quality Acquisition**”), which will be settled in cash using the Company’s internal resources. The consideration was determined after arm’s length negotiations among the Company and the Sellers with reference to an independent valuation report on the equity value of Improve Quality issued by Beijing Zhongfeng Assets Appraisal Company Limited (北京中鋒資產評估有限責任公司), a qualified valuer in the PRC and an independent third party of the Company. According to the independent valuation report, the appraised value of the equity value of Improve Quality as at June 30, 2021 was RMB136.30 million which was prepared based on the income approach. The income approach was considered more appropriate than asset approach or market approach considering the nature of the CRO business and substantial intangible assets owned by Improve Quality, and lack of adequate comparable companies due to the private company status of Improve Quality, and therefore adopted by the valuer. In arriving at the appraised value of Improve Quality, the followings had been taken into consideration: (i) the profit of Improve Quality assuming it will continue as a going concern based on its current operating performance, and (ii) the additional value brought by the synergies between the Company and Improve Quality after the completion of the Proposed Improve Quality Acquisition. Pursuant to the Equity Transfer Agreement, the Company shall pay the consideration in four instalments based on the following schedule: (i) first batch payment within 10 business days upon fulfillment of the conditions specified in the Equity Transfer Agreement; (ii) second batch payment within 10 business days upon the completion date of the Proposed Improve Quality Acquisition; (iii) third batch payment within 10 business days upon the issuance of Improve Quality’s 2021 annual audit report; and (iv) fourth batch payment within 10 business days upon the issuance of Improve Quality’s 2022 annual audit report. The first batch payment has been made as of the Latest Practicable Date. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of Sellers and their ultimate beneficial owners is an independent third party of the Company and its connected persons.

According to the unaudited management account of Improve Quality (together with its subsidiaries and a company currently wholly-owned by the shareholders of Improve Quality and expected to become a wholly-owned subsidiary of Improve Quality pursuant to the conditions of the Equity Transfer Agreement), the consolidated total assets and net assets of Improve Quality were approximately RMB9.11 million and RMB5.08 million, respectively, as at December 31, 2020 and the consolidated net profit attributable to the assets subject to the Proposed Improve Quality Acquisition amounted to approximately RMB1.32 million and RMB2.93 million for the financial years ended December 31, 2019 and December 31, 2020, respectively.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Improve Quality was established in 2015 with a focus on clinical data management and statistical services. It has become one of the leading statistics CROs in China and is the first member company of Clinical Data Interchange Standards Consortium in China as well as a market leader focusing on CRO data statistical business. With its first-class talents and systems in data statistics, Improve Quality has a clear competitive advantage among the service providers focusing on CRO data statistics business. The Proposed Improve Quality Acquisition enables us to enhance our specialization in CRO data statistics business. The deep integration of Clin-nov Medical and Improve Quality will give full play to the synergy effect of our CRO business and realize the strong combination of CROs with different expertise, which is conducive to the construction of a high-level CRO industry service chain and the overall improvement of integrated CRO service capability of the Group. The Company is of the view that the Proposed Improve Quality Acquisition aligns with its business and growth strategy.

2. Possible Acquisition of Company A

As of the Latest Practicable Date, the Company owned a minority equity interest in Company A. On October 1, 2021, the Company entered into a non-binding preliminary term sheet with Company A, which sets forth the intent of each of the Company and Company A with respect to the Company's interest in acquisition of all outstanding equity interest of Company A not currently owned by the Company, from existing shareholders of Company A, other than the Company (the "**Selling Shareholders**") (the "**Possible Company A Acquisition**"), together with the Proposed Improve Quality Acquisition, the "**Acquisitions**"). Upon completion of the Possible Company A Acquisition, Company A will become a wholly-owned subsidiary of the Company. It is currently anticipated that the maximum consideration for the Possible Company A Acquisition would be approximately US\$57.8 million, subject to adjustments based on future financial performance of Company A, which will be settled in cash using the Company's internal resources. Such consideration was determined after arm's length negotiations among the Company and Company A with reference to certain publicly available financial statistics for transactions involving businesses that are similar in certain respects to Company A. In addition, the Company also took into account of a number of factors in assessing the consideration for the Possible Company A Acquisition including, without limitations, (a) the profitability and business prospect of Company A based on the revenue of Company A for the nine months ended September 30, 2021; (b) Company A's strong connections with renowned scientists in flow chemistry and access to cutting-edge discovery and development in this area; (c) Company A's expertise in lab-based, preclinical process development and its partner relationship with MNCs and biotech companies which could bring significant synergies with the clinical and commercial-stage CDMO services provided by the Company and allow the Company to enhance its ability to provide one-stop solutions for its customers; (d) that the effective collaboration with the Company A in the past few years fostered trusting relationship between the senior management of two companies and the acquisition of the target has its strategic value as part of the Company's global expansion plan. Pursuant to the non-binding preliminary term sheet, the Company shall pay the consideration in instalments based on the following schedule: (i) first batch payment upon fulfillment of the conditions to be agreed among relevant parties; and (ii) second batch payment to be paid after the year of 2022 and subject to the audited revenue of Company A in

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

2022. Such payment schedule is still subject to definitive agreement to be entered into by the Company and Company A, if any. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Selling Shareholders (all being individuals) is an independent third party of the Company and its connected persons.

According to the 2019 audited financial statements and 2020 review report of Company A, its total assets and net assets were approximately US\$13.41 million and US\$10.96 million, respectively, as at December 31, 2020, and its net profit was approximately US\$0.48 million and US\$0.49 million for the financial years ended December 31, 2019 and December 31, 2020, respectively.

Company A is a private U.S. chemical technology company established in 2014, focused on the design and development of efficient and sustainable manufacturing processes for pharmaceutical applications, especially the application of flow and continuous technology in the production of innovative drugs and API. Upon the completion of the Possible Company A Acquisition, Company A will serve as the Company's overseas R&D platform, further strengthen the Company's R&D strength in the small molecule CDMO field, especially in flow and continuous technology, and expand the Company's overseas layout through Company A's existing customer network.

Conditions to the waiver granted by the Stock Exchange

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

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

Based on the financial information of Improve Quality and Company A (the "**Target Companies**") available to the Company, each of the asset ratio, profits ratio and revenue ratio relating to the Acquisitions by reference to the most recent financial year of the Track Record Period (i.e. the year ended December 31, 2020) is, individually or in aggregate, less than 5%. The Company considers the Acquisitions to be immaterial in the context of the Company's operations as a whole. Given the immateriality of the Acquisitions to the business, financial condition or operations of the Group, an exemption from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules will not prejudice the interests of the investing public as it will not affect potential investors' assessment of the Company's business and future prospects when considering an investment in the Company.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

2. *Entering into the Acquisitions is in line with the Company's business and growth strategy.*

The Company is a leading, technology-driven CDMO providing comprehensive solutions throughout the drug development and manufacturing process, which intends to actively pursue strategic acquisitions and investments that can enrich its service offerings and expand its global footprint. Improve Quality is engaged in business activities complementary with and closely related to the existing CRO business of the Company. Company A has a strong talent pool, rich overseas customer network and cutting-edge technology in the application of flow and continuous technology in the production of innovative drugs and API. As a result, the Company is of the view that entering into the Acquisitions is in line with its business and growth strategy. In addition, to the best knowledge of the Company, the counterparties of each of the Acquisitions and their ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in Chapter 14A of the Listing Rules).

3. *It would be unduly burdensome to prepare financial information.*

As the completion of the Proposed Improve Quality Acquisition remains subject to the satisfaction of a number of closing conditions set out in the Equity Transfer Agreement, the completion of Proposed Improve Quality Acquisition may or may not proceed. In addition, the Possible Company A Acquisition is still subject to negotiation between the parties, and the Company has not entered into any definitive agreement with Company A in relation to the Possible Company A Acquisition. There is no assurance as to whether the Possible Company A Acquisition would proceed as of the date of this prospectus. Therefore, the Company is unable to compel the Target Companies to disclose their historical financial information in this prospectus at this stage. In addition, the historical financial information of Improve Quality currently available to the Company were extracted from its management accounts, and it would require an extended period of time for the Company and its reporting accountant to fully familiarize themselves with the management accounting policies of Improve Quality. Considering the aforesaid, it would be unduly burdensome and require considerable time and resources for the Company and its reporting accountant to prepare necessary information and supporting documents for the purpose of disclosure of the audited financial information of the Target Companies in conformity with accounting policies adopted by the Company for the Listing.

As (i) the Company does not have sufficient information to prepare the historical financial information of the Target Companies; (ii) it would require considerable time and resources for the Company and Reporting Accountants to prepare the necessary information and supporting documents for the purpose of disclosure of the audited financial information of the Target Companies in this prospectus; (iii) the Acquisitions are immaterial and are not expected to have any material effect on the financial condition of the Group; and (iv) there is no assurance as to whether the Acquisitions would complete or proceed, it would be impracticable and unduly burdensome and would not be meaningful for the Company to prepare and include the financial information of the Target Companies within the tight timeframe for inclusion in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

4. Alternative information will be provided in this prospectus.

With a view of allowing potential investors to understand the Company's investments in the Target Companies in greater detail, the Company has provided in this section alternative information in relation to the Acquisitions which is comparable to the information that is required for a discloseable transaction under Rules 14.58 to 14.60 of the Listing Rules, including, among other things, (i) description of the principal business activities of the Target Companies; (ii) a confirmation that the counterparties and the ultimate beneficial owners of the counterparties of the Acquisitions are independent third parties, (iii) the consideration for the Acquisitions and how it will be satisfied, (iv) basis upon which the consideration for the Acquisitions is determined, (v) the book value of the assets which are the subject of the Acquisitions, (vi) the net profit/loss attributable to the assets which are the subject of the Acquisitions for the two financial years immediately prior to the Acquisitions, and (vi) the reasons for entering into the Acquisitions and the benefits which are expected to accrue to the Group as a result of the Acquisitions. For the avoidance of doubt, the name of Company A is excluded in the prospectus because given the competitive nature of the industry in which the Company operates, disclosure of the name of Company A in the prospectus is commercially sensitive. The Possible Company A Acquisition is subject to commercial negotiation, and there is no assurance as to whether the Company would proceed to enter into any definitive agreement in relation to the Possible Company A Acquisition. The name of Company A, if disclosed at this stage, may be used by competitors to anticipate the Company's investment strategy and business plans which may jeopardize the Company's ability to consummate the Possible Company A Acquisition.

The Company will use its internal resources to satisfy the cash consideration for the Acquisitions and does not expect to use any proceeds from the Global Offering to fund the Acquisitions.

UNDERWRITING

HONG KONG UNDERWRITERS

Goldman Sachs (Asia) L.L.C.
CLSA Limited
Credit Suisse (Hong Kong) Limited
Citigroup Global Markets Asia Limited
Guotai Junan Securities (Hong Kong) Limited
BOCOM International Securities 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 Global Coordinators (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 1,841,600 Hong Kong Offer Shares and the International Offering of initially 16,573,800 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

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the **GREEN** Application Form 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 offered pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Hong Kong Stock Exchange and such approval not subsequently having been revoked prior to the commencement of trading of the H Shares on the Hong Kong Stock Exchange 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 **GREEN** Application Form and the Hong Kong Underwriting Agreement.

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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

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If at any time prior to 8:00 a.m. on the day that trading in the H Shares commences on the Stock Exchange:

- (a) there develops, occurs, exists or comes into force:
 - (i) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Singapore, Japan, Australia, Canada and Korea (each a “**Relevant Jurisdiction**”); or
 - (ii) any change or development involving a prospective change, or any event or series of events likely to result in a change or prospective change, in local, national, regional or international financial, political, military, industrial, economic, fiscal, regulatory, currency, credit or market conditions, equity securities or other financial markets (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and the inter-bank markets and credit markets) in or affecting any Relevant Jurisdictions; or
 - (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, declaration of a regional, national or international emergency or war, calamity, crisis, strikes, labor disputes, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, acts of God, epidemic, pandemic, outbreak or escalation of infectious disease (including without limitation COVID-19, SARS, MERS, H5N1, H1N1, swine or avian influenza or such related/mutated forms), accident or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions, or without limiting the foregoing, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

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- (iv) the imposition or declaration of (a) any moratorium, suspension or limitation (including without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in shares or securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; (b) any moratorium, suspension or limitation (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 or (c) any moratorium on banking activities in or affecting any of the Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearing services in those places or jurisdictions; or
- (v) a change or development involving a prospective change or amendment in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar or Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (vi) the commencement by any Authority (as defined in the Hong Kong Underwriting Agreement) or other regulatory or political body or organization of any public action or investigation against the Company or any Director or an announcement by any Authority or regulatory or political body or organization that it intends to take any such action; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or on, any Relevant Jurisdiction applicable to the business operations of the Group; or
- (viii) any adverse change or prospective change in the Group's assets, liabilities, profits, losses, performance, condition, business, financial position, earnings, trading position or prospects; or
- (ix) any event, act or omission which gives rise or is likely to give rise to any liability of the Company or the Controlling Shareholders pursuant to the indemnities in the Hong Kong Underwriting Agreement; or
- (x) an order or petition is presented for the winding-up or liquidation of any member of the Group, or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a

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provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

- (xi) any non-compliance of this prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or
- (xii) any change or prospective change, or a materialization of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (xiii) any contravention by the Company or any Director of the Listing Rules or applicable laws; or
- (xiv) the issue of a supplement to this prospectus (or to any other documents used in connection with the Global Offering) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xv) a demand by any creditor for repayment or payment of any of the Group’s indebtedness in respect of which the Company or any member of the Group is liable prior to its stated maturity,

which, in any such case individually or in the aggregate, in the absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (1) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company or the Group as a whole; or
- (2) has or will or may have a material adverse effect on the success of the Global Offering and/or make it impracticable or inadvisable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or
- (3) has or will or may have a material adverse effect on the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

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- (4) make, will or may make it impracticable, inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering, to market the Global Offering or the delivery of H Shares on the Listing Date; or
 - (5) has or will or may have the effect of making any material term 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; or
- (b) there has come to the notice of any of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners or the Joint Lead Managers:
- (i) that any statement contained in any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment was, when it was issued, or has become untrue, incorrect, inaccurate in any material respect or misleading; or
 - (ii) that any estimate, forecast, expression of opinion, intention or expectation contained in any of the Offering Documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become unfair or misleading or based on untrue, dishonest or unreasonable assumptions or given in bad faith; or
 - (iii) any matter which would, if the Offering Documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) were issued at that time, constitute a material omission therefrom; or
 - (iv) any material breach of, or any event rendering untrue or incorrect in any respect, any of the warranties given by the Company and the Controlling Shareholders in the Hong Kong Underwriting Agreement; or
 - (v) any material breach of any of the obligations of any party (other than the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or the Hong Kong Underwriters) to the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

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- (vi) any material adverse change, or any development or any prospective material adverse change or development, in the condition (financial or otherwise) or in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or
- (vii) that (a) any Director or general manager of the Company named in this prospectus seeks to retire, or is removed from office or (b) any Director or any member of senior management as named in this prospectus is being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (viii) the chairman of the Board or any Director of the Company vacating his/her office; or
- (ix) any material litigation or claim instigated, or any material litigation or claim being threatened against any member of the Group, any Director or the Controlling Shareholders; or
- (x) the Company withdraws this prospectus (and/or any other documents used in connection with the subscription or sale of any of the Offer Shares pursuant to the Global Offering) or the Global Offering; or
- (xi) that the approval by the Listing Committee of the listing of, and permission to deal in, the H Shares is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (xii) any prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or
- (xiii) any person (other than the Joint Sponsors) has withdrawn or sought to withdraw its consent to being named in any of the Offering Documents or to the issue of any of the Offering Documents; or
- (xiv) that a material portion of the orders placed or confirmed in the bookbuilding process have been withdrawn, terminated or cancelled,

then the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may, in their absolute discretion and upon giving notice through electronic means or in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

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Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that it will not issue any further Shares, or securities convertible into equity securities of our Company (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 and the Over-allotment Option or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Stock Exchange and our Company that, except in compliance with the requirements of the Listing Rules, he/she/it will not and will procure that the relevant registered holder(s) will not, either directly or indirectly:

- (a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), 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 securities of our Company in respect of which he/she/it is shown in this prospectus to be the beneficial owner(s); and
- (b) in the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), 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 securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company or a member of the group of Controlling Shareholders of our Company or would together with the other Controlling Shareholders cease to be controlling shareholders (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, he/she/it will and will procure that the relevant registered holder(s) will:

- (a) when he/she/it pledges or charges any securities of our Company beneficially owned by him/her/it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge/charge together with the number of the securities so pledged or charged; and

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- (b) when he/she/it receives any indication, either verbal or written, from the pledgee or chargee that any of the pledged/charged securities will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraph (a) and (b) above (if any) by any of the Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company and the Controlling Shareholders in respect of our Company

Pursuant to the Hong Kong Underwriting Agreement, except for the offer and sale of the Offer Shares pursuant to the Global Offering including pursuant to the Over-allotment Option and otherwise pursuant to the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), our Company has undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Joint Sponsors not to, 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 requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, claim, defect, right, interest or preference granted to any third party, or any other encumbrance or security interest of any kind (an “**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other equity securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any share capital or other equity securities of our Company, as applicable), or deposit any share capital or other equity securities of our Company, as applicable, with a depository in connection with the issue of depository receipts; or

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- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of the Shares or any other equity securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any equity securities 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
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other equity securities in cash or otherwise (whether or not the issue of such share capital or other equity securities will be completed within the First Six-Month Period). Our Company further agreed that, in the event our Company is allowed to enter into any of the transactions described in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), it will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of our Company will, create a disorderly or false market for any Shares or other securities of our Company. Each of the Controlling Shareholders has undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure our Company to comply with the above undertakings.

Our Company has agreed and undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters that it will and each of the Controlling Shareholders has further undertaken to procure that our Company will, comply with the minimum public float requirements as allowed by the Stock Exchange (the “**Minimum Public Float Requirement**”), and it will not effect any purchase of the Shares, or agree to do so, which may reduce the holdings of the H Shares held by the public (as defined in Rule 8.24 of the Listing Rules) to below the Minimum Public Float Requirement prior to the expiration of the Second Six-Month Period without first having obtained the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters).

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Undertakings by the Controlling Shareholders in respect of themselves

Each of the Controlling Shareholders has jointly and severally undertaken to each of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Joint Sponsors that, except pursuant to the Global Offering (including pursuant to 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 requirements of the Listing Rules:

- (a) he, she or it will not, at any time during the First Six-Month Period, (i) sell, offer to 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, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities 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 any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company with a depository in connection with the issue of depository receipts, 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 Shares or other securities of our Company or any interest therein (including, without limitation, any securities 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 any such other securities, as applicable or any interest in any of the foregoing), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the transactions will be completed within the First Six-Month Period);

- (b) he, she or it will not, during the Second Six-Month Period, enter into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, he, she or it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company;

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- (c) until the expiry of the Second Six-Month Period, in the event that he, she or it enters into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above, offers to or agrees to or announces any intention to effect any such transaction, he, she or it will take all reasonable steps to ensure that he, she or it will not create a disorderly or false market in the securities of our Company; and
- (d) at any time during the First Six-Month Period and the Second Six-Month Period, he, she or it will (i) if and when he, she or it or the relevant registered holder(s) pledges or charges any Shares or other securities of the Company beneficially owned by him, her or it, immediately inform our Company and the Joint Global Coordinators in writing of such pledge or charge together with the number of Shares or other securities of our Company so pledged or charged; and (ii) if and when it or the relevant registered holder(s) receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities of our Company will be disposed of, immediately inform our Company and the Joint Global Coordinators in writing of such indications,

provided that nothing in the above shall prevent the Controlling Shareholders from (i) purchasing additional Shares or other securities of our Company and disposing of such additional Shares or securities of our Company in accordance with the Listing Rules, (ii) using the Shares or other securities of our Company or any interest therein beneficially owned by them as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

Our Company has undertaken to the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that upon receiving such information in writing from any Controlling Shareholder, he/she/it will, as soon as practicable and if required pursuant to the Listing Rules, the SFO and/or any other applicable Law, notify the Stock Exchange and/or other relevant Authorities, and make a public disclosure in relation to such information by way of an announcement.

Hong Kong Underwriters' Interests in our 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 Shares or any securities of any member of the 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 Shares or any securities of any member of the 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.

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International Offering

International Underwriting Agreement

In connection with the International Offering, our Company and the Controlling Shareholders expect to enter into the International Underwriting Agreement with the International Underwriters on or around 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 as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into or is 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

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the Listing Date, being Friday, December 10, 2021, until 30 days after the last day for lodging applications under the Hong Kong Public Offering, being Sunday, January 2, 2022, pursuant to which our Company may be required to issue up to an aggregate of 2,762,300 Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations (if any) in the International Offering. See the section headed “Structure of the Global Offering – Over-allotment Option” in this prospectus.

Commissions and Expenses

The Underwriters will receive an underwriting commission of 2.50% 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 Underwriters may receive a discretionary incentive fee of up to 1.00% 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.

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The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK\$380.00 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK\$281.7 million.

The aggregate underwriting commissions and 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\$327.2 million (assuming an Offer Price of HK\$380.00 per Offer Share (being the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full), which will be made by our Company.

Indemnity

Each of our Company and the Controlling Shareholders has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by any of our Company and the Controlling Shareholders 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, 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 and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the 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

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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 the section headed “Structure of the Global Offering” in this prospectus. 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 Stabilization Manager or its affiliates 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 and other services to our Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

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.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Goldman Sachs (Asia) L.L.C. and CLSA 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 our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued as mentioned in this prospectus.

18,415,400 Offer Shares will initially be made available under the Global Offering comprising:

- (a) the Hong Kong Public Offering of initially 1,841,600 H Shares (subject to reallocation) in Hong Kong as described in the sub-section “The Hong Kong Public Offering” in this section below; and
- (b) the International Offering of initially 16,573,800 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 sub-section headed “The International Offering” this section 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 7.0% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes. If the Over-allotment Option is exercised in full, the Offer Shares (including H Shares issued pursuant to the full exercise of the Over-allotment Option) will represent approximately 7.97% of the total Shares in issue immediately following the completion of the Global Offering and the issue of Offer Shares pursuant to the Over-Allotment Option.

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References in this prospectus to applications, **GREEN** Application Form, 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

Our Company is initially offering 1,841,600 H Shares (subject to reallocation) for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% 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 total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

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 the sub-section headed “Conditions of the Global Offering” in this section.

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 into two pools (with any odd lots being allocated to pool A): pool A and pool B. 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.

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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 920,800 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. 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 Hong Kong Offer Shares to certain percentages of the total number of Offer Shares to be offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached. 1,841,600 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 10% of the Offer Shares initially available for subscription under the Global Offering; and in the event of full subscription or over-subscription of the International Offer Shares, the Joint Global Coordinators shall apply a clawback mechanism following the closing of the application lists on the following basis, subject to the allocation basis as stated in Guidance Letter HKEX-GL91-18:

- If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate, and the Allocation Cap as defined in and stated under Guidance Letter HKEX-GL91-18 will not be triggered;
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the 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 5,524,700 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the 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 7,366,200 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering;

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- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of the 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 9,207,700 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

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.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may be reallocated as between these offerings at the discretion of the Joint Global Coordinators (for themselves and on behalf of the Underwriters). Subject to the foregoing paragraph, the Joint Global Coordinators may in their discretion 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 (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of H Shares initially available for subscription under the Hong Kong Public Offering, the Joint Global Coordinators have the authority to reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering in such number as they deem appropriate, provided that the total number of Offer Shares available under the Hong Kong Public Offering following such reallocation shall be not more than 3,683,200 Offer Shares (representing approximately 20% of the total number of Offer Shares initially available under the Global Offering), and the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e., HK\$350.00 per Offer Share) stated in this prospectus.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on Thursday, December 9, 2021.

Where the International Offer Shares are undersubscribed, if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the **GREEN** Application Form and the Underwriting Agreements.

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Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/her/it 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/she/it 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\$410.00 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\$41,413.16 for one board lot of 100 H Shares. If the Offer Price, as finally determined in the manner described in the sub-section headed "Pricing and Allocation" in this section below, is less than the maximum Offer Price of HK\$410.00 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 16,573,800 H Shares, representing approximately 90% 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 6.3% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes).

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States in accordance with Rule 144A 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

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International Offering will be effected in accordance with the “book-building” process described in sub-section headed “Pricing and Allocation” in this section 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 H Shares and/or hold or sell its H 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 the 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 them 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 or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the subsection “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, our 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, being Friday, December 10, 2021, until 30 days after the last day for lodging applications under the Hong Kong Public Offering, being Sunday, January 2, 2022, to require our Company to issue up to an aggregate of 2,762,300 additional 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-allotments (if any) in the International Offering.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 1.04% of the total Shares in issue immediately following the completion of the Global Offering and the issue of Offer Shares pursuant to the Over-allotment Option. If the Over-allotment Option is exercised, an announcement will be made.

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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 Stabilization Manager (or its affiliates 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 Stabilization Manager (or its affiliates 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 Stabilization Manager (or its affiliates or any person acting for it) and in what the Stabilization Manager reasonably regards as the best interest of our 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, being Sunday, January 2, 2022.

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 Stabilization Manager (or its affiliates 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 Stabilization Manager (or its affiliates or any person acting for it) will maintain such a long position;

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- (c) liquidation of any such long position by the Stabilization Manager (or its affiliates 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, being Friday, December 10, 2021, and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering, being Sunday, January 2, 2022. 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 Stabilization Manager will arrange cover of up to an aggregate of 2,762,300 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 Stabilization Manager and the Over-allotment Option will not be exercised.

Our 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, i.e. on or before Sunday, January 9, 2022.

Over-Allocation

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilization Manager (or its affiliates 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 Stabilization Manager (or its affiliates or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, or by a combination of these methods.

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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, December 3, 2021 and, in any event, no later than Tuesday, December 7, 2021, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our 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\$410.00 per Offer Share and is expected to be not less than HK\$350.00 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\$410.00 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\$41,413.16 for one board lot of 100 H 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 our 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, our 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 our Company and the Stock Exchange at www.asymchem.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 Global Coordinators (on behalf of the Underwriters) and our 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

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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 Global Coordinators (on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

If the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

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 the section headed “How to Apply for Hong Kong Offer Shares – 11. Publication of Results” in this prospectus.

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 Global Coordinators (on behalf of the Underwriters) and our Company agreeing on the Offer Price.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in the section headed “Underwriting” in this prospectus.

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 (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such approval and permission not subsequently having been withdrawn or revoked prior to the Listing Date;
- (b) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Underwriters) and our Company;
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

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- (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 Global Coordinators (on behalf of the Underwriters) and our Company on or before Tuesday, December 7, 2021, 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 our Company on the websites of our Company and the Stock Exchange at www.asymchem.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 – 13. Refund of Application Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

H Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Friday, December 10, 2021, 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, December 10, 2021, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, December 10, 2021.

The H Shares will be traded in board lots of 100 H Shares each and the stock code of the H Shares will be 6821.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS: Fully Electronic Application Process

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of the Prospectus or any printed copies of any application forms for use by the public.

The Prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.asymchem.com. If you require a printed copy of the Prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the Prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that the Prospectus is available online at the website addresses above.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our H Share Registrar, and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited at +852 2862 8646 is available on the following dates and times:

Tuesday, November 30, 2021 – 9:00 a.m. to 9:00 p.m.
Wednesday, December 1, 2021 – 9:00 a.m. to 9:00 p.m.
Thursday, December 2, 2021 – 9:00 a.m. to 9:00 p.m.
Friday, December 3, 2021 – 9:00 a.m. to 12:00 noon

(A) APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

We will not provide any printed application forms for use by the public.

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:

- (1) apply online through the **White Form eIPO** service at www.eipo.com.hk; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
- (i) instructing 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; or
 - (ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (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 CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will 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.

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.

Our Company, the Joint Global Coordinators, the **White Form eIPO** 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 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).

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply for Hong Kong Offer Shares online through the **White Form eIPO** 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 an application is made by a person under a power of attorney, our Company and the Joint Global Coordinators, as our 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 **White Form eIPO** service for the Hong Kong Offer Shares.

If you are a firm, the application must be in the individual members' names. If you are applying for the Hong Kong Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

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 our Company's subsidiaries;
- you are a director, supervisor or chief executive of our Company and/or any of our Company's subsidiaries;
- you are a close associate (as defined under the Listing Rules) of any of the above persons; or
- you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. Terms and Conditions of an Application

By applying through the application channels specified in the prospectus, among other things, you:

- (a) **undertake** to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our 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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (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 and agree to be bound by them;
- (d) **confirm** that you have received and read the Prospectus and have relied only on the information and representations in the prospectus in making your application and will not rely on any other information or representations, except those in any supplement to the Prospectus;
- (e) **confirm** that you are aware of the restrictions on the Global Offering set out in the prospectus;
- (f) **agree** that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of their or our Company's respective directors, officers, employees, agents or representatives and any other parties involved in the Global Offering (the "**Relevant Persons**") and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in the prospectus (and any supplement to the 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 our 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 none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law 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 contained in this prospectus;
- (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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (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) our Company to place your name(s) or the name of HKSCC Nominees on the register of members of our 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) our Company and/or its agents to send any H Share certificate(s) and/or any e-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. 3,683,200 Offer Shares). Further details of the reallocation are stated in the paragraph headed “Structure of the Global Offering” in the prospectus;
- (r) **understand** that our 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 by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (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 by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, we and all other parties involved in the preparation of this Prospectus acknowledge that each applicant and 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).

4. Minimum Application Amount and Permitted Numbers

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK\$		HK\$		HK\$		HK\$
100	41,413.16	2,000	828,263.14	10,000	4,141,315.70	80,000	33,130,525.60
200	82,826.31	2,500	1,035,328.93	15,000	6,211,973.55	90,000	37,271,841.30
300	124,239.47	3,000	1,242,394.71	20,000	8,282,631.40	100,000	41,413,157.00
400	165,652.63	3,500	1,449,460.50	25,000	10,353,289.25	200,000	82,826,314.00
500	207,065.79	4,000	1,656,526.28	30,000	12,423,947.10	300,000	124,239,471.00
600	248,478.94	4,500	1,863,592.07	35,000	14,494,604.95	400,000	165,652,628.00
700	289,892.10	5,000	2,070,657.85	40,000	16,565,262.80	500,000	207,065,785.00
800	331,305.26	6,000	2,484,789.42	45,000	18,635,920.65	600,000	248,478,942.00
900	372,718.41	7,000	2,898,920.99	50,000	20,706,578.50	700,000	289,892,099.00
1,000	414,131.57	8,000	3,313,052.56	60,000	24,847,894.20	800,000	331,305,256.00
1,500	621,197.36	9,000	3,727,184.13	70,000	28,989,209.90	920,800 ⁽¹⁾	381,332,349.66

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. Applying Through White Form eIPO Service

General

Individuals who meet the criteria in “– 2. Who can apply” section, may apply through the **White Form eIPO** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are 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 designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

If you have any questions on how to apply through the **White Form eIPO** service for the Hong Kong Offer Shares, please contact the telephone enquiry line of the **White Form eIPO** Service Provider Computershare Hong Kong Investor Services Limited at +852 2862 8646 which is available on the following dates and times:

Tuesday, November 30, 2021 – 9:00 a.m. to 9:00 p.m.
Wednesday, December 1, 2021 – 9:00 a.m. to 9:00 p.m.
Thursday, December 2, 2021 – 9:00 a.m. to 9:00 p.m.
Friday, December 3, 2021 – 9:00 a.m. to 12:00 noon

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, November 30, 2021 until 11:30 a.m. on Friday, December 3, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, December 3, 2021 or such later time under the paragraph headed “– 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** 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.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of the 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).

Commitment to Sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Asymchem Laboratories (Tianjin) Co., Ltd.” **White Form eIPO** application submitted via www.eipo.com.hk to support sustainability.

6. Applying Through the CCASS EIPO Service

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.

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 our Company, the Joint Global Coordinators and the H Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Applying through the CCASS EIPO Service

Where you have applied through the **CCASS EIPO** service (either indirectly through a broker or custodian or directly) and an application is made 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 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 our 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 our Company to place HKSCC Nominees' name on the H Share register of our 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 our Company and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in the prospectus and agree to be bound by them;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- confirm that you have received and read a copy of the Prospectus and have relied only on the information and representations in the prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to the Prospectus;
- agree that neither our Company nor the Relevant Persons is or will be liable for any information and representations not in the prospectus (and any supplement to the Prospectus);
- agree to disclose to our 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 our Company, and to become binding when you give the instructions and such collateral contract to be in consideration of our 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 the 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 the 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 the 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 our 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;

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- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for our 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 our Company, for itself and for the benefit of each Shareholder and each Director, supervisor, manager and other senior officer of our Company (and so that our 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 our 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 our 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 our Company (for our Company itself and for the benefit of each Shareholder) that H Shares in our Company are freely transferable by their holders;
- authorise our Company to enter into a contract on its behalf with each Director and officer of our 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of Applying through the CCASS EIPO Service

By applying through the **CCASS EIPO** service, 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 our 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 prospectus.

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, November 30, 2021 – 9:00 a.m. to 8:30 p.m.
Wednesday, December 1, 2021 – 8:00 a.m. to 8:30 p.m.
Thursday, December 2, 2021 – 8:00 a.m. to 8:30 p.m.
Friday, December 3, 2021 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, November 30, 2021 until 12:00 noon on Friday, December 3, 2021 (24 hours daily, except on Friday, December 3, 2021, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, December 3, 2021, the last day for applications or such later time as described in “– 10. 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are instructing 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 are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

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, our Company and all other parties involved in the preparation of the 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 following Personal Information Collection Statement applies to any personal data held by us, 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. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and its H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

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Reasons for the Collection of Your Personal Data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or its agents and the H Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or its H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check or e-Refund payment instruction, where applicable, verification of compliance with the terms and application procedures set out in the prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Company's Register of Members;
- verifying identities of the holders of the Company's Shares;
- establishing benefit entitlements of holders of the Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Company's Shares;
- disclosing relevant information to facilitate claims on entitlements; and

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- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to holders of the Company's H Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of Personal Data

Personal data held by the Company and its H Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and its H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc..

Retention of Personal Data

The Company and its H Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Access to and Correction of Personal Data

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or

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correction of data should be addressed to the Company, at the Company's registered address disclosed in the section headed "Corporate Information" in the prospectus or as notified from time to time, for the attention of the secretary, or the Company's H Share Registrar for the attention of the privacy compliance officer.

7. Warning for Electronic Applications

The subscription of the 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 **White Form eIPO** service is also only a facility provided by the **White Form eIPO** 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 application day in making your electronic applications. The Company, the Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted 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 in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, December 3, 2021, the last day for applications, or such later time as described in "– 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO service** (directly or indirectly through your broker or custodian) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied 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 behalf.

HOW TO APPLY FOR HONG KONG OFFER SHARES

For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** 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. However, 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. 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).

9. How much are the Hong Kong Offer Shares

The maximum Offer Price is HK\$410.00 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\$41,413.16.

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.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 100 Hong Kong Offer Shares. If you make an **electronic application instruction** for more than 100 Hong Kong Offer Shares, the number of Hong Kong Offer Shares you apply for must be in one of the specified numbers set out in the section “– 4. Minimum Application Amount and Permitted Numbers.”

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 the prospectus.

10. 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, December 3, 2021. 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, December 3, 2021 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 the prospectus, an announcement will be made.

11. Publication of Results

Our 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, December 9, 2021 on the websites of our Company at www.asymchem.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 our Company at www.asymchem.com and the Stock Exchange at www.hkexnews.hk, respectively, by no later than 9:00 a.m. on Thursday, December 9, 2021;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, December 9, 2021 to 12:00 midnight on Wednesday, December 15, 2021;
- by telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Thursday, December 9, 2021, Friday, December 10, 2021, Monday, December 13, 2021, and Tuesday, December 14, 2021.

If our 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 the section “Structure of the Global Offering” in the prospectus.

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.

12. 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 applying through the **CCASS EIPO** service or the **White Form eIPO** 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 our 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 the 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 the Prospectus; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) if any supplement to the 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 our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** 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 our 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 **GREEN** Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering;
- our Company or the Joint Global Coordinators believe that by accepting your application, they would violate applicable securities or other laws, rules or regulations; or
- the Underwriting Agreements do not become unconditional or are terminated.

13. 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 the 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, December 9, 2021.

14. Despatch/Collection of H Shares Certificates/e-Refund Payment Instructions/Refund Cheques

You will receive one H Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except 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.

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, December 9, 2021. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

HOW TO APPLY FOR HONG KONG OFFER SHARES

H Share certificates will only become valid at 8:00 a.m. on Friday, December 10, 2021, 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 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 through the White Form eIPO service:

- If you apply for 100,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect refund cheque(s) and/or H Share certificate(s) (where applicable) in person from the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 9, 2021, or any other place or date notified by our 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) and/or refund cheque(s) (where applicable) 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 100,000 Hong Kong Offer Shares through the **White Form eIPO** service, your H Share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, December 9, 2021 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-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post and at your own risk.

(b) If you apply through the CCASS EIPO service:

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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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, December 9, 2021, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our 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 “– Publication of Results” above on Thursday, December 9, 2021. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 9, 2021 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, December 9, 2021. 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, December 9, 2021.

15. Admission of the H Shares into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and our 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 settlement 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 received from our Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in the document.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ASYMCHEM LABORATORIES (TIANJIN) CO., LTD., GOLDMAN SACHS (ASIA) L.L.C. AND CLSA CAPITAL MARKETS LIMITED

Introduction

We report on the historical financial information of Asymchem Laboratories (Tianjin) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages IA-4 to IA-92, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2018, 2019 and 2020, and the six months ended 30 June 2021 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2018, 2019 and 2020 and 30 June 2021 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IA-4 to IA-92 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 November 2021 (the "Prospectus") in connection with the initial listing of the 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 (the "Directors") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the 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 (the "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 the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 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 financial position of the Group and the Company as at 31 December 2018, 2019 and 2020 and 30 June 2021 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2020 and other explanatory information (the “Interim Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim 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 Interim 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 2.1 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 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Ernst & Young

Certified Public Accountants

Hong Kong

30 November 2021

I HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing ("HKSA's") issued by the HKICPA (the "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

	Notes	Year ended 31 December			Six months ended 30 June	
		2018	2019	2020	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
REVENUE	5	1,822,787	2,445,849	3,136,724	1,256,774	1,755,569
Cost of sales		(984,677)	(1,345,286)	(1,683,500)	(653,533)	(970,182)
Gross profit		838,110	1,100,563	1,453,224	603,241	785,387
Other income and gains	5	79,306	100,482	119,773	64,181	98,760
Selling expenses		(71,367)	(82,827)	(84,253)	(39,321)	(39,564)
Administrative expenses		(214,901)	(275,599)	(320,599)	(135,139)	(198,654)
Research and development expenses		(155,178)	(192,522)	(258,934)	(108,770)	(163,895)
(Losses on)/reversal of impairment of financial and contract assets, net		(4,851)	(9,605)	(25,751)	(15,067)	8,167
Other expenses		(9,154)	(19,639)	(70,583)	(14,158)	(6,586)
Share of profits/(losses) of associates		–	1,469	2,084	1,474	(939)
Finance costs	7	(1,467)	(1,768)	(3,728)	(624)	(752)
PROFIT BEFORE TAX	6	460,498	620,554	811,233	355,817	481,924
Income tax expense	10	(54,141)	(68,965)	(91,530)	(41,526)	(52,600)
PROFIT FOR THE YEAR/PERIOD		<u>406,357</u>	<u>551,589</u>	<u>719,703</u>	<u>314,291</u>	<u>429,324</u>
Attributable to:						
Owners of the parent		428,202	551,589	719,742	314,291	429,327
Non-controlling interests		(21,845)	–	(39)	–	(3)
		<u>406,357</u>	<u>551,589</u>	<u>719,703</u>	<u>314,291</u>	<u>429,324</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic	12	<u>RMB1.88</u>	<u>RMB2.41</u>	<u>RMB3.09</u>	<u>RMB1.37</u>	<u>RMB1.78</u>
Diluted	12	<u>RMB1.86</u>	<u>RMB2.38</u>	<u>RMB3.07</u>	<u>RMB1.36</u>	<u>RMB1.77</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT FOR THE YEAR/PERIOD	<u>406,357</u>	<u>551,589</u>	<u>719,703</u>	<u>314,291</u>	<u>429,324</u>
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
Exchange differences:					
Exchange differences on translation of foreign operations	<u>4,913</u>	<u>1,943</u>	<u>(11,685)</u>	<u>2,062</u>	<u>(1,823)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX	<u>4,913</u>	<u>1,943</u>	<u>(11,685)</u>	<u>2,062</u>	<u>(1,823)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	<u>411,270</u>	<u>553,532</u>	<u>708,018</u>	<u>316,353</u>	<u>427,501</u>
Attributable to:					
Owners of the parent	433,115	553,532	708,057	316,353	427,504
Non-controlling interests	<u>(21,845)</u>	<u>–</u>	<u>(39)</u>	<u>–</u>	<u>(3)</u>
	<u>411,270</u>	<u>553,532</u>	<u>708,018</u>	<u>316,353</u>	<u>427,501</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at
		2018	2019	2020	30 June
		RMB'000	RMB'000	RMB'000	2021
				RMB'000	
NON-CURRENT ASSETS					
Property, plant and equipment	13	1,219,655	1,637,952	2,208,297	2,579,208
Right-of-use assets	14	107,483	131,300	284,328	314,039
Goodwill	15	–	–	43,186	43,186
Other intangible assets	16	12,939	19,232	24,049	23,300
Deferred tax assets	17	47,608	85,346	118,006	141,639
Investments in associates	19	–	201,469	269,689	268,750
Prepayments, deposits and other receivables	22	106,162	54,126	169,547	230,120
Financial assets at fair value through profit or loss	23	–	20,000	35,000	50,000
Total non-current assets		<u>1,493,847</u>	<u>2,149,425</u>	<u>3,152,102</u>	<u>3,650,242</u>
CURRENT ASSETS					
Inventories	20	424,117	448,783	726,384	878,986
Trade receivables	21	521,396	656,908	978,149	830,548
Contract assets		3,843	1,597	9,046	13,268
Prepayments, deposits and other receivables	22	73,124	91,601	189,598	286,284
Tax recoverable		4,668	4,487	2,756	4,245
Financial assets at fair value through profit or loss	23	37,110	–	–	1,405,663
Cash and cash equivalents	24	<u>629,971</u>	<u>435,252</u>	<u>2,124,615</u>	<u>627,585</u>
Total current assets		<u>1,694,229</u>	<u>1,638,628</u>	<u>4,030,548</u>	<u>4,046,579</u>
CURRENT LIABILITIES					
Trade payables	25	198,024	194,052	378,616	341,361
Other payables and accruals	26	334,802	288,244	518,089	732,146
Interest-bearing bank borrowings	27	–	–	10,034	–
Financial liabilities at fair value through profit or loss	23	–	5,311	–	–
Lease liabilities	14	931	3,452	2,925	6,846
Tax payable		<u>6,847</u>	<u>16,378</u>	<u>18,919</u>	<u>17,868</u>
Total current liabilities		<u>540,604</u>	<u>507,437</u>	<u>928,583</u>	<u>1,098,221</u>
NET CURRENT ASSETS		<u>1,153,625</u>	<u>1,131,191</u>	<u>3,101,965</u>	<u>2,948,358</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,647,472</u>	<u>3,280,616</u>	<u>6,254,067</u>	<u>6,598,600</u>

	Notes	As at 31 December			As at
		2018	2019	2020	30 June
		RMB'000	RMB'000	RMB'000	2021
				RMB'000	
NON-CURRENT LIABILITIES					
Other payables and accruals	26	110,570	148,042	151,445	174,474
Lease liabilities	14	1,986	28,320	25,882	39,500
Deferred tax liabilities	17	24,528	61,205	86,990	97,523
Total non-current liabilities		137,084	237,567	264,317	311,497
Net assets		2,510,388	3,043,049	5,989,750	6,287,103
EQUITY					
Equity attributable to owners of the parent					
Share capital	28	230,719	231,320	242,451	242,627
Restricted shares under share-based payment	29	(117,272)	(87,828)	(137,358)	(163,737)
Other reserves	30	2,396,941	2,899,557	5,884,696	6,208,255
		2,510,388	3,043,049	5,989,789	6,287,145
Non-controlling interests		–	–	(39)	(42)
Total equity		2,510,388	3,043,049	5,989,750	6,287,103

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent								
	Share capital	Restricted shares under share-based payment	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	230,103	(151,662)	1,039,199	30,072	829	908,992	2,057,533	97,416	2,154,949
Profit for the year	-	-	-	-	-	428,202	428,202	(21,845)	406,357
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	4,913	-	4,913	-	4,913
Total comprehensive income for the year	-	-	-	-	4,913	428,202	433,115	(21,845)	411,270
Acquisition of non-controlling interests	-	-	22,751	-	-	-	22,751	(75,571)	(52,820)
Final 2017 dividend declared and paid	-	-	-	-	-	(80,534)	(80,534)	-	(80,534)
Issue of restricted shares	750	(33,048)	32,298	-	-	-	-	-	-
Cancellation of restricted shares	(134)	6,773	(5,722)	-	-	-	917	-	917
Vesting of restricted shares	-	60,665	-	-	-	-	60,665	-	60,665
Equity-settled share incentive scheme arrangements	-	-	15,941	-	-	-	15,941	-	15,941
Transfer to statutory surplus reserve	-	-	-	5,124	-	(5,124)	-	-	-
At 31 December 2018 and 1 January 2019	230,719	(117,272)	1,104,467	35,196	5,742	1,251,536	2,510,388	-	2,510,388
Profit for the year	-	-	-	-	-	551,589	551,589	-	551,589
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	1,943	-	1,943	-	1,943
Total comprehensive income for the year	-	-	-	-	1,943	551,589	553,532	-	553,532
Final 2018 dividend declared and paid	-	-	-	-	-	(92,524)	(92,524)	-	(92,524)
Issue of restricted shares	691	(30,962)	30,271	-	-	-	-	-	-
Cancellation of restricted shares	(90)	4,950	(3,851)	-	-	-	1,009	-	1,009
Vesting of restricted shares	-	55,456	-	-	-	-	55,456	-	55,456
Equity-settled share incentive scheme arrangements	-	-	15,188	-	-	-	15,188	-	15,188
Transfer to statutory surplus reserve	-	-	-	15,491	-	(15,491)	-	-	-
At 31 December 2019	231,320	(87,828)	1,146,075	50,687	7,685	1,695,110	3,043,049	-	3,043,049

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the parent								
	Share capital	Restricted shares under share-based payment	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019 and 1 January 2020	231,320	(87,828)	1,146,075	50,687	7,685	1,695,110	3,043,049	-	3,043,049
Profit for the year	-	-	-	-	-	719,742	719,742	(39)	719,703
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	(11,685)	-	(11,685)	-	(11,685)
Total comprehensive income for the year	-	-	-	-	(11,685)	719,742	708,057	(39)	708,018
Disposal of a subsidiary	-	-	(1,936)	-	-	-	(1,936)	-	(1,936)
Final 2019 dividend declared and paid	-	-	-	-	-	(115,637)	(115,637)	-	(115,637)
Issue of shares	10,179	-	2,264,782	-	-	-	2,274,961	-	2,274,961
Issue of restricted shares	1,018	(118,668)	117,650	-	-	-	-	-	-
Cancellation of restricted shares	(66)	6,271	(5,734)	-	-	-	471	-	471
Vesting of restricted shares	-	62,867	-	-	-	-	62,867	-	62,867
Equity-settled share incentive scheme arrangements	-	-	17,957	-	-	-	17,957	-	17,957
Transfer to statutory surplus reserve	-	-	-	17,464	-	(17,464)	-	-	-
At 31 December 2020	242,451	(137,358)	3,538,794	68,151	(4,000)	2,281,751	5,989,789	(39)	5,989,750

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the parent								
	Share capital	Restricted shares under share-based payment	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	242,451	(137,358)	3,538,794	68,151	(4,000)	2,281,751	5,989,789	(39)	5,989,750
Profit for the period	-	-	-	-	-	429,327	429,327	(3)	429,324
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	(1,823)	-	(1,823)	-	(1,823)
Total comprehensive income for the period	-	-	-	-	(1,823)	429,327	427,504	(3)	427,501
Issue of restricted shares	176	(26,379)	26,203	-	-	-	-	-	-
Final 2020 dividend declared	-	-	-	-	-	(145,576)	(145,576)	-	(145,576)
Equity-settled share incentive scheme arrangements	-	-	15,428	-	-	-	15,428	-	15,428
At 30 June 2021	<u>242,627</u>	<u>(163,737)</u>	<u>3,580,425</u>	<u>68,151</u>	<u>(5,823)</u>	<u>2,565,502</u>	<u>6,287,145</u>	<u>(42)</u>	<u>6,287,103</u>

	Attributable to owners of the parent								
	Share capital	Restricted shares under share-based payment	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	231,320	(87,828)	1,146,075	50,687	7,685	1,695,110	3,043,049	-	3,043,049
Profit for the period (unaudited)	-	-	-	-	-	314,291	314,291	-	314,291
Other comprehensive income for the period: (unaudited)									
Exchange differences on translation of foreign operations (unaudited)	-	-	-	-	2,062	-	2,062	-	2,062
Total comprehensive income for the period (unaudited)	-	-	-	-	2,062	314,291	316,353	-	316,353
Final 2019 dividend declared and paid	-	-	-	-	-	(115,637)	(115,637)	-	(115,637)
Vesting of restricted shares	-	44,700	-	-	-	-	44,700	-	44,700
Equity-settled share incentive scheme arrangements	-	-	4,876	-	-	-	4,876	-	4,876
At 30 June 2020 (unaudited)	<u>231,320</u>	<u>(43,128)</u>	<u>1,150,951</u>	<u>50,687</u>	<u>9,747</u>	<u>1,893,764</u>	<u>3,293,341</u>	<u>-</u>	<u>3,293,341</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Six months ended 30 June	
		2018	2019	2020	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000 unaudited	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		460,498	620,554	811,233	355,817	481,924
Adjustments for:						
Finance costs	7	1,467	1,768	3,728	624	752
Share of (profits)/losses of associates		–	(1,469)	(2,084)	(1,474)	939
Interest income	5	(3,805)	(4,956)	(15,111)	(807)	(7,321)
Investment income		–	–	–	–	(16,390)
Fair value (gain)/loss on financial assets/liabilities at fair value though profit or loss		(10,330)	12,421	(5,311)	(4,832)	–
Loss/(gain) on disposal of items of property, plant and equipment and other intangible assets		229	(56)	335	335	(9)
Loss on termination of leases		–	–	84	–	–
Depreciation of property, plant and equipment	13	100,948	120,697	153,977	73,864	93,351
Depreciation of right-of-use assets	14	2,496	5,212	7,772	3,882	6,311
Amortisation of other intangible assets	16	1,256	2,189	3,585	1,370	1,955
Losses on/(reversal of) Impairment of trade receivables and contract assets, net		4,851	9,605	25,751	(15,067)	(8,167)
COVID-19-related rent concessions from lessors	14	–	–	(89)	(59)	–
Equity-settled share-based payments		15,941	15,188	17,957	4,876	15,428
		<u>573,551</u>	<u>781,153</u>	<u>1,001,827</u>	<u>448,663</u>	<u>568,773</u>
(Increase)/decrease in pledged deposits		(12,676)	10,126	45,558	–	(2,294)
Increase in inventories		(163,890)	(24,666)	(270,265)	(119,089)	(152,602)
Increase in trade receivables		(77,185)	(143,384)	(341,368)	(217,921)	156,633
(Decrease)/increase in contract assets		(2,218)	1,739	(8,319)	42	(4,767)
Increase in prepayments, deposits and other receivables		(15,868)	(22,184)	(98,435)	(70,595)	(73,041)
Increase/(decrease) in trade payables		99,124	(3,972)	178,352	90,573	(37,255)
Increase in other payables and accruals		<u>97,224</u>	<u>63,536</u>	<u>154,923</u>	<u>33,064</u>	<u>90,798</u>
Cash generated from operations		498,062	662,348	662,273	164,737	546,245
Tax paid		<u>(82,163)</u>	<u>(60,314)</u>	<u>(89,360)</u>	<u>(41,994)</u>	<u>(68,240)</u>
Net cash flows from operating activities		<u>415,899</u>	<u>602,034</u>	<u>572,913</u>	<u>122,743</u>	<u>478,005</u>

<i>Notes</i>	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> unaudited	<i>RMB'000</i>
Net cash flows from operating activities	415,899	602,034	572,913	122,743	478,005
CASH FLOWS USED IN INVESTING ACTIVITIES					
Interest received	3,805	4,956	15,111	807	7,321
Purchases of items of property, plant, equipment and other intangible assets	(543,158)	(510,752)	(1,014,960)	(283,771)	(575,569)
Proceeds from disposal of items of property, plant and equipment and other intangible assets	804	117	22	5,746	12
Acquisition of non-controlling interests	(7,457)	–	–	–	–
Acquisition of a subsidiary	–	–	(8,722)	–	(10,000)
Disposal of a subsidiary	–	–	(2,686)	–	–
Purchases of investments at fair value through profit or loss	(30,000)	(20,000)	(15,000)	–	(2,615,000)
Proceeds from disposal of investments at fair value through profit or loss	–	30,000	–	–	1,210,727
Increase in investments in associates	–	(200,000)	(48,632)	–	–
(Increase)/decrease pledged deposits	(7,696)	(4,219)	(26,905)	20,857	–
Net cash flows used in investing activities	(583,702)	(699,898)	(1,101,772)	(256,361)	(1,982,509)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES					
Proceeds from issue of shares	–	–	2,274,961	–	–
Proceeds from issue of restricted shares	33,048	30,962	118,668	–	26,379
Share repurchase payment	(279)	(7,095)	(2,788)	(2,700)	(5,716)
New bank borrowings	–	30,000	150,000	–	–
Repayment of bank borrowings	–	(30,000)	(140,000)	–	(10,034)
(Increase)/decrease in pledged deposits	6,420	(1,332)	(841)	–	–
Acquisition of non-controlling interests	–	(31,333)	(14,030)	(14,030)	–
Principal portion of lease payments	(729)	(174)	(2,394)	(1,141)	(2,209)
Dividends paid to shareholders	(80,534)	(92,524)	(115,637)	(115,637)	–
Interest paid	(1,467)	(1,768)	(3,694)	(624)	(752)
Net cash flows (used in)/from financing activities	(43,541)	(103,264)	2,264,245	(134,132)	7,668

<i>Notes</i>	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> unaudited	<i>RMB'000</i>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(211,344)	(201,128)	1,735,386	(267,750)	(1,496,836)
Cash and cash equivalents at beginning of year/period	827,791	604,528	414,384	414,384	2,121,559
Effect of foreign exchange rate changes, net	(11,919)	10,984	(28,211)	(2,000)	(2,488)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	<u>604,528</u>	<u>414,384</u>	<u>2,121,559</u>	<u>144,634</u>	<u>622,235</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents as stated in the statements of financial position	629,971	435,252	2,124,615	144,645	627,585
Pledged deposits	(25,443)	(20,868)	(3,056)	(11)	(5,350)
Cash and cash equivalents as stated in the statements of cash flows	<u>604,528</u>	<u>414,384</u>	<u>2,121,559</u>	<u>144,634</u>	<u>622,235</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December			As at
		2018	2019	2020	30 June
		RMB'000	RMB'000	RMB'000	2021
				RMB'000	
NON-CURRENT ASSETS					
Property, plant and equipment	13	74,386	125,962	131,329	135,040
Right-of-use assets		7,098	13,488	11,130	26,573
Other intangible assets	16	5,476	10,882	16,593	15,565
Investments in subsidiaries	18	480,492	1,140,797	1,431,741	1,533,880
Investments in associates	19	–	201,469	269,678	268,750
Deferred tax assets		4,865	9,650	7,433	5,435
Prepayments, deposits and other receivables	22	4,250	4,608	5,561	5,433
Financial assets at fair value through profit or loss	23	–	20,000	35,000	50,000
Total non-current assets		<u>576,567</u>	<u>1,526,856</u>	<u>1,908,465</u>	<u>2,040,676</u>
CURRENT ASSETS					
Inventories		2,178	9,201	18,447	53,860
Trade receivables	21	72,015	73,967	200,688	130,055
Prepayments, deposits and other receivables	22	659,353	321,214	475,547	2,475,256
Tax recoverable		2,645	–	–	–
Financial assets at fair value through profit or loss	23	24,000	–	–	300,867
Cash and cash equivalents	24	209,317	247,782	1,786,528	156,369
Total current assets		<u>969,508</u>	<u>652,164</u>	<u>2,481,210</u>	<u>3,116,407</u>
CURRENT LIABILITIES					
Trade payables	25	35,840	116,590	39,352	180,355
Other payables and accruals	26	183,463	588,637	454,109	1,170,927
Interest-bearing bank borrowings		–	–	10,034	–
Financial liabilities at fair value through profit or loss	23	–	2,038	–	–
Lease liabilities		–	2,293	2,278	5,208
Tax payable		11	–	–	–
Total current liabilities		<u>219,314</u>	<u>709,558</u>	<u>505,773</u>	<u>1,356,490</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>750,194</u>	<u>(57,394)</u>	<u>1,975,437</u>	<u>1,759,917</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,326,761</u>	<u>1,469,462</u>	<u>3,883,902</u>	<u>3,800,593</u>

	<i>Notes</i>	As at 31 December			As at
		2018	2019	2020	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2021
					<i>RMB'000</i>
NON-CURRENT LIABILITIES					
Other payables and accruals	26	7,384	7,233	17,282	20,181
Lease liabilities		–	4,269	2,209	14,775
Deferred tax liabilities		2,762	7,305	8,204	8,033
Total non-current liabilities		10,146	18,807	27,695	42,989
Net assets		1,316,615	1,450,655	3,856,207	3,757,604
EQUITY					
Issued share capital	28	230,719	231,320	242,451	242,627
Restricted shares under share-based payment		(117,272)	(87,828)	(137,358)	(163,737)
Other reserves	30	1,203,168	1,307,163	3,751,114	3,678,714
Total equity		1,316,615	1,450,655	3,856,207	3,757,604

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in the People's Republic of China (hereinafter referred to as the "PRC"). The registered office of the Company is located at 6 Dongting 3rd Avenue, Tianjin, China. The Company's A shares have been listed on the Shenzhen Stock Exchange since 18 November 2016.

In the opinion of the directors, the controlling shareholders of the Company are Asymchem Laboratories, Incorporated (or "ALAB"), Mr. Hao Hong and Dr. Ye Song.

During the Relevant Periods, the Group was a world-leading, technology-driven provider of one-stop Contract Development Manufacture Organization (hereinafter referred to as "CDMO") solutions throughout the drug development and manufacturing process. The Group provides clinical stage CDMO solutions, commercial stage CDMO solutions and emerging services.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
		'000			
Asymchem Life Science (Tianjin) Co., Ltd. (note a)	PRC/Mainland China 30 December 2005	RMB70,000	100	–	Development and cGMP manufacturing
Tianjin Asymchem Pharmaceuticals Co., Ltd. (note a)	PRC/Mainland China 19 July 2010	RMB224,830	97	3	API and drug product manufacturing
Tianjin Asymchem Pharmaceutical Analysis, Testing and Evaluation Co., Ltd. (note a)	PRC/Mainland China 29 July 2013	RMB1,000	–	100	Analytical testing
Asymchem Laboratories (Fuxin) Co., Ltd. (note a)	PRC/Mainland China 1 April 2002	RMB3,310	100	–	High potency R&D and manufacturing
Jilin Asymchem Laboratories Co., Ltd. (note a)	PRC/Mainland China 17 August 2007	RMB291,490	100	–	Commercial cGMP manufacturing
Liaoning Asymchem Laboratories Co., Ltd. (note a)	PRC/Mainland China 2 December 2013	RMB9,200	100	–	Manufacturing, sales and development of medicine raw materials and relevant products
Asymchem Inc. (note b)	United States 12 October 2010	Not applicable	100	–	Sales

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
		'000			
Jilin Asymchem Pharmaceuticals Co., Ltd. (note a)	PRC/Mainland China 29 September 2017	RMB300,000	100	–	Pharmaceutical and chemical manufacturing
Tianjin Clin-nov Medical Technology Co., Ltd.	PRC/Mainland China 10 August 2017	RMB40,000	100	–	Wholesaling and retailing drugs
Shanghai Asymchem Biotechnology Co., Ltd. (note a)	PRC/Mainland China 28 January 2019	RMB250,000	100	–	Pharmaceutical science and technology
Asymchem Limited (note c)	United Kingdom 13 February 2017	EUR0.001	100	–	Sales, import and export trade
Asymchem Laboratories (Jilin) Co., Ltd. (note a)	PRC/Mainland China 25 May 2020	RMB300,000	100	–	Pharmaceutical and chemical manufacturing
Asymchem Pharmaceuticals (Jiangsu) Co., Ltd. (note c)	PRC/Mainland China 29 September 2020	RMB300,000	100	–	Pharmaceutical and chemical manufacturing
Asymchem Taixin Clinical Study Co., Ltd. (note c)	PRC/Mainland China 6 March 2020	RMB10,000	–	51	Exporting and importing products, medical research and trials development
Tianjin GoalGen Biotechnology Co., Ltd. (note d)	PRC/Mainland China 28 November 2007	RMB10,000	–	100	Pharmaceutical research and manufacturing
Shanghai Xinzhuo Pharmaceutical Research and Development Co., Ltd. (note c)	PRC/Mainland China 5 December 2019	RMB10,000	–	100	Pharmaceutical research and development
Tianjin Baibosheng Pharmtech Co., Ltd. (note c)	PRC/Mainland China 21 November 2018	RMB5,000	–	100	Pharmaceutical research and development
Tianjin Yinuo Qinkang Medical Technology Co., Ltd. (note c)	PRC/Mainland China 29 July 2020	RMB2,000	–	100	Pharmaceutical research and trial development

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
		'000			
Asymchem Boston Corporation (note e)	United States 14 December 2020	Not applicable	100	–	Pharmaceutical research and wholesale
Asymchem Life Science (Jiangsu) Co., Ltd. (note e)	PRC/Mainland China 18 March 2021	RMB100,000	100	–	Drug import and export
Shanghai Nuoxin Yingke Information Technology Co., Ltd. (note e)	PRC/Mainland China 15 June 2021	RMB5,000	–	100	Information technology

Notes:

- (a) These entities are registered as limited liability companies under PRC law. The statutory financial statements for the years ended 31 December 2018, 2019 and 2020 prepared under PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by Rong Cheng Certified Public Accountants LLP.
- (b) The entity is registered as a limited liability company under United States law. No statutory financial statements have been prepared for the entity as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation. The financial statements for the years ended 31 December 2018, 2019 and 2020 prepared under PRC GAAP were audited by Rong Cheng Certified Public Accountants LLP.
- (c) No audited financial statements have been prepared for these entities for the years ended 31 December 2018, 2019 and 2020, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.
- (d) The entity is registered as limited liability company under PRC law. The statutory financial statements for the years ended 31 December 2018, 2019 and 2020 prepared under PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by Tianjing Lixin Certified Public Accountants LLP.
- (e) No audited financial statements have been prepared for these entities for the years ended 31 December 2018, 2019 and 2020, as these entities were newly registered in 2020 or 2021.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). All IFRSs effective for the accounting period commencing from 1 January 2021, together with the relevant transitional provisions have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or loss (“FVTPL”) which have been measured at fair value. The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has adopted Amendment to IFRS 16 COVID-19-Related Rent Concessions (early adopted) for the first time for the year ended 31 December 2020, which provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 31 December 2020 as the reduction in the lease payments was insignificant. The amendments did not have any significant impact on the financial position and performance of the Group.

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the Relevant Periods.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
Amendment to IFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021¹</i>
Amendments to IAS 1	<i>Disclosure of Accounting Policies³</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates³</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction³</i>
IFRS 17	<i>Insurance Contracts³</i>
Amendments to IFRS 17	<i>Insurance Contracts^{3, 5}</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current³</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use²</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract²</i>
<i>Annual Improvements to IFRS Standards 2018-2020</i>	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41²</i>

- ¹ Effective for annual periods beginning on or after 1 April 2021
- ² Effective for annual periods beginning on or after 1 January 2022
- ³ Effective for annual periods beginning on or after 1 January 2023
- ⁴ No mandatory effective date yet determined but available for adoption
- ⁵ As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

The directors of the Group considered that the application of the above issued but not yet effective IFRSs will not have a material impact on the Group's consolidated financial results.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations (other than business combinations under common control) are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its non-principal-protected investments, derivative financial instruments and equity investments at fair value at the end of each of the Relevant Periods. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices unadjusted in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required other than inventories, construction contract assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity or of a parent, subsidiary or fellow subsidiary of the other entity;
 - (iii) the entity and the Group 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 employees of either 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 the key management personnel of the entity or of a parent of the entity; and
- (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 parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.85%
Manufacturing and R&D equipment	9.90% to 19.80%
Office equipment	19.80% to 33.00%
Motor vehicles	9.90% to 19.80%
Leasehold improvements	The shorter of the lease terms and their useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents

Purchased patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years. The estimated useful life of patents is determined by considering the period of the economic benefits to the Group or the periods of validity of patents protected by the relevant laws, as well as by referring to the industry practice.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 10 years. The estimated useful life of purchased software is determined by considering the period of the economic benefits to the Group.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the rights to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 10 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of rental properties for staff (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECLs).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, lease liabilities, other payables and accruals, and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments and hedge accounting***Initial recognition and subsequent measurement***

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group has satisfied a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- (b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- (c) The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

If none of the above conditions is met, the Group recognises revenue at the point in time when the customer obtains control of the distinct good or service.

If control of the service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at the point in time when the customer obtains control of the service.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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 cost-to-cost (input 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.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Other income

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates several restricted A share incentive schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model, further details of which are given in note 31 to the Historical Financial Information.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

The dilutive effect of outstanding restricted A shares is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 16%-20% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Historical Financial Information.

Foreign currencies

The Historical Financial Information are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Performance obligation determination

A performance obligation represents a good and service that is distinct or a series of distinct goods or services that are substantially the same. In certain long-term sales contracts, the Group is required to fulfil multiple promised goods and/or services. In determining performance obligations, the directors of the Company consider whether the nature of the promise, within the context of the contract, is to transfer each of those goods and/or services individually or, instead, to transfer a combined item. Considering those goods and/or services are considered to be distinct, separately identifiable, the directors of the Company concluded those goods and/or services as multiple performance obligations.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2021 and 31 December 2020 was RMB43,186,000 (2018 and 2019: nil). Further details are given in note 15 to the Historical Financial Information.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 17 to the Historical Financial Information.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers' needs and changes in prices when the products' expiration dates are approaching. Management reassesses these estimates at the end of the reporting period.

Useful lives of property, plant and equipment and intangible assets

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

4. OPERATING SEGMENT INFORMATION

Operating segments are identified on the basis of internal reporting about components of the Group that are regularly reviewed by the Group's executive committee and the Company's board of directors for the purpose of resource allocation and performance assessment.

Operating segment

During the Relevant Periods, there is only one operating segment as the Group's operations relate to contract development and manufacturing which focuses on innovation and commercial application of global pharmaceutical technology.

Geographical information*(a) Revenue from external customers*

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				Unaudited	
Overseas	1,649,127	2,227,775	2,767,463	1,117,390	1,564,939
Mainland China	173,660	218,074	369,261	139,384	190,630
	<u>1,822,787</u>	<u>2,445,849</u>	<u>3,136,724</u>	<u>1,256,774</u>	<u>1,755,569</u>

The revenue information of the operations above is based on the locations of the customers.

(b) Non-current assets

	Year ended 31 December			Six months ended 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	1,445,893	2,043,649	2,998,719	3,458,056
United States	346	430	377	547
	<u>1,446,239</u>	<u>2,044,079</u>	<u>2,999,096</u>	<u>3,458,603</u>

The non-current asset information of the operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for each of the Relevant Periods is set out below:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				Unaudited	
Customer 1*	508,027	548,527	285,630	186,456	81,446
Customer 2	238,908	202,270	431,991	158,314	187,609
Customer 3	183,105	265,394	640,795	295,768	326,012
Customer 4**	40,665	45,730	286,413	52,868	156,988
	<u>970,705</u>	<u>1,061,921</u>	<u>1,644,829</u>	<u>693,406</u>	<u>752,055</u>

* Revenue from customer 1 accounted for 10% or more of the Group's revenue for each of the Relevant Periods except for the six months ended 30 June 2021.

** Revenue from customer 4 accounted for 10% or more of the Group's revenue in 2020.

5. REVENUE, OTHER INCOME AND GAINS**Clinical stage CDMO solutions:**

The Group provides process development and optimization, analytical services and scale-up services for small molecule drug products throughout the pre-clinical and clinical stage. The revenue generated from clinical stage CDMO solutions is derived from the transfer of goods and the provision of services under Full-time-equivalent (or "FTE") and Fee-for-service (or "FFS") arrangements. The Group recognises revenue on overtime and at a point in time bases for services under FTE and FFS arrangements, respectively.

Commercial stage CDMO solutions:

The Group provides ton-scale manufacturing services for registered starting materials (RSMs), advanced intermediates, and active pharmaceutical ingredients (APIs) with high quality. All of the revenue generated from commercial stage CDMO solutions is derived from the transfer of goods and services, which is recognised at a point in time.

Emerging services:

The Group provides services including (i) pre-formulation and formulation development, (ii) Chemical Macromolecule CDMO solutions for polypeptides, oligonucleotides, glycans, toxins-linkers and other macromolecules, (iii) biosynthesis solutions, (iv) biologics CDMO solutions for monoclonal antibodies (mAbs) and antibody-drug conjugates (ADCs), (v) Contract Research Organization (or "CRO") solutions and (vi) messenger RNA (mRNA) solutions. The revenue generated from emerging service is mainly derived from the transfer of goods and services like the rendering of services settled at FFS and CRO solutions. Under CRO solutions, the Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date, and the Group recognises revenue over time. While for other revenue from Emerging services, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis if the contracts have multiple deliverable units, except for the allocation of discounts and variable consideration, and the Group recognises revenue at a point since it did not meet the conditions of the revenue recognition over time. Therefore, the Group recognises revenue on overtime and at a point in time bases for services under CRO solutions and FFS arrangements, respectively.

Others:

Others mainly include the sales of raw materials and sales of scrap materials.

Revenue from contracts with customers

An analysis of revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
<i>Revenue from contracts with customers</i>					
– Transfer of goods and services	1,820,612	2,445,790	3,134,901	1,254,951	1,755,569
– Others	2,175	59	1,823	1,823	–
	<u>1,822,787</u>	<u>2,445,849</u>	<u>3,136,724</u>	<u>1,256,774</u>	<u>1,755,569</u>

(a) Disaggregated revenue information

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Types of goods and services					
Clinical Stage CDMO Solutions	743,022	1,144,897	1,247,437	480,940	826,918
Commercial Stage CDMO Solutions	1,037,590	1,215,784	1,651,006	715,724	785,405
Emerging Services	40,000	85,109	236,458	58,287	143,246
Others	2,175	59	1,823	1,823	–
Total revenue from contracts with customers	<u>1,822,787</u>	<u>2,445,849</u>	<u>3,136,724</u>	<u>1,256,774</u>	<u>1,755,569</u>
Geographical markets					
Overseas	1,649,127	2,227,775	2,767,463	1,117,390	1,564,939
Mainland China	173,660	218,074	369,261	139,384	190,630
	<u>1,822,787</u>	<u>2,445,849</u>	<u>3,136,724</u>	<u>1,256,774</u>	<u>1,755,569</u>
Timing of revenue recognition					
Transferred at a point in time	1,757,589	2,390,349	3,049,210	1,241,163	1,692,273
– Clinical Stage CDMO Solutions	692,896	1,092,344	1,207,460	466,477	792,671
– Commercial Stage CDMO Solutions	1,037,590	1,215,784	1,651,006	715,724	785,405
– Emerging Services	24,928	82,162	188,921	57,139	114,197
– Others	2,175	59	1,823	1,823	–
Transferred over time	65,198	55,500	87,514	15,611	63,296
– Clinical Stage CDMO Solutions	50,126	52,553	39,977	14,463	34,247
	<u>1,822,787</u>	<u>2,445,849</u>	<u>3,136,724</u>	<u>1,256,774</u>	<u>1,755,569</u>

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of the Relevant Periods and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of each of the Relevant Periods	354	14,636	20,152	12,710	61,564

(b) *Performance obligations*

The amount of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) is as follows:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	14,636	20,152	91,552	28,214	142,503

Other income and gains

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Government grants*	55,124	90,484	99,257	52,918	74,776
Gain on fair value changes of derivative financial instruments	10,330	–	5,311	4,832	–
Bank interest income	3,805	4,956	15,111	807	7,321
Gain on wealth management products	9,682	1,652	–	–	16,390
Foreign exchange gain	–	3,305	–	5,606	–
Others	365	85	94	18	273
	79,306	100,482	119,773	64,181	98,760

* Government grants of RMB55,124,000, RMB90,484,000, RMB99,257,000, RMB52,918,000 and RMB74,776,000 were granted during the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, respectively, as incentives to the development and research activities of the Group in the PRC, of which the amounts of government grants related to assets are RMB7,295,000, RMB16,360,000, RMB11,688,000, RMB5,822,000 (unaudited) and RMB6,193,000, respectively, and the other government grants are related to income. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants. There is no assurance that the Group will continue to receive such grants in the future.

6. PROFIT BEFORE TAX

The Group's profit before tax from operations is arrived at after charging/crediting:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				Unaudited	
Cost of sales*	984,677	1,345,286	1,683,500	653,533	970,182
Depreciation of property, plant and equipment (note 13)**	100,948	120,697	153,977	73,864	93,351
Depreciation of right-of-use assets (note 14)**	2,496	5,212	7,772	3,882	6,311
Amortisation of other intangible assets (note 16)**	1,256	2,189	3,585	1,370	1,955
Research and development cost:					
Current year expenditure	155,178	192,522	258,934	108,770	163,895
	1,244,555	1,665,906	2,107,768	841,419	1,235,694
Lease payments not included in the measurement of lease liabilities	60	–	1,043	435	1,248
Auditor's remuneration	1,200	1,400	1,600	–	–
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)**):					
– Wages and salaries	367,697	462,909	630,065	262,466	413,036
– Pension scheme contributions	85,710	99,661	97,414	40,386	85,472
– Share-based payment expense	15,941	14,167	16,835	4,876	15,209
	470,608	578,137	746,957	308,163	514,965
Foreign exchange differences, net	(4,913)	(1,943)	(11,685)	(2,062)	1,823
Losses on/(reversal of) impairment of financial and contract assets, net	4,851	9,605	25,751	15,067	(8,167)
Bank interest income	(3,805)	(4,956)	(15,111)	(807)	(7,321)
Changes in fair value of derivative financial instruments	(10,330)	12,421	(5,311)	(4,832)	–
Loss/(gain) on disposal of items of property, plant and equipment and other intangible assets	229	(56)	335	335	(9)
	456,640	593,208	764,306	315,864	501,291

* The cost of inventories amounted to RMB740,829,000, RMB1,097,108,000, RMB1,319,788,000, RMB577,228,000 (unaudited) and RMB814,534,000 during the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, respectively.

** Depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of other intangible assets and employee benefit expense for the Relevant Periods are mainly included in "Cost of sales" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				Unaudited	
Interest on bank loans	1,358	774	2,502	–	21
Interest on lease liabilities	109	994	1,226	624	731
	1,467	1,768	3,728	624	752

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The directors of the Company (or "Directors'") and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				Unaudited	
Fees	288	296	288	144	144
Other emoluments:					
Salaries, allowances and benefits in kind	5,525	5,574	5,828	2,600	4,777
Performance related bonuses	80	200	500	–	–
Equity-settled share incentive scheme	–	1,021	1,122	561	219
Pension scheme contributions	537	609	526	257	334
	6,142	7,404	7,976	3,418	5,330
	6,430	7,700	8,264	3,562	5,474

During the year, certain directors were granted restricted A shares, in respect of their services to the Group, under the restricted A share scheme of the Company, further details of which are set out in note 31 to the Historical Financial Information. The fair value of such restricted A shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> Unaudited	<i>RMB'000</i>
Ms. Zhang Kun	96	96	96	48	48
Mr. Guangcheng Pan	96	96	96	48	40
Mr. Xinggang Li	96	32	–	–	–
Mr. Wang Qingsong	–	72	96	48	48
Mr. Lee, Kar Chung Felix	–	–	–	–	8
	<u>288</u>	<u>296</u>	<u>288</u>	<u>144</u>	<u>144</u>

Mr. Wang Qingsong was appointed as an independent non-executive director of the Group on 18 April 2019, and Mr. Xinggang Li resigned as an independent non-executive director on 18 April 2019. Mr. Lee, Kar Chung Felix was appointed as an independent non-executive director of the Group on 16 June 2021, and Mr. Guangcheng Pan resigned as an independent non-executive director on 16 June 2021.

(b) Directors and the chief executive

Year ended 31 December 2018

	Fees	Salaries, allowances, and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Directors					
Mr. Hao Hong (Chief executive)	–	3,079	–	144	3,223
Ms. Yang Rui	–	851	–	93	944
Dr. Ye Song	–	658	–	115	773
Mr. Hong Liang	–	597	–	93	690
Ms. Jing Yang	–	340	80	92	512
Mr. Ling Lin	–	–	–	–	–
	<u>–</u>	<u>5,525</u>	<u>80</u>	<u>537</u>	<u>6,142</u>

Year ended 31 December 2019

	Fees	Salaries, allowances, and benefits in kind	Performance related bonuses	Equity-settled share incentive scheme	Pension scheme contributions	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Directors						
Mr. Hao Hong (Chief executive)	–	2,082	–	–	158	2,240
Ms. Yang Rui	–	976	–	–	91	1,067
Dr. Ye Song	–	684	–	–	123	807
Mr. Hong Liang	–	616	200	–	91	907
Ms. Jing Yang*	–	112	–	–	24	136
Mr. Zhang Da**	–	1,104	–	1,021	122	2,247
Mr. Ling Lin	–	–	–	–	–	–
	–	5,574	200	1,021	609	7,404

* Ms. Jing Yang resigned as the Company's director on 3 April 2019.

** Mr. Zhang Da was appointed as the Company's director on 19 April 2019.

Year ended 31 December 2020

	Fees	Salaries, allowances, and benefits in kind	Performance related bonuses	Equity-settled share incentive scheme	Pension scheme contributions	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Directors						
Mr. Hao Hong (Chief executive)	–	2,094	–	–	162	2,256
Mr. Zhang Da	–	1,245	300	1,122	86	2,753
Ms. Yang Rui	–	1,124	–	–	63	1,187
Dr. Ye Song	–	684	–	–	125	809
Mr. Hong Liang	–	681	200	–	90	971
Mr. Ling Lin	–	–	–	–	–	–
	–	5,828	500	1,122	526	7,976

Six months ended 30 June 2021

	Fees	Salaries, allowances, and benefits in kind	Performance related bonuses	Equity- settled share incentive scheme	Pension scheme contributions	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Directors						
Mr. Hao Hong (Chief executive)	–	1,066	–	–	78	1,144
Ms. Yang Rui	–	1,266	–	–	49	1,315
Mr. Zhang Da	–	1,124	–	219	49	1,392
Mr. Hong Liang	–	664	–	–	49	713
Dr. Ye Song	–	321	–	–	60	381
Ms. Zhang Ting*	–	336	–	–	49	385
Mr. Ling Lin	–	–	–	–	–	–
	–	4,777	–	219	334	5,330

* Ms. Zhang Ting was appointed as the Group's directors on 10 February 2021.

*Six months ended 30 June 2020**Unaudited*

	Fees	Salaries, allowances, and benefits in kind	Performance related bonuses	Equity- settled share incentive scheme	Pension scheme contributions	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Directors						
Mr. Hao Hong (Chief executive)	–	808	–	–	83	891
Mr. Zhang Da	–	594	–	561	39	1,194
Ms. Yang Rui	–	528	–	–	31	559
Dr. Ye Song	–	349	–	–	63	412
Mr. Hong Liang	–	321	–	–	41	362
Mr. Ling Lin	–	–	–	–	–	–
	–	2,600	–	561	257	3,418

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included 2, 2, 3, 1 and 2 directors respectively, for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, details of whose remuneration are set out in note 8(b) above.

Details of the remuneration of the remaining 3, 3, 2, 4 and 3 highest paid employees who are neither a director nor chief executive of the Company respectively, for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				Unaudited	
Salaries, allowances and benefits in kind	3,748	4,207	5,091	3,079	2,705
Performance related bonuses	5,117	2,108	340	622	–
Equity-settled share incentive scheme	909	1,275	–	935	2,954
Pension scheme contributions	710	620	574	425	163
	<u>10,484</u>	<u>8,210</u>	<u>6,005</u>	<u>5,061</u>	<u>5,822</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees				
	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
				Unaudited	
HK\$1,000,001 to HK\$1,500,000	–	–	–	3	–
HK\$1,500,001 to HK\$2,000,000	1	–	–	1	2
HK\$2,000,001 to HK\$3,000,000	1	3	2	–	–
HK\$3,000,001 to HK\$5,000,000	1	–	–	–	1
	<u>3</u>	<u>3</u>	<u>2</u>	<u>4</u>	<u>3</u>

10. INCOME TAX

The provision for Mainland China current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, that were accredited as “High and New Technology Enterprises” and entitled to a preferential rate is 15% in 2018 to 2021.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. The provision for current income tax of Asymchem Inc., a subsidiary of the Group incorporated in the United States, is based on the federal tax rate of which was changed from 35% to 21% in January 2018 and remained at 21% during the Relevant Periods. The provision for current income tax of Asymchem Limited, a subsidiary of the Group incorporated in the United Kingdom, is based on a rate of 19%.

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				Unaudited	
Current	61,124	70,026	105,054	58,766	65,700
Deferred (<i>note 17</i>)	(6,983)	(1,061)	(13,524)	(17,240)	(13,100)
Total tax charge for the year/period	<u>54,141</u>	<u>68,965</u>	<u>91,530</u>	<u>41,526</u>	<u>52,600</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the countries in which the Company and the major operating subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				Unaudited	
Profit before tax	<u>460,498</u>	<u>620,554</u>	<u>811,233</u>	<u>355,817</u>	<u>481,924</u>
Tax at the statutory tax rate					
– Mainland China	64,737	89,604	114,481	48,889	53,692
Tax at the statutory tax rate					
– overseas	4,338	3,479	7,204	4,484	18,597
Effect of different tax rates of subsidiaries	(2,347)	(2,312)	1,809	290	2,866
Adjustments in respect of current tax of previous periods	(589)	(452)	(598)	(598)	(307)
Expenses not deductible for tax	116	165	259	908	754
Deductible temporary differences and tax losses not recognised	60	680	150	912	1,016
Tax losses utilised from previous periods	(6)	(109)	(1,031)	(1,122)	(126)
Effect of research and development expenses that are additionally deducted	(17,353)	(22,090)	(32,946)	(12,237)	(23,892)
Impact of change in tax rates on deferred tax assets/liabilities	5,185	–	2,202	–	–
Tax charge at the Group's effective rate	<u>54,141</u>	<u>68,965</u>	<u>91,530</u>	<u>41,526</u>	<u>52,600</u>

11. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				Unaudited	
Dividends declared:					
RMB0.35 for 2018,					
RMB0.40 for 2019,					
RMB0.50 for 2020,					
RMB0.50 for the six months					
ended 30 June 2020,					
and RMB0.60 for the					
six months ended					
30 June 2021 per					
ordinary share	80,534	92,524	115,637	115,637	145,576

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount for the Relevant Periods is based on the profit attributable to ordinary equity holders of the parent for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, and the weighted average number of ordinary shares in issue during the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021.

The calculation of the diluted earnings per share amount is based on the profit for the year/period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year/period, as used in the basic earnings per share calculation, and the weighted average number of restricted ordinary shares with contingent non-market performance condition assumed to have been released upon vesting of all dilutive potential ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				Unaudited	
<u>Earnings</u>					
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	428,202	551,589	719,742	314,291	429,324
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	(919)	(771)	(494)	(494)	(1,013)
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	427,283	550,818	719,248	313,797	428,314

	Number of shares				
	2018	2019	2020	2020	2021
	'000	'000	'000	'000	'000
				Unaudited	
<u>Shares</u>					
Weighted average number of ordinary shares in issue during the year/period used in the basic earnings per share calculation	226,894	228,351	232,571	229,463	240,938
Effect of dilution – weighted average number of ordinary shares:					
Restricted A shares	3,360	2,696	1,594	1,857	1,659
Weighted average number of ordinary shares in issue during the year/period used in the diluted earnings per share calculation	<u>230,254</u>	<u>231,047</u>	<u>234,165</u>	<u>231,320</u>	<u>242,597</u>

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Manufacturing and R&D equipment	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018							
At 1 January 2018:							
Cost	486,904	583,143	28,719	17,416	685	105,931	1,222,798
Accumulated depreciation	(111,376)	(216,817)	(16,464)	(10,984)	(34)	–	(355,675)
Net carrying amount	<u>375,528</u>	<u>366,326</u>	<u>12,255</u>	<u>6,432</u>	<u>651</u>	<u>105,931</u>	<u>867,123</u>
At 1 January 2018, net of accumulated depreciation	375,528	366,326	12,255	6,432	651	105,931	867,123
Additions	8,800	110,071	9,362	3,882	5,403	319,513	457,031
Transfers	94,160	22,242	416	–	–	(118,562)	(1,744)
Disposals	–	(1,552)	(119)	(136)	–	–	(1,807)
Depreciation provided during the year (note 6)	(27,492)	(63,666)	(7,271)	(2,021)	(498)	–	(100,948)
At 31 December 2018, net of accumulated depreciation	<u>450,996</u>	<u>433,421</u>	<u>14,643</u>	<u>8,157</u>	<u>5,556</u>	<u>306,882</u>	<u>1,219,655</u>

	Buildings	Manufacturing and R&D equipment	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2018:							
Cost	589,864	711,576	38,237	18,360	6,088	306,882	1,671,007
Accumulated depreciation	(138,868)	(278,155)	(23,594)	(10,203)	(532)	–	(451,352)
Net carrying amount	<u>450,996</u>	<u>433,421</u>	<u>14,643</u>	<u>8,157</u>	<u>5,556</u>	<u>306,882</u>	<u>1,219,655</u>
31 December 2019							
At 1 January 2019:							
Cost	589,864	711,576	38,237	18,360	6,088	306,882	1,671,007
Accumulated depreciation	(138,868)	(278,155)	(23,594)	(10,203)	(532)	–	(451,352)
Net carrying amount	<u>450,996</u>	<u>433,421</u>	<u>14,643</u>	<u>8,157</u>	<u>5,556</u>	<u>306,882</u>	<u>1,219,655</u>
At 1 January 2019, net of accumulated depreciation							
Additions	–	78,654	11,169	851	1,399	533,262	625,335
Transfers	288,363	182,142	–	–	1,900	(479,057)	(6,652)
Disposals	(51,557)	(27,350)	(72)	(5)	–	(705)	(79,689)
Depreciation provided during the year (note 6)	(31,744)	(75,972)	(7,706)	(2,553)	(2,722)	–	(120,697)
At 31 December 2019, net of accumulated depreciation	<u>656,058</u>	<u>590,895</u>	<u>18,034</u>	<u>6,450</u>	<u>6,133</u>	<u>360,382</u>	<u>1,637,952</u>
At 31 December 2019:							
Cost	795,356	940,418	48,554	18,703	9,387	360,382	2,172,800
Accumulated depreciation	(139,298)	(349,523)	(30,520)	(12,253)	(3,254)	–	(534,848)
Net carrying amount	<u>656,058</u>	<u>590,895</u>	<u>18,034</u>	<u>6,450</u>	<u>6,133</u>	<u>360,382</u>	<u>1,637,952</u>
31 December 2020							
At 1 January 2020:							
Cost	795,356	940,418	48,554	18,703	9,387	360,382	2,172,800
Accumulated depreciation	(139,298)	(349,523)	(30,520)	(12,253)	(3,254)	–	(534,848)
Net carrying amount	<u>656,058</u>	<u>590,895</u>	<u>18,034</u>	<u>6,450</u>	<u>6,133</u>	<u>360,382</u>	<u>1,637,952</u>
At 1 January 2020, net of accumulated depreciation							
Additions	–	129,871	10,652	1,605	394	600,895	743,417
Acquisition of a subsidiary	–	–	500	577	177	–	1,254
Transfers	152,259	137,054	252	–	–	(290,024)	(459)
Disposals	(6,008)	(11,926)	(475)	(5)	(1,324)	(152)	(19,890)
Depreciation provided during the year (note 6)	(45,362)	(92,908)	(10,198)	(2,456)	(3,053)	–	(153,977)
At 31 December 2020, net of accumulated depreciation	<u>756,947</u>	<u>752,986</u>	<u>18,765</u>	<u>6,171</u>	<u>2,327</u>	<u>671,101</u>	<u>2,208,297</u>

	Buildings	Manufacturing and R&D equipment	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2020:							
Cost	938,121	1,190,468	58,488	20,700	9,958	671,101	2,888,836
Accumulated depreciation	(181,174)	(437,482)	(39,723)	(14,529)	(7,631)	–	(680,539)
Net carrying amount	<u>756,947</u>	<u>752,986</u>	<u>18,765</u>	<u>6,171</u>	<u>2,327</u>	<u>671,101</u>	<u>2,208,297</u>
30 June 2021							
At 1 January 2021:							
Cost	938,121	1,190,468	58,488	20,700	9,958	671,101	2,888,836
Accumulated depreciation	(181,174)	(437,482)	(39,723)	(14,529)	(7,631)	–	(680,539)
Net carrying amount	<u>756,947</u>	<u>752,986</u>	<u>18,765</u>	<u>6,171</u>	<u>2,327</u>	<u>671,101</u>	<u>2,208,297</u>
At 1 January 2021, net of accumulated depreciation	756,947	752,986	18,765	6,171	2,327	671,101	2,208,297
Additions	166	60,008	7,670	611	–	395,810	464,265
Transfers	32,552	59,647	147	–	–	(92,346)	–
Disposals	–	(3)	–	–	–	–	(3)
Depreciation provided during the period (<i>note 6</i>)	(27,166)	(58,394)	(5,736)	(1,294)	(761)	–	(93,351)
At 30 June 2021, net of accumulated depreciation	<u>762,499</u>	<u>814,244</u>	<u>20,846</u>	<u>5,488</u>	<u>1,566</u>	<u>974,565</u>	<u>2,579,208</u>
At 30 June 2021:							
Cost	970,839	1,309,946	66,305	21,311	5,047	974,565	3,348,013
Accumulated depreciation	(208,340)	(495,702)	(45,459)	(15,823)	(3,481)	–	(768,805)
Net carrying amount	<u>762,499</u>	<u>814,244</u>	<u>20,846</u>	<u>5,488</u>	<u>1,566</u>	<u>974,565</u>	<u>2,579,208</u>

Buildings of RMB191,816,000, RMB250,168,000, RMB231,031,000 and RMB102,409,000 as at 31 December 2018, 2019 and 2020 and 30 June 2021 respectively, have not yet obtained title certificates.

Company

	Buildings	Manufacturing and R&D equipment	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2018							
At 1 January 2018:							
Cost	25,964	18,344	2,486	8,706	581	22,044	78,125
Accumulated depreciation	(9,668)	(11,807)	(2,098)	(6,408)	(23)	-	(30,004)
Net carrying amount	<u>16,296</u>	<u>6,537</u>	<u>388</u>	<u>2,298</u>	<u>558</u>	<u>22,044</u>	<u>48,121</u>
At 1 January 2018, net of accumulated depreciation							
Additions	-	13,516	2,253	2,586	1,457	13,366	33,178
Disposals	-	-	-	(24)	-	-	(24)
Transfers	-	-	415	-	-	(2,037)	(1,622)
Depreciation provided during the year	(1,882)	(1,821)	(447)	(760)	(357)	-	(5,267)
At 31 December 2018, net of accumulated depreciation	<u>14,414</u>	<u>18,232</u>	<u>2,609</u>	<u>4,100</u>	<u>1,658</u>	<u>33,373</u>	<u>74,386</u>
At 31 December 2018:							
Cost	25,964	31,860	5,154	8,917	2,038	33,373	107,306
Accumulated depreciation	(11,550)	(13,628)	(2,545)	(4,817)	(380)	-	(32,920)
Net carrying amount	<u>14,414</u>	<u>18,232</u>	<u>2,609</u>	<u>4,100</u>	<u>1,658</u>	<u>33,373</u>	<u>74,386</u>
31 December 2019							
At 1 January 2019:							
Cost	25,964	31,860	5,154	8,917	2,038	33,373	107,306
Accumulated depreciation	(11,550)	(13,628)	(2,545)	(4,817)	(380)	-	(32,920)
Net carrying amount	<u>14,414</u>	<u>18,232</u>	<u>2,609</u>	<u>4,100</u>	<u>1,658</u>	<u>33,373</u>	<u>74,386</u>
At 1 January 2019, net of accumulated depreciation							
Additions	-	56	933	-	289	65,476	66,754
Disposals	-	-	(63)	(4)	-	-	(67)
Depreciation provided during the year	(2,224)	(3,507)	(1,082)	(1,183)	(809)	-	(8,805)
At 31 December 2019, net of accumulated depreciation	<u>69,287</u>	<u>46,306</u>	<u>2,397</u>	<u>2,913</u>	<u>1,138</u>	<u>3,921</u>	<u>125,962</u>
At 31 December 2019:							
Cost	83,061	63,070	5,678	8,547	2,327	3,921	166,604
Accumulated depreciation	(13,774)	(16,764)	(3,281)	(5,634)	(1,189)	-	(40,642)
Net carrying amount	<u>69,287</u>	<u>46,306</u>	<u>2,397</u>	<u>2,913</u>	<u>1,138</u>	<u>3,921</u>	<u>125,962</u>

	Buildings	Manufacturing and R&D equipment	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2020							
At 1 January 2020:							
Cost	83,061	63,070	5,678	8,547	2,327	3,921	166,604
Accumulated depreciation	(13,774)	(16,764)	(3,281)	(5,634)	(1,189)	–	(40,642)
Net carrying amount	<u>69,287</u>	<u>46,306</u>	<u>2,397</u>	<u>2,913</u>	<u>1,138</u>	<u>3,921</u>	<u>125,962</u>
At 1 January 2020, net of accumulated depreciation							
Additions	–	9,772	488	3	–	13,075	23,338
Disposals	(261)	(3)	(1)	(5)	–	–	(270)
Transfers	4,470	–	1,944	–	–	(10,760)	(4,346)
Depreciation provided during the year	(4,722)	(5,436)	(1,306)	(1,117)	(774)	–	(13,355)
At 31 December 2020, net of accumulated depreciation	<u>68,774</u>	<u>50,639</u>	<u>3,522</u>	<u>1,794</u>	<u>364</u>	<u>6,236</u>	<u>131,329</u>
At 31 December 2020:							
Cost	86,802	72,551	8,001	8,082	2,327	6,236	183,999
Accumulated depreciation	(18,028)	(21,912)	(4,479)	(6,288)	(1,963)	–	(52,670)
Net carrying amount	<u>68,774</u>	<u>50,639</u>	<u>3,522</u>	<u>1,794</u>	<u>364</u>	<u>6,236</u>	<u>131,329</u>
30 June 2021							
At 1 January 2021:							
Cost	86,802	72,551	8,001	8,082	2,327	6,236	183,999
Accumulated depreciation	(18,028)	(21,912)	(4,479)	(6,288)	(1,963)	–	(52,670)
Net carrying amount	<u>68,774</u>	<u>50,639</u>	<u>3,522</u>	<u>1,794</u>	<u>364</u>	<u>6,236</u>	<u>131,329</u>
At 1 January 2021, net of accumulated depreciation							
Additions	166	1,621	–	–	–	9,253	11,040
Disposals	–	–	–	–	–	–	–
Transfers	–	–	–	–	–	–	–
Depreciation provided during the period	(2,616)	(3,066)	(932)	(472)	(243)	–	(7,329)
At 30 June 2021, net of accumulated depreciation	<u>66,324</u>	<u>49,194</u>	<u>2,590</u>	<u>1,322</u>	<u>121</u>	<u>15,489</u>	<u>135,040</u>
At 30 June 2021:							
Cost	86,968	74,172	8,001	8,082	2,327	15,489	195,039
Accumulated depreciation	(20,644)	(24,978)	(5,411)	(6,760)	(2,206)	–	(59,999)
Net carrying amount	<u>66,324</u>	<u>49,194</u>	<u>2,590</u>	<u>1,322</u>	<u>121</u>	<u>15,489</u>	<u>135,040</u>

Buildings of nil, RMB50,787,154, nil and nil of the Company as at 31 December 2018, 2019 and 2020 and 30 June 2021 respectively, have not yet obtained title certificates.

14. LEASES

Group as a lessee

The Group has lease contracts for various items of buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 10 years. The Group's obligations under its leases are secured by the lessor's title to the leased asset. There are several lease contracts that include extension and termination options, which are further discussed below.

(a) *Right-of-use assets*

Set out below are the carrying amounts of the right-of-use assets recognised and the movements of those right-of-use assets during the Relevant Periods:

	<u>Leasehold land</u>	<u>Buildings</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2018	58,551	1,706	60,257
Additions	47,863	1,859	49,722
Depreciation charge	<u>(1,777)</u>	<u>(719)</u>	<u>(2,496)</u>
As at 31 December 2018 and 1 January 2019	104,637	2,846	107,483
Additions	–	29,029	29,029
Depreciation charge	<u>(2,066)</u>	<u>(3,146)</u>	<u>(5,212)</u>
As at 31 December 2019 and 1 January 2020	102,571	28,729	131,300
Additions	161,366	54	161,420
Depreciation charge	(2,321)	(5,451)	(7,772)
Derecognition	<u>–</u>	<u>(620)</u>	<u>(620)</u>
As at 31 December 2020 and 1 January 2021	261,616	22,712	284,328
Additions	16,274	19,748	36,022
Depreciation charge	<u>(2,894)</u>	<u>(3,417)</u>	<u>(6,311)</u>
As at 30 June 2021	<u><u>274,996</u></u>	<u><u>39,043</u></u>	<u><u>314,039</u></u>

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	Year ended 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Carrying amount at 1 January	1,787	2,917	31,772	28,807
Additions	1,859	29,029	54	19,748
Accretion of interest recognised during the year/period	109	994	1,226	731
Payments	(838)	(1,168)	(3,620)	(2,940)
COVID-19-related rent concessions from lessors	–	–	(89)	–
Terminations	–	–	(536)	–
Carrying amount at end of year/period	<u>2,917</u>	<u>31,772</u>	<u>28,807</u>	<u>46,346</u>
Current	931	3,452	2,925	6,846
Non-current	<u>1,986</u>	<u>28,320</u>	<u>25,882</u>	<u>39,500</u>

The maturity analysis of lease liabilities is disclosed in note 38 to the Historical Financial Information.

(c) The following are the amounts recognised in profit or loss:

	Year ended 31 December			Six months ended	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				Unaudited	
Depreciation charge of right-of-use assets	2,496	5,212	7,772	3,882	6,311
Interest on lease liabilities	109	994	1,226	624	731
Expense relating to short-term leases	60	–	1,043	435	1,248
COVID-19-related rent concessions from lessors	–	–	(89)	(59)	–
Loss on the derecognition of right-of-use assets	–	–	84	–	–
Total amount recognised in profit or loss	<u>2,665</u>	<u>6,206</u>	<u>10,036</u>	<u>4,882</u>	<u>8,290</u>

(d) Extension and termination options

The Group has several lease contracts that include extension and termination options. However, the Group did not expect to exercise such options as at 31 December 2018, 2019 and 2020 and 30 June 2021.

(e) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 33 (c) and 38 to the Historical Financial Information.

15. GOODWILL

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
Cost	–	–	43,186	43,186
Accumulated impairment	–	–	–	–
Net carrying amount	–	–	43,186	43,186

As described in note 32, for the purpose of expanding the clinical trial services business, the Group acquired a 100% interest in Tianjin GoalGen Biotechnology Co., Ltd. and its subsidiaries (or the “Acquired Companies”) for a consideration of RMB30,000,000. The acquisition has been accounted for using the acquisition method. After the acquisition, goodwill of RMB43,186,000 was recognised. The Acquired Companies are limited liability companies under the laws of the PRC, primarily engaged in the provision of clinical trial services.

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating unit (“CGU”) for impairment testing:

Clinical trial services CGU

The recoverable amount of the clinical trial service CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 15.09% for the year ended 31 December 2020. The compound growth rate used to extrapolate the cash flows of the clinical trial services CGU from 2020 to 2025 is 8.00%, which is also an estimate of the long-term rate of inflation with adjustment.

Key assumptions used in the calculation are as follows:

	2020
Revenue (% compound growth rate)	12.00%
Gross margin (% of revenue)	40.00%
Terminal growth rate	N/A
Pre-tax discount rate	15.09%

Revenue – the basis used to determine the budgeted revenue is based on the historical data and management’s expectation of the future market. The compound growth rate of revenue was estimated based on information available at the time of assessment, disregarding information that became available after the assessment. Such information includes the number of contracts signed and the progress of business under negotiation.

Gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budget year for each product, increased for expected efficiency improvements, and expected market development.

Terminal growth rate – The terminal growth rate is based on the historical data and management’s expectation on the future market.

Pre-tax discount rate – The pre-tax discount rate used is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain publicly listed companies in the technology industry.

If the pre-tax discount rate rose to 15.54% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit would be decreased to the carrying amount of goodwill. Except for these, any reasonably possible changes in the other key assumptions used in the value-in-use assessment

model would not affect management's view on impairment at 31 December, 2020. IAS 36 requires an entity to perform impairment test on goodwill on an annual basis. Meanwhile, management did not identify any significant changes in the operating results and macro environment in the first quarter of 2021, and the Company's management has concluded there was no impairment indicator of goodwill at 30 June 2021. Accordingly, management did not perform impairment test on goodwill at 30 June 2021.

Based on the impairment assessment conducted by the Group utilising the above key assumptions, the recoverable amount of the cash-generating unit estimated from the cash flow forecast exceeded the carrying amount of goodwill and no impairment was considered necessary. The recoverable amount of the cash-generating unit estimated from the cash flow forecast exceeded its carrying amount by RMB2,926,000 as at December 31 2020 (2018 and 2019: nil). If the pre-tax discount rate increases by 1% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit exceeds its carrying amount by RMB1,878,000 as at December 31 2020 (2018 and 2019: nil).

The values assigned to the key assumptions on market development of related services and discount rates are consistent with external information sources.

16. OTHER INTANGIBLE ASSETS

Group

	Patents	Software and others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2018			
At 1 January 2018:			
Cost	203	10,524	10,727
Accumulated amortisation	(2)	(2,573)	(2,575)
Net carrying amount	<u>201</u>	<u>7,951</u>	<u>8,152</u>
Cost at 1 January 2018, net of accumulated amortisation	201	7,951	8,152
Additions	–	4,299	4,299
Transfers	–	1,744	1,744
Amortisation provided during the year	(20)	(1,236)	(1,256)
At 31 December 2018	<u>181</u>	<u>12,758</u>	<u>12,939</u>
At 31 December 2018:			
Cost	203	16,567	16,770
Accumulated amortisation	(22)	(3,809)	(3,831)
Net carrying amount	<u>181</u>	<u>12,758</u>	<u>12,939</u>
31 December 2019			
At 1 January 2019:			
Cost	203	16,567	16,770
Accumulated amortisation	(22)	(3,809)	(3,831)
Net carrying amount	<u>181</u>	<u>12,758</u>	<u>12,939</u>
Cost at 1 January 2019, net of accumulated amortisation	181	12,758	12,939
Additions	50	1,780	1,830
Transfers	756	5,896	6,652
Amortisation provided during the year	(373)	(1,816)	(2,189)
At 31 December 2019	<u>614</u>	<u>18,618</u>	<u>19,232</u>

	Patents	Software and others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2019:			
Cost	1,009	24,243	25,252
Accumulated amortisation	(395)	(5,625)	(6,020)
Net carrying amount	<u>614</u>	<u>18,618</u>	<u>19,232</u>
31 December 2020			
At 1 January 2020:			
Cost	1,009	24,243	25,252
Accumulated amortisation	(395)	(5,625)	(6,020)
Net carrying amount	<u>614</u>	<u>18,618</u>	<u>19,232</u>
Cost at 1 January 2020, net of accumulated amortisation	614	18,618	19,232
Additions	–	7,985	7,985
Transfers	459	–	459
Disposals	–	(42)	(42)
Amortisation provided during the year	(674)	(2,911)	(3,585)
At 31 December 2020	<u>399</u>	<u>23,650</u>	<u>24,049</u>
At 31 December 2020:			
Cost	1,468	32,176	33,644
Accumulated amortisation	(1,069)	(8,526)	(9,595)
Net carrying amount	<u>399</u>	<u>23,650</u>	<u>24,049</u>
30 June 2021			
At 1 January 2021:			
Cost	1,468	32,176	33,644
Accumulated amortisation	(1,069)	(8,526)	(9,595)
Net carrying amount	<u>399</u>	<u>23,650</u>	<u>24,049</u>
Cost at 1 January 2021, net of accumulated amortisation	399	23,650	24,049
Additions	–	1,206	1,206
Amortisation provided during the period	(81)	(1,874)	(1,955)
At 30 June 2021	<u>318</u>	<u>22,982</u>	<u>23,300</u>
At 30 June 2021:			
Cost	1,468	33,382	34,850
Accumulated amortisation	(1,150)	(10,400)	(11,550)
Net carrying amount	<u>318</u>	<u>22,982</u>	<u>23,300</u>

Company

	Patents	Software and others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2018			
At 1 January 2018:			
Cost	39	5,197	5,236
Accumulated amortisation	–	(1,177)	(1,177)
Net carrying amount	<u>39</u>	<u>4,020</u>	<u>4,059</u>
Cost at 1 January 2018, net of accumulated amortisation	39	4,020	4,059
Additions	–	1,824	1,824
Amortisation provided during the year	(4)	(403)	(407)
At 31 December 2018	<u>35</u>	<u>5,441</u>	<u>5,476</u>
At 31 December 2018:			
Cost	39	7,021	7,060
Accumulated amortisation	(4)	(1,580)	(1,584)
Net carrying amount	<u>35</u>	<u>5,441</u>	<u>5,476</u>
31 December 2019			
At 1 January 2019:			
Cost	39	7,021	7,060
Accumulated amortisation	(4)	(1,580)	(1,584)
Net carrying amount	<u>35</u>	<u>5,441</u>	<u>5,476</u>
Cost at 1 January 2019, net of accumulated amortisation	35	5,441	5,476
Additions	109	5,896	6,005
Amortisation provided during the year	(5)	(594)	(599)
At 31 December 2019	<u>139</u>	<u>10,743</u>	<u>10,882</u>
At 31 December 2019:			
Cost	148	12,917	13,065
Accumulated amortisation	(9)	(2,174)	(2,183)
Net carrying amount	<u>139</u>	<u>10,743</u>	<u>10,882</u>

Company

	<u>Patents</u>	<u>Software and others</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2020			
At 1 January 2020:			
Cost	148	12,917	13,065
Accumulated amortisation	(9)	(2,174)	(2,183)
Net carrying amount	<u>139</u>	<u>10,743</u>	<u>10,882</u>
Cost at 1 January 2020, net of accumulated amortisation	139	10,743	10,882
Additions	102	7,047	7,149
Amortisation provided during the year	(16)	(1,422)	(1,438)
At 31 December 2020	<u>225</u>	<u>16,368</u>	<u>16,593</u>
At 31 December 2020:			
Cost	250	19,964	20,214
Accumulated amortisation	(25)	(3,596)	(3,621)
Net carrying amount	<u>225</u>	<u>16,368</u>	<u>16,593</u>
30 June 2021			
At 1 January 2021:			
Cost	250	19,964	20,214
Accumulated amortisation	(25)	(3,596)	(3,621)
Net carrying amount	<u>225</u>	<u>16,368</u>	<u>16,593</u>
Cost at 1 January 2021, net of accumulated amortisation	225	16,368	16,593
Amortisation provided during the period	(13)	(1,015)	(1,028)
At 30 June 2021	<u>212</u>	<u>15,353</u>	<u>15,565</u>
At 30 June 2021			
Cost	250	19,964	20,214
Accumulated amortisation	(38)	(4,611)	(4,649)
Net carrying amount	<u>212</u>	<u>15,353</u>	<u>15,565</u>

17. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

Deferred tax assets

	Provision for impairment of assets	Elimination of unrealised profits	Losses available for offsetting against future taxable profits	Deferred income	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross deferred tax assets at 1 January 2018	6,376	1,673	2,125	6,082	5,169	21,425
Deferred tax credited/(charged) to the statement of profit or loss during the year (<i>note 10</i>)	(1,173)	(920)	30,280	(143)	(1,861)	26,183
Gross deferred tax assets at 31 December 2018 and 1 January 2019	5,203	753	32,405	5,939	3,308	47,608
Deferred tax credited to the statement of profit or loss during the year (<i>note 10</i>)	2,158	953	27,051	6,634	942	37,738
Gross deferred tax assets at 31 December 2019 and 1 January 2020	7,361	1,706	59,456	12,573	4,250	85,346
Deferred tax credited/(charged) to the statement of profit or loss during the year (<i>note 10</i>)	3,391	1,641	35,649	1,470	130	42,281
Acquisition of a subsidiary	1,384	–	3,429	–	–	4,813
Disposal of a subsidiary	(4)	–	(13,875)	(419)	(136)	(14,434)
Gross deferred tax assets at 31 December 2020 and 1 January 2021	12,132	3,347	84,659	13,624	4,244	118,006
Deferred tax credited/(charged) to the statement of profit or loss during the period (<i>note 10</i>)	(3,468)	394	22,066	3,837	804	23,633
Gross deferred tax assets at 30 June 2021	8,664	3,741	106,725	17,461	5,048	141,639

Other deferred tax assets at 31 December 2018, 31 December 2019, 31 December 2020, and 30 June 2021 mainly arose from share-based payments, the deferred tax assets related to which amounted to RMB3,248,000, RMB2,636,000, RMB2,652,000 and RMB5,048,000, respectively.

The movements in deferred tax liabilities during the Relevant Periods are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross deferred tax liabilities at 1 January 2018	5,328	–	5,328
Deferred tax charged to the statement of profit or loss during the year (<i>note 10</i>)	18,134	1,066	19,200
Gross deferred tax liabilities at 31 December 2018 and 1 January 2019	23,462	1,066	24,528
Deferred tax charged to the statement of profit or loss during the year (<i>note 10</i>)	37,743	(1,066)	36,677
Gross deferred tax liabilities at 31 December 2019 and 1 January 2020	61,205	–	61,205
Deferred tax charged to the statement of profit or loss during the year (<i>note 10</i>)	28,762	(5)	28,757
Acquisition of a subsidiary	–	40	40
Disposal of a subsidiary	(3,012)	–	(3,012)
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	86,955	35	86,990
Deferred tax charged/(credited) to the statement of profit or loss during the period (<i>note 10</i>)	9,683	850	10,533
Gross deferred tax liabilities at 30 June 2021	96,638	885	97,523

Deferred tax assets have not been recognised in respect of the following items:

	Year ended 31 December			Six months ended 30 June
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Tax losses	877	7,236	609	1,016
Deductible temporary differences	431	1	1	6
	1,308	7,237	610	1,022

The expiry dates of unused tax losses for which no deferred tax asset is recognised in the Historical Financial Information are as follows:

	Year ended 31 December			Six months ended
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2021</i> <i>RMB'000</i>
2021	867	–	–	–
2022	8	8	8	–
2023	2	2	2	2
2024	–	7,226	–	–
2025	–	–	599	599
2026	–	–	–	415
	<u>877</u>	<u>7,236</u>	<u>609</u>	<u>1,016</u>

18. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2021</i> <i>RMB'000</i>
Unlisted shares, at cost	<u>480,492</u>	<u>1,140,797</u>	<u>1,431,741</u>	<u>1,533,880</u>

Particulars of the Group's principal subsidiaries are set out in note 1 to the Historical Financial Information.

19. INVESTMENTS IN ASSOCIATES

Group

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2021</i> <i>RMB'000</i>
Share of net assets				
– Tianjin Haihe Asymchem Biomedical Industry Innovation Investment Fund (Limited Partnership) ("Tianjin Haihe Asymchem Fund")	–	201,469	203,443	203,531
– Snapdragon Chemistry Inc.,	–	–	47,851	49,171
– Yugen Medtech	–	–	18,395	16,048
	<u>–</u>	<u>201,469</u>	<u>269,689</u>	<u>268,750</u>

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Haihe Asymchem	Ordinary shares	China	26.4	Corporate investment
Snapdragon Chemistry Inc.,	Preferred shares	USA	18.18	Medical research and development
Yugen Medtech	Ordinary shares	China	32.50	Medical research and development

The following table illustrates the summarised financial information in respect of Haihe Asymchem adjusted for any differences in accounting policies and reconciled to the carrying amount in the Historical Financial Information:

Haihe Asymchem

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	–	763,555	713,410	568,538
Non-current assets	–	–	57,251	202,467
Total assets	–	763,555	770,661	771,005
Current liabilities	–	414	44	53
Total liabilities	–	414	44	53
Net assets	–	763,141	770,617	770,952
Proportion of the Group's ownership	–	26.4%	26.4%	26.4%
Carrying amount of the investment	–	201,469	203,443	203,531
Revenue	–	–	–	–
Net profit	–	5,565	7,476	335

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2021
Share of the associates' profit for the year	–	–	110	(1,026)
Share of the associates' total comprehensive income	–	–	110	(1,026)
Aggregate carrying amount of the Group's investments in the associates	–	–	66,246	65,219

Company

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2021
Share of net assets	–	201,469	269,678	268,750

20. INVENTORIES

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2021
Raw materials	150,891	200,377	203,729	300,679
Work in progress	267,133	243,727	522,655	578,307
Finished goods	6,093	4,679	–	–
	424,117	448,783	726,384	878,986

21. TRADE RECEIVABLES

Group

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2021
Trade receivables	548,890	692,274	1,034,766	878,133
Impairment	(27,494)	(35,366)	(56,617)	(47,585)
	521,396	656,908	978,149	830,548

The Group's trading terms with its customers are mainly on credit. The ordinary credit period is up to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Details of the concentration of credit risk arising from the customers are set out in note 38 to the Historical Financial Information.

An ageing analysis of the trade receivables as at the end of each the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	521,133	652,894	958,128	817,656
1 to 2 years	263	4,014	18,961	11,547
2 to 3 years	–	–	1,060	1,345
	<u>521,396</u>	<u>656,908</u>	<u>978,149</u>	<u>830,548</u>

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year/period	23,608	27,494	35,366	56,617
Impairment losses recognised	4,338	7,872	21,194	(9,032)
Acquisition of a subsidiary	–	–	57	–
Amount written off as uncollectible	(452)	–	–	–
At the end of year/period	<u>27,494</u>	<u>35,366</u>	<u>56,617</u>	<u>47,585</u>

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Management is of the view that the factors including historical credit loss experience, forward-looking factors and the economic environment are relatively stable during the Relevant Periods.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31 December 2018

	<u>Current</u>	<u>Past due within 1 year</u>	<u>Past due over 1 year but within 2 years</u>	<u>Past due over 2 years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected credit loss rate	5.00%	20.00%	50.00%	100.00%	5.01%
Gross carrying amount	548,561	329	–	–	548,890
Expected credit losses	27,428	66	–	–	27,494

31 December 2019

	<u>Current</u>	<u>Past due within 1 year</u>	<u>Past due over 1 year but within 2 years</u>	<u>Past due over 2 years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected credit loss rate	5.00%	20.00%	50.00%	100.00%	5.11%
Gross carrying amount	687,256	5,018	–	–	692,274
Expected credit losses	34,362	1,004	–	–	35,366

31 December 2020

	<u>Current</u>	<u>Past due within 1 year</u>	<u>Past due over 1 year but within 2 years</u>	<u>Past due over 2 years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected credit loss rate	5.04%	20.00%	50.00%	100.00%	5.47%
Gross carrying amount	1,008,944	23,701	2,120	1	1,034,766
Expected credit losses	50,816	4,740	1,060	1	56,617

30 June 2021

	<u>Current</u>	<u>Past due within 1 year</u>	<u>Past due over 1 year but within 2 years</u>	<u>Past due over 2 years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected credit loss rate	5.00%	20.00%	50.00%	100.00%	5.42%
Gross carrying amount	860,691	14,434	2,689	319	878,133
Expected credit losses	43,035	2,887	1,344	319	47,585

Company

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2021</i>
				<i>RMB'000</i>
Trade receivables	74,715	78,315	207,115	134,903
Impairment	(2,700)	(4,348)	(6,427)	(4,848)
	<u>72,015</u>	<u>73,967</u>	<u>200,688</u>	<u>130,055</u>

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2021</i>
				<i>RMB'000</i>
Prepayments	126,185	69,948	219,631	327,476
Other tax recoverable	41,270	64,066	100,832	112,451
Deposits	8,300	9,151	37,744	43,846
Other receivables	5,585	5,841	8,172	40,186
	<u>181,340</u>	<u>149,006</u>	<u>366,379</u>	<u>523,959</u>
Impairment allowance	(2,054)	(3,279)	(7,234)	(7,555)
	<u>179,286</u>	<u>145,727</u>	<u>359,145</u>	<u>516,404</u>
Current portion	73,124	91,601	189,598	286,284
Non-current portion	106,162	54,126	169,547	230,120

Other receivables of nil, nil, RMB1,900,000 and RMB1,900,000 as at 31 December 2018, 2019 and 2020 and 30 June 2021 respectively, were due from related parties. Details of the amounts due from related parties are disclosed in note 35 to the Historical Financial Information.

An ageing analysis of the current portion of prepayments, deposits and other receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2021</i>
				<i>RMB'000</i>
Within 1 year	70,618	85,428	182,601	276,547
1 to 2 years	2,096	5,165	3,985	6,630
2 to 3 years	410	994	2,977	1,375
Over 3 years	–	14	35	1,732
	<u>73,124</u>	<u>91,601</u>	<u>189,598</u>	<u>286,284</u>

The movements in provision for impairment of other receivables are as follows:

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
At beginning of year/period	1,977	2,054	3,279	7,234
Impairment losses recognised	77	1,225	3,687	321
Acquisition of subsidiaries	–	–	268	–
At end of year/period	<u>2,054</u>	<u>3,279</u>	<u>7,234</u>	<u>7,555</u>

From 1 January 2018, the Group has applied the general approach to providing impairment for ECLs prescribed by IFRS 9, which permits the use of either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

An impairment analysis is performed at the end of each of the Relevant Periods to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns, as disclosed in note 21 to the Historical Financial Information. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Company

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
Due from subsidiaries	649,659	315,424	463,795	2,436,306
Prepayments	4,862	6,732	8,006	11,646
Other tax recoverable	7,084	786	8,586	7,252
Other receivables	2,397	3,484	1,645	26,434
Impairment allowance	<u>664,002</u> (399)	<u>326,426</u> (604)	<u>482,032</u> (924)	<u>2,481,638</u> (949)
	<u>663,603</u>	<u>325,822</u>	<u>481,108</u>	<u>2,480,689</u>
Current portion	659,353	321,214	475,547	2,475,256
Non-current portion	<u>4,250</u>	<u>4,608</u>	<u>5,561</u>	<u>5,433</u>

23. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Group**Financial assets**

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2021</i>
Wealth management products	30,000	–	–	1,405,663
Derivative financial instruments				
– Forward currency contracts	7,110	–	–	–
Other unlisted investments, at fair value	–	20,000	35,000	50,000
	<u>37,110</u>	<u>20,000</u>	<u>35,000</u>	<u>1,405,663</u>
Current portion	37,110	–	–	1,405,663
Non-current portion	–	20,000	35,000	50,000

Financial liabilities

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2021</i>
Derivative financial instruments				
– Forward currency contracts	–	5,311	–	–
	<u>–</u>	<u>5,311</u>	<u>–</u>	<u>–</u>
Current portion	–	5,311	–	–

The above financial assets/liabilities were wealth management products, forward currency contracts issued by banks and an unlisted investment in an investment fund in Mainland China. They were classified as financial assets/liabilities at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

Company**Financial assets**

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2021</i>
Wealth management products	24,000	–	–	300,867
Other unlisted investments, at fair value	–	20,000	35,000	50,000
	<u>24,000</u>	<u>20,000</u>	<u>35,000</u>	<u>300,867</u>
Current portion	24,000	–	–	300,867
Non-current portion	–	20,000	35,000	50,000

Financial liabilities

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
Derivative financial instruments				RMB'000
– Forward currency contracts	–	2,038	–	–
Current portion	–	2,038	–	–

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
Cash and bank balances	629,971	435,252	2,124,615	627,585
	629,971	435,252	2,124,615	627,585
Less:				
Pledged deposits for foreign exchange swaps and forward contracts	(16,094)	(20,868)	–	–
Pledged deposits for letters of credit and others	(9,349)	–	(3,056)	(5,350)
Cash and cash equivalents	604,528	414,384	2,121,559	622,235
Denominated in RMB	346,095	278,237	1,842,695	362,232
Denominated in USD	256,497	135,803	275,456	255,822
Denominated in GBP	887	344	353	1,255
Denominated in EUR	1,049	–	3,055	2,926
Cash and cash equivalents	604,528	414,384	2,121,559	622,235

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Company

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2021
Cash and bank balances	209,317	247,782	1,786,528	156,369
Cash and cash equivalents	209,317	247,782	1,786,528	156,369
Denominated in RMB	181,952	243,801	1,782,694	108,186
Denominated in USD	27,365	3,981	3,834	48,183
Cash and cash equivalents	209,317	247,782	1,786,528	156,369

25. TRADE PAYABLES**Group**

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2021
Within 1 year	189,377	182,005	362,841	334,268
1 to 2 years	8,647	4,776	5,311	4,169
Over 2 years	–	7,271	10,464	2,924
	198,024	194,052	378,616	341,361

The trade payables are non-interest-bearing and are normally settled on 15 to 90 day terms.

The trade payables are measured at amortised cost, and the carrying amounts are reasonably approximate to fair values.

Company

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2021
Within 1 year	35,259	115,737	38,431	180,203
1 to 2 years	581	540	483	30
Over 2 years	–	313	438	122
	35,840	116,590	39,352	180,355

The trade payables are non-interest-bearing and are normally settled on 15 to 90 day terms.

26. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2021</i>
				<i>RMB'000</i>
Current portion				
Payroll and welfare payable	54,399	69,993	102,743	67,748
Other tax payables	4,899	6,931	10,608	8,447
Contract liabilities (a)	14,636	20,152	91,552	142,503
Repurchase obligation of restricted shares (c)	123,126	90,529	143,058	163,738
Other payables (b)	137,742	100,639	170,128	349,710
	<u>334,802</u>	<u>288,244</u>	<u>518,089</u>	<u>732,146</u>
Non-current portion				
Deferred income	<u>110,570</u>	<u>148,042</u>	<u>151,445</u>	<u>174,474</u>

(a) Details of contract liabilities are as follows:

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2021</i>
				<i>RMB'000</i>
Advances received from customers				
Transfer of goods and services	<u>14,636</u>	<u>20,152</u>	<u>91,552</u>	<u>142,503</u>

(b) Other payables are non-interest-bearing and have an average term of three months.

Other payables are measured at amortised cost, and the carrying amounts are reasonably approximate to fair values.

(c) The payable represents the repurchase obligations associated with the restricted shares issued to employees. Pursuant to the shareholders resolutions on 13 July 2018, 6 May 2019, 12 August 2020 and 8 January 2021 for incentive schemes, the Group shall repurchase the restricted A shares at agreed price if the profitability of the Group or performance of granted eligible employees is not fulfilled, or if the eligible employees leave the Group. Given the vesting of the tranche relating to profitability of the Group and performance of eligible employees had not occurred at the end of the reporting period, the consideration received for the restricted share repurchase is then accounted for as a deposit received. Details are disclosed in note 31 to the Historical Financial Information.

Company

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Current portion				
Payroll and welfare payable	7,174	7,279	7,961	4,207
Other tax payables	183	1,833	476	821
Contract liabilities	1,770	3,845	2,202	31,644
Due to subsidiaries	–	466,022	297,119	793,829
Other payables	174,336	109,658	146,351	340,426
	<u>183,463</u>	<u>588,637</u>	<u>454,109</u>	<u>1,170,927</u>
Non-current portion				
Deferred income	7,384	7,233	17,282	20,181

27. INTEREST-BEARING BANK BORROWINGS

As at 31 December 2020

	Effective interest rate	Maturity	RMB'000
	(%)		
Current			
Bank loan – unsecured	LPR-0.15%	2021	<u>10,034</u>

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
				RMB'000

Analysed into:

Bank loans repayable:

Within one year	<u>–</u>	<u>–</u>	<u>10,034</u>	<u>–</u>
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- (a) As at 31 December 2018 and 2019 and 30 June 2021, the Group had no interest-bearing bank borrowings. As at 31 December 2020, the Group's interest-bearing bank borrowings of RMB10,034,000 bore interest at a floating interest rate of LPR minus 15 basis points and was unsecured.
- (b) The carrying amounts of the interest-bearing bank borrowings of the Group approximate to their fair values.
- (c) The Group's bank borrowings are all denominated in RMB.

28. SHARE CAPITAL

Group and Company

Shares

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
Issued and fully paid ordinary shares of RMB1 each	230,719	231,320	242,451	242,627

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital
		RMB'000
At 1 January 2018	230,102,706	230,103
Restricted A share incentive scheme (<i>Note (b)</i>)	749,731	750
Cancellation of restricted A shares (<i>Note (c)</i>)	(133,600)	(134)
At 31 December 2018 and 1 January 2019	230,718,837	230,719
Restricted A share scheme (<i>Note (b)</i>)	691,125	691
Cancellation of restricted A shares (<i>Note (c)</i>)	(90,200)	(90)
At 31 December 2019 and 1 January 2020	231,319,762	231,320
Issue of A shares (<i>Note (a)</i>)	10,178,731	10,179
Restricted A share incentive scheme (<i>Note (b)</i>)	1,018,000	1,018
Cancellation of restricted A shares (<i>Note (c)</i>)	(65,800)	(66)
At 31 December 2020 and 1 January 2021	242,450,693	242,451
Restricted A share scheme (<i>Note (b)</i>)	176,000	176
At 30 June 2021	242,626,693	242,627

Notes:

- (a) On 17 August 2020, the Company completed the allotment and issuance of 10,178,731 A Shares to specific investors. The net proceeds received from the issuance amounted to RMB2,277,875,164, after the deduction of issue expenses of RMB2,914,508. Part of the proceeds amounting to RMB10,178,731 was credited as share capital, and RMB2,264,781,925 was credited to share premium.
- (b) The restricted A shares were issued pursuant to the share incentive scheme adopted by the Company. Please refer to note 31 to the Historical Financial Information for more details.

- (c) During the Relevant Periods, some of the Company's original incentive recipients resigned and lost their right to receive incentives, therefore, the Company repurchased and cancelled the restricted shares previously held by the incentive recipients with a deduction from the restricted shares under share-based payment. Please refer to note 31 to the Historical Financial Information for more details.

29. RESTRICTED SHARES UNDER SHARE-BASED PAYMENT

	<i>RMB'000</i>
At 1 January 2018 and 31 December 2017	151,662
Issue of restricted A shares under A Share Incentive Scheme 2018	33,048
Vesting of restricted A shares	(60,665)
Cancellation of restricted A shares	(6,773)
At 31 December 2018 and 1 January 2019	<u>117,272</u>
Issue of restricted A shares under A Share Incentive Scheme 2019	30,962
Vesting of restricted A shares	(55,456)
Cancellation of restricted A shares	(4,950)
At 31 December 2019 and 1 January 2020	<u>87,828</u>
Issue of restricted A shares under A Share Incentive Scheme 2020	118,668
Vesting of restricted A shares	(62,867)
Cancellation of restricted A shares	(6,271)
At 31 December 2020 and 1 January 2021	<u>137,358</u>
Issue of restricted A shares under A Share Incentive Scheme 2021	26,379
At 30 June 2021	<u>163,737</u>

30. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on pages IA-9 to IA-11 of the Historical Financial Information.

Capital reserve

The capital reserve represents the aggregate amount of share-based payment and share issue expense. Details of the movements are set out in the consolidated statements of changes in equity.

Statutory surplus reserve

In accordance with the Company Law of the People's Republic of China, the subsidiaries in the PRC are required to allocate 10% of the statutory after tax profits to the statutory surplus reserve until the cumulative total of the reserve reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the statutory surplus reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The statutory surplus reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the Historical Financial Information of foreign operations whose functional currencies are different from the Group's presentation currency.

Company

A summary of the company's reserves is as follows:

	Issued share capital	Treasury shares	Capital reserve	Statutory surplus reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2018	230,103	(151,662)	1,022,983	30,072	136,888	1,268,384
Profit for the year	–	–	–	–	51,242	51,242
Final 2017 dividend declared and paid	–	919	–	–	(80,534)	(79,615)
Issue of restricted shares	750	(33,048)	32,298	–	–	–
Cancellation of restricted shares	(134)	5,854	(5,722)	–	–	(2)
Vesting of restricted shares	–	60,665	–	–	–	60,665
Equity-settled share option arrangements	–	–	15,941	–	–	15,941
Transfer to statutory surplus reserve	–	–	–	5,124	(5,124)	–
At 31 December 2018 and 1 January 2019	<u>230,719</u>	<u>(117,272)</u>	<u>1,065,500</u>	<u>35,196</u>	<u>102,472</u>	<u>1,316,615</u>
Profit for the year	–	–	–	–	154,911	154,911
Final 2018 dividend declared and paid	–	–	–	–	(92,524)	(92,524)
Issue of restricted shares	691	(30,962)	30,271	–	–	–
Cancellation of restricted shares	(90)	4,950	(3,851)	–	–	1,009
Vesting of restricted shares	–	55,456	–	–	–	55,456
Equity-settled share option arrangements	–	–	15,188	–	–	15,188
Transfer to statutory surplus reserve	–	–	–	15,491	(15,491)	–
At 31 December 2019 and 1 January 2020	<u>231,320</u>	<u>(87,828)</u>	<u>1,107,108</u>	<u>50,687</u>	<u>149,368</u>	<u>1,450,655</u>

	Issued share capital	Treasury shares	Capital reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year	–	–	–	–	174,374	174,374
Disposal of a subsidiary	–	–	(1,936)	–	(7,505)	(9,441)
Final 2019 dividend declared and paid	–	–	–	–	(115,637)	(115,637)
Issue of shares	10,179	–	2,264,782	–	–	2,274,961
Issue of restricted shares	1,018	(118,668)	117,650	–	–	–
Cancellation of restricted shares	(66)	6,271	(5,734)	–	–	471
Vesting of restricted shares	–	62,867	–	–	–	62,867
Equity-settled share option arrangements	–	–	17,957	–	–	17,957
Transfer to statutory surplus reserve	–	–	–	17,464	(17,464)	–
At 31 December 2020 and 1 January 2021	<u>242,451</u>	<u>(137,358)</u>	<u>3,499,827</u>	<u>68,151</u>	<u>183,136</u>	<u>3,856,207</u>
Profit for the period	–	–	–	–	31,545	31,545
Issue of restricted shares	176	(26,379)	26,203	–	–	–
Final 2020 dividend declared	–	–	–	–	(145,576)	(145,576)
Equity-settled share option arrangements	–	–	15,428	–	–	15,428
At 30 June 2021	<u>242,627</u>	<u>(163,737)</u>	<u>3,541,458</u>	<u>68,151</u>	<u>69,105</u>	<u>3,757,604</u>

31. SHARE-BASED PAYMENTS

Restricted A share incentive schemes

The Group adopted share incentive schemes (the “Restricted A Share Incentive Schemes”) for the purpose of further refining the corporate governance structure of the Group, facilitating the establishment of the restricted incentive mechanism, fully motivating the directors and key personnel of the Group, as well as balancing the interests of the shareholders, the Group and management for the long-term development of the Group.

Restricted A Share Incentive Scheme 2018 was approved by the shareholders of the Company. On 13 July 2018, relevant resolutions were considered and passed at the Company’s 10th meeting of the 3rd session of the board of directors and the 10th meeting of the 3rd session of the Supervisory Committee, pursuant to which the date of grant for the Restricted Share Incentive Scheme 2018 of the Company was set on 12 July 2018. On 13 July 2018, the “Date of Grant,” pursuant to the Restricted A Share Incentive Scheme 2018, 749,731 A shares of the Company were granted to 36 eligible participants of the Restricted A Share Incentive Scheme 2018 the “Share Incentive Participants” at a grant price of RMB44.08 per share. The Share Incentive Participants include executive directors and the members of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

Restricted A Share Incentive Scheme 2019 was approved by the shareholders of the Company. On 6 May 2019, relevant resolutions were considered and passed at the Company’s 24th meeting of the 3rd session of the board of directors and the 19th meeting of the 3rd session of the Supervisory Committee, pursuant to which the date of grant for the Restricted Share Incentive Scheme 2019 of the Company was set on 12 April 2019. On 6 May 2019, the “Date

of Grant,” pursuant to the Restricted A Share Incentive Scheme 2019, 691,125 A shares of the Company were granted to 12 eligible participants of the Restricted A Share Incentive Scheme 2019 the “Share Incentive Participants” at a grant price of RMB44.08 per share. The Share Incentive Participants include executive directors and the members of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

Restricted A Share Incentive Scheme 2020 was approved by the shareholders of the Company. On 12 August 2020, relevant resolutions were considered and passed at the Company’s 41st meeting of the 3rd session of the board of directors and the 35th meeting of the 3rd session of the Supervisory Committee, pursuant to which the date of grant for the Restricted Share Incentive Scheme 2020 of the Company was set on 9 July 2020. On 12 August 2020, the “Date of Grant,” pursuant to the Restricted A Share Incentive Scheme 2020, 1,018,000 A shares of the Company were granted to 215 eligible participants of the Restricted A Share Incentive Scheme 2020 the “Share Incentive Participants” at a grant price of RMB116.57 per share. The Share Incentive Participants include executive directors and the members of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

Restricted A Share Incentive Scheme 2021 was approved by the shareholders of the Company. On 8 January 2021, relevant resolutions were considered and passed at the Company’s 52nd meeting of the 3rd session of the board of directors and the 42nd meeting of the 3rd session of the Supervisory Committee, pursuant to which the date of grant for the Restricted Share Incentive Scheme 2021 of the Company was set on 8 January 2021. On 8 January 2021, the “Date of Grant,” pursuant to the Restricted A Share Incentive Scheme 2021, 176,000 A shares of the Company were granted to 35 eligible participants of the Restricted A Share Incentive Scheme 2021 (the “Share Incentive Participants”) at a grant price of RMB149.88 per share. The Share Incentive Participants include executive directors and the members of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

Restricted Shares shall be locked up immediately upon grant. All of the Restricted Shares granted to Share Incentive Participants shall be subject to various lockup periods of 1 year, 2 years and 3 years, respectively, immediately from the Date of Grant. Restricted Shares held by Share Incentive Participants shall be unlocked in three tranches in the proportion of 40%, 30% and 30% of the total number of the Restricted Shares granted upon the expiry of each lockup period. Should the market conditions not be met, the additional lock-up period shall be prolonged by 3 to 9 months accordingly. Details of the unlock period and conditions are summarised as follows:

Unlock period	Performance target	% of unlocked shares to the total Restricted Shares granted
First unlock period: commencing from the first trading day after the expiry of the 12-month period from the Date of Grant and ending on the last trading day of the 24-month period from the Date of Grant	2018 Scheme: Based on the net profit of 2016, the growth rate of net profit of 2018 is not less than 50%	40%
	2019 Scheme: Based on the net profit of 2016, the growth rate of net profit of 2019 is not less than 75%	
	2020 Scheme: Based on the net profit of 2019, the growth rate of net profit of 2020 is not less than 25%	
	2021 Scheme: Based on the net profit of 2019, the growth rate of net profit of 2021 is not less than 50%	

<u>Unlock period</u>	<u>Performance target</u>	<u>% of unlocked shares to the total Restricted Shares granted</u>
Second unlock period: commencing from the first trading day after the expiry of the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant	2018 Scheme Based on the net profit of 2016, the growth rate of net profit of 2019 is not less than 75%	30%
	2019 Scheme: Based on the net profit of 2016, the growth rate of net profit of 2020 is not less than 100%	
	2020 Scheme: Based on the net profit of 2019, the growth rate of net profit of 2021 is not less than 50%	
	2021 Scheme: Based on the net profit of 2019, the growth rate of net profit of 2022 is not less than 75%	
Third unlock period: commencing from the first trading day after the expiry of the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant	2018 Scheme Based on the net profit of 2016, the growth rate of net profit of 2020 is not less than 100%	30%
	2019 Scheme: Based on the net profit of 2016, the growth rate of net profit of 2021 is not less than 125%	
	2020 Scheme: Based on the net profit of 2019, the growth rate of net profit of 2022 is not less than 75%	
	2021 Scheme: Based on the net profit of 2019, the growth rate of net profit of 2023 is not less than 100%	

The calculation of the net profit and the growth rate of net profit above are exclude the expense on share-base payments.

Where the performance target at company level has been achieved, a Share Incentive Participant is only entitled to unlock the Restricted Shares upon achieving the benchmark of "Pass" or above in his performance target for the preceding year according to the Company's Administrative Measures in respect of the Remuneration and Performance Appraisal. Details of the corresponding unlock rate for different performance levels are summarised as follows:

<u>Performance</u>	<u>Outstanding</u>	<u>Good</u>	<u>Pass</u>
Unlock coefficient	1.0	0.8	0.6

Movements in the number of RSUs granted and the respective weighted average grant date fair value are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU
		<i>RMB</i>
Outstanding as of 1 January 2018	4,375,706	8.42
Granted during the year	749,731	25.78
Vested during the year	(1,750,282)	10.45
Cancelled during the year	(133,600)	25.27
Outstanding as of 31 December 2018	3,241,555	10.63
Outstanding as of 1 January 2019	3,241,555	10.63
Granted during the year	691,125	16.99
Vested during the year	(1,550,804)	13.02
Cancelled during the year	(90,200)	21.97
Outstanding as of 31 December 2019	2,291,676	10.49
Outstanding as of 1 January 2020	2,291,676	10.49
Granted during the year	1,018,000	45.50
Vested during the year	(1,731,581)	8.88
Cancelled during the year	(65,800)	33.54
Outstanding as of 31 December 2020	1,512,295	34.89
Outstanding as of 1 January 2021	1,512,295	34.89
Granted during the period	176,000	50.19
Outstanding as of 30 June 2021	1,688,295	35.17

The fair value of each RSU on the grant date is determined by reference to the fair value of the underlying ordinary shares on the date of grant. The effect of a lock up discount for selling restriction over a period after all vesting conditions are fulfilled was reflected in the fair value on the grant date.

During the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group has recognised amounts of RMB15,941,000, RMB15,188,000 and RMB17,957,000, RMB4,876,000 (unaudited) and RMB15,428,000 as expenses respectively.

32. BUSINESS COMBINATION

On 31 August 2020, the Group acquired a 100% equity interest in Tianjin GoalGen Biotechnology Co., Ltd. (“天津冠勤医药科技有限公司” or “GoalGen”) from an independent third party for a cash consideration of RMB30 million. The acquisition was made as part of the Group’s strategy to expand the clinical trial services. Goodwill arose from the acquisition was allocated to the clinical trial services cash-generating unit (note 15).

The fair values of the identifiable assets and liabilities of GoalGen as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	<i>RMB'000</i>
Current assets	24,575
Trade and other receivables	2,012
Property, plant and equipment	1,077
Deferred tax asset	4,813
Other non-current assets	177
Total liabilities	<u>(45,840)</u>
Total identifiable net assets at fair value	(13,186)
Goodwill on acquisition**	<u>43,186</u>
Satisfied by cash consideration paid	20,000
Satisfied by payable as at 31 December 2020	<u>10,000</u>
	<u><u>30,000</u></u>

An analysis of the cash flows in respect of the acquisition is as follows:

	<i>RMB'000</i>
Cash consideration paid	(20,000)
Cash and bank balances acquired	<u>11,278</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u><u>(8,722)</u></u>

The outstanding consideration in the amount of RMB10,000,000 has been paid in May 2021. Since the acquisition, GoalGen contributed RMB45,254,000 to the Group's revenue and RMB5,400,000 to the consolidated profit for the year ended 31 December 2020.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB3,195,934,000 and RMB704,563,000, respectively.

33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,859,000, RMB29,029,000, RMB54,000, nil (unaudited) and RMB19,748,000 for the years ended 31 December 2018, 2019 and 2020 and the six months period ended 30 June 2020 and 2021.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings	Lease liabilities
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2018	–	1,787
Changes from financing cash flows	–	(838)
Interest expense	–	109
New leases	–	1,859
	<u>–</u>	<u>1,859</u>
At 31 December 2018 and 1 January 2019	–	2,917
Changes from financing cash flows	(774)	(1,168)
Interest expense	774	994
New leases	–	29,029
	<u>–</u>	<u>29,029</u>
At 31 December 2019 and 1 January 2020	–	31,772
Changes from financing cash flows	8,808	(3,620)
Interest expense	1,226	1,226
COVID-19-related rent concessions from lessors	–	(89)
New leases	–	54
Derecognition	–	(536)
	<u>–</u>	<u>(536)</u>
At 31 December 2020 and 1 January 2021	10,034	28,807
Changes from financing cash flows	(10,055)	(2,940)
Interest expense	21	731
New leases	–	19,748
	<u>–</u>	<u>19,748</u>
At 30 June 2021	<u>–</u>	<u>46,346</u>

(c) Total cash outflow for leases

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within operating activities	60	–	1,043	435	1,248
Within financing activities	838	1,168	3,620	1,765	2,940
	<u>898</u>	<u>1,168</u>	<u>4,663</u>	<u>2,200</u>	<u>4,188</u>

34. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Contracted, but not provided for:				
Buildings	26,004	26,089	63,990	9,574
Plant and machinery	153,265	100,603	271,890	433,282
	179,269	126,692	335,880	442,856

35. RELATED PARTY TRANSACTIONS

(a) Names and relationships of related parties:

Name	Relationship
上海凱萊英檢測技術有限公司 Shanghai Asymchem Laboratories Testing Technology Co., Ltd (“Shanghai Asymchem Technology”)	Subsidiary of an associate of the Group

(b) Outstanding balances with related parties

As disclosed in note 22 to the Historical Financial Information, the Group had outstanding balances due from related parties at 31 December 2018, 2019 and 2020 and 30 June 2021.

(i) Due from related parties included in other receivables

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Shanghai Asymchem Technology	–	–	1,900	1,900

Amounts due from related parties are non-trade in nature, unsecured, non-interest-bearing and repayable within one year. The board of directors of the Company confirmed that the amounts due from related parties of RMB1,900,000 at 30 June 2021 will be fully settled before the Listing.

(c) Compensation of key management personnel of the Group:

	Year ended 31 December			For the six months ended
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Short term employee benefits	13,047	13,528	16,151	9,789
Equity-settled share incentive scheme	1,565	3,212	5,146	2,743
Pension scheme contributions	1,452	1,528	1,366	748
	<u>16,064</u>	<u>18,268</u>	<u>22,663</u>	<u>13,280</u>

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets at amortised cost

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	548,890	692,274	1,034,766	878,133
Financial assets included in prepayments, deposits and other receivables	15,939	18,271	53,150	91,587
Cash and bank balances	629,971	435,252	2,124,615	627,585
	<u>1,194,800</u>	<u>1,145,797</u>	<u>3,212,531</u>	<u>1,597,305</u>

Financial assets at fair value through profit or loss

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss	<u>37,110</u>	<u>20,000</u>	<u>35,000</u>	<u>1,455,663</u>

Financial liabilities at amortised cost

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
Trade payables	198,024	194,052	378,616	341,361
Financial liabilities included in other payables and accruals	137,742	100,639	170,208	349,710
Interest-bearing bank borrowings	–	–	10,034	–
	<u>335,766</u>	<u>294,691</u>	<u>558,858</u>	<u>691,071</u>

Financial liabilities at fair value through profit or loss

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
Financial liabilities at fair value through profit or loss	–	5,311	–	–
	<u>–</u>	<u>5,311</u>	<u>–</u>	<u>–</u>

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2018, 2019 and 2020 and 30 June 2021, the fair values of the Group's financial assets and financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in unlisted non-principal-protected wealth management products issued by banks in Mainland China. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

For the unlisted investment fund measured at fair value through profit or loss, management assessed the fair value based on the net asset value of the investment fund. Since the underlying unlisted equity portfolio was diversified and each underlying equity investment was immaterial to the Group, no fair value disclosure has been made for the underlying equity investments in the investment fund. Management has estimated the potential effect of using reasonably possible alternatives to be immaterial.

The carrying amounts of all the Group's financial instruments are equal to or reasonably approximate to fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 31 December 2018

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB'000	RMB'000	RMB'000	
Financial assets at fair value through profit or loss				
– Forward currency contracts	–	7,110	–	7,110
– Wealth management products	–	30,000	–	30,000
	–	37,110	–	37,110

As at 31 December 2019

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB'000	RMB'000	RMB'000	
Financial assets at fair value through profit or loss				
– An unlisted investment fund	–	–	20,000	20,000

As at 31 December 2020

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB'000	RMB'000	RMB'000	
Financial assets at fair value through profit or loss				
– An unlisted investment fund	–	–	35,000	35,000

As at 30 June 2021

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss				
– An unlisted investment fund	–	–	50,000	50,000
– Wealth management products	–	1,405,663	–	1,405,663
	–	1,405,663	50,000	1,405,663

Liabilities measured at fair value

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2019				
Financial liabilities at fair value through profit or loss				
– Foreign currency contracts	–	5,311	–	5,311

The Group did not have any financial liabilities measured at fair value as at 31 December 2018, 31 December 2020 and 30 June 2021.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The following tables illustrate the reconciliation of Level 3 fair value measurements of financial assets:

	RMB'000
At 1 January 2019 and 31 December 2018	–
Purchases	20,000
At 31 December 2019	20,000
At 1 January 2020	20,000
Purchases	15,000
At 31 December 2020	35,000
At 1 January 2021	35,000
Purchases	15,000
At 30 June 2021	50,000

During the Relevant Periods, there was no fair value change of Level 3 fair value measurements of financial assets as the underlying assets' -mainly included unlisted equity investments measured at fair value and a short-term money market fund with low risk, of which the fair value change was immaterial.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, finance leases, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.3 to the Historical Financial Information.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings. Some of these interest-bearing bank borrowings were obtained at floating interest rates, which have exposed the Group to interest rate risk. The interest rates and terms of repayment of borrowings are disclosed in note 27 above, and the possible reasonable changes in interest rates do not have a significant impact to the Group's profit or loss and equity.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the major foreign currency exchange rate, with all other variables held constant, of the Group's profit before tax due to differences arising on settlement or translation of monetary assets and liabilities and the Group's equity due to the changes of exchange fluctuation reserves of certain overseas subsidiaries of which the functional currencies are currencies other than RMB.

	Increase/ (decrease) in foreign currency rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
31 December 2018			
If USD weakens against RMB	(5%)	(2,380)	(2,918)
If USD strengthens against RMB	5%	2,380	2,918
31 December 2019			
If USD weakens against RMB	(5%)	(1,395)	(3,620)
If USD strengthens against RMB	5%	1,395	3,620
31 December 2020			
If USD weakens against RMB	(5%)	(1,818)	(6,482)
If USD strengthens against RMB	5%	1,818	6,482
30 June 2021			
If USD weakens against RMB	(5%)	(4,731)	(10,323)
If USD strengthens against RMB	5%	4,731	10,323

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. At the end of each of the Relevant Periods, the Group had certain concentrations of credit risk as 27.23%, 17.40%, 20.96% and 14.00% of the Group's trade receivables were due from the Group's largest customer, and 61.75%, 49.17%, 65.91% and 49.85% of the Group's trade receivables were due from the Group's five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 and note 22 to the Historical Financial Information.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., deposits and other receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and lease liabilities. All of the Group's borrowings would mature in less than one year as at 31 December 2018, 2019 and 2020 and 30 June 2021, respectively, based on the carrying value of borrowings reflected in the Historical Financial Information.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

As at 31 December 2018

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities	–	246	864	10,105	29,026	40,241
Trade payables	198,024	–	–	–	–	198,024
Repurchase obligation of restricted shares	123,126	–	–	–	–	123,126
Financial liabilities included in other payables and accruals	137,742	–	–	–	–	137,742
	<u>458,892</u>	<u>246</u>	<u>864</u>	<u>10,105</u>	<u>29,026</u>	<u>499,133</u>

As at 31 December 2019

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities	–	824	2,791	11,947	23,569	39,131
Trade payables	194,052	–	–	–	–	194,052
Restricted share repurchase	90,529	–	–	–	–	90,529
Financial liabilities measured at fair value	5,311	–	–	–	–	5,311
Financial liabilities included in other payables and accruals	100,639	–	–	–	–	100,639
	<u>390,531</u>	<u>824</u>	<u>2,791</u>	<u>11,947</u>	<u>23,569</u>	<u>429,662</u>

As at 31 December 2020

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities	–	927	2,780	13,695	18,114	35,516
Trade payables	378,616	–	–	–	–	378,616
Restricted share repurchase	143,058	–	–	–	–	143,058
Financial liabilities included in other payables and accruals	170,208	–	–	–	–	170,208
Interest-bearing bank borrowings	–	–	10,034	–	–	10,034
	<u>691,882</u>	<u>927</u>	<u>12,814</u>	<u>13,695</u>	<u>18,114</u>	<u>737,432</u>

As at 30 June 2021

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities	–	1,087	6,142	31,081	15,168	53,478
Trade payables	341,361	–	–	–	–	341,361
Restricted share repurchase	163,738	–	–	–	–	163,738
Financial liabilities included in other payable and accruals	349,710	–	–	–	–	349,710
	<u>854,809</u>	<u>1,087</u>	<u>6,142</u>	<u>31,081</u>	<u>15,168</u>	<u>908,287</u>

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a net debt to total equity ratio, which is net debt divided by total equity plus total debt. Net debt includes other payables and accruals, amounts due to related parties, interest-bearing bank borrowings and lease liabilities, net of cash and cash equivalents. The net gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	198,024	194,052	378,616	341,361
Other payables and accruals	445,372	436,286	669,534	906,620
Interest-bearing bank borrowings	–	–	10,034	–
Lease liabilities	2,917	31,772	28,807	46,346
Less: Cash and cash equivalents	629,971	435,252	2,124,615	627,585
Net debt	16,342	226,858	N/A	666,742
Total equity	2,510,388	3,043,049	5,989,750	6,287,103
Total equity and net debt	2,526,730	3,269,907	N/A	6,953,845
Net gearing ratio	0.65%	6.94%	N/A	9.59%

39. EVENTS AFTER THE RELEVANT PERIODS

On 8 July 2021, a cash dividend of RMB145.6 million was paid by the Group.

On 20 August 2021, pursuant to the Restricted A Share Incentive Scheme 2021, 2,048,200 A shares of the Company were granted to 263 eligible participants of the Restricted A Share Incentive Scheme 2021 at a grant price of RMB185.52 per share.

On 1 October 2021, Asymchem Laboratories (Tianjin) Co., Ltd. (or “the Company”) entered into a non-binding preliminary term sheet with the shareholders of one of the associates of the Company, with the maximum consideration of US\$57.8 million approximately for the possible acquisition. The associate is focusing on the design and development of efficient and sustainable manufacturing processes for pharmaceutical applications. If the acquisition is completed, the associate would become a wholly-owned subsidiary of the Company.

On 24 October 2021, Tianjin Clin-nov Medical Technology Co., Ltd. (or “Clin-nov Medical”) entered into an equity transfer agreement with the existing shareholders of an entity focused on CRO data statistics business, with the consideration of RMB136.3 million, which will be settled in cash using the Company’s internal resources. If the acquisition is completed, the entity would become a wholly-owned subsidiary of Clin-nov Medical.

On 15 October 2021, the registered capital of the Company was decreased from RMB242,626,693 to RMB242,612,918, the decreased capital of which were repurchased and canceled by the Company due to resignation of certain employees under the A Share Incentive Schemes.

On 12 November 2021, the registered capital of the Company was increased from RMB242,612,918 to RMB244,661,118 due to granting of restricted A Shares under the A Share Incentive Schemes.

In October and November 2021, the Group drew down an aggregate of RMB85.0 million under a short-term secured credit facility with Tianjin Branch of Citi Bank, all of which will become due on December 30, 2021. The Group were granted with a general credit line of up to US\$25.0 million with a fixed interest rate of 3.5% per annum. The Group provide a guarantee against those loans from Tianjin Branch of Citi Bank.

In October 2021, the Group entered into two bank loans with Dunhua Branch of Bank of China, including (i) a one-year bank loan with a principal amount of RMB120.0 million and a fixed interest rate of 3.6% per annum, which is secured by the Group buildings and land use rights as collateral and will become due on October 25, 2022, and (ii) a one-year unsecured bank loans with a principal amount of RMB100.0 million and a fixed interest rate of 3.6% per annum, which will become due on October 26, 2022. Up to the date of this Report, the Group have fully drew down the principal amount of those two bank loans.

On November 25, 2021, the Board of Directors resolved and approved the repurchase and cancellation of a total of 33,000 restricted A Shares due to resignation of certain employees under the A Share Incentive Schemes. Such repurchase and cancellation of shares is still subject to the approval of the shareholders at the general meeting of the Company.

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2021.



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Independent review report

To the directors of Asymchem Laboratories (Tianjin) Co., Ltd.

(Established in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages IB-2 to IB-27, which comprises the condensed consolidated statement of financial position of Asymchem Laboratories (Tianjin) Co., Ltd. (the “Company”) and its subsidiaries (the “Group”) as at 30 September 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board (“IASB”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of 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 of interim financial information 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

30 November 2021

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September

	<i>Notes</i>	<u>2021</u>	<u>2020</u>
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
REVENUE	4	2,916,321	2,071,799
Cost of sales		<u>(1,609,789)</u>	<u>(1,080,453)</u>
Gross profit		1,306,532	991,346
Other income and gains	4	128,935	72,739
Selling expenses		(64,105)	(59,435)
Administrative expenses		(322,768)	(218,143)
Research and development expenses		(257,197)	(170,131)
Losses on impairment of financial and contract assets, net		(7,871)	(13,936)
Other expenses		(4,526)	(29,560)
Share of (losses)/profits of associates		(2,129)	1,850
Finance costs		<u>(2,440)</u>	<u>(2,017)</u>
PROFIT BEFORE TAX	5	774,431	572,713
Income tax expense	6	<u>(79,592)</u>	<u>(68,450)</u>
PROFIT FOR THE PERIOD		<u>694,839</u>	<u>504,263</u>
Attributable to:			
Owners of the parent		694,852	504,298
Non-controlling interests		<u>(13)</u>	<u>(35)</u>
		<u>694,839</u>	<u>504,263</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	8	<u>RMB2.88</u>	<u>RMB2.19</u>
Diluted	8	<u>RMB2.85</u>	<u>RMB2.17</u>

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the nine months ended 30 September**

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	<u>694,839</u>	<u>504,263</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(842)</u>	<u>(4,379)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(842)</u>	<u>(4,379)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>693,997</u>	<u>499,884</u>
Attributable to:		
Owners of the parent	694,010	499,919
Non-controlling interests	<u>(13)</u>	<u>(35)</u>
	<u>693,997</u>	<u>499,884</u>

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September	As at 31 December
	<i>Notes</i>	2021	2020
		<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,955,512	2,208,297
Right-of-use assets		316,368	284,328
Goodwill		43,186	43,186
Other intangible assets		26,684	24,049
Deferred tax assets		165,553	118,006
Investments in associates		294,595	269,689
Prepayments, deposits and other receivables	10	297,447	169,547
Financial assets at fair value through profit or loss		86,000	35,000
Total non-current assets		4,185,345	3,152,102
CURRENT ASSETS			
Inventories	11	1,083,103	726,384
Trade receivables	12	1,149,889	978,149
Contract assets		14,593	9,046
Prepayments, deposits and other receivables	10	473,641	189,598
Tax recoverable		–	2,756
Financial assets at fair value through profit or loss		1,100,000	–
Cash and cash equivalents	13	424,922	2,124,615
Total current assets		4,246,148	4,030,548
CURRENT LIABILITIES			
Trade payables	14	392,848	378,616
Other payables and accruals		1,090,221	518,089
Interest-bearing bank borrowings		–	10,034
Lease liabilities		9,442	2,925
Tax payable		38,316	18,919
Total current liabilities		1,530,827	928,583
NET CURRENT ASSETS		2,715,321	3,101,965
TOTAL ASSETS LESS CURRENT LIABILITIES		6,900,666	6,254,067

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

		As at	As at
		30 September	31 December
	<i>Notes</i>	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(audited)
NON-CURRENT LIABILITIES			
Other payables and accruals		176,946	151,445
Lease liabilities		41,170	25,882
Deferred tax liabilities		102,219	86,990
		<u>320,335</u>	<u>264,317</u>
Net assets		<u><u>6,580,331</u></u>	<u><u>5,989,750</u></u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>15</i>	244,661	242,451
Restricted shares under share-based payments	<i>16</i>	(528,766)	(137,358)
Other reserves		6,864,488	5,884,696
		<u>6,580,383</u>	<u>5,989,789</u>
Non-controlling interests		<u>(52)</u>	<u>(39)</u>
		<u>6,580,331</u>	<u>5,989,750</u>
Total equity		<u><u>6,580,331</u></u>	<u><u>5,989,750</u></u>

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021 (unaudited)

	Attributable to owners of the parent								
	Share capital	Restricted shares under share-based payment	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	242,451	(137,358)	3,538,794	68,151	(4,000)	2,281,751	5,989,789	(39)	5,989,750
Profit for the period (unaudited)	-	-	-	-	-	694,852	694,852	(13)	694,839
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations (unaudited)	-	-	-	-	(842)	-	(842)	-	(842)
Total comprehensive income for the period (unaudited)	-	-	-	-	(842)	694,852	694,010	(13)	693,997
Final 2020 dividend declared and paid	-	-	-	-	-	(145,559)	(145,559)	-	(145,559)
Issue of restricted shares	2,224	(406,361)	404,137	-	-	-	-	-	-
Vesting of restricted shares	-	13,958	-	-	-	-	13,958	-	13,958
Cancellation of restricted shares	(14)	995	(855)	-	-	-	126	-	126
Equity-settled share incentive scheme arrangements	-	-	28,059	-	-	-	28,059	-	28,059
At 30 September 2021 (unaudited)	<u>244,661</u>	<u>(528,766)</u>	<u>3,970,135</u>	<u>68,151</u>	<u>(4,842)</u>	<u>2,831,044</u>	<u>6,580,383</u>	<u>(52)</u>	<u>6,580,331</u>

For the nine months ended 30 September 2020 (Unaudited)

	Attributable to owners of the parent								
	Share capital	Restricted shares under share-based payment	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	231,320	(87,828)	1,146,075	50,687	7,685	1,695,110	3,043,049	-	3,043,049
Profit for the period (unaudited)	-	-	-	-	-	504,298	504,298	(35)	504,263
Other comprehensive income for the period: (unaudited)									
Exchange differences on translation of foreign operations (unaudited)	-	-	-	-	(4,379)	-	(4,379)	-	(4,379)
Total comprehensive income for the period (unaudited)	-	-	-	-	(4,379)	504,298	499,919	(35)	499,884
Final 2019 dividend declared and paid	-	-	-	-	-	(115,660)	(115,660)	-	(115,660)
Issue of shares	11,196	(118,669)	2,382,432	-	-	-	2,274,959	-	2,274,959
Vesting of restricted shares	-	62,867	-	-	-	-	62,867	-	62,867
Cancellation of restricted shares	-	494	-	-	-	-	494	-	494
Equity-settled share incentive scheme arrangements	-	-	9,453	-	-	-	9,453	-	9,453
At 30 September 2020 (unaudited)	<u>242,516</u>	<u>(143,136)</u>	<u>3,537,960</u>	<u>50,687</u>	<u>3,306</u>	<u>2,083,748</u>	<u>5,775,081</u>	<u>(35)</u>	<u>5,775,046</u>

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September

	<i>Notes</i>	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		774,431	572,713
Adjustments for:			
Finance costs		2,440	2,017
Share of losses/(profits) of associates		2,129	(1,850)
Interest income	4	(10,016)	(3,461)
Investment income		(21,977)	(8,168)
Fair value gain on financial assets/liabilities at fair value through profit or loss		–	(4,617)
(Gain)/loss on disposal of items of property, plant and equipment and other intangible assets	5	(9)	335
Depreciation of property, plant and equipment	5	141,265	113,103
Depreciation of right-of-use assets	5	10,609	5,954
Amortisation of other intangible assets	5	2,970	2,224
Losses on impairment of financial and contract assets, net	5	7,871	13,936
COVID-19-related rent concessions from lessors		–	(59)
Equity-settled share-based payments		28,059	9,453
		<u>937,772</u>	<u>701,580</u>
Decrease in pledged deposits		181	–
Increase in inventories		(356,719)	(231,153)
Increase in trade receivables		(182,424)	(181,097)
Increase in contract assets		(6,217)	(1,442)
Increase in prepayments, deposits and other receivables		(201,494)	(70,240)
Increase in trade payables		14,232	43,308
Decrease in other payables and accruals		<u>227,959</u>	<u>178,092</u>
Cash generated from operations		433,290	439,048
Tax paid		<u>(89,757)</u>	<u>(79,680)</u>
Net cash flows from operating activities		<u>343,533</u>	<u>359,368</u>

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

	<i>Notes</i>	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		10,016	3,461
Purchases of items of property, plant, equipment and other intangible assets		(1,124,717)	(583,275)
Proceeds from disposal of items of property, plant and equipment and other intangible assets		291	5,883
Acquisition of a subsidiary		(10,000)	–
Purchases of investments designated at fair value through profit or loss		(3,951,000)	(6,832)
Proceeds from disposal of investments designated at fair value through profit or loss		2,821,977	–
Decrease in pledged deposits		–	20,857
Increase in acquisition of interests in associates		(27,035)	(91,059)
		(2,280,468)	(650,965)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of restricted shares		405,506	2,393,629
Share repurchase payment		(5,730)	(2,700)
Repayment of bank borrowings		(10,034)	–
Acquisition of a non-controlling interest		–	(14,030)
Principal portion of lease payments		(5,459)	(52,622)
Dividend paid to shareholders	7	(145,559)	(115,660)
Interest paid		(2,440)	(2,017)
New bank borrowings		–	150,000
		236,284	2,407,600
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(1,700,651)	2,116,003
Cash and cash equivalents at beginning of period		2,121,559	414,384
Effect of foreign exchange rate changes, net		(1,139)	(4,530)
		422,047	2,525,857
CASH AND CASH EQUIVALENTS AT END OF PERIOD		422,047	2,525,857

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

	<i>Notes</i>	<u>2021</u>	<u>2020</u>
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statements of financial position		424,922	1,225,868
Pledged deposits		<u>(2,875)</u>	<u>(11)</u>
Cash and cash equivalents as stated in the statements of cash flows		<u>422,047</u>	<u>1,225,857</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2021

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in the People’s Republic of China (hereinafter referred to as the “PRC”). The registered office of the Company is located at 6 Dongting 3rd Avenue, Tianjin, China. The Company’s A-shares have been listed on the Shenzhen Stock Exchange since 18 November 2016.

In the opinion of the directors, the controlling shareholders of the Company are Asymchem Laboratories, Incorporated (or “ALAB”), Mr. Hao Hong and Dr Ye Song.

During the nine months ended 30 September 2021, the Group was a world-leading, technology-driven provider of one-stop Contract Development Manufacture Organization (hereinafter referred to as “CDMO”) solutions throughout the drug development and manufacturing process. The Group provides clinical stage CDMO solutions, commercial stage CDMO solutions and emerging services.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the nine months ended 30 September 2021 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in this interim condensed consolidated financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
Amendment to IFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021¹</i>
Amendments to IAS 1	<i>Disclosure of Accounting Policies³</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates³</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction³</i>
IFRS 17	<i>Insurance Contracts³</i>
Amendments to IFRS 17	<i>Insurance Contracts^{3,5}</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current³</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use²</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract²</i>
<i>Annual Improvements to IFRS Standards 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 ²

¹ Effective for annual periods beginning on or after 1 April 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ No mandatory effective date yet determined but available for adoption

⁵ As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

The directors of the Group considered that the application of the above issued but not yet effective IFRSs will not have a material impact on the Group’s condensed consolidated financial results.

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

3. OPERATING SEGMENT INFORMATION

Operating segments are identified on the basis of internal reporting about components of the Group that are regularly reviewed by the Group's executive committee and the Company's board of directors for the purpose of resource allocation and performance assessment.

Operating segment

During the nine months ended 30 September 2021, there is only one operating segment as the Group's operations relate to contract development and manufacturing which focuses on innovation and commercial application of global pharmaceutical technology.

Geographical information

(a) Revenue from external customers

	For the nine months ended 30 September	
	2021	2020
	RMB'000 (unaudited)	RMB'000 (unaudited)
Overseas	2,502,442	1,836,122
Mainland China	413,879	235,677
	<u>2,916,321</u>	<u>2,071,799</u>

The revenue information of the operations above is based on the locations of the customers.

(b) Non-current assets

	As at 30 September	As at 31 December
	2021	2020
	RMB'000 (unaudited)	RMB'000 (audited)
Mainland China	3,933,492	2,998,708
United States	300	377
	<u>3,933,792</u>	<u>2,999,085</u>

The non-current asset information of the operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

4. REVENUE, OTHER INCOME AND GAINS

Clinical stage CDMO solutions:

The Group provides process development and optimisation, analytical services and scale-up services for small molecule drug products throughout the pre-clinical and clinical stage. The revenue generated from clinical stage CDMO solutions is derived from the transfer of goods and the provision of services under Full-time-equivalent (or "FTE") and Fee-for-service (or "FFS") arrangements. The Group recognises revenue on overtime and at a point in time bases for services under FTE and FFS arrangements, respectively.

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

Commercial stage CDMO solutions:

The Group provides ton-scale manufacturing services for registered starting materials (RSMs), advanced intermediates, and active pharmaceutical ingredients (APIs) with high quality. All of the revenue generated from commercial stage CDMO solutions is derived from the transfer of goods and services, which is recognised at a point in time.

Emerging services:

The Group provides services including (i) pre-formulation and formulation development, (ii) Chemical Macromolecule CDMO solutions for polypeptides, oligonucleotides, glycans, toxins-linkers and other macromolecules, (iii) biosynthesis solutions, (iv) biologics CDMO solutions for monoclonal antibodies (mAbs) and antibody-drug conjugates (ADCs), (v) Contract Research Organisation (or “CRO”) solutions and (vi) messenger RNA (mRNA) solutions. The revenue generated from emerging service is mainly derived from the transfer of goods and services like the rendering of services settled at FFS and CRO solutions. The Group recognises revenue on overtime and at a point in time bases for services under CRO solutions and FFS arrangements, respectively.

Others:

Others mainly include the sales of raw materials and sales of scrap materials.

An analysis of revenue is as follows:

	For the nine months ended 30 September	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
<i>Revenue from contracts with customers</i>		
Transfer of goods and services	2,916,253	2,069,976
Others	68	1,823
	2,916,321	2,071,799

Revenue from contracts with customers

(a) Disaggregated revenue information

	For the nine months ended 30 September	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Types of goods and services		
Clinical stage CDMO solutions	1,106,173	797,789
Commercial stage CDMO solutions	1,546,879	1,193,301
Emerging services	263,201	78,886
Others	68	1,823
	2,916,321	2,071,799
Geographical markets		
Overseas	2,502,442	1,836,122
Mainland China	413,879	235,677
	2,916,321	2,071,799

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

	For the nine months ended 30 September	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Timing of revenue recognition		
Transferred at a point in time	2,808,937	2,042,128
– Clinical stage CDMO solutions	1,050,640	776,320
– Commercial stage CDMO solutions	1,546,879	1,193,301
– Emerging services	211,350	70,684
– Others	68	1,823
Transferred over time	107,384	29,671
– Clinical stage CDMO solutions	55,533	21,469
– Emerging services	51,851	8,202
	2,916,321	2,071,799

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the nine months ended 30 September 2021, and recognised from performance obligations satisfied in previous periods:

	For the nine months ended 30 September	
	2021	2020
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	74,442	14,020

Other income and gains

	For the nine months ended 30 September	
	2021	2020
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Government grants*	88,632	64,656
Gain on fair value changes of derivative financial instruments	–	4,617
Bank interest income	10,016	3,461
Gain on wealth management products	25,480	–
Others	4,807	5
	128,935	72,739

* Government grants of RMB88,632 were granted during the nine months ended 30 September 2021 (for the nine months ended 30 September 2020: RMB64,656), to encourage the development and research of the Group in the PRC. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants. There is no assurance that the Group will continue to receive such grants in the future.

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/crediting:

	For the nine months ended 30 September	
	2021	2020
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Cost of sales*	1,609,789	1,080,453
Depreciation of property, plant and equipment**	141,265	113,103
Depreciation of right-of-use assets**	10,609	5,954
Amortisation of other intangible assets**	2,970	2,224
Research and development cost:		
Current year expenditure	257,197	170,130
	2,021,830	1,371,864
Lease payments not included in the measurement of lease liabilities	–	652
Auditor's remuneration	–	–
Employee benefit expense (excluding directors' and chief executive's remuneration):		
– Wages and salaries	613,920	357,324
– Pension scheme contributions	135,661	58,072
– Share-based payment expense	23,292	6,160
	772,873	422,208
Losses on impairment of financial and contract assets, net	7,871	13,936
Bank interest income	10,016	3,461
Changes in fair value of derivative financial instruments	–	(4,617)
(Gain)/loss on disposal of items of property, plant and equipment and other intangible assets	(9)	335
	17,878	13,115

* The cost of inventories amounted to RMB1,221,801,000 during the nine months ended 30 September 2021 (for the nine months ended 30 September 2020: RMB895,992,000).

** Depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of other intangible assets and employee benefit expense for the reporting period are mainly included in "Cost of sales" in the condensed consolidated statement of profit or loss.

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

6. INCOME TAX

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China which were accredited as “High and New Technology Enterprises” and are entitled to a preferential rate of 15% in since 2018.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. The provision for current income tax of Asymchem Inc., a subsidiary of the Group incorporated in the United States, is based on the federal tax rate of 21% during the nine months ended 30 September 2021. The provision for current income tax of Asymchem Limited, a subsidiary of the Group incorporated in the United Kingdom, is based on a rate of 19%.

	For the nine months ended 30 September	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current	112,309	76,332
Deferred	(32,717)	(7,882)
Total tax charge for the period	<u>79,592</u>	<u>68,450</u>

7. DIVIDENDS

	For the nine months ended 30 September	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividend declared:		
2021: RMB0.60 per ordinary share (2020: RMB0.50 per ordinary share)	<u>145,576</u>	<u>115,637</u>
Dividend paid:		
2021: RMB0.60 per ordinary share (2020: RMB0.50 per ordinary share)	<u>145,559</u>	<u>115,637</u>

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount for the nine months ended 30 September 2021 is based on the profit attributable to ordinary equity holders of the parent for the nine months ended 30 September 2021, and the weighted average number of ordinary shares in issue during the nine months ended 30 September 2021.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of restricted ordinary shares with contingent non-market performance condition assumed to have been released upon vesting of all dilutive potential ordinary shares.

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

The calculations of basic and diluted earnings per share are based on:

	For the nine months ended 30 September	
	2021	2020
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation:	694,852	504,298
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	(1,013)	(494)
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	693,839	503,804
Number of shares		
	2021	2020
	<i>'000</i> (unaudited)	<i>'000</i> (unaudited)
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	241,155	229,605
Effect of dilution – weighted average number of ordinary shares:		
Restricted A-shares	2,808	2,392
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	243,973	231,997

9. PROPERTY, PLANT AND EQUIPMENT

Acquisition and disposal

During the nine months ended 30 September 2021, the Group acquired assets with a cost of RMB888,762,000. (For the nine months ended 30 September 2020: RMB384,238,000 excluding property, plant and equipment acquired through business combination.)

Assets (other than those classified as held for sale) with a net book value of RMB282,000 were disposed of by the Group during the nine months ended 30 September 2021 (for the nine months ended 30 September 2020: RMB6,218,000), resulting in a net gain on disposal of RMB9,000 (for the nine months ended 30 September 2021 resulting in a net gain on disposal of RMB335,000).

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September	As at 31 December
	2021	2020
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Prepayments	532,484	219,631
Other tax recoverable	156,544	100,832
Deposits	21,238	37,744
Other receivables	64,572	8,172
	774,838	366,379
Impairment allowance	(3,750)	(7,234)
	771,088	359,145
Current portion	473,641	189,598
Non-current portion	297,447	169,547

Other receivables of RMB1,900,000 as at 31 December 2020, were due from related party. Details of the amounts due from related parties are disclosed in note 19 to the interim condensed consolidated financial information.

An ageing analysis of the current portion of prepayments, deposits and other receivables as at nine months ended 30 September 2021, based on the invoice date and net of provisions, is as follows:

	As at 30 September	As at 31 December
	2021	2020
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Within 1 year	469,057	182,601
1 to 2 years	7,257	3,985
2 to 3 years	2,686	2,977
Over 3 years	1,641	35
	473,641	189,598

The movements in provision for impairment of other receivables are as follows:

	As at 30 September	As at 31 December
	2021	2020
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
At beginning of period/year	7,234	3,279
Impairment (reversed)/recognised	(3,484)	3,687
Acquisition of a subsidiary	–	268
At the end of period/year	3,750	7,234

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

11. INVENTORIES

	As at 30 September	As at 31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Raw materials	360,003	203,729
Work in progress	723,100	522,655
Finished goods	–	–
	1,083,103	726,384

12. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at 30 September 2021 and 31 December 2020, based on the invoice date and net of loss allowance, is as follows:

	As at 30 September	As at 31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Within 1 year	1,120,850	958,128
1 to 2 years	27,534	18,961
2 to 3 years	1,505	1,060
	1,149,889	978,149

The movements in provision for impairment of trade receivables are as follows:

	As at 30 September	As at 31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
At beginning of period/year	56,617	35,366
Impairment losses recognised	10,684	21,194
Acquisition of a subsidiary	–	57
	67,301	56,617

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 September	As at 31 December
	2021	2020
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Cash and bank balances	424,922	2,124,615
Less: Pledged deposits for letters of credit and others	(2,875)	(3,056)
Cash and bank balances	422,047	2,121,559
	As at 30 September	As at 31 December
	2021	2020
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Denominated in RMB	246,315	1,842,695
Denominated in USD	175,471	275,456
Denominated in GBP	261	353
Denominated in EUR	–	3,055
Cash and bank balances	422,047	2,121,559

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

14. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 30 September	As at 31 December
	2021	2020
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Within 1 year	379,632	362,841
1 to 2 years	8,131	5,311
Over 2 years	5,085	10,464
	392,848	378,616

The trade payables are non-interest-bearing and are normally settled on 15 to 90 days terms.

The trade payables are measured at amortised cost, and the carrying amounts reasonably approximate to the fair values.

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

15. SHARE CAPITAL

Shares

	As at 30 September 2021	As at 31 December 2020
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Issued and fully paid ordinary shares of RMB1 each	244,661	242,451

A summary of movements in the Company's share capital is as follows:

As at 30 September 2021 (unaudited)

	Number of shares in issue	Share capital <i>RMB'000</i>
At 1 January 2021	242,450,693	242,451
Restricted A-shares incentive scheme (<i>Note (b)</i>)	2,224,200	2,224
Cancellation of restricted shares (<i>Note (c)</i>)	(13,775)	(14)
At 30 September 2021	244,661,118	244,661

As at 31 December 2020 (audited)

	Number of shares in issue	Share capital <i>RMB'000</i>
At 1 January 2020	231,319,762	231,320
Issue of A-shares (<i>Note (a)</i>)	10,178,731	10,179
Restricted A-share incentive scheme (<i>Note (b)</i>)	1,018,000	1,018
Cancellation of restricted A-shares (<i>Note (c)</i>)	(65,800)	(66)
At 31 December 2020	242,450,693	242,451

Notes:

- (a) On 17 August 2020, the Company completed the allotment and issuance of 10,178,731 A-shares to specific investors. The net proceeds received from the issuance amounted to RMB2,277,875,164, after the deduction of issue expenses of RMB2,914,508.30. Part of the proceeds amounting to RMB10,178,731 was credited as share capital, and RMB2,264,781,925 was credited to share premium.
- (b) The restricted A-shares were issued pursuant to the share incentive scheme adopted by the Company. Please refer to note 17 to the interim condensed consolidated financial information for more details.
- (c) During the nine months ended 30 September 2021 and the nine months ended 30 September 2020, some of the Company's original incentive recipients resigned and lost their right to receive the incentives, therefore, the Company repurchased and cancelled the restricted A-shares previously held by the incentive recipients with a deduction from the restricted A-shares under share-based payments.

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

16. RESTRICTED SHARES UNDER SHARE-BASED PAYMENTS**As at 30 September 2021 (unaudited)**

	<i>RMB'000</i>
At 1 January 2021	137,358
Issue of A-shares	406,361
Vesting of restricted A-shares	(13,958)
Cancellation of restricted A-shares	(995)
At 30 September 2021	<u>528,766</u>

As at 31 December 2020 (audited)

	<i>RMB'000</i>
At 1 January 2020	87,828
Issue of restricted A-shares under A-shares Incentive Scheme 2020	118,668
Vesting of restricted A-shares	(62,867)
Cancellation of restricted A-shares	(6,271)
At 31 December 2020	<u>137,358</u>

17. SHARE-BASED PAYMENTS**Restricted A-shares incentive schemes**

The Group adopted share incentive schemes (the “Restricted A-shares Incentive Schemes”) for the purpose of further refining the corporate governance structure of the Group, facilitating the establishment of the restricted incentive mechanism, fully motivating the directors and key personnel of the Group, as well as balancing the interests of the shareholders, the Group and management for the long-term development of the Group.

Restricted A-Share Incentive Scheme 2021 was approved by the shareholders of the Company. On 8 January 2021, relevant resolutions were considered and passed at the Company’s 52nd meeting of the 3rd session of the board of directors and the 42nd meeting of the 3rd session of the Supervisory Committee, pursuant to which the date of grant for the Restricted A-Share Incentive Scheme 2021 of the Company was set on 8 January 2021. On 8 January 2021, the “Date of Grant”, pursuant to the Restricted A-shares Incentive Scheme 2021, 176,000 A-shares of the Company were granted to 35 eligible participants of the Restricted A-shares Incentive Scheme 2021 (the “Share Incentive Participants”) at a grant price of RMB149.88 per share. The A-shares Incentive Participants include executive directors and the members of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

The restricted A-shares shall be locked up immediately upon grant. All of the restricted A-shares granted to the A-shares Incentive Participants shall be subject to various lock-up periods of 1 year, 2 years and 3 years, immediately from the Date of Grant. The restricted A-shares held by the A-shares Incentive Participants shall be unlocked in three tranches in the proportions of 40%, 30% and 30% of the total number of the restricted A-shares granted upon the expiry of each lock-up period. Should the market conditions not be met, the additional lock-up period shall be prolonged by 3 to 9 months accordingly.

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

Where the performance target at company level has been achieved, Shares Incentive Participant is only entitled to unlock the restricted A-shares upon achieving the benchmarks of “Pass” or above in his performance target for the preceding year according to the Company’s administrative measures in respect of the remuneration and performance appraisal.

On 23 September 2021, the Company granted 2,048,820 restricted A-shares of the Company to 263 eligible participants at a grant price of RMB185.52 per share (the closing price of the share on the grant date was RMB340.85 per share). According to the incentive plan formulated by the Company, the restricted A-shares granted to senior management shall be subject to various lock-up periods of 1 year, 2 years and 3 years, immediately from the Date of Grant, and the restricted A-shares granted to the core technical personnel will be unlocked in three phases.

Based on the performance indicators of the Group, the restricted A-shares held by the senior management shall be unlocked in four tranches in the proportion of 30%, 20%, 20% and 30% of the total number of the restricted A-shares granted upon the expiry of each lock-up period. And the restricted A-shares held by the core technical personnel shall be unlocked in three tranches in the proportions of 40%, 30% and 30% of the total number of the restricted A-shares granted upon the expiry of each lock-up period. The banned conditions after unlocking are mainly related to the Company’s market value. In addition, if all or part of the shares are not to be unlocked, the Company will repurchase and cancel them. The repurchase price is the same as the grant price, unless the repurchase price needs to be adjusted.

Details of the corresponding unlock rate for different performance levels are summarised as follows:

Performance	Outstanding	Good	Pass
Unlocking coefficient	1.0	0.8	0.6

Movements in the number of restricted share units (“RSU”) granted and the respective weighted average grant date fair values are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU RMB
For the nine months ended 30 September 2021 (unaudited)		
Outstanding as of 1 January 2021	1,512,295	34.89
Granted during the period	2,048,200	46.53
Vested during the period	(302,620)	16.02
Repurchased during the period	(13,775)	21.74
Outstanding as of 30 September 2021	<u>3,244,100</u>	<u>44.37</u>
For the nine months ended 30 September 2020 (unaudited)		
Outstanding as of 1 January 2020	2,291,676	10.49
Granted during the period	1,018,000	45.50
Vested during the period	(1,731,581)	8.88
Repurchased during the period	(1,800)	17.16
Outstanding as of 30 September 2020	<u>1,576,295</u>	<u>34.86</u>

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

The fair value of each RSU on the grant date is determined by reference to the fair value of the underlying ordinary shares on the date of grant. The effect of a lock-up discount for selling restriction over a period after all vesting conditions are fulfilled was reflected in the fair value on the grant date.

For the nine months ended 30 September 2021, the Group has recognised amounts of RMB28,059,000 (for the nine months ended 30 September 2020: RMB9,453,000) as expenses.

18. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	As at 30 September	As at 31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Contracted, but not provided for:		
Plant and machinery	742,233	271,890
Buildings	82,233	63,990
	824,466	335,880

19. RELATED PARTY TRANSACTIONS

(a) Name and relationship of a related party:

Name	Relationship
上海凱萊英檢測技術有限公司 Shanghai Asymchem Laboratories Testing Technology Co., Ltd (“Shanghai Asymchem Technology”)	Subsidiary of an associate of the Group

(b) Outstanding balances with related party

As disclosed in note 10 to the interim condensed consolidated financial information, the Group had outstanding balances due from a related party at 30 September 2021.

(i) Due from a related party included in other receivables

	As at 30 September	As at 31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Shanghai Asymchem Technology	–	1,900

Amounts due from a related party are non-trade in nature, unsecured, non-interest-bearing and repayable within one year.

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

(c) Compensation of key management personnel of the Group:

	For the nine months ended 30 September 2021	For the nine months ended 30 September 2020
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Short term employee benefits	15,181	10,497
Equity-settled share incentive scheme	4,767	3,293
Pension scheme contributions	1,271	1,146
	<u>21,219</u>	<u>14,936</u>

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2020 and 30 September 2021, the fair values of the Group's financial assets and financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in unlisted investments, which represent non-principal-protected wealth management products issued by banks in Mainland China. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

For the unlisted investment fund measured at fair value through profit or loss, management assessed the fair value based on the net asset value of the investment fund. Since the underlying unlisted equity portfolio was diversified and each of the underlying equity investments was immaterial to the Group, no fair value disclosure has been made for the underlying equity investments in the investment fund. Management has estimated the potential effect of using reasonably possible alternatives to be immaterial.

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	As at 30 September	As at 31 December	As at 30 September	As at 31 December
	2021	2020	2021	2020
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Financial assets				
Financial assets at fair value through profit or loss	1,186,000	35,000	1,186,000	35,000

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 30 September 2021

	Fair value measurement using			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Financial assets at fair value through profit or loss				
– Unlisted equity investment	–	–	86,000	86,000
– Wealth management products	–	1,100,000	–	1,100,000
	–	1,100,000	86,000	1,186,000

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
Financial assets at fair value through profit or loss				
– Unlisted equity investment	–	–	35,000	35,000

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

The Group did not have any financial liabilities measured at fair value as at 31 December 2020 and 30 September 2021.

During the nine months ended 30 September 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The following tables illustrate the reconciliation of Level 3 fair value measurements of financial assets:

As at 30 September 2021

	<i>RMB'000</i>
At 31 December 2020 (audited)	35,000
Purchases	51,000
At 30 September 2021 (unaudited)	86,000

As at 31 December 2020

	<i>RMB'000</i>
At 31 December 2019 (audited)	20,000
Purchases	15,000
At 31 December 2020 (audited)	35,000

21. EVENTS AFTER THE REPORTING PERIOD

On 1 October 2021, the Company entered into a non-binding preliminary term sheet with the shareholders of one of the associates of the Company, with a maximum consideration of approximately US\$57.8 million for the possible acquisition. The associate focuses on the design and development of efficient and sustainable manufacturing processes for pharmaceutical applications. When the acquisition is completed, the associate will become a wholly-owned subsidiary of the Company.

On 24 October 2021, one subsidiary of the Company, Tianjin Clin-nov Medical Technology Co., Ltd. (or "Clin-nov Medical"), entered into an equity transfer agreement with the existing shareholders of an entity focused on the CRO data statistics business, with a consideration of RMB136.3 million, which will be settled in cash using the Company's internal resources. When the acquisition is completed, the entity will become a wholly-owned subsidiary of Clin-nov Medical and enlarge the Group's advantage on CRO data statistics business by obtaining new service capabilities to expand market shares.

On 15 October 2021, the registered capital of the Company was decreased from RMB242,626,693 to RMB242,612,918, the decreased capital of which were repurchased and canceled by the Company due to resignation of certain employees under the A Share Incentive Schemes.

On 12 November 2021, the registered capital of the Company was increased from RMB242,612,918 to RMB244,661,118 due to granting of restricted A Shares under the A Share Incentive Schemes.

In October and November 2021, the Group drew down an aggregate of RMB85.0 million under a short-term secured credit facility with Tianjin Branch of Citi Bank, all of which will become due on December 30, 2021. The Group were granted with a general credit line of up to US\$25.0 million with a fixed interest rate of 3.5% per annum. The Group provide a guarantee against those loans from Tianjin Branch of Citi Bank.

APPENDIX IB UNAUDITED INTERIM FINANCIAL INFORMATION

In October 2021, the Group entered into two bank loans with Dunhua Branch of Bank of China, including (i) a one-year bank loan with a principal amount of RMB120.0 million and a fixed interest rate of 3.6% per annum, which is secured by the Group buildings and land use rights as collateral and will become due on October 25, 2022, and (ii) a one-year unsecured bank loans with a principal amount of RMB100.0 million and a fixed interest rate of 3.6% per annum, which will become due on October 26, 2022. Up to the date of this Report, the Group have fully drew down the principal amount of those two bank loans.

On November 25, 2021, the Board of Directors resolved and approved the repurchase and cancellation of a total of 33,000 restricted A Shares due to resignation of certain employees under the A Share Incentive Schemes. Such repurchase and cancellation of shares is still subject to the approval of the shareholders at the general meeting of the Company.

22. APPROVAL FOR THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorized for issue by the board of directors on 30 November 2021.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix IA to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix IA to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Global Offering had taken place on 30 June 2021.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at 30 June 2021 or any future dates.

The following statement of unaudited pro forma adjusted consolidated net tangible assets is based on the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 as shown in the Accountants' Report of the Group, the text of which is set forth in Appendix IA to this prospectus, and is adjusted as follows:

	Consolidated net tangible assets attributable to owners of the Company as at 30 June 2021	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	Unaudited pro forma adjusted consolidated net tangible assets per Share
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$ equivalent</i>
Based on an Offer Price of HK\$350 per Share	6,220,659	5,068,959	11,289,618	42.91	52.35
Based on an Offer Price of HK\$410 per Share	6,220,659	5,944,239	12,164,898	46.24	56.41

Notes:

- (1) The consolidated net tangible assets attributable to owners of the Company as of 30 June 2021 is arrived at after deducting RMB23,300,000 intangible assets and RMB43,186,000 goodwill from the audited consolidated equity attributable to owners of the Company of RMB6,287,145,000 as of 30 June 2021, as shown in the Accountants' Report, the text of which is set out in Appendix IA to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on estimated offer prices of HK\$350 or HK\$410 per Share after deduction of the underwriting fees and other related expenses payable by our Company and take no account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds are converted into RMB at the rate of RMB1=HK\$1.22. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at the rate or at any other rates at all.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 263,076,518 Shares are in issue assuming that the grant of 2,048,200 A shares of the Company under the Restricted A Share Incentive Scheme 2021, cancellation of 13,775 restricted shares and the Global Offering has been completed on 30 June 2021 and an Offer Price of HK\$350 per Share, being the low end of the Offer Price range and an Offer Price of HK\$410 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2021.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, asset out in Appendix IA to this document, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix IA to this prospectus.



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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION¹

To the Directors of Asymchem Laboratories (Tianjin) Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Asymchem Laboratories (Tianjin) Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 June 2021, and related notes as set out on pages II-1 to II-2 of the prospectus dated 30 November 2021 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 30 June 2021 as if the transaction had taken place at 30 June 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 30 June 2021, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "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 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, 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 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 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 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 purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares 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 transaction would have been as presented.

A reasonable assurance engagement to report on whether the 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 Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the 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 Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young

Certified Public Accountants

Hong Kong

30 November 2021

TAXATION ON HOLDERS OF SECURITIES

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences resulting from the investment in H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulations. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this Prospectus, all of which are subject to change that may have retrospective effect.

This discussion does not address any aspects of PRC or Hong Kong taxation other than income tax, capital gain and profit tax, business tax, value-added tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

THE PRC TAXATION**Taxation on Dividends***Individual Investors*

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the “IIT Law”), which was latest 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稅法實施條例》), which was latest amended on December 18, 2018 and came into effect on January 1, 2019, dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Pursuant to the Circular of the State Administration of Taxation on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the amount which is over withheld will be refunded. For the individual holders of H Shares

receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Certain Policy Issues Concerning Individual Income Tax (Cai Shui Zi [1994] No. 20) (《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》(財稅字[1994]第20號)), dividends and bonus income received by foreign individuals from foreign-invested enterprises are exempted from individual income tax for the time being.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) issued by the NPC on March 16, 2007 and latest amended on December 29, 2018 and the Implementation Provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) issued by the State Council on December 6, 2007, came into effect on January 1, 2008 and amended on April 23, 2019 (hereinafter collectively referred to as the “EIT Law”), a non-resident enterprise is generally subject to a 10% enterprise 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 is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897) (《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》(國稅函[2008]897號)) which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to overseas non-resident enterprise shareholders of H Shares for 2008 and subsequent years. In addition, the Response of the State Administration of Taxation to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B shares (Guo Shui Han [2009] No. 394) (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批複》(國稅函[2009]394號)) which became effective on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and subsequent years 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 jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) issued on August 21, 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth 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 (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, 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 taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer Income

Individual Investors

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 the income tax at a rate of 20%.

Pursuant to the Circular of Taxation Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (Cai Shui Zi [1998] No. 61) (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》(財稅字[1998]第61號)) issued by the MOF and the SAT on March 30, 1998, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax as of January 1, 1997. The SAT has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the latest amended Individual Income Tax Law.

However, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2009] No. 167) (《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》(財稅[2009]167號)), which states that individuals' income from the transfer of listed shares on certain domestic exchanges 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 Circular on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (Cai Shui [2010] No. 70) (《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》(財稅[2010]70號)) jointly issued and implemented by such 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-PRC resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to the best of our knowledge, in practice such tax has not been levied by the PRC tax authorities.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to a 10% enterprise income tax 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 the PRC-sourced income is not connected in reality with such establishments or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is 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 applicable treaties or agreements on avoidance of double taxation.

The PRC Stamp Duty

Pursuant to the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) which became effective on October 1, 1988 and amended on January 8, 2011, and the Detailed Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例實施細則》) which became effective from October 1, 1988, the PRC stamp duty only applies on 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

As of the date of this Document, the PRC currently does not impose any estate duty.

Tax Policies for Shenzhen-Hong Kong Stock Connect

On November 25, 2016, the CSRC and the SFC granted their approvals to Shenzhen Stock Exchange, the Hong Kong Stock Exchange, China Securities Depository and Clearing Company Limited and the HKSCC for formal launch of the Shenzhen-Hong Kong Stock Connect. Trading in shares under the Shenzhen-Hong Kong Stock Connect kicked off on December 5, 2016. Pursuant to the Notice on Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Program (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)) and the Announcement on Continued Implementation of Individual Income Tax Policies Relating to Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and Mainland and Hong Kong Mutual Recognition of Funds (Notice of the Ministry of Finance No. 93, 2019) (《關於繼續執行滬港、深港股票市場互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》(財政部公告2019年第93號)):

From December 5, 2016 to December 31, 2022, gains on price difference from transfer of shares derived by mainland individual investors through investment into shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect are temporarily exempt from individual income tax. Gains on price difference from transfer of shares derived by mainland corporate investors through investment into shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect are credited to their total income and subject to corporate income tax in accordance with laws. Dividends derived by mainland individual investors through investment into H shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect are subject to 20% of withholding individual income tax by H shares companies. Individual investors who have paid withholding taxes overseas, with effective taxation certificates, can apply to competent taxation authorities under China Securities Depository and Clearing Company Limited for tax credit. Dividends derived by mainland securities investment funds through investment into shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect are subject to individual income tax pursuant to provisions above.

Gains on dividends derived by mainland corporate investors through investment into shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect are credited to their total income and subject to corporate income tax in accordance with laws. Among them, dividends derived by mainland resident enterprises for holding H shares up to 12

consecutive months are exempt from corporate income tax in accordance with laws. For such dividends derived by mainland enterprises, there will be no withholding tax on dividends payable by H shares companies, and these enterprises are liable for tax reporting and payment.

For the withholding tax on dividends payable by companies of non-H shares listed on the Hong Kong Stock Exchange, mainland corporate investors can apply for tax credit when reporting and paying corporate income tax.

Mainland investors, who deal with, inherit, and are bestowed upon with shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect are subject to stamp duties in accordance with current taxation requirements in Hong Kong. China Securities Depository and Clearing Company Limited and the HKSCC are authorized to levy stamp duties above on behalf of each other.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

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稅法》), which was promulgated by the NPC on March 16, 2007, came into effect on January 1, 2008 and amended on February 24, 2017 and December 29, 2018, and 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稅法實施條例》), which was promulgated by the State Council on December 6, 2007 and became effective on January 1, 2008 and amended on April 23, 2019, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. And non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived incomes from the PRC. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such income are obtained outside the PRC but have an actual connection with the set-up institutions or sites. And non-resident enterprises that have not set up institutions or sites in the PRC or have set up institutions or sites but the incomes obtained by the said enterprises have no actual connection with the set-up institutions or sites, shall pay enterprise income tax at the rate of 10% in relation to their income sources from the PRC.

According to the Administrative Measures for Determination of High and New Tech Enterprises (Guo Ke Fa Huo [2016] No. 32) (《高新技術企業認定管理辦法》(國科發火[2016]32號)), which was implemented on January 1, 2016, an enterprise which is recognized as a high and new technology 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, its implementation regulation and relevant PRC law. According to the Notice on Promoting

Nationwide the Enterprise Income Tax Policies for Advanced Technology Service Enterprises Across the country (Cai Shui [2017] No. 79) (《關於將技術先進型服務企業所得稅政策推廣至全國實施的通知》(財稅[2017]79號)) promulgated by the MOF, the SAT, the MOFCOM, the MOST and the NDRC on November 2, 2017, the enterprise income tax shall be levied on certified advanced technology service enterprises at a reduced tax rate of 15%, with effect from January 1, 2017 and across the country. 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 (“VAT”)

Pursuant to the Interim Regulations on Value Added Tax of the People’s Republic of China (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and last revised on November 19, 2017 and the Detailed Rules for the Implementation of the Interim Regulations on Value Added Tax of the People’s Republic of China (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF on December 25, 1993 and last revised on October 28, 2011, 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 17%, except when specified otherwise, such as the rate of VAT for sale of transportation is 11%.

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (Cai Shui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》財稅[2016]36號), which was jointly issued by the MOF and the SAT on March 23, 2016, the countrywide pilot practice of levying value added tax in lieu of business tax has been carried out since May 1, 2016.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (Cai Shui [2018] No. 32) (《財政部、國家稅務總局關於調整增值稅稅率的通知》(財稅[2018]32號)) issued on April 4, 2018 and came into effect on May 1, 2018, a taxpayer who is previously subject to the rates of 17% and 11% respectively for VAT-taxable sales activities or imported goods shall have the applicable tax rates adjusted to 16% and 10% respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (Announcement [2019] No. 39 of the MOF, SAT and the General Administration of Customs) (《關於深化增值稅改革有關政策的公告》(財政部、稅務總局、海關總署公告2019年第39號)), promulgated by the MOF, the SAT and 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.

TAXATION OF OUR COMPANY 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 0.13% 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 0.26% 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 the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE, under 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”) which became effective on April 1, 1996 and latest amended on August 5, 2008, classifies all international payments and transfers into current items and capital items. Current items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital items, overseas organizations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material imbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

On June 20, 1996, the PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the “Settlement Regulations”), which became effective on July 1, 1996. The Settlement Regulations 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 Announcement on Improving the Reform of the Renminbi Exchange Rate Forming Mechanism (the PBOC Announcement [2005] No. 16) (《關於完善人民幣匯率形成機制改革的公告》(中國人民銀行公告[2005]第16號)) issued by the PBOC on July 21, 2005 and became effective on the same date, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. the RMB exchange rate was no longer pegged to the USD. The PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day to be the central parity rate of the currency against Renminbi transactions on the following working day.

Starting from January 4, 2006, the PBOC introduced over-the-counter transactions into the interbank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity rate of Renminbi exchange rates, and the practice of matching was kept at the same time. In addition to the above, the PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. On July 1, 2014, the PBOC further improved the formation mechanism of the RMB exchange rate by authorizing the China Foreign Exchange Trading Center to make inquiries with the market-makers before the interbank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity rate of the RMB against the USD on that day using the weighted average of the remaining market makers' offered quotations after excluding the highest and lowest quotations, and announce the central parity rate of the RMB against currencies such as the USD at 9:15 a.m. on each working day. On August 11, 2015, the PBOC announced to improve the central parity rate quotations of RMB against the USD by authorizing market-makers to provide central parity rate quotations to the China Foreign Exchange Trading Center before the interbank foreign exchange market opens every day with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates.

On August 5, 2008, the State Council promulgated the revised Regulations for Foreign Exchange Control, which have made substantial changes to the foreign exchange supervision system of the PRC. Firstly, it has adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities; secondly, it has improved the RMB exchange rate regime based on market supply and demand; thirdly, it has enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures; fourthly, it has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign-invested enterprises) which need foreign exchange for current account item transactions may, without the approval of the SAFE, effect payment from foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign-invested 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 (such as our Company) 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 at the designated foreign exchange banks or effect exchange and payment at the designated foreign exchange banks.

On October 23, 2014, the State Council promulgated the Decisions on Matters including Cancelling and Adjusting a Batch of Administrative Approval Items (Guo Fa [2014] No. 50) (《國務院關於取消和調整一批行政審批項目等事項的決定》(國發[2014]50號)), which cancelled the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

On December 26, 2014, the SAFE issued the Notice on Relevant Issues Concerning the Administration of Foreign Exchange for Overseas Listing (《關於境外上市外匯管理有關問題的通知》), pursuant to which 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 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 Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (Hui Fa [2015] No. 13) (《關於進一步簡化和改進直接投資外匯管理政策的通知》(匯發[2015]13號)), which was issued by the SAFE on February 13, 2015, came into effect on June 1, 2015 and partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. The SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating the Administrative Policies over Foreign Exchange Settlement under Capital Accounts (Hui Fa [2016] No.16) (《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》(匯發[2016]16號)) issued by the SAFE on June 9, 2016, foreign currency earnings in capital account on which the relevant policies of voluntary exchange settlement have been clearly implemented (including the repatriation of capital raised from overseas listing) may perform foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of voluntary foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment by the SAFE in due time in accordance with international balance of payments conditions.

On January 26, 2017, the Circular of the State Administration of Foreign Exchange Concerning Further Implementation of Foreign Exchange Administration Reforms to Improve Authentic Compliance Audit (Hui Fa [2017] No. 3) (《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》(匯發[2017]3號)) was issued by the SAFE to further

expand the scope of foreign exchange settlement for domestic foreign exchange loans; allowing foreign exchange settlement for domestic foreign exchange loans with a background of export goods trading, allowing repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allowing settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, implementing administration on comprehensive overseas lending in domestic and foreign currencies, where a domestic institution engages in overseas lending business, the maximum sum of the balance of overseas lending in domestic currency and the balance of overseas lending in foreign currency shall not exceed 30% of the owners' equity as set out in its audited financial statements of the preceding year.

This Appendix sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in “Appendix III – Taxation and Foreign Exchange” to this prospectus. This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the Company Law of the PRC (the “PRC Company Law”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of PRC issuers. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is not intended to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, please see section entitled “Regulatory Environment” in this prospectus.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (the “Constitution”) and 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.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the “Legislation Law”), the National People’s Congress (the “NPC”) and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of 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 the PRC 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 shall comply with provisions 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 laws provide otherwise on the matters concerning formulation of local regulations by cities divided into districts, such laws shall prevail. Such local regulations of cities divided into districts 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 shall 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 the provinces or autonomous regions concerned. 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 of the people's governments of the respective provinces or autonomous regions, the standing committees of the people's congresses of provinces or autonomous regions shall 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, the PBOC, the National Audit Office of the People's Republic of China and the subordinate institutions with administrative functions directly under the State Council may formulate rules and regulations within the scope of authorization of the 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 directly under the central government 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.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations and separate regulations and rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities or autonomous prefectures divided into districts within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative

regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, 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, issues related to further clarification or supplement of laws should be interpreted or provided by the Standing Committee of the NPC, issues related to the application of laws in a court trial should be interpreted by the Supreme People's Court, issues related to the application of laws in a court trial should be interpreted by the Supreme People's Court, 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 PRC Law on the Organization of the People's Courts (revised in 2018) (《中華人民共和國人民法院組織法(2018年修訂)》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The higher people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The people's courts apply a two-tier appellate system, i.e., judgments or rulings of the second instance at a people's court are final. 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 those 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 (amended in 2017) (《中華人民共和國民事訴訟法(2017年修正)》) (the "PRC Civil Procedure Law"), which was adopted in 1991 and amended in 2007, 2012 and 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed 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. A civil case is generally 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 directly 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. However, such choice may not in any circumstances contravene the regulations of hierarchical jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality or foreign enterprise or organization is generally given the same litigation rights and obligations as a citizen or legal person of the PRC. 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 organization must engage a PRC lawyer in case he/she 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 PRC is a signatory or participant or according to the principle of reciprocity, a PRC court and foreign court may request each other to serve legal documents, conduct investigation and collect evidence and conduct other actions on its behalf. A PRC court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

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.

A party seeking to enforce a judgment or ruling of a people's court against another party who is not or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or ruling. A foreign judgment 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 interest.

THE PRC COMPANY LAW, THE SPECIAL REGULATIONS AND THE MANDATORY PROVISIONS

A joint stock limited company which was incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations in the PRC:

- (i) The PRC Company Law which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively and the latest revision of which was implemented on October 26, 2018;
- (ii) The Special Regulations of the State Council on the Overseas Offering and the 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 include provisions in respect of the overseas share offering and listing of joint stock limited companies;
- (iii) The Mandatory Provisions of Articles of Association of Companies Listing Overseas (《到境外上市公司章程必備條款》) (the "Mandatory Provisions") which were issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on August 27, 1994, stating the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory

Provisions are set out in the Articles of Association of the Company, the summary of which is set out in the section entitled “Appendix V – Summary of the Articles of Association” in this document; and

- (iv) On October 17, 2019, the State Council issued a circular in connection with the adjustments in regulations concerning companies registered in China and listed abroad (《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)) (Circular No. 97 of the State Council), pursuant to which it 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 refers to a corporate legal person incorporated in China under the PRC Company Law and its registered capital is divided into shares with an equal par value. Shareholders of the Company shall be liable for the Company based on the shares held by them and the Company shall assume its liability based on the value of all assets it owns.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

INCORPORATION

A joint stock limited company may be incorporated by promotion or public subscription.

A company may be incorporated by a minimum of two but no more than 200 promoters, and at least half of the promoters must have residence within the PRC. According to the Special Regulations, State-owned enterprises or enterprises with the majority of their assets owned by the PRC government may be restructured into joint stock limited companies which may issue shares to overseas investors in accordance with the relevant regulations. These companies, if incorporated by promotion, may have less than five promoters and may issue new shares once incorporated. Companies incorporated by promotion are companies of which the entire registered capital is subscribed for by the promoters. Shares in the company shall not be offered to others unless the shares subscribed for by the promoters have been fully paid up. For

companies incorporated by subscription, the registered capital is the total paid-up capital as registered with the relevant 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' agreements. After the promoters have confirmed the capital contribution under the articles of association, the board of directors and the supervisory board shall be elected and the board of directors shall apply for registration of incorporation by filing the articles of association with the company registration authority, and other documents as required by the law or administrative regulations.

Where companies are incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided for by laws or administrative regulations. A promoter who offers shares to the public must publish a share offering document and prepare a share subscription form to be completed, signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and the subscribers' addresses. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by security companies established under the PRC law, and underwriting agreements shall be entered into. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies, and is obliged to furnish evidence of receipt of those subscription monies to relevant authorities. After the subscription monies for the share issue have been paid in full, a capital verification institution established under the PRC law must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall convene an inauguration meeting within 30 days following 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 document, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued have been 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 status of a legal person after approval of registration has been given by the relevant administration bureau for industry and commerce and a business license has been issued.

A company's promoter shall be liable for:

- (i) the debts and expenses incurred in the incorporation process jointly and severally if the company cannot be incorporated;
- (ii) the refund of subscription monies to subscribers together with interest at bank rate of deposit for the same period jointly and severally if the company cannot be incorporated; and
- (iii) the compensation of any damages suffered by the company as a result of the promoters' default in the course of its incorporation.

SHARE CAPITAL

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If a capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the China Securities Regulatory Commission (the "CSRC"). Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

ALLOTMENT AND ISSUE OF SHARES

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company shall obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as “overseas listed and foreign invested shares.” Shares issued to investors within the PRC by joint stock limited companies, which also issues overseas listed and foreign shares, are known as “domestic shares.” Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance program may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

REGISTERED SHARES

Under the PRC Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall also be in registered form.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder registry which sets forth the following matters:

- (i) the name and domicile of each shareholder;
- (ii) the number of shares held by each shareholder;
- (iii) the serial numbers of shares held by each shareholder; and
- (iv) the date on which each shareholder acquired the shares.

INCREASE IN SHARE CAPITAL

According to the PRC Company Law, if a company proposes to issue new shares, resolutions shall be passed at general meeting in accordance with the articles of association to determine the class, amount and issue price of the new shares, the commencement and closing dates of the issue and the class and amount of the new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a document and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

REDUCTION OF SHARE CAPITAL

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- (i) the company shall prepare a balance sheet and an inventory of assets;
- (ii) the reduction of registered capital must be approved by shareholders at general meeting;
- (iii) the company shall notify its creditors of the reduction in share capital within 10 days and publish an announcement of the reduction in newspapers within 30 days of the resolution approving the reduction being passed;
- (iv) the creditors of the company may demand the company to repay its debts or provide guarantees for the debts in 30 days after the receipt of the notice or in 45 days after the publication of the announcement; and
- (v) the company must apply to the relevant administration bureau for industry and commerce for registration of the change and reduction in registered capital.

REPURCHASE OF SHARES

According to the PRC Company Law, a joint stock limited company may not repurchase its own shares other than for one of the following purposes:

- (i) reducing its registered capital;
- (ii) merging with another company which holds its shares;
- (iii) granting its shares for carrying out an employee stock ownership plan or equity incentive plan;

- (iv) 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;
- (v) using shares for converting convertible corporate bonds issued by the listed company; and
- (vi) the share repurchase is necessary for a listed company to maintain its company value and protect its shareholders' equity.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' general meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be canceled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralized trading shall be adopted publicly.

TRANSFER OF SHARES

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with 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 joint stock limited company include:

- (i) the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- (ii) the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- (iii) the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's operations;
- (iv) the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;
- (v) the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- (vi) in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- (vii) other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his/her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

SHAREHOLDERS' GENERAL MEETINGS

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

- (i) to decide on the company's operational policies and investment plans;
- (ii) 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;
- (iii) to review and approve the reports of the board of directors;
- (iv) to review and approve the reports of the supervisory board or supervisors;
- (v) to review and approve the company's annual financial budgets and final accounts;
- (vi) to review and approve the company's proposals for profit distribution plans and loss recovery plans;
- (vii) to decide on any increase or reduction of the company's registered capital;
- (viii) to decide on the issue of corporate bonds;
- (ix) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;
- (x) to amend the company's articles of association; and
- (xi) to exercise any other authority stipulated in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- (i) the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association;

- (ii) the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- (iii) when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- (iv) whenever the board of directors deems necessary;
- (v) when the board of supervisors so requests; or
- (vi) other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings 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 does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding 10% or more of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of our interim shareholder's general meetings 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 shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by two-thirds or more of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

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. Members of the board may include staff representatives of the employees of the company, who shall be democratically elected by the company's staff at a staff representative assembly, general staff meeting or otherwise. 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 re-elected 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 mainly exercises the following powers:

- (i) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;
- (ii) to implement the resolutions passed by the shareholders at the shareholders' general meetings;
- (iii) to decide on the company's operational plans and investment proposals;
- (iv) to formulate proposal for the company's annual financial budgets and final accounts;
- (v) to formulate the company's profit distribution proposals and loss recovery proposals;
- (vi) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- (vii) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;
- (viii) to decide on the setup of the company's internal management organs;
- (ix) 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; and
- (x) to exercise any other authority stipulated in the articles of association.

BOARD MEETINGS

Under the PRC Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice 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 10% or more of voting rights, one-third or more of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors

shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he/she may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his/her behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, 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 may be released from that liability.

CHAIRMAN OF THE BOARD

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint one or more vice chairman.

The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his/her duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his/her duties, a director nominated by not less than half of the directors shall perform his/her duties.

QUALIFICATION OF DIRECTORS

The PRC Company Law provides that the following persons may not serve as a director:

- (i) a person who is unable or has limited ability to undertake any civil liabilities;
- (ii) a person who has been convicted of an offense of bribery, corruption, embezzlement, misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his/her crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- (iii) 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;

- (iv) 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 and 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; or
- (v) 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 are set out in the Mandatory Provisions. (Which have been incorporated in the Articles of Association, a summary of which is set out in Appendix VI).

BOARD OF SUPERVISORS

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The board of supervisors of a company shall hold at least one meeting every six months. According to the PRC Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors, while according to the Opinions on Supplementary Amendment to Articles of Associations by Companies to be listed in Hong Kong (《關於到香港上市公司對公司章程作補充修改的意見的函》), a resolution of the board of supervisors shall be passed by two-thirds or more of all the supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his/her duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his/her duties, a supervisor nominated by not less than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties in accordance with the laws, administrative regulations and 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 board of supervisors exercises the following powers:

- (i) to review the company's financial position;
- (ii) 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 the resolutions of shareholders' meeting;
- (iii) when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- (iv) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC company law;
- (v) to initiate proposals for resolutions to shareholders' general meetings;
- (vi) to initiate proceedings against directors and senior management; and
- (vii) other powers specified in the articles of association.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

MANAGER AND SENIOR MANAGEMENT

According to 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 the following powers:

- (i) to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;

- (ii) to arrange for the implementation of the company's annual business plans and investment proposals;
- (iii) to formulate the general administration system of the company;
- (iv) to formulate the company's detailed rules;
- (v) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;
- (vi) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and
- (vii) to exercise any other authority granted by the board of directors or the articles of association.

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, regulations and the articles of association, and have fiduciary and diligent duties to the company.

Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's property. Directors and senior management are prohibited from:

- (i) misappropriating company funds;
- (ii) depositing company funds into accounts under their own names or the names of other individuals;
- (iii) 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;

- (iv) entering into contracts or deal with the company in violation of the articles of association or without approval of the general meeting or the board of directors;
- (v) using their position and powers 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;
- (vi) accepting commissions paid by a third party for transactions conducted with the company;
- (vii) unauthorized divulgence of confidential information of the company; or
- (viii) other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of above mentioned shall be returned to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's 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 any law, administrative regulation or the company's 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 institutes litigation at a people's court on its behalf. Where the supervisory board 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 institutes 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, general 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 take advantage of 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 and accounting 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.

Pursuant to the PRC Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its 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 proceeds received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The Company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

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 any individual.

APPOINTMENT AND RETIREMENT OF ACCOUNTING FIRM

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the company's auditing shall be determined by shareholders at 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 conducts a vote on the dismissal of the accounting firm on their respective meetings. 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 is drawn. The Special Regulations require that any dividend and other distribution to holders of overseas-listed foreign Shares shall be declared and calculated in RMB and paid in foreign currency.

Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Pursuant to the 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 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

Pursuant to the PRC Company Law, a company shall be dissolved for any of the following reasons:

- (i) 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;
- (ii) the shareholders have resolved at a shareholders' general meeting to dissolve the company;
- (iii) the company is dissolved by reason of its merger or division;
- (iv) 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; or
- (v) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent 10% or more 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 (i) 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 two-thirds or more of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph (i), (ii), (iv) or (v) 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, requesting that the court 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:

- (i) to dispose of the company's assets and to prepare a balance sheet and an inventory of assets;
- (ii) to notify the company's creditors through notice or public announcements;
- (iii) to deal with any outstanding business related to the liquidation;
- (iv) to pay any overdue tax together with any tax arising during the liquidation process;
- (v) to claim credits and pay off debts;
- (vi) to handle the company's remaining assets after its debts have been paid off; and
- (vii) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days after 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 the creditors rights he has claimed 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 liquidation of properties and preparation of the required balance sheet 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 assets of the company, 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 engage in 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 properties and preparation of the required balance sheet 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 submit a liquidation report 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 in compliance with relevant 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, a company shall obtain the approval of the CSRC to list its shares overseas.

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 such a declaration has been obtained, 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 invested share certificates, details of which are set out in the articles of association.

MERGER AND DIVISION

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets 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 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 balance sheets and 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 in respect of the settlement of debts, the liabilities of the company which have accrued prior to the separation shall be jointly borne by the separated companies.

Changes in the registration of the companies as a result of the merger or division shall, if so required, be registered with the relevant administration authority for industry and commerce.

In accordance with the laws, cancellation 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.

SUSPENSION AND TERMINATION OF THE LISTING

The PRC Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (revised in 2019) (《中華人民共和國證券法》(2019年修訂)) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

THE PRC SECURITIES LAWS, REGULATIONS AND REGULATORY REGIMES

The PRC has promulgated a series of regulations that relate to the issue and trading of the Shares and disclosure of information. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering CSRC. CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing

securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the Securities Committee and CSRC and reformed CSRC.

On April 22, 1993, the State Council promulgated the Interim Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) govern the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

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 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 “Arbitration Law”) passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people’s court will refuse to handle the case except when the arbitration agreement is declared invalid.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) (“CIETAC”) in accordance with its rules or the Hong Kong International Arbitration center (“HKIAC”) in accordance with its Securities Arbitration Rules (the “Securities Arbitration Rules”). Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may request the arbitration to be conducted in Shenzhen in accordance with the Securities Arbitration Rules. In accordance with the Arbitration Regulations of CIETAC (《中國國際經濟貿易仲裁委員會仲裁規則》) which was amended on November 4, 2014 and implemented on January 1, 2015, CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, based on an agreement of the parties, including disputes involving Hong Kong based on the agreement of the parties. The arbitration commission is established in Beijing and its branches and centers have been set up in Shenzhen, Shanghai, Tianjin, Chongqing, Zhejiang, Hubei, Fujian, Shanxi, Jiangsu, Sichuan and Shandong.

Under the Arbitration Law and PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people’s court for enforcement. A people’s court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “New York Convention”) adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed 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 all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and 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》), which became effective on February 1, 2000. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in Mainland China.

JUDICIAL JUDGMENT AND ITS ENFORCEMENT

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院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》) promulgated by the Supreme People's Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between the court of China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in Mainland China or Hong Kong that meet certain conditions of the aforementioned regulations.

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 company incorporated in the PRC with limited liability 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 company with limited liability 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 has no provisions on minimum registered capital of joint stock companies with limited liability, except that laws, administrative regulations and State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital of joint stock companies with limited liability, in which case the company should follow such provisions. The Company's registered capital is the amount of its issued share capital. Any increase in the Company's registered capital must be approved at the general meeting and shall be approved by/filed with the relevant PRC governmental and regulatory authorities (if applicable).

The Companies Ordinance does not prescribe any minimum capital requirement for companies incorporated in Hong Kong.

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 over-valuation or under-valuation of the assets. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Shareholding and Transfer of Shares

Generally, A shares, 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.

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 company with limited liability 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 liability with 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 company with limited liability 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.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is 14 days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting. The notice period for the annual shareholders' general meeting is 21 days.

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 voting rights represented 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 more than two-thirds of the voting rights represented 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 V – Summary of the Articles of Association.

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 A shares and H shares, respectively; (ii) where the plan for the issue of A shares and H shares upon our establishment is fulfilled within 15 months following the date of approval by the securities regulatory authorities under the State Council; and (iii) with the approval of the securities regulatory authority under the State Council and with the consent of the HKEX, the Company's A shares may be transferred to foreign investors and listed on the overseas stock exchange, and all or part of the A shares of the Company may be converted into foreign shares, and the converted shares may be listed and traded on the overseas stock exchange.

Derivative Action by Minority Shareholders

Under Hong Kong company law, a shareholder may, with the leave of the Court, start a derivative action on behalf of a company for any misconduct committed by its directors against the company. For example, leave may be granted where the directors control a majority of votes at a general meeting, and could thereby prevent the company from suing the directors in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock company with limited liability violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding 1% or more 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 board of 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 company with limited liability 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 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. Alternatively, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a shareholder may seek to wind up the company on the just and equitable ground. In addition, on the application of a specified number of members, the Financial Secretary 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 a 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 company with limited liability 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 company with limited liability 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 CAS, 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 CAS.

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 Hong Kong law, dividends once declared by the board of directors will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law 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 or change to the status of a joint stock company with limited liability has to be approved by shareholders in general meeting.

Mandatory Transfers

Under the PRC Company Law, a joint stock company with limited liability 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 A 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. Such arbitration is final and conclusive.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Remedies of a Company

Under the PRC Company Law, if a director, supervisor or manager 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, the Hong Kong Listing Rules require listed companies' articles to provide for 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).

Dividends

The company has the power in certain circumstances to 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 30 days (extendable to 60 days in certain circumstances) in a year. Unless otherwise stipulated by laws, share transfers shall not be registered within 20 days prior to convening a shareholders' general meeting or 5 days before the base date of distribution of dividends.

**SUMMARY OF CERTAIN DIFFERENCES BETWEEN THE HONG KONG LISTING
RULES AND SSE LISTING RULES**

As our A Shares are listed on the Shenzhen Stock Exchange, we are also subject to the SSE Listing Rules. Set out below is a summary of certain differences between the Hong Kong Listing Rules and SSE Listing Rules:

- *Periodic financial reporting*

There are material differences in financial reporting standards and practices regarding, for examples, industry-specific financial reporting requirements, announcement of preliminary results, form and content of periodic financial reports and post-vetting of periodic financial reports.

- *Classification and disclosure requirements for notifiable transactions*

The method of classification of notifiable transactions under the Hong Kong Listing Rules and the disclosure requirement pertaining to such transactions differ from those under the SSE Listing Rules.

- *Connected transactions*

The definition of a connected person under the Hong Kong Listing Rules and the definition of a related party under the SSE Listing Rules are different. In addition, the disclosure and shareholder approval requirements for connected transactions under the Hong Kong Listing Rules and for related party transactions under the SSE Listing Rules, as well as the respective exemptions are different.

- *Disclosure of inside information*

The scope, timing and method of disclosure of inside information are different between the Hong Kong Listing Rules and SSE Listing Rules.

This Appendix contains a summary of the Company's Articles of Association, the objective of which is to provide potential investors with an overview of our Articles of Association. As the information contained below is in summary form, it does not contain all the information that may be important to potential investors.

The Articles of Association and relevant amendments thereto were adopted or ratified by the Shareholders in Shareholders' meetings in accordance with applicable laws and regulations, including the PRC Company Law, the Securities Law of the PRC, the Special Regulations, the Mandatory Provisions, the Guidance on Articles of Association of Listed Company, the Hong Kong Listing Rules and other relevant regulations, and will become effective on the date that the Company's H Shares are listed on the Hong Kong Stock Exchange.

GENERAL PROVISIONS

The Articles of Association regulate our Company's organization and conduct guidance and is binding on our Company, the Shareholders, Directors, Supervisors and senior management. Subject to no violation of the relevant provisions of the Articles of Association, Shareholders may sue Shareholders; Shareholders may sue the Directors, Supervisors, CEO and other senior management; Shareholders may sue our Company, and our Company may sue Shareholders, Directors, Supervisors, CEO or other senior management.

The above said suing includes filing an action and applying for an arbitration with an arbitral institution.

Our Company may invest in other limited liability companies or joint stock limited company, provided that except as otherwise provided by law, the liabilities of our Company to be invested in are limited to the amount of its capital contribution and our Company could not assume joint and several liability to the invested company.

SHARES

Issuance of Shares

The Company shall set up ordinary Shares at any time. Subject to approval from the authorized department of the State Council, the Company may create other classes of Shares as needed.

The Shares of the Company take the form of stocks.

The Shares of the Company shall be issued following the principles of open, fairness and justice, and each share in the same class shall have the same rights. For the same class of shares issued at the same time, each share shall be issued on the same conditions and at the same price. All entities or individuals subscribing for the shares shall pay the same price for each share.

Subject to approval by the securities regulatory authority of the State Council, the Company may issue shares to domestic investors and overseas investors.

For the purpose of the preceding paragraph, overseas investors shall refer to investors from foreign countries and Hong Kong, Macao or Taiwan region who subscribe for shares issued by our Company; domestic investors shall refer to investors within the territory of the PRC apart from above-mentioned region who subscribe for shares issued by our Company.

Where the Company has a proposal approved by the securities regulatory authority of the State Council for issuing overseas-listed foreign shares and domestic-listed domestic shares, the Board of the Company may implement arrangements to make separate issuance.

The Company may implement respectively its proposals for the separate issuance of overseas-listed foreign shares and domestic-listed domestic shares pursuant to the preceding paragraph within fifteen months as from the date of the approval by the securities regulatory authority of the State Council or within the period of validity of its approval documents.

Increase, Reduction and Repurchase of Shares

Increase of Shares

According to the operation and development needs of the Company, subject to the applicable laws and regulations, the Company may increase the registered capital by the following ways upon approval by separate resolution of the Shareholders' general meeting:

- public issuance of shares;
- non-public issuance of shares;
- allotment of new shares to existing shareholders;
- issuing of bonus shares to existing shareholders;
- capitalization of common reserve fund;
- other means stipulated by laws and administrative regulations or approved by the administrative department.

Issuance of new shares for the increase of capital by the Company shall follow the procedures specified by relevant laws, administrative regulations and the securities regulatory department of the place where the Company's shares are listed upon approval according to the Articles of Association.

Reduction of Shares

The Company may reduce its registered capital. The reduction in registered capital shall be made in accordance with the procedures set out in the PRC Company Law, other relevant regulations and the Articles of Association.

The Company must prepare a balance sheet and an inventory of assets when it reduces its registered capital.

The Company shall notify its creditors within ten days from the date of the Company's resolution to reduce registered capital and shall publish an announcement in newspapers within thirty days from the date of such resolution. A creditor has the right to require the Company to repay its debts or to provide a corresponding guarantee for such debts within thirty days from the date the one receives the relevant notice or, in the case of a creditor who did not receive such notice, within forty-five days from the date of the announcement. The Company's registered capital shall not, after the reduction in capital, be less than the minimum amount prescribed by law.

Repurchase of Shares

The Company may repurchase its issued Shares in the following circumstance, according to the provisions stipulated in laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association:

- (a) reducing the Company's registered capital;
- (b) merging with other companies holding our Shares;
- (c) using the Shares as employee stock plan or share incentives;
- (d) 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;
- (e) use of shares for conversion of convertible corporate bonds issued by a listed Company;
- (f) necessary if a listed company wishes to maintain the value of the company and the interests of the shareholders; or
- (g) other circumstances stipulated by laws, administrative regulations, departmental rules, and securities regulatory rules of the place where the Company's Shares are listed.

Except for the circumstances set out above, the Company shall not purchase its shares.

The Company may repurchase its Shares in any of the following ways:

- (i) making a comprehensive repurchase offer in the same proportion to all shareholders;
- (ii) making a repurchase of shares through public trading on the securities exchange;
- (iii) making a repurchase of shares by an agreement outside a stock exchange;
- (iv) in other ways permitted by the laws, administrative regulations, departmental rules and relevant regulatory authorities.

The Company may repurchase its Shares through public centralized transactions or other ways recognized by laws, regulations and the China Securities Regulatory Commission. If the share purchase is made under any of the circumstances stipulated in (c), (e) or (f) aforementioned, centralized trading shall be adopted publicly.

Approval shall be obtained from the Shareholders' general meeting when the Company is to repurchase its own Shares under the circumstances (a) and (b) set out above. When under any of the circumstances stipulated in (c), (e) and (f) above, a resolution of the Company's Board of Directors shall be made by a two-thirds majority of directors attending the meeting in accordance with the provisions of the Articles of Association or the Company's authorization.

After the Company has repurchased its own shares in accordance with the preceding provision, the shares so repurchased shall be deregistered within ten days from the date of purchase (under the circumstances set out in (a)), or shall be transferred or deregistered within six months (under the circumstances set out in (b), (d)). The shares of the Company repurchased by the Company under the circumstances set out in (c), (e) and (f) above shall not exceed ten percent of the total issued shares of the Company, and shall be transferred or deregistered within three years.

A prior approval shall be obtained from the Shareholders' general meeting in respect of any share repurchase by the Company through an off-market agreement instead of on a securities exchange in accordance with the provisions of Articles of Association. After the Shareholders' general meeting has given its approval in the same way, the Company may rescind or alter any contracts entered into in the said manner or waive any rights under such contracts. The contract to repurchase Shares as referred to in the paragraph includes, but not limited to, an agreement to become obliged to repurchase or to acquire the right to repurchase Shares. The Company shall not assign a contract for repurchasing Shares or any of its rights thereunder.

Where the Company has the right to repurchase redeemable shares by means other than repurchases through the market or by tender, the repurchase price shall be limited to a maximum price; if repurchases are made by tender, an invitation for tenders shall be made to all shareholders alike.

Unless the Company is undergoing liquidation, it shall comply with the following requirements with respect to a repurchase of its issued Shares:

- (a) for repurchases of Shares by the Company at their par value, payment shall be made from the book balance of its distributable profits or from the proceeds of issuance of new Shares for that purpose;
- (b) where the Company repurchases its Shares at a premium to its par value, payment up to the par value shall be made 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:
 - (i) if the Shares being repurchased are issued at par value, payment shall be made from the book balance of its distributable profits; or
 - (ii) if the Shares being repurchased are issued at a premium to its par value, payment shall be made 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;
- (c) the Company shall make the following payments from the Company's distributable profits:
 - (i) acquisition of the rights to repurchase its own Shares;
 - (ii) variation of any contracts for the repurchase of its Shares; or
 - (iii) release from its obligations under any repurchase contracts;
- (d) after the aggregate par value of the deregistered 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 premium account or capital reserve fund account.

Where laws, administrative regulations, departmental rules, and securities regulatory rules of the place where the Company's Shares are listed have other provisions on the financial treatment involved in the foregoing share repurchase, those provisions shall prevail.

Transfer of Shares

Unless otherwise specified by laws, administrative regulations, departmental rules, and securities regulatory rules of the place 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.

All fully paid H Shares may be freely transferred in accordance with the Company's Articles. However, the Board of Directors may refuse to recognize any documents for the transfer of H Shares without stating any reasons unless the conditions stipulated below are met:

- (a) all transfer documents and other documents relating to or affecting the title of any H Shares registered are required to be registered, if registration fees are required to be charged, the fees shall not exceed the highest standard prescribed by the Hong Kong Listing Rules from time to time;
- (b) transfer documents are only in relation to H Shares;
- (c) the stamp duty (as stipulated by Hong Kong law) in relation to transfer documents has been duly paid;
- (d) relevant share certificate(s) and any other evidence which the Board of Directors may reasonably require to show that the transferor has the right to transfer the Shares have been provided;
- (e) where the Shares are intended to be transferred to joint holders, the number of such joint shareholders shall not be more than four;
- (f) Shares are free and clear of any lien of the Company.

If the Board of Directors refuses to register the transfer of Shares, the Company shall give one copy to the transferor and the transferee to refuse the registration of the transfer within two months as of the date of the formal application for transfer.

The shares of our Company holding by the funders thereof shall not be transferred within one year of the date of establishment of our Company. The Shares issued before the Company's public issuance of A Shares shall not be transferred within one year from the date when the Company's A shares are listed and traded on a securities exchange.

The Directors, Supervisors and senior management 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.

Where the Directors, Supervisors, senior management of the Company and Shareholders holding five percent or more of the Company sell shares within a period of six months after the acquisition of the shares, or repurchase shares of the Company within six months after sales of the shares, any proceed arising therefrom shall belong to the Company, and the Board of the Company shall withdraw such gains for the benefit of the Company. However, the six-month restriction shall not apply for a securities company that holds five percent or more of the Shares of the Company as a result of its underwriting of the untaken shares in an offer.

Pledge of Shares

The Company shall not accept its shares as the subject matter of a pledge.

Financial Assistance for Acquisition of the Company's shares

The Company or its subsidiaries, including the Company's affiliated companies shall not offer any financial assistance at any time by any means to persons who will or who 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 and 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 paragraph:

- (a) 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;
- (b) the lawful distribution of the Company's properties in the form of dividends;
- (c) the distribution of dividends in the form of shares;
- (d) the reduction of registered capital, repurchase of Shares, and adjustment of shareholding structure, etc. in accordance with Articles of Association;

- (e) the provision of a loan by the Company within its scope of business and in the ordinary course of business (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);
- (f) 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 the Articles of Association shall include, without limitation, the following means:

- (a) financial assistance given as gifts;
- (b) financial assistance given by 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 own fault) or the release or waiver of any rights;
- (c) 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; or
- (d) 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 of Association 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.

Register of Shareholders

Unless there is proof to the contrary, the register of Shareholders shall be sufficient evidence to the holding of the Shares of the Company by a Shareholder.

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 in respect to the Shares held by each Shareholder;
- (iv) the serial numbers of the Shares held by each Shareholder;
- (v) the date on which each Shareholder was registered as a Shareholder; and
- (vi) the date on which each Shareholder ceased to be a Shareholder.

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 register of Shareholders as the holder of the said Shares.

The transfer documents and other documents related to the ownership of any Shares or that may affect the ownership of any Shares shall be registered at domestic and overseas-listed share transfer register agencies assigned by the Company and recorded in the register of Shareholders.

The Company may, in accordance with the understanding and agreements between the securities regulatory authority of the State Council and overseas securities regulatory authorities, maintain its register of Shareholders of overseas-listed foreign shares outside China and entrust an overseas agent to maintain such register. The storage site of the original copy of the register of Shareholders of overseas-listed foreign shares listed on the Hong Kong Stock Exchange is Hong Kong.

The Company shall maintain a duplicate of the register of Shareholders of overseas-listed foreign shares at the Company's corporate domicile. The appointed overseas agent shall ensure the consistency between the original copy and the duplicate of the register of Shareholders of overseas-listed foreign shares at all times. If there is any inconsistency between the original copy and the duplicate of the register of Shareholders of overseas-listed foreign shares, the original copy shall prevail.

Our Company must keep a complete register of Shareholders. The register of Shareholders shall include the following:

- (i) register of shareholders kept at our residential address other than those specified in ii and iii below;
- (ii) register of the holders of our overseas listed foreign shares kept at the location of the stock exchange where such shares are listed; and

- (iii) register of shareholders kept in other locations according to the decision of the Board of Directors as required for the listing of the shares.

Different parts of the Shareholders' register shall not overlap. The transfer of Shares registered in a certain part of the register of Shareholders shall not be registered elsewhere in the register of Shareholders as long as the shares remain registered.

Any alteration or rectification to any part of the register of Shareholders shall be made in accordance with the laws in the place where such part of the register of Shareholders is maintained.

If any person whose name appears in the register of Shareholders or requests to register his or her name (title) in the register of Shareholders loses his or her share certificates (that is, "original share certificates"), he or she may apply to our Company to reissue new share certificates for those shares. In the event holder of domestic shares applies to our Company for a reissue after losing the share certificates, the matter shall be dealt with pursuant to related provisions of the Company Law. In the event a H share shareholder applies to our Company for a reissue after losing the share certificates, the matter may be dealt with pursuant to the laws, rules of the stock exchange where the original register of H share shareholder is kept, or other related provisions.

If a H shareholder loses share certificates and applies to our Company for a replacement issue, the share certificates shall be issued in compliance with the following requirements:

- (i) the applicant shall submit the application in the standard format designated by our Company and attach a notary certificate or legal declaration. The contents of the notary certificate or legal declaration shall include the reason for the applicant's request, circumstances and evidence of loss of share certificates, as well as a statement that nobody else may request to be registered as a shareholder with respect to the pertinent shares;
- (ii) before deciding to issue new share certificates, our Company does not receive any statement in which any person other than the applicant requests to be registered as the shareholder with respect to the shares;
- (iii) if our Company decides to issue new share certificates to the applicant, we shall publish an announcement in an eligible newspaper designated by the Board of Directors indicating that we plan to reissue new share certificates. The announcement period shall be 90 days and the announcement shall be published at least once every 30 days;
- (iv) before publishing the announcement indicating that we plan to re-issue new share certificates, our Company shall submit a copy of the announcement to be published to the stock exchange on which the shares are listed and may publish the announcement after receiving a reply from the stock exchange confirming that the

announcement has been displayed at the stock exchange. The period of displaying the announcement at the stock exchange is 90 days. If the registered shareholders of the related shares do not approve the application for reissue of new share certificates, our Company shall mail the copy of the announcement to be repeatedly published to the Shareholders;

- (v) in the event that nobody raises any objection to the reissue of new share certificates to our Company, upon expiration of the 90-day display period of the announcement specified in iii and iv above, the new share certificates may be reissued according to the application made by the applicant;
- (vi) when re-issuing new share certificates according to the Articles of Association, our Company shall immediately cancel the original share certificates and register the cancellation and replacement issue on the register of shareholders;
- (vii) all expenses incurred by our Company from the cancellation of the original share certificates and replacement issue of the new share certificates shall be borne by the applicant. Before the applicant has provided reasonable security, our Company shall have the right to refuse to take any action.

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

Shareholders

A shareholder of the Company is a person who lawfully holds Shares of the Company and whose name is entered in the register of Shareholders. A shareholder shall enjoy rights and assume obligations according to the class and number of shares held by that shareholder. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

Holders of the ordinary shares of the Company shall be entitled to the following rights:

- to receive dividends and other distributions in proportion to the shares they hold;
- to file a petition according to laws, to convene, hold and attend the Shareholders' general meetings either in person or by proxy and exercise their corresponding voting right;
- to supervise, present suggestions on or make inquiries about the business operations of the Company;
- to purchase, take the given shares or transfer, donate, pledge their shares in accordance with laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association;

- to gain relevant information in accordance with the Articles of Association, including:
 1. receiving the Articles of Association after payment of production cost;
 2. being entitled to consult for free and copy after payment of reasonable fee:
 - (1) all parts of the register of Shareholders;
 - (2) personal data of Directors, Supervisors, CEO and other senior management personnel of the Company, including:
 - (a) present and former name and alias;
 - (b) principal address (domicile);
 - (c) nationality;
 - (d) primary and all other part-time occupations and duties;
 - (e) identification documents and the number thereof;
 - (3) report of the Company's issued Share capital;
 - (4) report of the total par value, quantity, the highest and lowest price of each class of shares repurchased by the Company from the last fiscal year and the total amount paid by the Company for this purpose (divided by domestic shares and foreign shares);
 - (5) counterfoils of corporate bonds;
 - (6) minutes of Shareholders' general meetings (available for Shareholders' inspection only) and special resolutions of the Company, resolutions of the Board meetings, resolutions of meetings of the 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; and
 - (9) a copy of the latest annual report filed with the Administration of Industry and Commerce or other competent authorities.

The Company shall make the documents in items (1), (3), (4), (6), (7), (9) above and any other applicable documents available according to the requirements of the Hong Kong Listing Rules, at the Company's address in Hong Kong, for the public and Shareholders to inspect for free (except that the minutes of the general meeting of Shareholders are only available for inspection by Shareholders) and copy for shareholders after payment of reasonable fee. The Company may refuse to provide if the content to be consulted and copied involves the Company's business secrets and inside information or the personal privacy of relevant personnel;

- to participate in the distribution of the remaining properties of the Company in proportion to their shareholdings in the event of the termination or liquidation of the Company;
- to request the Company to purchase their Shares for the Shareholders who object to the company's resolution on merger or split-up made by the Shareholders' meetings; and
- to enjoy other rights stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

In the event that any resolution of the general Shareholders' meeting or resolution of the Board of Directors violates laws or administrative regulations, any shareholder is entitled to request the court to deem it as invalid.

In the event that the convening procedure or voting formula of the Shareholders meeting or meeting of the Board of Directors violates any of laws, administrative regulations or the Articles of Association, or resolution of which violates the Articles of Association, any shareholder is entitled to ask the court to overturn within 60 days after the resolution was adopted.

Where the Company incurs loss as a result of violation of the laws, administrative regulations or the Articles of Association by Directors and senior management in the course of performing their duties, the Shareholders individually or jointly holding 1% or more of the Shares of the Company for over 180 consecutive days shall have the rights to request in writing to the Board of Supervisors to initiate legal proceedings in the People's Court. Where the Company incurs loss as a result of violation of the laws, administrative regulations or the Articles of Association by the Supervisors in the course of performing its duties, the Shareholders shall have the rights to request in writing to the Board to initiate legal proceedings in the People's Court.

In the event that the Board of Supervisors or the Board of Directors refuse to file an action upon receipt of the Shareholders' written request specified in the preceding paragraph, or fail to file an action within 30 days upon receipt thereof, or in the event that the failure to

immediately file an action in an emergency case will cause irreparable damage to the interests of our Company, the Shareholder(s) specified in the preceding paragraph may, in their own name, directly file an action to the court for the interest of our Company.

In the event of any other person infringes upon the legitimate rights and interests of our Company and causes losses thereto, the Shareholder(s) specified in this Articles of Association may file an action with the competent court pursuant to the provisions of the preceding two paragraphs.

In the event of a Director or senior management person violates laws, administrative regulations or our Company's Articles of Association, thereby damaging the interests of the Shareholder(s), the Shareholder(s) may file an action with the competent court.

Holders of ordinary shares of the Company shall assume the following obligations:

- to abide by the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association;
- to pay subscription monies according to the number of shares subscribed and the method of subscription;
- not to withdraw the shares unless required by the laws, administrative regulations and departmental rules;
- not to abuse their shareholders' rights to jeopardize the interests of the Company or other shareholders, and not to abuse the status of the Company as an independent legal entity and the limited liability of shareholders to jeopardize the interests of any creditors of the Company. Where any shareholder of the Company abuses the shareholders' rights and incur losses to the Company or other shareholders, such shareholder shall be liable for the damages. Where shareholders of the Company abuse the Company's status as an independent legal entity and the limited liability of shareholders for the purposes of evading debts, thereby materially impairing the interests of the creditors of the Company, such shareholders shall be jointly and severally liable for the debts owed by the Company;
- other obligations imposed by the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

Shareholders are not liable to make any further contribution to the share capital other than the conditions agreed by the subscribers of the relevant shares on subscription.

Restrictions on Rights of Controlling Shareholders

In addition to the obligations imposed by the laws, administrative regulations, departmental rules or securities regulatory rules of the place where the Company's Shares are listed, a Controlling Shareholder shall not exercise his/her voting rights in respect to the following matters in a manner prejudicial to the interests of all or some of the shareholders of the Company in exercising his/her shareholder rights:

- to release the Directors and Supervisors from the responsibility of acting honestly in the best interests of the Company;
- to approve the Directors and Supervisors (for their own account or for the account of other parties) to deprive the Company of its assets in any manner, including, but not limited to, any opportunity favorable to the Company; and
- to approve the Directors and Supervisors (for their own account or for the account of other parties) to deprive other shareholders of their individual rights and interests, including but not limited to any allocation right and voting right, but excluding any corporate restructuring proposal made at the Shareholders' general meeting in accordance with the Articles of Association.

Notice of the Shareholders' General Meeting

A Shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. The annual Shareholders' general meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

The Company shall convene an extraordinary general meeting within two months from the occurrence of any of the following circumstances:

- (i) when the number of Directors is less than the statutory minimum number of five persons stipulated in the Company Law or two-thirds of the number specified in the Articles of Association;
- (ii) when the unrecovered losses of the Company amount to one-third of the total paid-in share capital;
- (iii) when the Shareholders with 10% or more shares of our Company separately or jointly request to convene an extraordinary general Shareholders' meeting;
- (iv) when the Board of Directors considers it necessary;
- (v) when proposed to hold by the Board of Supervisors;

- (vi) any other circumstances stipulated in the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

The shareholding ratio mentioned in (iii) is calculated based on the Company's Shares held by the Shareholder on the day when the Shareholder submits the written request.

At least 20 business days before convening an annual Shareholders' meeting, and 15 days or 10 business days (whichever is longer is Quasi) before convening an extraordinary Shareholders' meeting, our Company shall inform all Shareholders of time, place and matters to be considered. In determining the commencement date and the period, the Company shall not include the date convening the meeting. The above business day shall be subject to the legal working days announced by the Hong Kong government.

The notice of a Shareholders' general meeting shall:

- (i) be issued in writing;
- (ii) specify the time, venue and duration 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, 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, CEO and other senior management personnel has material interest in the matters to be discussed, the nature and extent of such interest shall be disclosed; and if the effects of the matters to be discussed have a different effect on a Director, Supervisor, CEO and other senior management personnel as shareholders compared to other shareholders of that same class, this difference shall be explained;
- (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 one or more proxy by written to attend and vote, 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) the name and phone number of the standing contact person of the meeting;
- (x) specify the date of registration of shareholdings of shareholders who are entitled to attend the Shareholders' general 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.

The interval between date of registration of shareholdings and the meeting shall not be more than 7 business days. The date of registration of shareholdings cannot be changed once determined.

Unless otherwise provided by laws, administrative regulations, departmental rules, listing rules where the shares are listed and the Articles of Association, the notice of the general shareholders' meeting shall be sent in person or by postage-paid mail to the shareholders (regardless of whether such shareholders have the right to vote at the shareholders' meeting), whereas recipient's address shall be according to the address registered with the register of shareholders. For domestic shareholders, the notice of our shareholders' meeting may be given in the form of an announcement.

Abovementioned announcement shall be published in one or more newspapers designated by the securities governing authority of the State Council. Once the announcement is made, all domestic shareholders shall be deemed to have received the notice of the general shareholders' meeting.

Where in accordance with the requirements of laws, administrative regulations, regulations of the authorities and regulatory rules where the shares are listed and performing relevant procedures, notice sent to H share shareholders could be published on the websites designated by Hong Kong Stock Exchange and the website of our Company or by other methods permitted by the Hong Kong Listing Rules and the Articles of Association, as alternative to in person or by postage-paid mail.

Shareholder Proxies

Any shareholder who is entitled to attend and vote at general Shareholders' meeting has the right to appoint one or more persons (who may not necessarily be shareholders) as his or her shareholder proxy to attend and vote at the meeting in his or her place. Pursuant to the authorization of the shareholder, the proxy may exercise the following rights:

- (i) speak for the shareholder at the general shareholders' meeting;
- (ii) demand a poll individually or with others;

- (iii) unless otherwise provided in accordance with applicable securities listing rules and other laws, exercise the right to vote by a show of hands or a poll, but the shareholder proxy may only exercise the right to vote by a poll when more than one proxy is appointed.

The proxy appointment shall be in writing and shall be signed by the appointer or a person duly authorized in writing. Where the appointer is a legal person, the stamp of the legal person shall be affixed, or signed by its Director or a duly authorized agent.

The format of any power of attorney issued by the Company's board of Directors to Shareholders for appointing shareholders' proxies shall allow the shareholder, according to his or her free will, to instruct the proxy to vote and provide instructions separately for matters to be put to vote on each item on the meeting agenda. The power of attorney shall specify whether the shareholder proxy could vote at his or her own discretion if the shareholder does not provide specific instructions.

The power of attorney must be kept at the residential address or other location designated in the notice convening the meeting no later than 24 hours before the meeting at which the power of attorney is put to vote is convened or 24 hours before the designated time. If the power of attorney is signed by another person authorized by the appointer, the power of attorney or other authorization documents authorized to be signed must be verified by a notary. The power of attorney or other instrument verified by the notary must be kept together with the power of attorney at our residential address or other location designated at the notice convening the meeting. A legal person shareholder should attend the meeting by its legal representatives or persons authorized by its Board of Directors or other decision-making authorities.

The votes of the shareholder proxy given pursuant to the terms of the power of attorney shall remain valid notwithstanding the death, loss of capacity of the appointer or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that our Company does not receive written notice concerning such matters before the related meeting is convened.

Power of the Meeting and Matters to be Resolved

The Shareholders' general meeting is the authority of the Company and shall exercise the following powers according to the laws:

- (i) to decide the Company's operational directions and investment plans;
- (ii) to elect and replace Directors and Supervisors who are not staff representatives and to determine matters relating to the remuneration of the directors and supervisors;
- (iii) to consider and approve the reports of the Board;
- (iv) to consider and approve the reports of the Board of Supervisors;

- (v) to consider and approve the Company's annual financial budgets and final accounts;
- (vi) to consider and approve the Company's profit distribution plan and plan for recovery of losses;
- (vii) to make resolutions on increase or reduction of the Company's registered capital;
- (viii) to make resolution on the issuance of corporate bonds or other securities and listing;
- (ix) to make resolutions on the merger, demerger, dissolution, liquidation or change of corporate form of the Company;
- (x) to amend the Articles of Association;
- (xi) to make resolutions on the issue of appointment, dismissal or non-reappointment of accounting firms;
- (xii) to consider the proposals put forward by Shareholders individually or jointly holding 3% or more of the Company's shares with voting rights;
- (xiii) to consider and approve the substantial transactions as prescribed in the Articles of Association;
- (xiv) to consider and approve the guarantee issues as prescribed in the Articles of Association;
- (xv) to consider and approve the transactions that the amount of transactions between the Company and connected parties (except for gifted cash assets and guarantees provided by the company) is not less than RMB30 million and it takes up not less than 5% of absolute value of the audited net assets of the latest period;
- (xvi) to consider and approve matters relating to the modification of raised fund purpose;
- (xvii) to consider the share incentive plan;
- (xviii) to consider the issues that the Company purchases or sells within one year any major assets, investment, guarantees (mortgage, pledge or guarantee, etc.) of which the amount exceeds 30% of its latest audited total assets of the Company;
- (xix) to consider transactions with a percentage ratio of not less than 25% (including one-time transactions and a series of transactions that require a combined percentage ratio calculation) and not less than 5% calculated by the Company in accordance with the relevant percentage ratio requirements of the Hong Kong Listing Rules Connected transactions (including one-time transactions and a series of transactions that need to be combined to calculate the percentage ratio);

- (xx) to consider other issues which should be decided by the Shareholders' general meeting as stipulated by the laws, administrative regulations, departmental rules or the Articles of Association.

Voting and Resolutions of Shareholders' General Meetings

Resolutions of a Shareholders' general meeting shall be divided into ordinary resolutions and special resolutions.

Ordinary resolutions shall be passed by votes representing more than half of the voting rights held by Shareholders (including proxies thereof) attending the Shareholders' general meeting. Special resolutions shall be passed by votes representing not less than two-thirds of voting rights held by Shareholders (including proxies thereof) attending the Shareholders' general meeting.

The following issues shall be approved by ordinary resolutions at a Shareholders' general meeting:

- (i) work report of the Board of Directors and the Board of Supervisors;
- (ii) plans of earnings distribution and loss make-up schemes;
- (iii) appointment or dismissal of the members of the Board of Directors and the Board of Supervisors, and their payment and payment methods;
- (iv) annual preliminary financial budgets, final account reports, balance sheets, income statements and other financial statements of the Company;
- (v) annual report of our Company;
- (vi) appointment or dismissal of accounting firms by the Company;
- (vii) other matters other than those approved by special resolution stipulated in the laws, administrative regulations, departmental rules, listing rules of the stock exchange where the shares are listed or the Articles of Association.

The following issues shall be approved by special resolutions at a Shareholders' general meeting:

- (i) increase or reduction in the share capital of the Company;
- (ii) issuance of shares of any class, warrants and other similar securities;
- (iii) issuance of corporate bonds;

- (iv) division, merger, dissolution, liquidation or form change of the Company;
- (v) amendment to the Articles of Association;
- (vi) share equity incentive plan;
- (vii) significant assets purchased or disposed or the guarantee amount by the Company within one year exceeds 30% of the Company's latest audited total assets;
- (viii) other matters stipulated by the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association and those, according to an ordinary resolution of the Shareholders' general meeting, may have a significant impact on the Company and require adoption by means of a special resolution.

Shareholders (including their proxies) exercise voting power in the Shareholders' general meeting with the number of voting shares represented by them, and each share has one vote.

Where material issues affecting the interests of small and medium investors are being considered at the Shareholders' general meeting, the votes by small and medium investors shall be counted separately. The separate counting results shall be publicly disclosed in a timely manner according to the relevant laws, regulations and securities regulatory rules of the place where the Company's shares are listed.

The company shares held by the Company do not have voting power, and such shares are not counted in the total number of voting shares upon attendance at a Shareholders' general meeting.

When a related transaction is considered at a Shareholders' general meeting, the related shareholders shall not vote, and the voting shares represented by them shall not be counted in the total number of valid voting shares. The announcement of any resolution made at the Shareholders' general meeting shall adequately disclose information relating to voting by non-related shareholders.

Other than the cumulative voting system, the Shareholders' general meeting shall vote on all proposals one by one. For different proposals on the same matter, voting shall be proceeded according to the time order of these proposals. Other than special reasons such as force majeure which results in the interruption of the meeting or makes it impossible to come to resolution, the Shareholders' general meeting shall not put aside the proposals or withhold from voting.

According to Hong Kong Listing Rules, General Shareholders' meeting adopt vote by registered ballot, unless the meeting host decides on the principle of good faith to allow resolutions purely related to procedures or administrative matters to be voted by shows of hands. When voting at a general Shareholders' meeting, Shareholders (including their proxies) who are entitled to two or more votes are not required to vote against or in favor with their total number of votes.

When the number of dissenting votes equals the number of supporting votes, regardless of voting by ballot or show of hands, the meeting host is entitled to one additional vote.

When Shareholders' general meeting is voting on any proposals, lawyers, Shareholders' representatives and Supervisors' representatives shall be jointly responsible for vote counting and scrutinizing, and the voting results shall be announced in the meeting and recorded in the minutes.

Class Shareholders and their Special Procedures for Voting

Shareholders holding different classes of Shares shall be class Shareholders.

Class Shareholders shall have rights and obligations in accordance with the laws, administrative regulations, departmental rules and the Articles of Association. Apart from holders of other classes of Shares, holders of domestic shares and H shares are regarded as shareholders of different classes.

Any variation or abrogation of the rights of class Shareholders proposed by the Company shall be approved by a special resolution of the Shareholders' general meeting and by the affected class Shareholders at a separate class Shareholders' meeting convened in accordance with the Articles of Association.

The following circumstances shall be deemed to be variation or abrogation of the rights of Shareholders of a certain class:

- (i) increase or decrease in the number of shares of that class, or increase or decrease in the number of shares of another class having the same or more rights in voting, distribution or other privileges;
- (ii) conversion of all or part of the shares of that class into shares of other classes, or conversion of all or part of the shares of other classes into shares of that class or granting rights of such conversion;
- (iii) removal or reduction of the rights to receive and retain dividends or accumulated dividends attributable to shares of that class;
- (iv) reduction or removal of the rights of priority to receive dividends or distribution of wealth in the event of liquidation attached to shares of that class;

- (v) increase, removal or reduction of the right of conversion, options, voting rights, the right to transfer, priority in placement of shares and the right to acquire securities of the Company attached to shares of that class;
- (vi) removal or reduction of the right to receive sums payable by the Company in particular form of currency attached to shares of that class;
- (vii) creation of a new class of shares having the same or more rights in voting, distribution or other privileges;
- (viii) imposing or strengthening the restriction on the transfer of or the ownership of shares of that class;
- (ix) issuance of rights to subscribe for or convert into shares of that class or other class;
- (x) increase in the rights and privileges of shares of other classes;
- (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) revision or nullification of the provisions in this section of the Articles of Association.

The affected class Shareholders, whether or not having the right to vote at the Shareholders' general meetings, shall have the right to vote at the class meeting in relation to any of the matters under circumstances (ii) to (viii), (xi) to (xii) mentioned above, but interested Shareholders shall not be entitled to vote at the class meeting.

A resolution of a class meeting shall be passed by at least a two-thirds majority calculated on the basis of the voting rights held by the Shareholders present and entitled to vote at the class meeting.

At least 20 business days before convening an annual class Shareholders' meeting, and 15 days or 10 business days (whichever is longer is Quasi) before convening an extraordinary class Shareholders' meeting, our Company shall inform all registered holders of the class shares of time, place and matters to be considered. Where there are special provisions in laws, administrative regulations, departmental rules, and securities regulatory rules of the place where the Company's Shares are listed, those provisions shall prevail.

Insofar as possible, any classified Shareholders' meeting shall be held in accordance with the same procedures as those of the Shareholders' meeting, and unless otherwise provided in the Articles of Association, any clause that relates to the procedures for convening the Shareholders' meeting in the Articles of Association shall apply to class Shareholders' meeting.

The special procedures for voting by class Shareholders shall not apply in the following circumstances:

- (i) pursuant to a special resolution of the Shareholders' general meeting, the Company issues domestic Shares and overseas-listed foreign Shares every 12 months, either separately or concurrently, and the respective numbers of domestic Shares and overseas-listed foreign Shares proposed to be issued do not exceed 20% of such issued and outstanding Shares;
- (ii) the plan of issuing domestic Shares and overseas-listed foreign Shares of the Company upon establishment which completes within 15 months from the date of approval by the competent securities department of the State Council or within the period of validity of its approval documents;
- (iii) upon the approval of the competent securities department of 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, CEO AND OTHER SENIOR MANAGEMENT

Emoluments or compensation for Directors and Supervisors

As provided in the written contract entered between our Company and the Directors or Supervisors in connection with their emoluments, they are entitled to compensation or other payments subject to the approval of the Shareholders' meeting in advance. The aforesaid emoluments include:

- (i) emoluments in respect of his service as a Director, Supervisor or senior management of our Company;
- (ii) emoluments in respect of his service as a Director, Supervisor or senior management of any subsidiary of our Company;
- (iii) emoluments in respect of other service in relation to the management of our Company and any subsidiary of our Company; and
- (iv) payment by way of compensation for loss of office or retirement from office of a Director or Supervisors.

It should be concluded in the emolument contract that where our Company is to be acquired, the Directors and Supervisors should be entitled to compensation or other payments for loss of office or retirement from office subject to the approval of the Shareholders at the Shareholders' meeting in advance.

Acquisition of our Company refers to any of the following circumstances:

- (i) an takeover offer made by any person to all Shareholders; or
- (ii) an takeover offer made by any person aiming to make the offeror to become the controlling Shareholder of our Company. The definition of controlling Shareholder is the same as defined in the Articles of Association.

If the relevant Director or Supervisor fails to comply with the above requirements, any payment received shall belong to the person who sells the shares in acceptance of the aforesaid offer. The Director or Supervisor shall bear all expenses arising from the distribution of such payments to the person in a proportional manner and all related expenses shall not be deducted from these payments distributed.

Loans or Guarantees of Loans to Directors, Supervisors, CEO or other senior management

Our Company shall neither provide the Directors, Supervisors, CEO or other senior management of our Company or our parent company with loans or loan guarantees either directly or indirectly, nor provide persons related to the above personnel with loans or loan guarantees.

The following circumstances are exempted from the above clauses:

- (i) our Company provides our subsidiaries with loans or loan guarantees;
- (ii) our Company provides any of the Directors, Supervisors, CEO or other senior management with loans, loan guarantees or any other fund pursuant to the employment contracts approved at the Shareholders' meeting, for paying expenses incurred for the purpose of our Company or performing his duties owed to our Company; and
- (iii) in case that the normal scope of business of our Company covers the provision of loans or loan guarantees, our Company may provide any of the Directors, Supervisors, CEO or other senior management and other related personnel with loans or loan guarantees, provided that the conditions of such loans or loan guarantees shall be normal commercial conditions.

In the event that our Company provides loans in violation of this restriction, the person who receives the loan(s) must pay off the loan(s) immediately, regardless of the conditions of loans. Any loan guarantee provided by our Company in violation of the above requirements shall not be mandatorily enforced against us, unless under the following circumstances:

- (i) the loan provider unknowingly provides loans to personnel related to the Directors, Supervisors, CEO or other senior management of our Company or its parent company; or

- (ii) the collateral provided by our Company is sold lawfully by the lender to the bona fide buyer.

Disclosure of interests in contracts, transactions or arrangements with our Company

Where a Directors, Supervisors, CEO and other senior management has material interests in the contracts, transactions or arrangements that our Company has entered into or plans to enter into directly or indirectly (except for employment contracts that our Company entered into with the Directors, CEO and other senior management), the above personnel shall disclose the nature and degree of their interests to the Board of Directors as soon as possible no matter whether the above contracts, transactions or arrangements are subject to the approval of the Board of Directors in normal circumstances.

With respect to any contract, transaction or arrangement in which a Director or his Associates (defined in Hong Kong Listing Rules) have a material interest, the Director shall not vote and shall not be included in the quorum, except for the exceptions provided in Hong Kong Listing Rules or allowed by the Hong Kong Stock Exchange. Unless the Directors, Supervisors, CEO and other senior management who have interests have made disclosure to the Board of Directors in accordance with the above requirements and the Board of Directors approves the matters at the meeting provided that such interested personnel are not included in the quorum and not participate in voting, our Company shall have the right to cancel the contracts, transactions or arrangements, except where the opposite party is a bona fide party without knowledge of the acts of related Directors, Supervisors, CEO and other senior management violating their obligations. Where related personnel of the Directors, Supervisors, CEO and other senior management have interests in certain contracts, transactions and arrangements, the relevant Directors, Supervisors, CEO and other senior management shall be deemed to have interests.

Prior to our Company's first considering the relevant contracts, transactions or arrangements, if the Directors, Supervisors, CEO and other senior management have notified the Board of Directors in writing and stated that with regard to the content of such notice, they have interest in certain contracts, transactions and arrangements thereafter. And within the scope specified by such notice, the relevant Directors, Supervisors, CEO and other senior management should be considered having made disclosures which are in accordance with this Article of Association.

Qualifications

None of the following persons shall serve as our Director, Supervisor, CEO or senior management:

- persons without civil capacity or with limited civil capacity;

- persons who have committed offences relating to corruption, bribery, embezzlement, misappropriation of property or disruption of social economic order and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence, or who have been deprived of their political rights due to the commission of a criminal offense, where less than five years have elapsed since the date of restoring their political rights;
- persons who were former directors, factory managers or CEO of a company or enterprise which was declared bankrupt and was liquidated due to poor operation and who were personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;
- persons who were legal representatives of a company or enterprise which had its business license revoked and operation ordered to close due to violation of the laws and who were personally liable, where less than three years have elapsed since the date of the revocation;
- persons who have a substantial amount of debts due and outstanding;
- persons who have been investigated by the judicial authorities due to violation against the Criminal Law and the case has not yet been closed;
- persons who are prohibited from entering into the securities market by the CSRC for a period which has not yet expired;
- persons who are prohibited from acting as a management member of a company by laws or administrative regulations;
- persons who are not natural persons;
- persons who have been convicted by the competent authority for violation of securities regulations and acting fraudulently or dishonestly, where less than five years have elapsed since the date of conviction; or
- other persons specified by the laws, administrative regulations, departmental rules or securities regulatory authorities where the Company's shares are listed.

Any election, delegation or appointment of the Directors, Supervisors, CEO or other senior management in contravention of the last paragraph shall be invalid. If the Directors, Supervisors, CEO or senior management falls into the situations provided in the above-mentioned situations during their term of office, they would be dismissed by our Company.

The validity of the conduct of Directors, CEO and other senior management who act in good faith on behalf of the Company with respect to third parties shall not be affected by any irregularity in their appointment, election or qualification.

Duties

The Directors, Supervisors, CEO and other senior management shall bear the obligations of good faith and diligence towards our Company. In the event of violation of obligations owed to our Company by the Directors, Supervisors, CEO and other senior management, we shall have the right to take the following measures in addition to various rights and remedial measures stipulated in laws, administrative regulations and departmental rules:

- (i) require related Directors, Supervisors, CEO or other senior management to compensate our Company for losses sustained as a result of their neglect of duty;
- (ii) cancel any contract or transaction entered into between our Company and related Directors, Supervisors, CEO or senior management as well as any contract or transaction entered into between our Company and third person when the third person knew or should have known that the Directors, Supervisors, the CEO or other senior management acting on behalf of our Company violated their obligations owed to our Company;
- (iii) require the relevant Directors, Supervisors, CEO or other senior management to turn over the proceeds obtained from the violation of their obligations;
- (iv) recover funds collected by the relevant Directors, Supervisors, CEO or other senior management that should have been collected for our Company, including but not limited to commissions;
- (v) require the relevant Directors, Supervisors, CEO or other senior management to return the interest earned or that may be earned from funds that should have been paid to our Company;

When performing their duties, the Directors, Supervisors, CEO and other senior management of our Company must comply with the principle of good faith and shall not put themselves in situations where their own interests may conflict with the obligations they have undertaken. This principle includes, without limitation, performing the following obligations:

- to act honestly in the best interests of the Company;
- to exercise powers within the scope of their powers, and not to act beyond authority;

- to exercise their discretion vested in them on themselves and not to allow themselves to act under the control of another and, unless and to the extent permitted by the laws, administrative regulations or with the consent of Shareholders' general meeting, not to delegate others to exercise their discretion;
- to treat shareholders of the same class equally and to treat Shareholders of different classes fairly;
- not to enter into any contract, transaction or arrangement with the Company unless provided by the Articles of Association or with the consent of Shareholders' general meeting in an informed manner;
- not to use the Company's property for their own benefit in any form without the consent of Shareholders' general meeting in an informed manner;
- not to exploit their positions to accept bribes or other illegal income or expropriate the property of the Company by any means, including but not limited to opportunities advantageous to the Company;
- not to accept commissions in connection with the transactions of the Company without the consent of Shareholders' general meeting in an informed manner;
- to abide by the Articles of Association, perform their duties faithfully and protect the interests of the Company, and not to exploit their positions and powers in the Company for their own interests;
- not to compete with the Company in any way without the consent of Shareholders' general meeting in an informed manner;
- not to misappropriate the Company's funds or lend such funds to others, not to open accounts in their own names or other names for the deposit of the assets of the Company and not to provide guarantee for debts of a Shareholder of the Company or other individual(s) with the assets of the Company;
- unless otherwise permitted by Shareholders' general meeting in an informed manner, not to disclose confidential information about the Company acquired by them during their tenure and not to use the information other than in the interests of the Company, save that disclosure of such information to the court or other government authorities is permitted if the disclosure is:
 - (i) by order of the laws;
 - (ii) in the interests of the public;
 - (iii) in their interest of the Director, Supervisor, CEO and other senior management.

The Directors, Supervisors, CEO and other senior management may not direct the following personnel or institutions (“related personnel”) to do what they are prohibited from doing:

- (i) spouses or minor children of the Directors, Supervisors, the CEO and other senior management;
- (ii) trustees of the Directors, Supervisors, the CEO and other senior management or the persons mentioned in the preceding paragraph;
- (iii) partners of the Directors, Supervisors, the CEO and other senior management or persons mentioned in (i) and (ii) above;
- (iv) any company under de facto control by the Directors, Supervisors, the CEO and other senior management individually or jointly with the persons or other directors, supervisors and senior management of companies mentioned in (i), (ii) and (iii) above; and
- (v) Directors, Supervisors, the CEO or other senior management of the controlled companies mentioned in (iv).

The fiduciary duties of the Directors, Supervisors, CEO and other senior management of the Company do not cease with the termination of their tenure, and the duty of confidentiality in relation to commercial secrets of the Company survives the termination of their tenure. Other duties may continue for such period as fairly required depending on the time lapse between the act concerned and the termination and the circumstances and conditions under which the relationships between them and the Company are terminated.

Unless otherwise provided in the Articles of Association, liabilities of Directors, Supervisors, CEO and other senior management arising from the violation of specific duties may be dissolved by informed general Shareholders’ meeting.

Apart from the obligations set forth in related laws, administrative regulations, departmental rules or the listing rules of the stock exchange where the shares of our Company are listed, the Directors, Supervisors, the CEO or other senior management shall assume the following obligations for each of the Shareholders when exercising their rights and performing their responsibilities:

- (i) they shall not cause our Company to operate beyond the scope of business indicated on our business license;
- (ii) they shall sincerely act for the best interests of our Company as the starting point of any action;

- (iii) they may not deprive our Company of our assets in any manner, including, but not limited to, opportunities beneficial to our Company; and
- (iv) they shall not deprive the Shareholders of personal rights and interests, including, but not limited to, the right to receive dividends and to vote, except for restructuring of our Company approved at the Shareholders' meeting pursuant to the provisions of the Articles of Association.

The Directors, Supervisors, the CEO and other senior management of our Company have the responsibility when exercising their rights or carrying out their obligations to act with the care, diligence and skill due from a reasonably prudent person under similar circumstances.

In the event of any loss caused to our Company as a result of violation of any laws, administrative regulations or Articles of Association by the Directors or senior management when performing their duties in our Company, the Shareholders holding 1% or more shares separately or jointly for over 180 consecutive days shall have the right to submit a written request to the Board of Supervisors to file an action with the people's court. Where supervisors violate laws, administrative regulations or the Articles of Association in their duty performance and cause loss to our Company, the Shareholders may submit a written request to the Board of Directors to file an action with the people's court.

In the event that the Board of Supervisors or the Board of Directors refuse to file an action upon receipt of the Shareholders' written request specified in the preceding paragraph, or fail to file an action within 30 days upon receipt thereof, or in the event that the failure to immediately file an action in an emergency case will cause irreparable damage to the interests of our Company, the Shareholder(s) specified in the preceding paragraph may, in their own name, directly file an action to the court for the interest of our Company.

Directors

Directors shall be elected or replaced by the Shareholders' general meetings. The term of office of a director shall be three years. Upon the expiration of the term of office, a director shall be eligible to offer himself for re-election and reappointment. Before the expiration of the term of office of the Directors, the Shareholders' general meeting can remove their duties without cause.

The term of office of a Director shall commence from the date on which the said director assumes office to the expiry of the current session of the Board. If the term of office of a Director expires but re-election is not made correspondingly on a timely basis, the original Director shall continue to perform his/her duties as a Director in accordance with the laws, administrative regulations, departmental rules, securities regulatory rules in the place where the Company's shares are listed and the Articles of Association until the incoming director assumes his/her position.

CEO or senior management officers may concurrently serve as a director, provided that the aggregate number of directors who concurrently serve as CEO or senior management and directors who are staff representatives shall not exceed one-half of the total number of directors of the Company.

A director is not required to hold shares of the Company.

A director shall comply with the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association and has the following fiduciary obligations to the Company:

- (i) not to exploit his position to accept bribes or to obtain other illegal income, and to expropriate the Company's property;
- (ii) not to misappropriate the Company's funds;
- (iii) not to open any account in his own name or in other's own name for the deposit of the Company's assets or funds;
- (iv) not to violate the provisions of the Articles of Association by lending the Company's funds to others or using the Company's assets to provide guarantee for others without the consent of the Shareholders' general meeting or the Board;
- (v) not to violate the provisions of the Articles of Association or without the consent of the Shareholders' general meeting by entering into contract or transaction with the Company;
- (vi) not to use their position to obtain business opportunities which should be available to the Company for themselves or others, or to run his/her own or others' business which is similar to the Company's business without the consent of the Shareholders' general meeting;
- (vii) not to accept commissions in connection with the Company's transactions;
- (viii) not to disclose the secrets of the Company without consent;
- (ix) not to use their connections to harm the interests of the Company;
- (x) to be bound by other fiduciary obligations stipulated by the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Any gain arising from the breach of the last paragraph by the Director shall belong to the Company. He/she shall be liable for compensation for any loss of the Company arising therefrom.

A director shall comply with the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association and shall diligently perform the following obligations to the Company:

- (i) to exercise prudently, conscientiously and diligently the rights granted by the Company to ensure the Company's commercial acts in compliance with the State laws, administrative regulations, departmental rules and the requirements of economic policies of China and that its commercial activities are within the scope stipulated in the business license;
- (ii) to treat all Shareholders equally;
- (iii) to understand the business operation and management of the Company in a timely manner;
- (iv) to sign written confirmation on regular reports of the Company and to ensure the integrity, accuracy and completeness of the information disclosed by the Company;
- (v) to provide relevant conditions and information to the Board of Supervisors truthfully and shall not intervene the performance of the Board of Supervisors or supervisors of their functions and powers;
- (vi) to perform other obligations of diligence stipulated by the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

If any director fails to attend in person or appoint other directors as his/her representative to attend meetings of the Board for two consecutive times, such director shall be deemed as unable to perform his duties, and the Board shall propose to replace such director at the Shareholders' general meeting.

The directors may resign before the expiration of their term of office. Where the Board is lower than the quorum of five due to the resignation of the directors, the original directors shall, before the re-elected directors assume positions, still perform their duties in accordance with the laws, administrative regulations, departmental rules, listing rules of the stock exchange where the Company's shares are listed and the Articles of Association.

Otherwise, the resignation of directors shall come into effect upon the service of resignation reports to the Board.

In case of the resignation or the expiration of term of office of the directors, all handover procedures shall be handled with the Board. The loyalty obligations of the directors to the Company and the shareholders will not necessarily be removed if the registration has not come

into effective or within a reasonable period after validation and the end of the term, and the obligations to keep the Company's commercial secret remains at the end of term of office until the secret becomes public. Other duties may continue for such period determined according to the principle of fairness.

No director shall act in his/her own name for the Company or the Board without authorization by the Articles of Association or the Board. Where a director acts in his/her own name in a situation where a third party may reasonably believe that such director is acting for the Company or the Board, such director shall declare in advance his/her stance and identity.

Borrowing Powers

The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors, other than provisions which (a) give the Board the power to formulate proposals for the issuance of corporate bonds by our Company; and (b) require the issuance of corporate bonds to be approved by the Shareholders in general meeting by way of a special resolution.

The Board of Directors

The Company shall have a board accountable to the Shareholders' general meeting. The Board shall consist of nine directors, and have a chairman. Independent non-executive Directors should account for at least one-third of the number of the directors of the Board, and no less than three.

The Board shall perform the following duties:

- (i) to convene Shareholders' general meetings and report to Shareholders' general meetings;
- (ii) to implement the resolutions of the Shareholders' general meetings;
- (iii) to determine business operation plans and investment plans of the Company;
- (iv) to formulate annual preliminary and final financial budgets of the Company;
- (v) to formulate the profit distribution plans and plans for recovery of losses of the Company;
- (vi) to formulate plans of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing;
- (vii) to formulate plans for major acquisitions of our Company, the repurchase of Shares of our Company, corporate merger, separation of our Company, changing the form and dissolution of our Company;

- (viii) to determine such matters as our Company's external investment, purchase or sale of assets, asset pledge, external guarantee, entrusting wealth management and connected transaction within the scope authorized by the general Shareholders' meeting;
- (ix) to decide on the setup of the Company's internal management organization;
- (x) to appoint or dismiss the Company's CEO and secretary of the Board of Directors and, based on the nominations of CEO, to appoint or dismiss CSO, COO, CFO, vice president and other senior management and to determine their remuneration, rewards and punishments;
- (xi) to formulate the basic management systems of the Company;
- (xii) to formulate plans for any amendments to the Articles of Association;
- (xiii) to manage the disclosure of information of the Company;
- (xiv) to propose the appointment or replacement of the accounting firm that performs audits for our Company at the general Shareholders' meeting;
- (xv) to listen to the work report of the CEO of the Company and examine on the CEO's work;
- (xvi) to review and approve the calculation of the percentage ratio in accordance with the Hong Kong Listing Rules (1) all the percentage ratios are less than 5% and the consideration includes the shares to be issued and listed on the stock transaction (including one-time transactions and a series of transactions that require a combined percentage ratio calculation) (2) transactions that need disclosure of 5% or more but less than 25% (including one-off transactions and a series of transactions requiring a combined percentage ratio), and (3) in accordance with relevant percentage ratio requirements of the Hong Kong Listing Rules, all partially exempt connected transactions and non-exempt connected transactions (including one-time transactions and a series of transactions that need to be combined to calculate the percentage rate) with percentage ratios (except profit ratios) higher than 0.1% and lower than 5%; and
- (xvii) other duties and powers that should be exercised by the Board stipulated by the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

The above resolutions adopted by the Board of Directors, except those in (vi), (vii) and (xii) must be approved by not less than a two-thirds vote of the Directors, may be approved by more than half of the votes by the Directors.

Any events beyond the authorization scope of the Shareholders' general meeting shall be submitted to the Shareholders' general meeting for approval.

When the Board disposes of fixed assets, the Board shall not, without the approval of the Shareholders' general meeting, dispose or agree to dispose of such fixed assets where the aggregate of the expected value of the fixed assets contemplated to be disposed of and the realized value of fixed assets that have been disposed of within four months immediately preceding the proposed disposition exceeds thirty-three percent of the value of fixed assets as shown in the latest audited balance sheet examined in the Shareholders' general meeting.

The validity of a transaction for the disposition of fixed assets by the Company shall not be affected by a breach of last paragraph.

The Board shall make explanation at the Shareholders' general meeting for the non-standard audit opinions on the financial report of the Company issued by the certified public accountant.

The Board shall formulate the rules of procedures of the Board to ensure the implementation of resolutions of the Shareholders' general meeting, enhance the working efficiency and ensure the scientific decision making.

Meetings of the Board include regular meetings and extraordinary meetings. Meetings of the Board shall be held regularly at least four times each year, approximately once a quarter, and shall be convened by the chairman of the Board. Notices of regular meetings and meeting documents shall be delivered to all directors and supervisors at least 14 days before the meeting (not including the day of the meeting). The board of Directors should have arrangements to ensure that all directors have the opportunity to propose matters for discussion on the agenda of regular board meetings. An extraordinary meeting should be notified 5 days before the meeting. By consent of all directors, the above time limit may not be observed.

Meetings of the Board shall be held only if more than one-half of the directors are present. Each director shall have one vote. Where the number of votes against a resolution is equal to the number of votes in favor of such resolution, the chairman of the Board is entitled to one more vote.

A director who is connected to the enterprises involved in a resolution of the meeting of the Board shall neither exercise his/her voting rights nor exercise another director's voting rights as a proxy. Such meeting of the Board shall be held only when more than half of the directors unconnected, and the resolution of the meeting of the Board shall be approved by more than half of such unconnected directors. In case of less than three unconnected directors present at the meeting, such matter shall be submitted to the Shareholders' general meeting for deliberation.

A director shall attend the meeting of the Board in person. If a director is unable to attend a meeting of the Board, he/she may appoint another director by a written power of attorney to attend on his/her behalf. Such a power of attorney shall specify the name of the proxy, agency, authority and expiration date, and shall be signed or sealed by the principal.

Secretary of the Board of Directors

Our Company shall have secretary of the Board of Directors. The secretary of the Board of Directors must be a natural person with the requisite expertise and experience and be appointed by the Board of Directors. The main responsibilities of the secretary to the Board shall be:

- (i) to ensure the completeness of the Company's organizational documents and records;
- (ii) to ensure that reports and documents of the Company required by competent authorities are prepared and delivered;
- (iii) to ensure the register of Shareholders of our Company is properly established, and that persons entitled to receive relevant records and documents of our Company are given timely access to such records and documents;
- (iv) to be responsible for the preparations for the Shareholders' general meetings and meetings of the Board, keeping of documentation and Shareholders' data;
- (v) to be responsible for matters relating to the disclosure of Company information, to ensure the timeliness, accuracy, lawfulness, integrity and completeness of the disclosure of Company information;
- (vi) to perform other functions and powers granted by the Board and other functions and powers required by the stock exchange of the place where the Company's shares are listed.

Directors or other senior management of the Company may concurrently hold the office of secretary to the Board. The accountants of the accounting firm engaged by the Company shall not concurrently hold the office of secretary to the Board.

If the office of secretary to the Board is held by a director of the Company and a certain act is to be done by a director and the secretary to the Board separately, the person who concurrently holds the offices of director and secretary to the Board may not perform the act in both capacities.

The Board of Supervisors

The Company shall have a Board of Supervisors. The Board of Supervisors shall consist of three supervisors, including a chairman. The chairman of the Board of Supervisors shall be elected and dismissed by not less than a two-thirds vote of the members of the Board of Supervisors.

The Supervisors shall consist of Shareholder's representatives and employee's representatives, and the proportion of employee's representatives shall not be less than one-third. The Directors and other senior management shall not also serve as Supervisors.

Resolutions of the Board of Supervisors shall require approval from two-thirds of members of the Board of the Supervisors. The Supervisors serve three-year terms. The Supervisors may, after the expiration of the term of office, be re-elected and re-appointed.

The Board of Supervisors shall exercises the following powers:

- (i) to review the periodical reports of the Company prepared by the Board and to provide comments in writing;
- (ii) to inspect the financial position of the Company;
- (iii) to supervise the performance of the Directors and Senior management and to advise the dismissal of any Directors or Senior management who violates the laws, administrative regulations, departmental rules, the Articles of Association or resolutions of the Shareholders' general meetings;
- (iv) to examine the financial information such as the financial reports, operating reports and distribution plans of profits to be submitted by the Board to the Shareholders' general meetings and to entrust a certified public accountant or a practicing auditor to help review in the name of the company if there is any doubt;
- (v) to demand rectification of the Directors and Senior management where their conducts are detrimental to the interests of the Company;
- (vi) to propose to convene an extraordinary general meeting and to convene and preside over the Shareholders' general meeting if the Board fails to do so as required by the Company Law;
- (vii) to submit proposals at a Shareholders' general meeting;
- (viii) to negotiate with Directors and Senior management on behalf of the Company or to file lawsuits against Directors and Senior management in accordance with Article 151 of the Company Law;

- (ix) to investigate if there is any abnormal condition of the Company's operation; and
- (x) other duties and powers stipulated in the Articles of Association.

The supervisors may attend the meetings of the Board of Directors.

If necessary, the Board of Supervisors may engage professional institutions, such as law firms or accounting firms, to assist their work with expenses borne by the Company.

CEO

The Company shall have one CEO who shall be nominated by the Chairman of the Board of Directors and appointed or dismissed by the Board.

The CEO of the Company shall be responsible to the Board and exercise the following functions and powers:

- (i) to be in charge of the Company's production, operation and R&D management, and to report the work to the Board;
- (ii) to organize the implementation of the resolutions of the Board, and to organize the implementation of the Company's annual operation plans and investment schemes;
- (iii) to formulate the structure scheme of the internal department of our Company;
- (iv) to formulate the Company's fundamental management system;
- (v) to formulate the Company's specific regulations;
- (vi) to propose to the Board of Directors about the appointment or dismissal of the Company's senior management other than the secretary to the board;
- (vii) to appoint or dismiss other personnel except those who shall be appointed or dismissed by the Board of Directors;
- (viii) to determine the remuneration, benefits, rewards and punishments policies and programs other than senior management;
- (ix) other functions and powers granted by the Articles of Association or the Board.

CEO of the Company shall attend meetings of the Board of the Directors.

FINANCIAL AND ACCOUNTING SYSTEMS, PROFIT DISTRIBUTION AND AUDIT**Finance and Accounting Systems**

The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations, departmental rules and the requirements of the relevant governmental authorities.

In addition to the PRC accounting standards and regulations, the financial statements of the Company shall also be prepared in accordance with the international accounting standards or the accounting standards of the place outside the PRC where the Company's shares are listed. Any material discrepancy between the financial statements prepared in accordance with two different accounting standards shall be provided in the notes to the financial statements. As to the distribution of after-tax profits of our Company in a fiscal year, the after-tax profits indicated on the two financial reports, whichever is lower shall prevail.

Our Company shall make its financial reports available at our Company for inspection by the Shareholders 20 days before the annual general Shareholders' meeting is convened. Each Shareholder is entitled to obtain one copy of the financial report.

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 or the Board report, together with 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. The address of the recipient is subject to the address registered in the shareholder register. Under the premise of complying with laws, administrative regulations, departmental rules and relevant regulations of the securities regulatory authority in the place where the company's stocks are listed, the company may adopt the method of announcement (including publication through the company's website and/or newspaper publication).

Interim results or financial information published or disclosed by the Company shall be prepared in accordance with PRC accounting standards and regulations as well as international accounting standards or the accounting standards of the overseas area where the Company's shares are listed.

The Board shall submit financial reports prepared by the Company as required by applicable laws, administrative regulations, regulatory documents of any local government and competent authority in each annual general Shareholders' meeting.

The interim financial report shall be published within 60 days from the end of the first six months of the financial year. The annual financial report shall be published within 120 days from the end of the financial year. If there is any requirement of the securities regulatory authority in the place where the Company's shares are listed, such requirement shall apply.

The Company shall not keep accounts other than those required by laws. The assets of the Company shall not be kept under the name of any individual.

Reserves

In the distribution of the profit after tax of the year, 10% of the profit shall be contributed to statutory reserve of the Company. When the aggregate statutory reserve of the Company has reached 50% or more of the registered capital, the Company may cease to make further contribution.

Where the statutory reserve is insufficient to recover the losses for the previous year, the losses shall be made up by the profits of that year before contributing to the statutory reserves as stipulated above.

Subject to the resolution of shareholders' general meeting, the Company may also appropriate fund to discretionary surplus reserve from profit after tax upon the appropriate of fund to statutory reserve.

The Company may distribute profits after tax in accordance with the proportion of shareholdings after making up for losses and making allocations to reserves.

If the Shareholders' general meeting violates the above provisions and profits are distributed to the Shareholders before the Company making up for losses and making allocations to the statutory reserve, the profits distributed in violation of the provisions shall be returned to our Company by such Shareholders.

The shares held by our Company itself shall not be subject to profit distribution.

Our Company's reserves must be used only for offsetting losses of our Company, expanding the scale of business and operations or for conversion into capital to increase our capital, but the capital reserve shall not be used to offset losses of our Company.

Where the statutory reserve converses into capital, the remaining statutory reserve shall not be less than 25% of the registered capital of our Company before such conversion.

Dividends and Other Methods of Profit Distribution

The Company may distribute dividends in cash, in Shares or in combination of cash and Shares and shall distribute dividends in cash when the cash dividend requirements are satisfied.

After the Shareholders' general meeting of our Company make a resolution on dividends distribution plan, the Board of Directors shall complete the distribution within 2 months after the convening of the Shareholders' general meeting.

Forfeiture of Shares

Our Company may terminate sending dividend coupons by mail to any H share shareholders. However, the said termination can only be made after the holder fails to withdraw from the dividend coupons for consecutive two times or the dividend coupons cannot be delivered to the receiver and returned thereof.

In compliance with the conditions indicated below, Our Company is entitled to dispose the stock held by H share shareholders whom we fail to contact at first time in accordance with appropriate manner as considered by the Board of Directors:

- (i) our Company has paid dividends at least three times on these Shares within 12 years, but no one has claimed the dividends during that period;
- (ii) upon expiration of the 12-year period, our Company publishes an announcement in one or more newspaper of our Company's listing place, indicating our intention to sell the Shares and notifies the stock exchange where such Shares are listed of such intention.

Internal Audits

The Company shall adopt an internal audit system and designate auditors to supervise the internal audits of incomes and expenses as well as the business activities of the Company.

The internal audit system of the Company and the duties of auditors shall come into effect upon the approval of the Board of Directors. The person in charge of audits shall be accountable to and report to the Board of Directors.

Appointment and Dismissal of Accounting Firm

The Company shall appoint an independent accounting firm which is qualified in securities-related business to audit the financial statements, verify the net assets and provide other relevant consultancy services. The accounting firm appointed by the Company shall hold office for a period of one year from the end of each annual general meeting to the end of next annual general meeting, subject to renewal.

The accounting firm employed by the company must be determined by the Shareholders' general meeting. The Board may not appoint an accounting firm before the decision of the Shareholders' general meeting, except as provided in the Articles of Association.

Notwithstanding the terms set out in the contract between the Company and the accounting firm, Shareholders' general meeting may, by way of ordinary resolution, remove the accounting firm before the expiration of its term of office, but the compensation rights against our Company by the relevant accounting firm due to dismissal shall not be affected thereof.

If the position of an appointed accounting firm is vacant, the Board of Directors may appoint an accounting firm before the start of general Shareholders' meeting, provided that such appointment shall be confirmed by the next general Shareholders' meeting. However, if during the vacant period, our Company has other incumbent accounting firm, such accounting firm may still perform.

A 30-day prior notice shall be given to the accounting firm if the Company decides to remove such accounting firm or not to renew the appointment. The accounting firm shall be entitled to make representations when the resolution regarding the removal of the accounting firm is voted at the Shareholders' general meeting.

Procedures for Liquidation

The Company shall be dissolved and liquidated for the following reasons:

- the expiration of the business period or other reasons for dissolution specified in the Articles of Association;
- a resolution on dissolution is passed by the Shareholders' general meeting;
- dissolution is required due to the merger or division of the Company;
- the Company is declared bankrupt due to its failure to repay debt due;
- the business license of the Company is revoked or the Company is ordered to close down or de-registered according to applicable law and administrative regulations;
- where the Company gets into serious trouble in operation and management and its continuation may cause substantial loss in Shareholders' interests, and no solution can be found through any other channel, shareholders holding 10% or more of the total voting rights of the Company may request the People's Court to dissolve the Company;
- other causes of dissolution set out in the Articles of Association have occurred.

Upon the occurrence of the first situation described above, the Company may continue to exist by amending the Articles of Association. If the Company is being dissolved under the first, second or sixth circumstance described above, a liquidation group shall be set up within 15 days from the date of the cause of dissolution occurred to carry out the liquidation. The liquidation group consists of the directors or the personnel determined by the Shareholders'

general meeting. If a liquidation group is not set up within the specified period, the creditors may apply to the People's Court for appointment of relevant persons to form a liquidation group to carry out the liquidation.

If the Company is dissolved due to the occurrence of the fifth circumstance described above, the relevant regulatory authority shall organize shareholders, relevant agencies and professionals to establish a liquidation group pursuant to relevant provisions of the law.

If the Board of Directors decides to liquidate our Company (except where our Company is liquidated after declaring bankruptcy), the Board of Directors shall state in the notice of the general Shareholders' meeting convened for this purpose that the Board of Directors has performed a comprehensive investigation of the status of our Company and believes that our Company is able to pay off all of our debts within 12 months of the commencement of the liquidation.

After the resolution to liquidate our Company is adopted by the general Shareholders' meeting, the powers of the Board of Directors shall terminate immediately.

In accordance with the instructions of the general shareholders' meeting, the liquidation group shall at least once a year report at the general shareholders' meeting on the income and expenditure of the liquidation group, progress of the business and liquidation of our Company, and submit a final report at the general shareholders' meeting upon completion of liquidation.

The liquidation group shall perform the following duties during the liquidation:

- to check the assets of the Company and prepare a balance sheet and an inventory of assets;
- to notify the creditors by notice or announcement;
- to deal with the outstanding affairs of the Company connected with the liquidation;
- to settle outstanding taxes as well as taxes arising in the course of liquidation;
- to settle all creditors' rights and debts;
- to dispose of the remaining assets of the Company after the settlement of debts;
- to represent the Company in any civil proceedings.

The liquidation group shall notify the creditors within 10 days from the date of its establishment and make public announcement in newspapers or through other channels within 60 days of its establishment. Creditors shall report their claims to the liquidation group within 30 days after receipt of the notice, or within 45 days from the date of the announcement if they do not receive the notice.

Creditors shall provide explanation for the relevant particulars and evidence of the claims upon declaration of such claims. The liquidation group shall register the creditors' claims. During the period for declaration of claims the liquidation group shall not make any repayment to creditors.

After checking the assets of the Company and preparing a balance sheet and an inventory of assets, the liquidation group shall formulate a liquidation plan for the confirmation of Shareholders' general meetings or the People's Court.

The remaining assets of the Company, after payment of liquidation expenses, wages, social insurance contribution and statutory compensation, and taxes and debts of the Company, shall be distributed to Shareholders according to the class and proportion of their shareholdings.

During the liquidation period, the Company shall continue to exist but shall not carry out any business activities not relating to liquidation. The assets of the Company shall not be distributed to shareholders before the settlement of debts in accordance with the preceding paragraph.

If the liquidation group, after checking the assets of the Company and preparing a balance sheet and an inventory of assets, discovers that its assets are insufficient to settle its debts, it shall immediately apply to the People's Court for a declaration of bankruptcy. After our Company is declared bankrupt by ruling of the people's court, the liquidation group shall hand over the liquidation matters to the People's Court.

Upon completion of liquidation, the liquidation group shall prepare a liquidation report and a statement of the receipts and payments and the financial accounts for the liquidation period which shall have been audited by PRC certified public accountants for the confirmation of the Shareholders' general meeting or the People's Court. The liquidation group shall submit the aforesaid documents to the company registration authority, apply for deregistration of the Company, and announce the closure of the Company within 30 days after confirmation is obtained from the Shareholders' general meeting or the People's Court.

Amendments of the Articles of Association

Our Company may amend the Articles of Association based on the provisions of the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed and Articles of Association.

In any of the following circumstances, our Company shall amend the Articles:

- (i) if upon amendments to the PRC Company Law, relevant laws, administrative regulations, departmental rules or securities regulatory rules of the place where the Company's Shares are listed any terms contained in the Articles become inconsistent with the provisions abovementioned;

- (ii) a change in our Company causes inconsistency with those contained in the Articles;
or
- (iii) a resolution being passed by the Shareholders' general meeting to amend our Articles.

Where the amendments to the Articles of Association passed by the general Shareholders' meetings need the examination and approval of the competent authorities, these amendments shall be submitted hereto for approval. Where the amendment of the Articles of Association involves registration, it shall be necessary to carry out the lawfully prescribed procedures for registration change.

Settlement of Disputes

The Company shall follow the following rules for settlement of disputes:

- (i) Whenever there occur any dispute or claim between H share shareholders and our Company, H share shareholders and our Company's Directors, Supervisors, CEO or other senior management, or H share shareholders and shareholders of domestic Shares regarding the rights or obligations relating to the affairs of our Company conferred or imposed by the Articles of Association, the Company Law or any other relevant laws and administrative regulations, such disputes or claims shall be referred by the relevant parties to arbitration.

Where the aforesaid dispute or claim of rights is referred to arbitration, the entire claim or the dispute as a whole must be referred to arbitration, and any parties who have a cause of action based on the same facts giving rise to the dispute or the claim or whose participation is necessary for the settlement of such dispute or claim, are bound by the award of the arbitration provided that such person is our Company or a shareholder of our Company, a Director, a Supervisor, CEO or other senior management.

Disputes in relation to the definition of shareholders and disputes in relation to the shareholders' register need not be resolved by arbitration;

- (ii) A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its Arbitration Rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If a claimant elects for arbitration at HKIAC, any party to the dispute or claim may request the arbitration to be conducted in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC;

- (iii) The laws of the PRC are applicable to the arbitration for the disputes or claims of rights referred to in paragraph (i) above, unless otherwise provided in the laws, administrative regulations and departmental regulations;
- (iv) The award of an arbitration body shall be final and conclusive and shall be binding on all parties;
- (v) The said arbitration agreement is reached between the Directors or Senior management officers and the Company, with the Company representing both itself and each of its Shareholders;
- (vi) Any arbitration submitted shall be deemed as authorizing the arbitration tribunal to conduct public hearing and announce the arbitration award.

FURTHER INFORMATION ABOUT THE COMPANY**Incorporation**

The Company was established as a limited liability company under the laws of the PRC on October 7, 1998 and was converted into a joint stock company with limited liability on September 20, 2011.

The Company has established a place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. The Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Non-Hong Kong Companies) Regulation (Chapter 622J of the Laws of Hong Kong) on July 7, 2021, with Mr. Cheng Ching Kit of 40th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong appointed as the Hong Kong authorized representative of the Company for acceptance of the service of process and any notices required to be served on the Company in Hong Kong.

As the Company was incorporated in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in Appendix IV and Appendix V, respectively.

Changes in the Share Capital of the Company

On December 4, 2019, the registered capital of the Company was decreased from RMB231,409,962 to RMB231,382,162, the decreased capital of which were repurchased and canceled by the Company due to resignation of certain employees under the A Share Incentive Schemes.

On May 18, 2020, the registered capital of the Company was decreased from RMB231,382,162 to RMB231,319,762, the decreased capital of which were repurchased and canceled by the Company due to resignation of certain employees under the A Share Incentive Schemes.

On September 9, 2020, the registered capital of the Company was increased from RMB231,319,762 to RMB232,337,762 due to granting of restricted A Shares under the A Share Incentive Schemes.

On September 30, 2020, the registered capital of the Company was increased from RMB232,337,762 to RMB242,516,493 due to a private placing of the Company of the A Shares.

On November 30, 2020, the registered capital of the Company was decreased from RMB242,516,493 to RMB242,514,693, the decreased capital of which were repurchased and canceled by the Company due to resignation of certain employees under the A Share Incentive Schemes.

On February 8, 2021, the registered capital of the Company was increased from RMB242,514,693 to RMB242,690,693 due to granting of restricted A Shares under the A Share Incentive Schemes.

On March 22, 2021, the registered capital of the Company was decreased from RMB242,690,693 to RMB242,626,693, the decreased capital of which were repurchased and canceled by the Company due to resignation of certain employees under the A Share Incentive Schemes.

On October 15, 2021, the registered capital of the Company was decreased from RMB242,626,693 to RMB242,612,918, the decreased capital of which were repurchased and canceled by the Company due to resignation of certain employees under the A Share Incentive Schemes.

On November 12, 2021, the registered capital of the Company was increased from RMB242,612,918 to RMB244,661,118 due to granting of restricted A Shares under the A Share Incentive Schemes.

On November 25, 2021, the Board resolved and approved the repurchase and cancellation of a total of 33,000 restricted A Shares due to resignation of certain employees under the A Share Incentive Schemes. Such repurchase and cancellation is still subject to the approval of the Shareholders at the general meeting of the Company.

Save as disclosed above, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this prospectus.

Resolutions Passed by Our Shareholders' General Meeting in Relation to the Global Offering

At the extraordinary general meeting of the Shareholders held on June 16, 2021, the following resolutions, among other things, were duly passed:

- (i) the issue by the Company of H Shares with a nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;
- (ii) the number of H shares to be issued shall be no more than 15% of the total issued share capital upon the Global Offering (before the exercise of the Over-allotment Option), and the grant of the Over-allotment Option in respect of no more than 15% of the number of H Shares issued pursuant to the Global Offering;

- (iii) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the Global Offering, the issue and listing of H Shares on the Hong Kong Stock Exchange; and
- (iv) subject to the completion of the Global Offering, the conditional adoption of the revised Articles of Association, which shall become effective on the Listing Date.

Our Subsidiaries

The following table shows the details of our subsidiaries as of the Latest Practicable Date:

No.	Name	Date of establishment	Place of incorporation	Nature of Business	Registered Capital (RMB in 10 thousand unless otherwise indicated)	Shareholding
1	Asymchem Laboratories (Fuxin)	April 1, 2002	PRC	manufacturing, sales and development of biotechnological products and organic chemical products	331	100%
2	Asymchem Life Science	December 30, 2005	PRC	manufacturing and toll manufacturing of drugs	7,000	100%
3	Jilin Asymchem Laboratories	August 17, 2007	PRC	manufacturing, sales and development of medicine raw materials and relevant products	29,149	100%
4	Liaoning Asymchem Laboratories Co., Ltd. (遼寧凱萊英醫藥化學有限公司) (“ Liaoning Asymchem Laboratories ”)	December 2, 2013	PRC	manufacturing, toll manufacturing and selling drugs, chemical products	920	100%

No.	Name	Date of establishment	Place of incorporation	Nature of Business	Registered Capital (RMB in 10 thousand unless otherwise indicated)	Shareholding
5	Tianjin Clin-nov Medical Technology Co., Ltd. (天津凱諾醫藥科技發展有限公司) (“ Clin-nov Medical ”)	August 10, 2017	PRC	wholesaling and retailing drugs	4,000	100%
6	Jilin Asymchem Pharmaceuticals Co., Ltd. (吉林凱萊英製藥有限公司)	September 29, 2017	PRC	manufacturing, sales and development of medicine raw materials and relevant products	30,000	100%
7	Shanghai Asymchem	January 28, 2019	PRC	manufacturing, sales and development of biotechnological products and organic chemical products	25,000	100%
8	Asymchem Laboratories (Jilin) Co., Ltd. (凱萊英醫藥化學(吉林)技術有限公司)	May 25, 2020	PRC	manufacturing, sales and development of medicine raw materials and relevant products	30,000	100%
9	Asymchem Pharmaceuticals (Jiangsu) Co., Ltd. (凱萊英製藥(江蘇)有限公司)	September 29, 2020	PRC	manufacturing, sales and development of medicine raw materials	30,000	100%
10	Asymchem Life Science (Jiangsu) Co., Ltd. (凱萊英生命科學技術(江蘇)有限公司)	March 18, 2021	PRC	exporting, importing drugs and development of medical research	10,000	100%

<u>No.</u>	<u>Name</u>	<u>Date of establishment</u>	<u>Place of incorporation</u>	<u>Nature of Business</u>	<u>Registered Capital (RMB in 10 thousand unless otherwise indicated)</u>	<u>Shareholding</u>
11	Asymchem Inc.	October 12, 2010	United States	sales of High-tech pharmaceutical raw materials and intermediates, gene engineering optimized strains of fermented pharmaceutical ingredients and bio-enzymatic chemical pharmaceutical ingredients and preparation products	N/A ⁽¹⁾	100%
12	Asymchem Limited	February 13, 2017	United Kingdom	sales and import and export trade	€1	100%
13	Asymchem Boston Corporation	December 14, 2020	United States	pharmaceutical research and development, intermediate wholesale distribution of active pharmaceutical ingredients	N/A ⁽²⁾	100%
14	Tianjin Asymchem Pharmaceutical Analysis, Testing and Evaluation Co., Ltd. (天津凱萊英藥物分析檢測評價有限公司)	July 29, 2013	PRC	analysis and detection of biomedicine and chemical industry products	100	100%

<u>No.</u>	<u>Name</u>	<u>Date of establishment</u>	<u>Place of incorporation</u>	<u>Nature of Business</u>	<u>Registered Capital (RMB in 10 thousand unless otherwise indicated)</u>	<u>Shareholding</u>
15	GoalGen	November 28, 2007	PRC	manufacturing, sales and development of biotechnological products and organic chemical products	1,000	100%
16	Asymchem Taixin Clinical Study Co., Ltd. (凱萊泰欣臨床研究(天津)有限公司)	March 6, 2020	PRC	exporting, importing products, medical research and trials development	1,000	51% ⁽³⁾⁽⁴⁾
17	Tianjin Baibosheng Pharmtech Co., Ltd. (天津百博生醫藥科技有限公司)	November 21, 2018	PRC	development of biomedical technology, medical research, research and development of drugs	500	100%
18	Shanghai Xinzhuo Pharmaceutical Research and Development Co., Ltd. (上海新卓醫藥研究開發有限公司)	December 5, 2019	PRC	research and development of drugs, development of biomedical technology and chemical technology	1,000	100%
19	Tianjin Yinuo Qinkang Medical Technology Co., Ltd. (天津醫諾勤康醫學科技有限公司)	July 29, 2020	PRC	medical research and trials development, big data service, sales of medical devices	200	100%

No.	Name	Date of establishment	Place of incorporation	Nature of Business	Registered Capital (RMB in 10 thousand unless otherwise indicated)	Shareholding
20	Asymchem Pharmaceuticals	July 19, 2010	PRC	manufacturing of drugs, medical products, pharmaceutical equipment, medical research and trials development	22,483	100% ⁽⁵⁾
21	Shanghai Nuoxin Yingke Information Technology Co., Ltd. (上海諾信英科信息科技有限公司)	June 15, 2021	PRC	Technical service, technical development and technical consultation	500	100%
22	Asymchem Pharmaceutical Technology Development	August 9, 2021	PRC	manufacturing and sales of pharmaceutical equipment	3,000	100%
23	Asymchem Pharmacy (Jiangsu) Co., Ltd. (凱萊英藥業(江蘇)有限公司)	September 7, 2021	PRC	manufacturing of drugs, import and export of drugs	30,000	100%

Notes:

1. Asymchem Inc. is authorised to issue a total of 20,000,000 shares of Common Stock without par value.
2. Asymchem Boston Corporation is authorised to issue a total of 275,000 shares of a single class without par value.
3. As of the Latest Practicable Date, the other 49% equity interest in Asymchem Taixin Clinical Study Co., Ltd. (凱萊泰欣臨床研究(天津)有限公司) was held by Teda International Cardiovascular Hospital Co., Ltd. (泰達國際心血管病醫院有限公司), an independent third party of the Company.
4. Asymchem Taixin Clinical Study Co., Ltd. is currently under the cancellation procedure and is expected to be deregistered on December 2, 2021.
5. The Company holds 97.01% direct interest and 2.99% indirect interest through Asymchem Life Science, a wholly owned subsidiary of the Company.

Save as disclosed above, so far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, no person is directly or indirectly interested in 10% or more of the issued voting shares of the subsidiary of the Company.

The following subsidiaries of the Company were incorporated within two years immediately preceding the date of this prospectus:

Name of Subsidiary	Place of Incorporation	Date of Incorporation
Asymchem Laboratories (Jilin) Co., Ltd. (凱萊英醫藥化學(吉林)技術有限公司)	PRC	May 25, 2020
Asymchem Pharmaceuticals (Jiangsu) Co., Ltd. (凱萊英製藥(江蘇)有限公司)	PRC	September 29, 2020
Asymchem Life Science (Jiangsu) Co., Ltd. (凱萊英生命科學技術(江蘇)有限公司)	PRC	March 18, 2021
Asymchem Boston Corporation	United States	December 14, 2020
Asymchem Taixin Clinical Study Co., Ltd. ⁽¹⁾ (凱萊泰欣臨床研究(天津)有限公司)	PRC	March 6, 2020
Shanghai Xinzhuo Pharmaceutical Research and Development Co., Ltd. (上海新卓醫藥研究開發有限公司)	PRC	December 5, 2019
Tianjin Yinuo Qinkang Medical Technology Co., Ltd. (天津醫諾勤康醫學科技有限公司)	PRC	July 29, 2020
Shanghai Nuoxin Yingke Information Technology Co., Ltd. (上海諾信英科信息科技有限公司)	PRC	June 15, 2021
Asymchem Pharmaceutical Technology Development	PRC	August 9, 2021
Asymchem Pharmacy (Jiangsu) Co., Ltd. (凱萊英藥業(江蘇)有限公司)	PRC	September 7, 2021

Note:

1. Asymchem Taixin Clinical Study Co., Ltd. is currently under the cancellation procedure and is expected to be deregistered on December 2, 2021.

Details of the changes in the share capital of the Company's subsidiaries during the two years immediately preceding the date of this prospectus are set out below:

Save for the registered capital of Jilin Asymchem Laboratories was increased from RMB87.6 million to RMB291.49 million on April 15, 2020, there has been no alteration in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this prospectus.

FURTHER INFORMATION ABOUT THE BUSINESS

Summary of Material Contract

The Group has entered into the following contract (not being contract entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that is or may be material:

- (a) the Hong Kong Underwriting Agreement.

Intellectual Property

As at the Latest Practicable Date, the following intellectual property rights are material to the Group's business:

Trademarks

As at the Latest Practicable Date, the Group had registered the following trademarks which are material to its business:

<u>No.</u>	<u>Trademark</u>	<u>Class</u>	<u>Registered Owner</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Expiry Date</u>
1.	ASYMCHEM	1	The Company	PRC	9027665	January 21, 2022
2.	 ASYMCHEM	1	The Company	PRC	9027705	January 21, 2022
3.	凱萊英	1	The Company	PRC	9027772	January 21, 2022
4.	ASYMCHEM	40	The Company	PRC	9025464	January 14, 2022
5.	 ASYMCHEM	40	The Company	PRC	9025477	January 14, 2022
6.	凱萊英	40	The Company	PRC	9027802	January 21, 2022
7.	ASYMCHEM	42	The Company	PRC	9027846	July 21, 2022

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
8.	 ASYMCHEM	42	The Company	PRC	9027900	July 21, 2022
9.	凯莱英	42	The Company	PRC	9027963	July 14, 2022
10.	ASYMCHEM	1, 40, 42	Asymchem Inc.	United States	3523597	October 28, 2028
11.	 ASYMCHEM	1, 40, 42	Asymchem Inc.	United States	3523598	October 28, 2028
12.	凯莱英	1, 5, 40, 42	The Company	Hong Kong	304621752	August 3, 2028
13.	ASYMCHEM	1, 5, 40, 42	The Company	Hong Kong	304621761	August 3, 2028
14.	 ASYMCHEM	1, 5, 40, 42	The Company	Hong Kong	304621806	August 3, 2028
15.	 GoalGen	42	GoalGen	PRC	23177294	March 7, 2028
16.	 GoalGen	35	GoalGen	PRC	23177207	March 7, 2028
17.	 GoalGen	44	GoalGen	PRC	23177044	March 7, 2028
18.	冠勤医药	42	GoalGen	PRC	22045853	January 14, 2028
19.	冠勤医药	41	GoalGen	PRC	22045637	January 14, 2028
20.	冠勤医药	35	GoalGen	PRC	22045528	January 14, 2028
21.	冠勤医药	16	GoalGen	PRC	22045480	January 14, 2028

Domain Names

As at the Latest Practicable Date, the Group had registered the following domain names which are material to its business:

No.	Domain Name	Registered Owner	Expiry Date
1.	asymchem.com.cn	the Company	July 9, 2028

Patents

As at the Latest Practicable Date, the Group had registered the following patents which are material to its business:

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
1.	Continuous Ozonization Reactor (臭氧化連續反應裝置)	Utility Model	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	PRC	ZL2012201284577	March 30, 2012	10 years
2.	A Reactor for Continuously and Safely Producing Diazomethane on a Large Scale and Its Working Methods (一種大批量連續安全生產重氮甲烷反應器及其工作方法)	Invention	The Company	PRC	ZL2010102076153	June 24, 2010	20 years
3.	A Method to Prepare 7-bromo-1-heptene (一種製備7-溴-1-庚烯的方法)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	PRC	ZL2012101647240	May 24, 2012	20 years

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
4.	A Method to Prepare Sulfobutyl ether- β -cyclodextrin (一種製備磺丁基醚- β -環糊精的方法)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	PRC	ZL2014100121627	January 10, 2014	20 years
5.	Synthetic Method of Toremifene (托瑞米芬的合成方法)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	PRC	ZL2014104159002	August 21, 2014	20 years
6.	Carboxyl Polymer, its Preparation Method and Usage, Supported Catalyst and Preparation Method of Intermediates of Carbapenems Antibiotics (含有羧基的聚合物、其製備方法和用途、負載型催化劑以及培南類抗生素中間體的製備方法)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	PRC	ZL2014104597083	September 10, 2014	20 years

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
7.	The Reactor and the Reaction System Thereof (反應器及其具有其的反應系統)	Utility Model	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	PRC	ZL2016203903137	April 29, 2016	10 years
8.	Dicarbonyl Reductase, its Encoding Gene and Applications (雙羰基還原酶、其編碼基因及應用)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	PRC	ZL201410188168X	May 6, 2014	20 years
9.	Dicarbonyl Reductase, its Encoding Gene and Applications (雙羰基還原酶、其編碼基因及應用)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	PRC	ZL2014101891874	May 6, 2014	20 years

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
10.	Transaminase and its Application (轉氨酶及其應用)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	PRC	ZL2014106062529	October 31, 2014	20 years
11.	Dicarbonyl Reductase Mutants and its Application (雙羰基還原酶突變體及其應用)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	PRC	ZL2017110409403	May 9, 2014	20 years
12.	Dicarbonyl Reductase Mutants and its Application (雙羰基還原酶突變體及其應用)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	PRC	ZL2014108025492	December 19, 2014	20 years

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
13.	Polymers with Carboxyl Groups and its Preparation Method and Usage, Supported Catalyst and Preparation Method for Penem Antibiotic Intermediate (含有羧基的聚合物、其製備方法和用途、負載型催化劑以及培南類抗生素中間體的製備方法)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	Japan	6227147	September 10, 2014	20 years
14.	A Synthetic Device of Organic Phosphonates (有機磷酯合成裝置)	Utility Model	Asymchem Life Science	PRC	ZL2017206517542	June 5, 2017	10 years
15.	Continuous Photochemical Reactor and its System (連續光化學反應裝置及系統)	Utility Model	Asymchem Laboratories (Fuxin)	PRC	ZL2017209732625	August 4, 2017	10 years

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
16.	Polymers with Carboxyl Groups and its Preparation Method and Usage, Supported Catalyst and Preparation Method for Penem Antibiotic Intermediate (含有羧基的聚合物、其製備方法和用途、負載型催化劑以及培南類抗生素中間體的製備方法)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	Korea	10-1851476	September 10, 2014	20 years
17.	Transaminase and its Application (轉氨酶及其應用)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	Japan	6367944	October 31, 2014	20 years
18.	Low-temperature Full-continuous Reaction System (低溫全連續化反應系統)	Utility Model	Jilin Asymchem Laboratories	PRC	ZL2018200479359	January 11, 2018	10 years

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
19.	Alcohol Dehydrogenase Mutants and its Application (醇脫氫酶突變體及其應用)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	PRC	ZL201410814234X	December 23, 2014	20 years
20.	Transaminase and its Application (轉氨酶及其應用)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	Korea	10-1910259	October 31, 2014	20 years
21.	Continuous Replacement Reaction Equipment of Metal-brominated Aromatics and Preparation System of Aromatic Aldehyde (金屬-溴代芳烴的連續置換反應設備、製備芳香醛的系統)	Utility Model	Asymchem Laboratories (Fuxin)	PRC	ZL2018201587859	January 30, 2018	10 years

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
22.	Diketoreductase Mutant and Application Thereof (雙酮還原酶突變體及其應用)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	United States	US 10,131,883 B2	August 4, 2014	20 years
23.	Transaminase and Uses Thereof (轉氨酶及其用途)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	United States	US 10,131,926 B2	October 31, 2014	20 years
24.	Dicarbonyl Reductase Mutants and its Application (雙羰基還原酶突變體及其應用)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	Japan	6473175	August 4, 2014	20 years

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
25.	Method for Preparing Sulfobutyl ether- β -cyclodextrin (磺丁基- β -環糊精的製備方法)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	United States	US 10,246,524 B2	October 14, 2014	20 years
26.	Continuous Unit for Preparing Benzaldehyde Intermediates (製備苯甲醛類中間體的連續化裝置)	Utility Model	Asymchem Life Science	PRC	ZL2018214309230	August 31, 2018	10 years
27.	Transaminase and Use Thereof (轉氨酶及其用途)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	Europe	EP 3075847 B1	October 31, 2014	20 years
28.	A Method to Prepare Hydrocarbonyl Phosphonates (一種羥基膦酸酯的製備方法)	Invention	Asymchem Life Science	PRC	ZL201710321770X	May 9, 2017	20 years

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
29.	Double-Carbonyl Reductase Mutant and Application of Same (雙羰基還原酶突變體及其應用)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	Europe	EP 3141601 B1	August 4, 2014	20 years
30.	Monooxygenase Mutants, its Preparation Method and Application (一種單加氧酶突變體及其製備方法和應用)	Invention	The Company	PRC	ZL2018101236560	February 7, 2018	20 years
31.	Polymer Containing Carboxyl Group, Preparation Method and Application Thereof, Supported Catalyst and Preparation Methods Thereof and Preparation Methods of Penem Antibiotic Intermediate (含羧基聚合物及其製備方法和用途、負載催化劑及其製備方法以及培南類抗生素中間體的製備方法)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	United States	US 10,399,071 B2	September 10, 2014	20 years

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
32.	Polymer Containing Carboxyl Group and Use Thereof (含羧基聚合物及其用途)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	Europe	EP 3075751 B1	September 10, 2014	20 years
33.	Continuous Photochemical Reactor and its System (連續光化學反應裝置及系統)	Utility Model	The Company	PRC	ZL2019203256465	March 14, 2019	10 years
34.	Continuous Electrochemical Reactor and A Method of Continuous Oxidation of Thioether Substrates to Sulfone (連續電化學反應裝置及硫醚類底物連續氧化成磺的方法)	Invention	The Company	PRC	ZL2017106680337	August 7, 2017	20 years
35.	Electrolyzer and Electrolytic System (電解裝置及電解系統)	Utility Model	The Company	PRC	ZL201920814583X	May 31, 2019	10 years

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
36.	Preparation Method of Chiral β -amino Acids (手性 β -氨基酸的製備方法)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	PRC	ZL2016105393449	July 8, 2016	20 years
37.	A Synthetic Method of Etelcalcetide Intermediate and Etelcalcetide (一種依特卡肽中間體及依特卡肽的合成方法)	Invention	The Company	PRC	ZL201911217130X	December 3, 2019	20 years
38.	Continuous Synthesis and Purification Unit and its Continuous Reaction System (連續化合成 – 純化一體裝置及含有其的連續化反應系統)	Utility Model	Jilin Asymchem Laboratories	PRC	ZL201921262311X	August 6, 2019	10 years
39.	Continuous Synthetic Method of 2-Chloropyrimidine-4-formic Acid Compounds (2-氯嘧啶-4-甲酸類化合物的連續性合成方法)	Invention	Asymchem Pharmaceuticals	PRC	ZL2019111620405	November 25, 2019	20 years

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
40.	Synthetic Method of Chiral Fluorine-containing Amine Compounds (含氟手性胺類化合物的合成方法)	Invention	The Company	PRC	ZL2020101188808	February 26, 2020	20 years
41.	Interlocking Linkage Cabinet (互鎖聯動櫃)	Utility Model	Asymchem Life Science	PRC	ZL2019213642688	August 21, 2019	10 years
42.	Synthetic Method, Kits and Applications of D-heterocyclic Amino Acid (D-雜環氨基酸的合成方法、試劑盒及應用)	Invention	The Company	PRC	ZL2018100647715	January 23, 2018	20 years
43.	Transaminase Mutants and its Application (轉氨酶突變體及其應用)	Invention	The Company	PRC	ZL2020103530698	April 29, 2020	20 years
44.	Immobilized Enzyme, its Preparation Method and Application (固定化酶、其製備方法及其應用)	Invention	Asymchem Life Science	PRC	ZL2020103535583	April 29, 2020	20 years
45.	Transaminase Mutants and its Application (轉氨酶突變體及其應用)	Invention	Asymchem Life Science	PRC	ZL2018101125981	February 5, 2018	20 years

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
46.	Synthetic Method of N-Boc-Dolaproine and Boc-Dap DCHA (N-Boc-Dolaproine 及Boc-Dap DCHA 的合成方法)	Invention	Asymchem Life Science	PRC	ZL2020104871280	June 2, 2020	20 years
47.	Continuous Post-processing Unit of Penem Compounds (培南類化合物連續化後處理裝置)	Utility Model	The Company	PRC	ZL2019217282319	October 15, 2019	10 years
48.	Ketoreductase Mutants and its Application (酮還原酶突變體及其應用)	Invention	Asymchem Life Science	PRC	ZL2020105100497	June 8, 2020	20 years
49.	A Method to Prepare Multiple-chiral Center Amine Compounds (製備具有多個手性中心的胺化合物的方法)	Invention	Asymchem Life Science	PRC	ZL2017109368883	October 10, 2017	20 years
50.	L-amino Acid Ligase Slal, its Preparation Method and Application (L-氨基酸連接酶 Slal、其製備方法及應用)	Invention	Asymchem Life Science	PRC	ZL2020105206561	June 10, 2020	20 years

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
51.	A Method to Prepare Multiple-chiral Center Alcoholic Compounds (製備具有多個手性中心的醇化合物的方法)	Invention	Jilin Asymchem Laboratories	PRC	ZL2017109361742	October 10, 2017	20 years
52.	Ketoreductase Mutants and its Application (酮還原酶突變體及其應用)	Invention	Jilin Asymchem Laboratories	PRC	ZL2018100607949	January 22, 2018	20 years
53.	Continuous Synthetic Method of Rufinamide (盧非酰胺的連續化合成方法)	Invention	The Company	PRC	ZL2018111788420	October 10, 2018	20 years
54.	Synthetic Method of Sulopenem Side Chain (硫培南側鏈的合成方法)	Invention	Asymchem Life Science	PRC	ZL2019100745708	January 25, 2019	20 years
55.	Dicarbonyl Reductase Mutants and its Application (雙羰基還原酶突變體及其應用)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	Korea	10-2176054	December 9, 2016	20 years

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
56.	Photochemical Continuous Reactor and Photochemical Continuous Reaction System (光化學連續反應裝置及光化學連續反應系統)	Utility Model	Liaoning Asymchem Laboratories	PRC	ZL2020204283706	March 27, 2020	10 years
57.	Grignard Reagent Continuous Preparation Unit and System (格氏試劑連續製備裝置及系統)	Utility Model	Liaoning Asymchem Laboratories	PRC	ZL2020205470610	April 14, 2020	10 years
58.	Synthetic Method of Cyclopropane Compounds (環丙烷類化合物的合成方法)	Invention	Asymchem Life Science	PRC	ZL2020108601168	August 25, 2020	20 years
59.	Enzymatic Preparation Method of Chiral Alcohol (手性醇的酶催化製備方法)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	PRC	ZL2016108876408	October 11, 2016	20 years

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
60.	A Preparation Method of Chiral Amino Heterocyclic Compound and its Derivatives (一種手性氨基雜環化合物及其衍生物的製備方法)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	PRC	ZL2016109357776	November 1, 2016	20 years
61.	Dicarbonyl Reductase Mutants and its Application (雙羰基還原酶突變體及其應用)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	India	356941	August 4, 2014	20 years
62.	Liquid Phase Synthetic Method of Etelcalcetide (伊特卡肽的液相合成方法)	Invention	Asymchem Life Science	PRC	ZL2020110343126	September 27, 2020	20 years
63.	Transaminase Mutants and its Application (轉氨酶突變體及其應用)	Invention	Asymchem Life Science	PRC	ZL2017110811016	November 6, 2017	20 years
64.	Amino Acid Dehydrogenase Mutants and its Application (氨基酸脫氫酶突變體及其應用)	Invention	Asymchem Life Science	PRC	ZL2018109423851	August 17, 2018	20 years

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
65.	Monoxygenase Mutants, its Preparation Method and Application (一種單加氧酶突變體及其製備方法和應用)	Invention	The Company	PRC	ZL2019105628626	February 7, 2018	20 years
66.	Cytochrome P450 Enzyme Mutants and its Application (細胞色素P450酶突變體及其應用)	Invention	Asymchem Life Science	PRC	ZL2021100394588	January 13, 2021	20 years
67.	Amino Acid Dehydrogenase Mutants and its Application (氨基酸脫氫酶突變體及其應用)	Invention	Asymchem Life Science	PRC	ZL2021100785149	January 21, 2021	20 years
68.	Lipase Mutants and its Application (脂肪酶突變體及其應用)	Invention	Asymchem Life Science	PRC	ZL2021100596946	January 18, 2021	20 years
69.	Proline Hydroxylase and its Application (脯氨酸羧化酶及其應用)	Invention	The Company/ Asymchem Life Science/ Asymchem Pharmaceuticals/ Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	Japan	6870102	November 4, 2016	20 years

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
70.	A Method and System of Removing Bacteriophages from Compressed Air in Fermentation Process (去除發酵壓縮空氣中噬菌體的方法及系統)	Invention	The Company	PRC	ZL2017107997999	September 7, 2017	20 years
71.	Synthetic Method of γ -Amino Acid Intermediate (γ -氨基酸中間體的合成方法)	Invention	The Company	PRC	ZL201810670845X	June 26, 2018	20 years
72.	Ketoreductase Mutants and Production Method of Chiral Alcohol (酮還原酶突變體及生產手性醇的方法)	Invention	The Company	PRC	ZL2019105118958	June 13, 2019	20 years
73.	PVA Membrane Immobilized Enzyme and its Preparation Method (PVA膜固定化酶及其製備方法)	Invention	Asymchem Life Science	PRC	ZL2020106834765	July 16, 2020	20 years
74.	Transaminase Mutants and its Application (轉氨酶突變體及其應用)	Invention	The Company	PRC	ZL2019110334815	October 28, 2019	20 years
75.	Esterase Mutants and its Application (酯酶突變體及其應用)	Invention	Asymchem Life Science	PRC	ZL2021101070533	January 27, 2021	20 years

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Duration of Patent Right ⁽¹⁾⁽²⁾
76.	Enzyme-catalyzed Double-Michael Continuous Addition Method (酶催化的雙邁克爾連續加成方法)	Invention	Asymchem Life Science	PRC	ZL202011479821X	December 16, 2020	20 years
77.	Modified Ketoreductase Mutants and its Preparation Method and Application (改進的酮還原酶突變體及其製備方法和應用)	Invention	Jilin Asymchem Laboratories	PRC	ZL2017114219658	December 25, 2017	20 years

Notes:

1. According to the PRC laws, the duration of a patent right for inventions shall be 20 years and the duration of a patent right for utility models shall be 10 years, both commencing from the date of application.
2. The duration of the overseas patent rights owned by the Company and its subsidiaries is 20 years, commencing from the date of application.

As at the Latest Practicable Date, the Group had applied for registration the following patents which are material to its business:

No	Patent Name	Type	Applicant	Jurisdiction of Registration	Application Number	Date of Application
1.	Proline Hydroxylase and its Application (脯氨酸羧化酶及其應用)	Invention	The Company/Asymchem Life Science/Asymchem Pharmaceuticals/Asymchem Laboratories (Fuxin)/Jilin Asymchem Laboratories	PRC	201610971207.2	November 4, 2016

No	Patent Name	Type	Applicant	Jurisdiction of Registration	Application Number	Date of Application
2.	Monooxygenase Mutants and its Application (單加氧酶突變體及其應用)	Invention	The Company	PRC	201811307573.3	November 5, 2018
3.	Continuous Photochemical Reaction Unit and its System (連續光化學反應裝置及系統)	Invention	The Company	PRC	201910195168.5	March 14, 2019
4.	Continuous synthesis method of 1,1'-Bicyclo[1.1.1]Pentane-1,3-3-Pentanone (1,1'-二環[1.1.1]戊烷-1,3-3-二乙基甲酮類有機物的連續化合成方法)	Invention	Jilin Asymchem Laboratories	PRC	201910502689.0	June 11, 2019
5.	Continuous synthesis method of Propellane compound (螺漿烷類化合物連續合成的方法)	Invention	Jilin Asymchem Laboratories	PRC	201910527363.3	June 18, 2019
6.	Immobilized Enzyme, its Preparation Method and Application (固定化酶、其製備方法及其應用)	Invention	Jilin Asymchem Laboratories	PRC	201911360761.7	December 25, 2019
7.	Immobilized Enzyme, its Preparation Method and Application (固定化酶、其製備方法及應用)	Invention	Jilin Asymchem Laboratories	PRC	202010038661.9	January 14, 2020

No	Patent Name	Type	Applicant	Jurisdiction of Registration	Application Number	Date of Application
8.	PEI Immobilized Enzyme, its Preparation Method and Application (PEI固定化酶、其製備方法及其應用)	Invention	Asymchem Life Science	PRC	202010664338.2	July 10, 2020
9.	Reaction module and its reactor (反應組件及具有其的反應器)	Invention	Asymchem Life Science	PRC	202011027481.7	September 25, 2020
10.	Preparation device of Grignard reagent and preparation system of Grignard reagent (格氏試劑用製備裝置及格氏試劑的製備系統)	Utility Model	The Company	PRC	202120354981.5	February 8, 2021
11.	A photocatalytic method for continuous bromination (一種光催化連續溴代的方法)	Invention	The Company	PRC	202110226837.8	March 2, 2021
12.	Transaminase Mutants and its Application (轉氨酶突變體及其應用)	Invention	The Company	PRC	202110451381.5	April 26, 2021
13.	Synthetic Method of chiral amine (手性胺的合成方法)	Invention	The Company	PRC	202110451383.4	April 26, 2021
14.	Preparation method of polypeptide (多肽的製備方法)	Invention	The Company	PRC	202110554938.8	May 21, 2021

Software copyrights

As of the Latest Practicable Date, the Group had registered the following software copyrights which are material to its business:

<u>No</u>	<u>Software Name</u>	<u>Registrant</u>	<u>Registration Number</u>	<u>Date of Registration</u>
1.	Automatic thermostatic heating system V1.0 (全自動恒溫加熱系統 V1.0)	Liaoning Asymchem Laboratories	2018SR685321	August 27, 2018
2.	Pressure, temperature and liquid level detection system V1.0 (壓力溫度液位檢測系統V1.0)	Liaoning Asymchem Laboratories	2018SR691071	August 29, 2018
3.	Clinical drug preparation procedure supervision system V1.0 (臨床藥物制備流程監管系統V1.0)	Clin-nov Medical	2021SR0496782	April 6, 2021
4.	Clinical drug preparation quality testing system V1.0 (臨床藥物制備質量檢測系統V1.0)	Clin-nov Medical	2021SR0495544	April 6, 2021
5.	Clinical drug development information management platform V1.0 (臨床藥物研發信息化管理平台 V1.0)	Clin-nov Medical	2021SR0494381	April 6, 2021
6.	Clinical drug development technology application management system V1.0 (臨床藥物研發技術應用管理系統V1.0)	Clin-nov Medical	2021SR0494533	April 6, 2021
7.	Clinical drug development progress management system V1.0 (臨床藥物研發進度管理系統V1.0)	Clin-nov Medical	2021SR0500305	April 7, 2021

DISCLOSURE OF INTERESTS

Disclosure of Interests of Directors, Supervisors and Chief Executive of the Company

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no additional restricted A Shares are granted under the A Share Incentive Schemes), the interests and/or short positions (as applicable) of the Directors, Supervisors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any interests and/or short positions (as applicable) in shares, underlying Shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO) which (1) will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (2) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) 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 the Company and the Hong Kong Stock Exchange, in each case once the Shares are listed on the Hong Kong Stock Exchange, will be as follows:

Interests/Short Positions in the Shares

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares Held or Interested	Approximate	Approximate
				Percentage of Shareholding in the Relevant Class of Shares	Percentage of Shareholding in the Total Issued Share Capital
				(%)	(%)
Dr. Hao Hong	Beneficial owner	A Shares	10,191,928	4.17	3.87
	Interest held by controlled corporations ⁽¹⁾	A Shares	88,510,520	36.18	33.64
Mr. Zhang Da	Beneficial owner	A Shares	126,000	0.05	0.05
	Beneficial owner ⁽²⁾	A Shares	54,000	0.02	0.02

Notes:

- As of the Latest Practicable Date, Dr. Hao Hong directly held 71.19% equity interest in ALAB. Therefore, Dr. Hao Hong was deemed to be interested in the Shares held by ALAB.
- Interests in Restricted A Shares granted pursuant to A Share Incentive Schemes.

Long Position in Shares of Associated Corporations

<u>Name of Director or Chief Executive</u>	<u>Name of Associated Corporations</u>	<u>Capital Contributions</u>	<u>Nature of Interest</u>	<u>Approximate Percentage</u> (%)
Dr. Hao Hong	Yugen Medtech ⁽¹⁾	RMB3,418,800 ⁽¹⁾	Interest in controlled corporation	10.53

Note:

- As of the Latest Practicable Date, Dr. Hao Hong was a limited partner of Tianjin Tianhao Management Consulting Partnership (Limited Partnership) (天津天浩管理諮詢合夥企業(有限合夥)) (“**Tianjin Tianhao**”) holding 90.7% of the limited partnership interest of Tianjin Tianhao. Yugen Medtech is a limited liability company established in the PRC with a registered capital of RMB32,478,600, among which RMB3,418,800 was contributed by Tianjin Tianhao, representing approximately 10.53% of the registered capital of Yugen Medtech. Under the SFO, Dr. Hao Hong is deemed to be interested in Tianjin Tianhao’s limited partnership interest in Yugen Medtech.

Save as disclosed above, none of the Directors, Supervisors or the chief executive of the Company will, immediately following the completion of the Global Offering, have an interest and/or short position (as applicable) in the Shares, underlying Shares or debentures of the Company or any interests and/or short positions (as applicable) in the shares, underlying Shares or debentures of the Company’s associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) 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 the Company and the Hong Kong Stock Exchange, in each case once the Shares are listed on the Hong Kong Stock Exchange.

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, or who will directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company or of any member of the Group, see “Substantial Shareholders.”

FURTHER INFORMATION ABOUT DIRECTORS AND SUPERVISORS**Particulars of the Service Contracts**

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we will enter into a contract with each of our Directors and Supervisors in respect of, among other things (i) compliance of relevant laws and regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has entered into any service contracts as a director or supervisor with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Remuneration of Directors and Supervisors

For details of the remuneration of Directors and Supervisors, see “Directors, Supervisors and Senior Management – Directors’ and Supervisors’ Remuneration and Remuneration of Five Highest Paid Individuals” and note 8 in “Appendix IA Accountant’s Report.”

Agency Fees or Commissions Received

The Underwriters will receive an underwriting commission in connection with the Underwriting Agreements, as detailed in “Underwriting – Commissions and Expenses.” Save in connection with the Underwriting Agreements, no commissions, discounts, brokerages or other special terms have been granted by the Group to any person (including the Directors, promoters and experts referred to in “Other Information – Qualifications and Consents of Experts” below) in connection with the issue or sale of any capital or security of the Company or any member of the Group within the two years immediately preceding the date of this prospectus.

Save for the underwriting commission paid to the underwriters in relation to the issuance of the non-public offering of 10,178,731 A Shares in September 2020 as disclosed in “History and Development – Establishment and Development of the Company – 9. Non-public offering in September 2020”, within the two years immediately preceding the date of this prospectus, 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 the Company.

Personal Guarantees

The Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to the Group.

Disclaimers

- (a) Save as disclosed in the section headed “History and Development,” none of the Directors, Supervisors nor any of the experts referred to in “Other Information – Qualifications and Consents of Experts” below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) Save in connection with the Underwriting Agreements, none of the Directors, Supervisors nor any of the experts referred to in “Other Information – Qualifications and Consents of Experts” below, is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group.
- (c) Neither the Controlling Shareholders nor the Directors are interested in any business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the business of the Group.
- (d) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned.
- (e) So far as is known to the Directors, none of the Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the five largest customers or the five largest suppliers of the Group.

A SHARE INCENTIVE SCHEMES

Pursuant to Administrative Measures for the Equity Incentives of Listed Companies (《上市公司股權激勵管理辦法》) issued by the CSRC, as amended and supplemented from time to time, the Company may adopt various equity incentive schemes at the same time provided that the aggregate number of A Shares involved in equity incentive schemes within any validity period shall not exceed 10% of the Company’s total share capital.

The 2016 Share Option and Restricted A Share Incentive Scheme, the 2018 Restricted A Share Incentive Scheme, the 2019 Restricted A Share Incentive Scheme, the 2020 Restricted A Share Incentive Scheme and the 2021 Restricted A Share Incentive Scheme (collectively, the “**A Share Incentive Schemes**”) were adopted and approved by the Shareholders’ meetings held on January 16, 2017, July 12, 2018, April 12, 2019, July 9, 2020 and July 5, 2021, respectively. The options granted under the 2016 Share Option and Restricted A Share Incentive Scheme

have all been canceled as at the Latest Practicable Date. As such, the terms of the A Share Incentive Schemes are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve any grant of options by our Company to subscribe for new Shares after the Listing.

Terms of each of the A Share Incentive Schemes

The terms of each of the A Share Incentive Schemes are substantially similar and are summarized below.

(a) Purpose

The purpose of the A Share Incentive Schemes is to establish the long-term incentive mechanism of the Company, attract and retain talents, mobilize the enthusiasm of the directors, senior management and key technical employees of the Company, foster shared interests among the shareholders, the Company and operators, thereby promoting sustained, long-term and healthy growth of the Company.

(b) Types of Awards

The A Share Incentive Schemes provides for awards of options (only under 2016 Share Option and Restricted A Share Incentive Scheme) and restricted A Shares (the “**Awards**”).

(c) Administration

The Shareholders’ meeting is the highest authority of the A Share Incentive Schemes. The Board is the managing authority of the A Share Incentive Schemes. The board of Supervisors and independent non-executive Directors are the supervising authorities of the A Share Incentive Schemes.

(d) Scope of Participants

The Directors, senior or mid-level management and key technical employees of the Company (excluding independent non-executive Directors, Supervisors, Shareholders that hold more than 5% of the Company’s shares and the Controlling Shareholders and their spouses, parents, and children) (the “**Participants**”).

(e) Source of Shares

The Shares underlying the A Share Incentive Schemes shall be ordinary A Shares.

(f) Maximum Number of Shares

The maximum number of shares involved with the Awards to be granted to an eligible employee under all effective A Share Incentive Schemes shall not exceed 1% of the total outstanding share capital of the Company. The total number of shares involved with all effective A Share Incentive Schemes shall not exceed 10% of the total outstanding share capital of the Company.

(g) Validity Period of the A Share Incentive Schemes

Subject to the termination provisions under the A Share Incentive Schemes, the A Share Incentive Schemes shall be valid and effective commencing on the date that the Awards are granted (the “**Initial Grant**”) to when such Awards are no longer under any lock-ups, fully exercised or cancelled. The term of validity underlying the A Share Incentive Schemes of 2016, 2018, 2020 and 2021 shall not exceed 60 months. The term of validity underlying the 2019 Restricted A Share Incentive Scheme shall not exceed 48 months.

(h) Date of Grant

The date on which the Awards are granted shall be determined by the Board, subject to approval of the A Share Incentive Schemes by the shareholders’ meeting, which shall be a trading day. The Awards shall be granted, registered and announced within 60 days after the approval of the A Share Incentive Schemes by the shareholders’ meeting. Otherwise, the A Share Incentive Schemes shall be terminated, and the Awards thereunder that have not been granted shall become invalid.

(i) Lock-up Period

The lock-up periods for the Awards underlying the A Share Incentive Schemes (other than the special Awards granted under the 2021 Restricted A Share Incentive Scheme) are 12 months, 24 months and 36 months, respectively, and the lock-up periods for the special Awards granted under the 2021 Restricted A Share Incentive Scheme are 12 months, 24 months, 36 months and 48 months, respectively. All the above-mentioned lock-up periods commence from the date on which the Awards were registered (the “**Registration Date**”). During the lock-up period, the Awards shall not be transferred, used as guarantee or repayment of debt.

The unlocking periods (each, an “**Unlocking Period**”) in relation to the Restricted A Shares granted under the Initial Grant are set out below.

Unlocking Period of the A Share Incentive Schemes (other than the special Awards granted under the 2021 Restricted A Share Incentive Scheme):

	<u>Unlocking Period</u>	<u>Proportion of unlocking</u>
First Unlocking Period	From the first trading day after 12 months from the Registration Date to the last trading day within 24 months from the Registration Date	40%
Second Unlocking Period	From the first trading day after 24 months from the Registration Date to the last trading day within 36 months from the Registration Date	30%
Third Unlocking Period	From the first trading day after 36 months from the Registration Date to the last trading day within 48 months from the Registration Date	30%

Unlocking Period of the special Awards granted under the 2021 Restricted A Share Incentive Scheme:

	<u>Unlocking Period</u>	<u>Proportion of unlocking</u>
First Unlocking Period	From the first trading day after 12 months from the Registration Date to the last trading day within 24 months from the Registration Date	30%
Second Unlocking Period	From the first trading day after 24 months from the Registration Date to the last trading day within 36 months from the Registration Date	20%

	<u>Unlocking Period</u>	<u>Proportion of unlocking</u>
Third Unlocking Period	From the first trading day after 36 months from the Registration Date to the last trading day within 48 months from the Registration Date	20%
Fourth Unlocking Period	From the first trading day after 48 months from the Registration Date to the last trading day within 60 months from the Registration Date	30%

(j) Grant and Exercise of Awards

On and subject to certain terms of the A Share Incentive Schemes, Awards can be granted to or exercised by any eligible employee, i.e., linking the grant and exercise of the Awards to the attainment or performance of milestones by the Company and the grantee. If the performance of the Company, the relevant grantee and other conditions are not fulfilled in the stipulated period, the Awards shall be repurchased or cancelled by the Company.

(k) Amendment or Termination of the A Share Incentive Schemes

Any amendment or termination of the A Share Incentive Schemes shall be submitted to the Board and shareholders for consideration. The independent Directors and Supervisory Committee shall express their relevant views and the Company's legal adviser shall provide professional advice to the Board whether such adjustment is fair and reasonable and in compliance with the A Share Incentive Schemes and the relevant laws and regulations. Any amendment that results in early exercise or unlocking or lowers the exercise price or grant price is prohibited.

Restricted A Shares Granted

The options granted under the 2016 Share Option and Restricted A Share Incentive Scheme have all been canceled as at the Latest Practicable Date. As of the Latest Practicable Date, a total of 3,420,100 restricted A Shares were granted to 437 eligible Participants under A Share Incentive Schemes other than certain restricted A Shares repurchased and canceled by the Company due to resignation of certain Participants. The following table set forth the restricted A Shares held by relevant Participants under the A Share Incentive Schemes as of the Latest Practicable Date:

<u>Name</u>	<u>Position</u>	<u>Number of restricted A Shares granted up to the Latest Practicable Date</u>	<u>Percentage to the total number of Shares in issue as of the Latest Practicable Date</u>	<u>Percentage to the total number of Shares in issue immediately after the Global Offering (assuming that the Over-allotment Option is not exercised and no additional restricted A Shares are granted under the A Share Incentive Schemes)</u>
			(%)	(%)
Director				
Zhang Da	Executive Director, Deputy General Manager and Chief Financial Officer	54,000	0.02	0.02
Senior management				
Xiao Yi	Deputy General Manager	90,000	0.04	0.03
Jiang Yingwei	Deputy General Manager	180,000	0.07	0.07
Members of senior or mid-level management (excluding senior management) and key technical employees of the Company		3,096,100	1.27	1.18
Total		3,420,100	1.40	1.30

Note:

- None of the Participants is independent non-executive Director, Supervisor, shareholder that hold more than 5% of the Company's shares and the controlling shareholder and their spouses, parents, and children.

OTHER INFORMATION**Estate Duty**

The Directors have been advised that no material liability for estate duty is likely to fall on the Group.

Indemnity

ALAB, a Controlling Shareholder, has provided an undertaking in favour of us, pursuant to which ALAB undertook to indemnify us in full against any outstanding amount of, or fines and penalties resulting from any insufficient contribution to social insurance and housing provident funds during the Track Record Period as disclosed in “Business – Compliance – Failure to Make Full Contributions to Social Insurance and Housing Provident Funds”.

No Material Adverse Change

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospect of our Group since June 30, 2021, being the date to which the latest audited consolidated financial statements of our Group were prepared.

Litigation

As of the Latest Practicable Date, the Company was not engaged in any outstanding litigation or arbitration which may have material adverse effect on the Global Offering and, so far as the Directors are aware, no material litigation or claim was pending or threatened by or against the Company.

The Joint Sponsors

The Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Each of the Joint Sponsors will receive a fee of US\$500,000 for acting as the sponsors for the Listing.

Compliance Adviser

The Company has appointed Anglo Chinese Corporate Finance, Limited as the compliance adviser upon Listing in compliance with Rules 3A.19 and 19A.05 of the Listing Rules.

Preliminary Expenses

The Company has not incurred any preliminary expenses.

Promoters

The information of our promoters when we were established as a joint stock limited company is as follows:

<u>Name of Shareholder</u>	<u>Number of Shares held upon our establishment</u>	<u>Shareholding percentage upon our establishment</u>
ALAB	35,308,982	58.848%
Dr. Hao Hong	3,738,982	6.232%
Hongruntong	2,492,389	4.154%
Tianchuang Fuxin	2,482,759	4.138%
Guorong Business	2,364,532	3.941%
Kunlunjishi	2,068,966	3.448%
Shanghe Century	1,891,626	3.153%
Ruizhihui	1,730,583	2.884%
Chenglun Electric	1,655,172	2.759%
Huafang Venture Capital	1,665,172	2.759%
Tianchuang Zhongxin	1,241,379	2.069%
Junyi Boxing	1,034,483	1.724%
Junyi Boying	1,034,483	1.724%
Qinghai Mingjiao Co., Ltd. (青海明膠股份有限公司)	827,586	1.379%
Aitao Investment	472,906	0.788%
Total	60,000,000	100.00%

Within the two years immediately preceding the date of this prospectus, no cash, securities, amount or benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

Qualifications and Consents of Experts

The qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this prospectus are as follows:

Name of Expert	Qualifications
Goldman Sachs (Asia) L.L.C.	A corporation licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
CLSA Capital Markets Limited	A corporation licensed under the SFO to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
DeHeng Law Offices	PRC legal advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

Each of the experts listed 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 references to its name and qualifications included herein in the form and context in which they respectively appear.

Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of 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.

Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Miscellaneous

- (a) Save as disclosed in this section, within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiary has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash.
- (b) No share or loan capital of the Company or any of its subsidiary is under option or is agreed conditionally or unconditionally to be put under option.
- (c) No founder, management or deferred shares of the Company or any of its subsidiary have been issued or have been agreed to be issued.
- (d) Save for our A Shares, none of the equity and debt securities of the Company or its subsidiary is presently listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (e) The Company has no outstanding convertible debt securities or debentures.
- (f) None of the experts listed under “– Qualifications and Consents of Experts”:
 - (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the Underwriting Agreements.
- (g) The English text of this prospectus and the **GREEN** Application Form shall prevail over their respective Chinese text.
- (h) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.
- (i) The Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

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 **GREEN** Application Form;
- (b) a copy of the material contract referred to in “Appendix VI – Statutory and General Information”; and
- (c) the written consents referred to in “Appendix VI – Statutory and General Information.”

DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.asymchem.com during a period of 14 days from the date of this prospectus:

- (a) the Articles of Association;
- (b) the Accountants’ Report, the unaudited interim financial information and the report on the unaudited pro forma financial information prepared by Ernst & Young, the texts of which are set out in “Appendix IA – Accountants’ Report”, “Appendix IB – Unaudited Interim Financial Information” and “Appendix II – Unaudited Pro Forma Financial Information,” respectively;
- (c) the audited consolidated financial statements of the Group for the years ended 31 December 2018, 2019 and 2020 and six months ended June 30, 2021;
- (d) the legal opinion from DeHeng Law Offices, the Company’s PRC legal advisor, in respect of certain aspects of the Company;
- (e) the industry report prepared by Frost & Sullivan;
- (f) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations;
- (g) the service contracts between each of the Directors and Supervisors and the Company referred to in “Appendix VI – Statutory and General Information”;
- (h) the material contract referred to in “Appendix VI – Statutory and General Information”;
- (i) the written consents referred to in “Appendix VI – Statutory and General Information;” and
- (j) the terms of the A Share Incentive Schemes.



凱萊英醫藥集團(天津)股份有限公司
Asymchem Laboratories (Tianjin) Co., Ltd.