無錫藥明康德新藥開發股份有限公司
WuXi AppTec Co.,Ltd.*

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

Stock Code: 2359

Global Offering

Joint Sponsors, Joint Global Coordinators and Joint Bookrunners

Morgan Stanley　華泰金控 HUATAI FINANCIAL　Goldman Sachs

Joint Global Coordinators and Joint Bookrunners

UBS　CMS 招商證券國際

Joint Bookrunners

China Renaissance 华兴资本　BOC INTERNATIONAL　CLSA A CITIC Securities Company

* *For identification purposes only*

IMPORTANT

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

WUXI APPTEC CO., LTD.*
無錫藥明康德新藥開發股份有限公司

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

Global Offering

Total number of Offer Shares under the Global Offering	**:**	**116,474,200 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**11,647,600 H Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**104,826,600 H Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$71.50 per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund on final pricing)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**2359**

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

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection — 1. Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators, on behalf of the Underwriters, and our Company on or before **Thursday, December 6, 2018** or such later time as may be agreed between the parties, but in any event, no later than **Friday, December 7, 2018**. If, for any reason, the Joint Global Coordinators, on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by **Friday, December 7, 2018** the Global Offering will not become unconditional and will lapse immediately. The Offer Price will be not more than HK$71.50 per Share and is expected to be not less than HK$64.10 per Share although the Joint Global Coordinators, on behalf of the Underwriters, and our Company may agree to a lower price. The Joint Global Coordinators, on behalf of the Underwriters, may, with the consent of our Company, reduce the indicative Offer Price range below that stated in this prospectus (being HK$64.10 per Share to HK$71.50 per Share) at any time on or prior to the morning of the last date for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.wuxiapptec.com.cn as soon as practicable but in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, see the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

We are incorporated and a substantial majority of our business and assets are located in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong, and the fact that there are different risks relating to investment in PRC-incorporated companies. 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", "Regulatory Overview", "Appendix III — Taxation and Foreign Exchange", "Appendix IV — Summary of Principal Legal and Regulatory Provisions" and "Appendix V — Summary of Articles of Association" to this prospectus.

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Hong Kong Public Offer Shares, the Joint Sponsors and the Joint Global Coordinators, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in their absolute discretion, to terminate the obligation of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination". 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 laws in the United States, and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Offer Shares are being offered and sold only (i) in the United States to QIBs in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act and (ii) outside of the United States in offshore transactions in reliance on Regulation S.

Monday, December 3, 2018

* *For identification purposes only*

EXPECTED TIMETABLE[1]

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk** (*note 2*)	11:30 a.m. on Thursday, December 6, 2018
Application lists for the Hong Kong Public Offering open (*note 3*)	11:45 a.m. on Thursday, December 6, 2018
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC (*note 4*)	12:00 noon on Thursday, December 6, 2018
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, December 6, 2018
Application lists close (*note 3*)	12:00 noon on Thursday, December 6, 2018
Expected Price Determination Date (*note 5*)	Thursday, December 6, 2018
Announcement of the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.wuxiapptec.com.cn** on or before (*note 6*)	Wednesday, December 12, 2018
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. (See the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results") from	Wednesday, December 12, 2018
Results of allocations for the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function from	Wednesday, December 12, 2018
Share certificates (if applicable) in respect of wholly or partially successful applications to be dispatched on or before	Wednesday, December 12, 2018
e-Auto Refund payment instructions/Refund checks in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications to be dispatched on or before (*note 7*)	Wednesday, December 12, 2018
Dealings in H Shares on the Stock Exchange to commence at 9:00 a.m. on	Thursday, December 13, 2018

Notes:

(1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering".

(2) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained 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 a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on **Thursday, December 6, 2018**, the application lists will not open on that day. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares — 10. Effect of bad weather on the opening of the application lists".

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" for details.

(5) The Offer Price is expected to be determined by **Thursday, December 6, 2018**, but in any event, the expected time for determination of the Offer Price will not be later than **Friday, December 7, 2018**. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators, on behalf of the Underwriters, and our Company by **Friday, December 7, 2018**, the Global Offering will not proceed.

(6) If the Offer Price is determined on **Thursday, December 6, 2018**, the announcement of the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares and the successful applicants' identification document numbers will be published on or before **Wednesday, December 12, 2018**.

(7) Applicants who apply for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated on their Application Forms that they wish to collect any refund check(s) (if applicable) and/or Share certificate(s) (if applicable) in person from our H Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Center, 183 Queen's Road East, Hong Kong, may do so in person from 9:00 a.m. to 1:00 p.m. on **Wednesday, December 12, 2018**. Applicants being individuals who are applying for 1,000,000 Hong Kong Offer Shares or more and opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Hong Kong Offer Shares or more and opt for personal collection must attend by their authorized representatives bearing letters of authorization from their corporations stamped with the corporations' chop. Identification and (where applicable) authorization documents acceptable to our H Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Center, 183 Queen's Road East, Hong Kong, must be produced at the time of collection. Uncollected Share certificates and refund checks will be dispatched by ordinary post at the applicants' own risk to the addresses specified on the relevant Application Forms. Further details are set out in the paragraphs headed "14. Dispatch/Collection of H Share Certificates and Refund Monies" in the section headed "How to Apply for Hong Kong Offer Shares".

Share certificates for the Hong Kong Offer Shares are expected to be issued on **Wednesday, December 12, 2018**, but will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade H Shares on the basis of publicly available allocation details before the receipt of Share certificates and before they become valid do so entirely at their own risk.

For details of the structure of the Global Offering, including the conditions thereof, please refer to the section headed "Structure of the Global Offering".

CONTENTS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus or the Application Forms must not be relied on by you as having been authorized by our Company, the Joint Global Coordinators, the Joint Sponsors, any of the Underwriters, any of our or their respective directors, officers, representatives, or affiliates, or any other person or party involved in the Global Offering. Information contained in our website, located at www.wuxiapptec.com.cn, does not form part of this prospectus.

CONTENTS

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.

OVERVIEW

Our vision is that "every drug can be made and every disease can be treated" through building the open-access platform with the most comprehensive capabilities and technologies in the global healthcare industry.

We are a leading global pharmaceutical R&D services platform and the largest in Asia by total revenue in 2017, according to the F&S Report, transforming the business of discovery, development and manufacturing of innovative pharmaceuticals. We provide comprehensive and integrated research and manufacturing services throughout the discovery, development and manufacturing spectrum for small molecule drugs. We also provide development and manufacturing services for cell and gene therapies as well as testing services for medical devices. Headquartered in Shanghai, we have 27 operation sites and branch offices across the globe, including in China, the U.S. and Europe. We completed the initial public offering and listing of 104,198,556 A Shares (stock code: 603259) on the Shanghai Stock Exchange on May 8, 2018.

We are one of the few comprehensive, end-to-end new drug R&D service platforms, with service capabilities covering the entire drug discovery, development and manufacturing value chain, according to the F&S Report. Our end-to-end platform enables discovery, development and manufacturing of drugs from concept to commercial manufacturing. Through our platform, we cater to the needs of our expanding, global and diverse customer base, ranging from multinational pharmaceutical and biotechnology companies to venture-backed start-up and virtual companies, which are companies that employ a relatively small number of people and outsource most of their research, development and manufacturing to third parties, as well as academics and non-profit research organizations. For the last twelve months ended June 30, 2018, we provided services to 3,380 customers. We enjoy a high level of customer loyalty and have developed solid working relationships with many customers. During the Track Record Period, we achieved 100% retention for our top 10 customers.

As a result of increasing R&D costs and the complex nature of drug discovery, our comprehensive capabilities have attracted global pharmaceutical companies seeking to improve the efficiency of their drug discovery and development. In particular, the integrated end-to-end nature of our platform reduces the risk of technology and data transferring between different outsourcing organizations and makes us particularly attractive to global pharmaceutical companies focused on intellectual property protection and data reliability. During the Track Record Period, all of the top 20 global pharmaceutical companies by revenue in 2017, according to the F&S Report, were our customers.

Biotechnology start-ups and virtual pharmaceutical companies are expected to constitute a significant driver in the global pharmaceutical market. These companies have a greater demand for CRO and CMO/CDMO services as they require significant lead time and infrastructure build-up to establish in-house capabilities. According to the F&S Report, these companies are expected to contribute an increasing proportion of FDA-approved new drugs (NDAs and BLAs) and their R&D expenditure is expected to grow faster than their larger peers. We believe we are uniquely positioned to capture opportunities from the rapid growth of start-up pharmaceutical and biotechnology companies, as we have capabilities at the forefront of science, removing the need for such companies to invest significant resources to develop in-house capabilities and infrastructure, and improve efficiency throughout the drug development process.

We view ourselves as a frontrunner, spearheading the success of all participants in the rapidly evolving healthcare ecosystem. We aim to lower entry barriers for the discovery and development of innovative drugs with respect to capabilities, capacity and capital, and are committed to embracing demands of new and existing customers, thereby attracting new participants to join the evolving ecosystem. Through this lowering of entry barriers, we believe we are able to catalyze and benefit from the continuous transformation of the healthcare ecosystem. By nurturing and incubating the rise of new business models and encouraging participants to develop new drugs and healthcare products, we drive the creation of new knowledge and technologies, stimulate new demand and improve efficiency, which further drives innovation and fuels the growth of all participants, including global pharmaceutical companies and biotechnology start-ups alike, in the global healthcare industry. To that end, we have made significant investments in cutting-edge biotechnology companies that develop unique technologies, artificial intelligence ("AI") capabilities and new drug targets. We have also organized the WuXi Global Forum in San Francisco every year since 2013, bringing together top executives from leading pharmaceutical companies, partners of venture capitalist firms, chief executive officers and founders of emerging startups, thought leaders from industry and academia, and officials from regulatory agencies around the world. Through the event, we provide a forum for participants to discuss the most pressing issues faced by the healthcare industry and share their insights that could shape the future of the healthcare ecosystem.

Our principle of "enabling innovation" plays a significant role in the way we design, offer and deliver our services, ensuring that we deploy our latest know-how and capabilities with the aim of enabling our customers to transform ideas into reality. Leveraging our expertise, track record and knowledge, we seek to ensure that our customers will benefit from our services and capabilities by being not only fully versed in current scientific developments but also being able to anticipate the next emerging trends. By being at the forefront of scientific developments, we seek to maintain a competitive advantage over our peers in attracting new customers and maintaining existing customers through pioneering technologies and services associated with new discoveries. Similarly, based on our experience and track record, we believe we can strategically identify discovery platforms, technologies, and assets that are valuable to our customers and further enhance our competitiveness.

We attribute our success to our experienced management team, led by our visionary founder and CEO, Dr. Ge Li, one of the pioneers in the pharmaceutical outsourcing industry. Dr. Li and our senior management team are passionately committed to transforming the drug discovery and development industry and to becoming a leading player in the global healthcare ecosystem. Since our founding 18 years ago, we have evolved from a discovery chemistry business in 2001 to an integrated platform with a comprehensive array of capabilities and over 11,000 scientists and research technicians as of June 30, 2018.

We experienced robust growth during the Track Record Period. For the years ended December 31, 2015, 2016 and 2017, our revenue amounted to RMB4,883.3 million, RMB6,116.1 million and RMB7,765.3 million, respectively. We recorded net profit of RMB683.8 million, RMB1,121.0 million and RMB1,296.7 million for the same periods, respectively. For the six months ended June 30, 2017 and 2018, our revenue amounted to RMB3,665.4 million and RMB4,409.2 million, respectively. We recorded net profit of RMB781.7 million and RMB1,304.1 million for the same periods, respectively. The market in which we operate is fragmented. The top 15 CROs and CMOs/CDMOs by revenue accounted for 27.1% of the market share of the global pharmaceutical R&D outsourcing services market by revenue in 2017. We are the largest pharmaceutical R&D services platform in Asia by total revenue in 2017, according to the F&S Report.

OUR STRENGTHS

We believe the following strengths have contributed to our success and differentiate us from our competitors:

- Leading global pharmaceutical R&D services platform with the most comprehensive capabilities;
- Enabling innovation to strengthen our competitive advantage;

- Growing network within the healthcare ecosystem through strategic acquisitions and venture investments;
- Strong, loyal and expanding customer base; and
- Experienced management team with vision and ambition.

OUR STRATEGIES

We aim to develop our platform into a leading player in the global healthcare ecosystem to empower anyone to discover, develop and manufacture drugs from concept to commercial manufacturing. We plan to execute the following key strategies to achieve our goal:

- Expand capacity and capabilities globally;
- Capture innovative technologies through strengthening our in-house R&D capabilities and acquisitions;
- Increase customer penetration and win new customers;
- Continue to attract, train and retain quality talent to support our rapid growth; and
- Expand our reach within the healthcare ecosystem.

OUR INVESTMENTS

As part of our efforts to foster the ecosystem, we have established joint ventures and made selective investments in a wide variety of companies within the healthcare ecosystem. We primarily focus our investments in (a) targets that fit into and support our existing value chain, (b) cutting edge technologies that we believe will advance the healthcare industry, (c) strategic long-term investments, and (d) venture capital funds, all of which would allow us to further access a wider variety of participants in the healthcare ecosystem while maintaining our position at the forefront of science. Up to June 30, 2018, we have invested approximately US$238.5 million in a wide range of investments, including investments in our joint ventures and associates. Up to June 30, 2018, we had realized approximately US$61.6 million in gains from disposal of our investments in seven companies, in which we had invested US$27.8 million. We primarily make venture capital investments using our own funds through our venture capital arm, WuXi PharmaTech Healthcare Fund I L.P., which is expected to play an increasingly significant role in contributing to the ecosystem as it expands its portfolio of companies. As of June 30, 2018, we had investments in 44 companies (not including our investments in our joint ventures and associates), including investments across five different areas in the healthcare industry: (a) innovative biotechnology, (b) artificial intelligence, (c) transformative technologies, (d) healthcare IT, and (e) healthcare services. As of June 30, 2018, our interests in our investees (not including our investments in our joint ventures and associates) ranged from 0.1% to 20.0%. For further details, please see "Business — Our Investments."

THE HEALTHCARE ECOSYSTEM

As we operate a comprehensive service platform of a significant scale fulfilling the demands of a diverse customer base, our platform services and operations have gradually emerged to become a catalyst in invigorating interactions among participants within the healthcare ecosystem, including our customers and suppliers. Our mix of customers ranges from global pharmaceutical companies and medical device manufacturers to biotechnology startups, virtual companies and venture-capital backed companies. Our suppliers include PRC branches of multinational companies to local companies in the PRC. In addition to our customers and suppliers, we interact with a variety of participants within the healthcare ecosystem, including individuals with an academic background and scientists, and non-profit institutions with drug development goals, and further reaching hospitals, insurance companies, drug stores and laboratories, doctors and patients.

With our market presence, market credibility and stewardship at the heart of an evolving ecosystem, we have invigorated participants to meet and interact with each other in pursuing their respective business activities spanning from discovery, development to manufacture of small molecule drugs from conceptualization to commercialization. Leveraging our capability across the entire value chain, we believe we can enable key participants to unleash their potential through our third-party service platform. We are therefore well positioned to continue to shape, optimize and develop this ecosystem to promote the greater benefit of all participants. We also seek to encourage interactions among participants in the healthcare industry and to cultivate new participants. We view ourselves as an enabler to the success of participants in the healthcare ecosystem. To that end, we intend to continue to support the growth of the healthcare ecosystem.

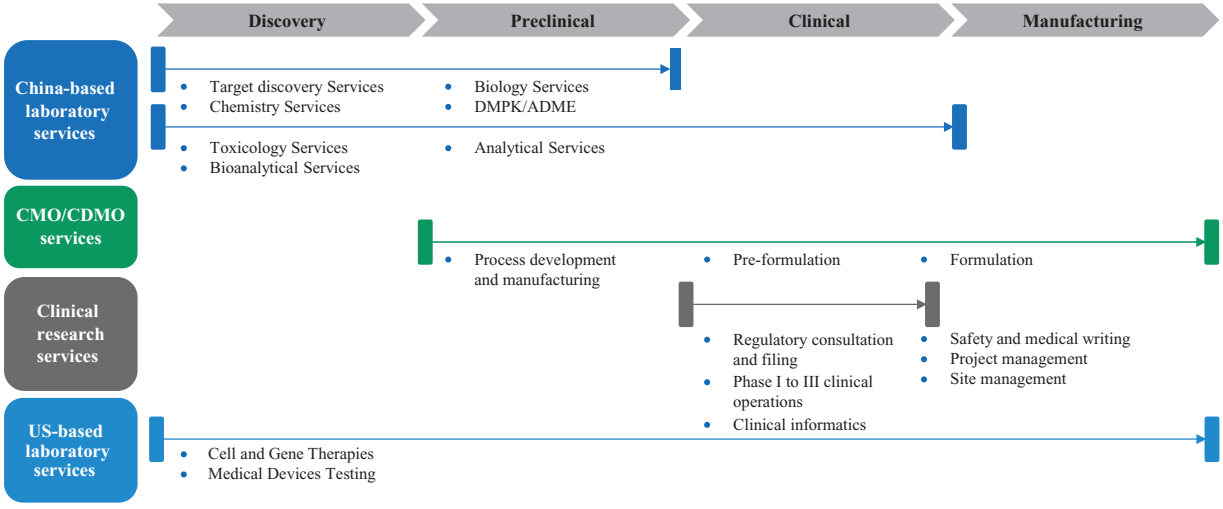
Through our continued investment and participation in the pharmaceutical R&D ecosystem, we seek to further promote our new paradigm that anyone can discover, develop and manufacture drugs through which we can attract new customers around the world. We believe we have a unique role in nurturing and invigorating the growth of the healthcare ecosystem. To do so, we seek to continue to reduce entry barriers associated with drug discovery, development and manufacturing, particularly in three areas: capabilities, capacity and capital. We will continue to broaden our capabilities through investing in and acquiring new technologies, while expanding our capacity through building more infrastructure and facilities. We also make venture capital investments through our corporate venture fund as part of our healthcare ecosystem development to support the growth of smaller companies and benefit from their expected development of cutting edge healthcare applications and technology. Harnessing our industry knowledge and our technology capabilities, we believe we have the unique ability to make targeted investments in important capabilities and discoveries, which can provide us with attractive investment returns, while allowing us to catalyze our development of new capabilities.

For further details, please see "Business — The Healthcare Ecosystem."

OUR SERVICES AND CAPABILITIES

We provide comprehensive and integrated research and manufacturing services throughout the discovery, development and manufacturing spectrum for small molecule drugs. We also provide development and manufacturing services for cell and gene therapies as well as testing services for medical devices.

The drug development process mainly consists of four stages: (i) drug discovery, (ii) pre-clinical development, (iii) clinical research, and (iv) commercial manufacturing, illustrated by the chart below:



Our services correspond to each of these stages and can be grouped into four segments: (a) China-based laboratory services, including chemistry services, biology services, drug metabolism and pharmacokinetics

("DMPK")/absorption, distribution, metabolism and excretion ("ADME"), and toxicology, bioanalytical and analytical services; (b) contract manufacturing organisation/contract development and manufacturing organisation services ("CMO/CDMO services"), focusing on development and manufacturing of advanced intermediates, active pharmaceutical ingredients ("APIs") and finished doses; (c) US-based laboratory services, including discovery, testing and manufacturing services for cell and gene therapies and testing services for medical devices; and (d) clinical research services, including clinical service support at various stages of clinical trials, monitoring and data analysis services, FDA compliance and applications, and NMPA new drug application ("NDA") procedures, and site management organization ("SMO") services. Our China-based laboratory services primarily cover pre-IND (i.e. drug discovery and pre-clinical development) stages of drug development, while our CMO/CDMO and clinical research services primarily cover post-IND (i.e. clinical research and commercial manufacturing) stages of drug development.

For further details, please see "Business — Our Services and Capabilities."

OUR FEE MODELS

Our service fee arrangement can be primarily divided into two models: (i) Fee-for-service, or FFS, model and (ii) full-time-equivalent, or FTE, model. Regardless of the model chosen, we generally enter into a master service agreement with our customers and receive payments in accordance with a pre-agreed payment schedule specified in the contract or work order issued pursuant to the master service agreement. We determine the fee level for each discovery, development or manufacturing step based on, among others, the scope of the services required for achieving such step, the estimated costs and expenses of the required services, the amount of time allocated for achieving such discovery, development or manufacturing step, the prices charged by our competitors for similar services.

Fee-for-service model

We generate service fees primarily on a FFS basis. The payment schedule sets out the service fee for services we are required to provide at each discovery, development or manufacturing step that fall under the scope of work in the contract or work order. Our service contracts and work orders under the FFS model typically include a detailed schedule that sets forth specifications of and anticipated time required for completing each step as well as the corresponding payment. When negotiating our customer contracts, we take into consideration a number of factors, such as the nature and potential of the project and the customer's needs for our service.

In certain cases, in connection with our integrated drug discovery services provided to customers in China, we may enter into success-based agreements with our customers that provide us with a milestone and/or royalty fee. For such arrangements, we focus on discovery projects associated with well-known targets, which allows us to reduce the risks associated with such arrangements and to maximize any potential upside. The milestone fee structure allows us to receive either (i) a fee for each pre-set milestone reached, which is typically a critical point in the drug development process, such as the signing of the service contract, the completion of an important discovery, development or manufacturing step, commercialization or (ii) a fee upon out-licensing of the drug by our customer. In the case of the latter, the milestone fee is typically in the form of a certain percentage of the out-licensing fee that our customers receive from the licensee of the drug. As of the Latest Practicable Date, we received milestone fees of RMB32.8 million and RMB16.8 million under the FFS model in 2016 and the six months ended June 30, 2018, respectively.

The royalty fee structure allows us to receive, on top of the service fees, typically a single digit percentage of the sales revenue of the relevant drug product, if such product is successfully commercialized. As of the Latest Practicable Date, we had not generated any revenue from the royalty fee structure because none of our projects with the royalty fee structure had advanced to commercialization.

Up to June 30, 2018, we have submitted 36 IND filings for our customers and our customers have received 25 CTA approvals.

Full-time-equivalent model

We also generate income under the full-time-equivalent, or FTE, model. Under the FTE model, we designate employees to the customer's projects at a fixed rate per FTE employee per period of time. We determine the amount of service fees based on the number of scientists and research technicians and the amount of time required for completing the project, among others. FTE contracts may have a term as long as three to four years and may be subject to annual review. We only adopt this fee model where a customer requests us to assign a team of scientists and research technicians to its project and strongly prefers the FTE model or where the work scope of a project makes it difficult for us to estimate the cost and adopt the FFS model.

For further details, please see "Business — Our Fee Models."

OUR CUSTOMERS

We provide CRO and CMO/CDMO services to more than 3,000 customers worldwide, with our major customers including all of the global top 20 pharmaceutical companies, according to the F&S Report, in addition to various research institutions. We have a diversified customer base. We provide services to customers in the United States, China, Europe and the rest of the world, respectively, whom accounted for approximately 57.2%, 20.2%, 18.3% and 4.3%, respectively, of our revenue for the year ended December 31, 2017. Most of our customers are pharmaceutical and biotechnology companies, including many global and domestic renowned industry players, and start-up biotechnology companies.

We enjoy a high level of customer loyalty and have developed solid working relationships with many customers. For the twelve months ended June 30, 2018, we provided services to 3,380 customers. Many of our customers return to us for additional projects, and our revenue generated from existing customers increased during the Track Record Period. Revenue generated from our existing customers amounted to RMB4,563.9 million, RMB5,671.8 million, RMB7,320.0 million and RMB4,079.8 million for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively, accounting for 93.5%, 92.7%, 94.3% and 92.5% of our total revenue in each year/period. We acquired 811 new customers in the six months ended June 30, 2018.

The total revenue generated from our five largest customers increased significantly from RMB1,289.2 million for the year ended December 31, 2015 to RMB1,518.0 million for the year ended December 31, 2016, and further to RMB1,690.0 million for the year ended December 31, 2017, and from RMB796.8 million for the six months ended June 30, 2017 to RMB959.2 million for the six months ended June 30, 2018. Our five largest customers in the year ended December 31, 2017 had relationships with us for approximately 16 years. In 2015, 2016, 2017 and the six months ended June 30, 2018, our five largest customers together accounted for 26.4%, 24.8%, 21.8% and 21.8%, respectively, of our revenue, and our largest customer accounted for 5.8%, 6.5%, 7.5% and 5.8%, respectively, of our revenue. See "Risk Factors — Risks Relating to Our Business and Industry — If we lose any of our key customers, our business and results of operations may be materially and adversely affected." for more information.

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 customers during the Track Record Period.

OUR SUPPLIERS

Owing to our vast array of services, we procure a wide variety of raw materials, such as experiment reagents, and equipment. The raw materials and equipment are generally available from various suppliers in quantities adequate to meet our needs. Many of our suppliers offer both equipment needed for our integrated

services and the corresponding raw materials. We primarily source our raw materials and equipment from a variety of suppliers that are located in China or have branches or subsidiaries in China. We have maintained stable relationships with many of our key suppliers. In 2015, 2016, 2017 and the six months ended June 30, 2018, our five largest suppliers together accounted for 21.7%, 16.3%, 17.2% and 17.7%, respectively, of our total purchases, and our largest supplier accounted for 9.5%, 6.4%, 5.3% and 5.7%, respectively, of our total purchases.

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.

INTELLECTUAL PROPERTY PROTECTION

The protection of our customers' intellectual property is essential to our businesses. In addition to protecting our customers' intellectual property, our success also substantially depends on our ability to protect our own proprietary rights. Our customers generally retain ownership of all intellectual property associated with their projects, including the intellectual property that they provide to us and the intellectual property arising from the services we provide. Protecting the proprietary rights of our customers has been a top priority since our inception. We have adopted various measures and procedures regarding the protection of intellectual property. See "Business — Intellectual Property Protection" for more details.

COMPETITION

We face competition from other CROs and CMO/CDMOs. The market in which we operate is highly fragmented. The 15 largest CROs and CMO/CDMOs by revenue accounted for 27.1% of the global pharmaceutical R&D outsourcing services market by revenue in 2017, which amounted to US$104.1 billion, according to the F&S Report. We are the largest pharmaceutical R&D services platform in Asia and had a global market share of 1.1% by revenue in 2017, according to the F&S Report. There are also a substantial number of smaller to medium sized CROs, both multinational and locally based, which compete for market share. These include US-based companies such as Catalent, IQVIA, Covance and Charles River, as well as China-focused companies such as Asymchem, Tigermed and Fountain Medical Development. For more details, please see "Business — Competition."

OUR FACILITIES

As of the Latest Practicable Date, we had 27 operation sites and branch offices, which include sites located in Shanghai, Suzhou, Tianjin, Wuhan and Changzhou in China, Philadelphia, Plainsboro, St. Paul, Atlanta, Austin and San Diego in the U.S., and Munich in Germany, among others. We also have sales and branch offices in Israel, Hong Kong and, Guangzhou, South Korea and Cambridge, Massachusetts in the U.S. For further details, please see "Business — Our Facilities and Offices."

SUMMARY FINANCIAL INFORMATION

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

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year Ended December 31,			Six Months Ended June 30,	
	2015	2016	2017	2017	2018
				(Unaudited)	
			(RMB'000)		
Revenue	4,883,349	6,116,131	7,765,260	3,665,375	4,409,207
Cost of services	(3,204,718)	(3,633,640)	(4,525,340)	(2,081,180)	(2,653,098)
Gross profit	1,678,631	2,482,491	3,239,920	1,584,195	1,756,109
Profit before tax	801,349	1,382,175	1,592,620	961,161	1,425,031
Income tax expense	(117,570)	(261,202)	(295,900)	(179,481)	(120,961)
Profit for the year/period	683,779	1,120,973	1,296,720	781,680	1,304,070

We recorded revenue of RMB4,883.3 million, RMB6,116.1 million, RMB7,765.3 million, RMB3,665.4 million and RMB4,409.2 million for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively. During the Track Record Period, we derived a vast majority of our revenue from our China-based laboratory services and CMO/CDMO services. Over the same periods, our revenue generally increased, attributable to increased penetration of existing customers and business from new customers. In addition, we made efforts in expanding into new businesses, such as clinical services and cell and gene therapies. Over the same periods, we have also benefited from China's growing market size and emerging policies which have encouraged the development of small molecule drugs, which have translated into increased customers and projects.

The table below sets forth a breakdown of our revenue by segment and its respective percentage for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2015		2016		2017		2017		2018	
							(Unaudited)			
	(RMB'000, except for the percentages)									
Revenue										
— China-based laboratory services	2,553,871	52.3%	3,269,775	53.5%	4,120,576	53.1%	1,986,196	54.2%	2,416,292	54.8%
— U.S.-based laboratory services	703,588	14.4%	935,231	15.3%	1,134,881	14.6%	556,812	15.2%	546,081	12.4%
— Clinical research and other CRO services	350,467	7.2%	206,274	3.4%	356,109	4.6%	145,562	4.0%	231,154	5.2%
— CMO/CDMO services	1,266,735	25.9%	1,637,016	26.8%	2,108,554	27.2%	953,780	26.0%	1,209,385	27.4%
— Others	8,688	0.2%	67,835	1.0%	45,140	0.5%	23,025	0.6%	6,295	0.2%
Total	4,883,349	100.0%	6,116,131	100.0%	7,765,260	100.0%	3,665,375	100.0%	4,409,207	100.0%

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our gross profit was RMB1,678.6 million, RMB2,482.5 million, RMB3,239.9 million, RMB1,584.2 million and

RMB1,756.1 million, respectively. For the same periods, our gross profit margin was 34.4%, 40.6%, 41.7%, 43.2% and 39.8%, respectively.

Our gross profit margin decreased from 43.2% for the six months ended June 30, 2017 to 39.8% for the six months ended June 30, 2018, primarily due to the greater appreciation of the Renminbi against the U.S. dollar in the six months ended June 30, 2018 compared to the six months ended June 30, 2017. Applying a constant exchange rate, we would have achieved gross profit margin of 42.4% for the six months ended June 30, 2018, which mainly remained stable compared to 43.2% for the six months ended June 30, 2017. Our gross profit margin increased from 40.6% for the year ended December 31, 2016 to 41.7% for the year ended December 31, 2017, primarily due to increased efficiency and productivity of our business segments. Our gross profit margin increased from 34.4% for the year ended December 31, 2015 to 40.6% for the year ended December 31, 2016, primarily because we recognized part of the one-time acceleration of vesting of the WuXi PharmaTech Stock Units and WuXi PharmaTech Options in our cost of services for the year ended December 31, 2015.

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

	Year Ended December 31,						Six Months Ended June 30,			
	2015		2016		2017		2017		2018	
							(Unaudited)			
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000, except for the percentages)									
— China-based laboratory services	862,280	33.8%	1,376,957	42.1%	1,842,201	44.7%	922,389	46.4%	1,084,491	44.9%
— U.S.-based laboratory services	274,818	39.1%	324,962	34.7%	361,897	31.9%	177,546	31.9%	125,193	22.9%
— Clinical research and other CRO services	57,631	16.4%	40,465	19.6%	102,489	28.8%	40,949	28.1%	55,362	24.0%
— CMO/CDMO services	476,405	37.6%	701,167	42.8%	918,454	43.6%	432,802	45.4%	489,230	40.5%
Others	7,497	86.3%	38,940	57.4%	14,879	33.0%	10,509	45.6%	1,833	29.1%
Total	**1,678,631**	**34.4%**	**2,482,491**	**40.6%**	**3,239,920**	**41.7%**	**1,584,195**	**43.2%**	**1,756,109**	**39.8%**

During the Track Record Period, we derived a majority of our revenue under FFS model. The table below sets forth a breakdown of our revenue by fee model for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2015	2016	2017	2017	2018
				(Unaudited)	
			(RMB'000)		
FFS	3,595,843	4,520,225	5,903,862	2,785,482	3,415,113
FTE	1,287,506	1,595,906	1,861,398	879,893	994,094
Total	**4,883,349**	**6,116,131**	**7,765,260**	**3,665,375**	**4,409,207**

Summary of Consolidated Statements of Financial Position

	As of December 31,			As of June 30,	As of October 31,
	2015	2016	2017	2018	2018
					(Unaudited)
			(RMB'000)		
Current Assets	6,358,713	6,043,710	5,470,201	7,401,966	7,310,042
Current Liabilities	2,992,177	4,201,345	4,619,423	4,694,852	5,151,303
Net Current Assets	3,366,536	1,842,365	850,778	2,707,114	2,158,739

Summary of Consolidated of Cash Flows

	Year Ended December 31,			Six Months Ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
Net cash from operating activities	738,596	1,761,308	1,795,648	634,845	420,733
Net cash (used in) from investing activities	(933,281)	383,995	(1,132,344)	(599,270)	(3,682,834)
Net cash from (used in) financing activities	428,512	(721,489)	(668,177)	(1,233,786)	2,201,402
Net increase (decrease) in cash and cash equivalents	233,827	1,423,814	(4,873)	(1,198,211)	(1,060,699)
Cash and cash equivalents at beginning of year	738,309	1,002,065	2,507,299	2,507,299	2,466,144
Effects of exchange rate changes	29,929	81,420	(36,282)	(7,800)	(25,090)
Cash and cash equivalents at end of year/ period	1,002,065	2,507,299	2,466,144	1,301,288	1,380,355

KEY FINANCIAL RATIOS

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

	Year Ended December 31,			Six Months Ended June 30,
	2015	2016	2017	2018
Profitability ratios				
Gross profit margin[(1)]	34.37%	40.59%	41.72%	39.83%
Net profit margin[(2)]	14.00%	18.33%	16.70%	29.58%
Return on equity[(3)]	12.07%	17.95%	20.26%	30.55%

	As of December 31,			As of June 30,
	2015	2016	2017	2018
Liquidity ratio				
Current ratio[(4)]	2.13	1.44	1.18	1.58
Leverage ratio				
Net gearing ratio[(5)]	0.03	0.09	0.24	0.17

Notes:

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

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

(3) Return on equity is calculated using profit for the year/period divided by the average of the opening and closing balances of total equity in the relevant year and multiplied by 100%. Such ratio has been annualized to be comparable to those of prior years but are not indicative of the actual result.

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

(5) Net gearing ratio is calculated using interest-bearing borrowings from banks and other entities and loans from a fellow subsidiary divided by total equity.

Our return on equity increased from 12.07% for the year ended December 31, 2015 to 17.95% for the year ended December 31, 2016, and increased to 20.26% for the year ended December 31, 2017 and further increased to 30.55% for the six months ended June 30, 2018, primarily due to an increase in the net profit attributable to shareholders.

Our current ratio decreased from 2.13 as of December 31, 2015 to 1.44 as of December 31, 2016, primarily attributable to an increase in our current liabilities in 2016, including short-term borrowings and other payables. Our current ratio decreased from 1.44 as of December 31, 2016 to 1.18 as of December 31, 2017, primarily because of an increase in our non-current assets and intangible assets in 2017, because we made payment with respect to equity purchase, construction in progress, purchase of subsidiaries arising from reorganization and bonus to our employees for the year 2016. Our current ratio increased to 1.58 as of June 30, 2018, due to an increase in current assets which was resulted from our receipt of proceeds from the A Share Listing.

Our net gearing ratio increased from 0.03 as of December 31, 2015 to 0.09 as of December 31, 2016 and further increased to 0.24 as of December 31, 2017, primarily due to the increase in our interest-bearing borrowings. Our net gearing ratio decreased to 0.17 as of June 30, 2018, primarily due to (i) the issue of new shares, and (ii) an increase in our profit, both of which resulted in an increase in our total equity.

THE FOUNDING INDIVIDUALS

The Founding Individuals, namely Dr. Li, Dr. Zhao, the spouse of Dr. Li, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang, who are our executive Directors, had a long-term business relationship of more than 17 years and are the founders of our Group. 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 and any options or additional Restricted A Shares which may be granted under the 2018 WuXi AppTec A Share Incentive Scheme, the Founding Individuals will collectively control approximately 27.7623% voting power at general meetings of our Company. For details of the shareholding structure of the Company, see "History and Corporate Development — Corporate Structure."

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute non-exempt continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules after the Listing. Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules are set out in the section headed "Connected Transactions" of this prospectus.

DELISTING OF WUXI PHARMATECH AND THE REORGANIZATION

Prior to the Reorganization, our predecessor was wholly-owned by WuXi PharmaTech, an exempted company with limited liability incorporated in the Cayman Islands.

On August 9, 2007, WuXi PharmaTech completed an initial public offering of ADSs on the NYSE, at the offer price of US$14.00 per ADS (i.e., one ADS represented eight shares), resulting in a market capitalization of

approximately US$833.7 million. Subsequently, on December 10, 2015, WuXi PharmaTech, which then wholly-owned our Company, was taken private by a consortium including the Financial Investors led by the Founding Individuals. For the Delisting, the purchase price paid to the NYSE investors was US$5.75 per share or US$46.00 per ADS resulting in a market capitalization of approximately US$3,622.2 million. Such purchase price was determined with reference to (i) the market price of the ADSs of WuXi PharmaTech; (ii) trading multiples of similar companies; and (iii) financial terms of certain relevant business combinations and other transactions on the NYSE. The Delisting was financed by debt financing under the LBO Facility Agreement and the Management Facility Agreement as well as equity commitment of the consortium. Our Directors confirm that, to the best of their knowledge and belief, WuXi PharmaTech had been in compliance with all applicable U.S. securities laws and regulations as well as rules and regulations of the NYSE in all material respects, and had not been subject to any disciplinary action by the relevant regulators, during the period when it was listed on the NYSE and up to the Delisting. Our Directors also confirm that there is no matter in relation to the Delisting that should be brought to the attention of our investors.

Following the Delisting, the Reorganization was carried out as part of the strategic restructuring to realign WuXi PharmaTech's businesses through three primary business units, namely our Group, WuXi Biologics and NextCode Holdings. For details, see "History and Corporate Development — Reorganization."

RECENT DEVELOPMENT

Up to September 30, 2018, for our customers in China, we had submitted 44 IND filings for our customers, and our customers had received 31 CTA approvals. For the nine months ended September 30, 2018, 16 IND filings were submitted for our customers and 14 CTA approvals were obtained by our customers.

Up to September 30, 2018, in respect of our CDMO/CMO services, we had ongoing projects working on more than 600 molecules in different R&D stages, including 521 in pre-clinical and Phase I clinical trial stage, 103 in Phase II clinical trial stage and 39 in Phase III clinical trial stage, and 14 that have been commercialized.

As of September 30, 2018, we assisted our customers to develop and manufacture cell and gene therapy products, of which 26 are in Phase I clinical trials and eight are in Phase II-III clinical trials.

Up to September 30, 2018, our customers obtained approvals to market 15 new drugs for which we provided clinical research services in China.

As of September 30, 2018, we had more than 13,000 scientists and research technicians.

For the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017, if we apply a constant exchange rate, we would have achieved an increase in revenue by 25.7%, an increase in revenue from our China-based laboratory services by 26.9%, an increase in revenue from our U.S.-based laboratory services by 5.8% and an increase in revenue from our CMO/CDMO services by 31.0%. We would also have achieved an increase in gross profit by 23.7% and would have a gross profit margin of 42.0%, applying a constant exchange rate for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017.

For the nine months ended September 30, 2018, we recorded a fair value gain on financial assets at FVTPL of RMB727.1 million, compared to RMB31.2 million for the nine months ended September 30, 2017 and RMB461.4 million for the six months ended June 30, 2018. The increase was primarily due to an increase in the fair value of our investee Hua Medicine. Subsequent to September 30, 2018, global capital markets experienced significant fluctuations. As we have investments in publicly-traded companies, we expect the fair value of our financial assets at FVTPL may be negatively affected by such fluctuations as compared to their value as of September 30, 2018. See "Risk Factors — Risks Relating to Our Business and Industry — We may not be able to realize our anticipated investment returns from our investments."

Our Directors confirm that up to the date of this prospectus, there has been no material and adverse change in the financial or trading position of our Group since June 30, 2018, except as otherwise disclosed in this prospectus.

USE OF PROCEEDS

The net proceeds from the Global Offering which the Company will receive, after deducting the underwriting commissions, the discretionary incentive fee (assuming the full payment of the discretionary incentive fee of 1% of the aggregate Offer Price of all the Offer Shares under the Global Offering) and the estimated expenses in relation to the Global Offering (assuming the Over-allotment is not exercised), will be approximately HK$7,530.9 million, assuming an Offer Price of HK$67.80 (being the mid-point of the Offer Price Range).

The Company intends to use the net proceeds of HK$7,530.9 million, assuming an Offer Price of HK$67.80 (being the mid-point of the Offer Price Range), from the Global Offering (assuming the Over-allotment is not exercised) for the following purposes:

Percentage and Amount of Net Proceeds	Intended Application
approximately 36.9%, or HK$2,777.8 million (equivalent to approximately RMB2,459.2 million)	Expansion of our capacity and capabilities across all business units globally, including in the PRC, the U.S. and Hong Kong
approximately 26.5%, or HK$2,000.0 million (equivalent to approximately RMB1,770.6 million)	Funding of the acquisition of CRO and CMO/CDMO companies
approximately 4.0%, or HK$300.0 million (equivalent to approximately RMB265.6 million)	Investment in our ecosystem by investing and incubating companies with innovative business models of growth potential in the healthcare sector
approximately 2.7%, or HK$200.0 million (equivalent to approximately RMB177.1 million)	Development of cutting-edge technology such as AI-empowered drug discovery platform and lab automation, healthcare data platform and robotic chemistry capability
approximately 19.9%, or HK$1,500.0 million (equivalent to approximately RMB1,328.0 million)	Repayment of bank loans outstanding at the Latest Practicable Date
approximately 10.0%, or HK$753.1 million (equivalent to approximately RMB666.7 million)	Working capital and general corporate purposes

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

DIVIDENDS

Certain subsidiaries of the Company declared and paid a cash dividend to their shareholders or non-controlling shareholders of RMB326.6 million, RMB1,137.7 million, RMB18.8 million, RMB18.8 million and RMB 19.2 million, respectively, for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018. Other than the foregoing, no dividend was paid or declared by the Company during the Track Record Period.

Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. We may distribute dividends by way of cash, shares or a combination of cash and shares. Pursuant to the Articles of Association, except for special circumstances, when the Company makes profits in the current year and the accumulated undistributed profit is positive, the Company shall give priority to the distribution of cash dividends. The total amount of the cash dividend distributed in the latest three years shall be at least 30% of our average

annual distributable profits in the same period, and the amount of the cash dividend distributed in a year generally shall be at least 10% of our annual distributable profit in the same year. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law. Any proposed distribution of dividends shall be determined by our Board and must be approved by our shareholders at a general meeting. In addition, we may declare interim dividends as our Board considers to be justified by our profits and overall financial requirements. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board and subject to the approval of Shareholders' meeting.

LISTING EXPENSES

Our listing expenses mainly include underwriting fees and commissions and professional fees paid to legal advisers and the Reporting Accountants for their services rendered in relation to the Listing and 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, the estimated total 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 are approximately RMB324.0 million, of which an estimated amount of RMB2.6 million is expected to be recognized as other expenses and the remaining amount of RMB321.4 million is expected to be recognized directly as a deduction from equity upon the Listing. Our Directors do not expect such expenses would have a material adverse impact on our results of operations for the year ending December 31, 2018.

OFFERING STATISTICS[(1)]

	Based on an Offer Price of HK$64.10 per Offer Share	Based on an Offer Price of HK$71.50 per Offer Share
Market capitalization of our Shares upon completion of the Global Offering[(2)]	HK$74,659.9 million	HK$83,279.0 million
Unaudited pro forma adjusted consolidated net tangible asset of the Group attributable to owners of the Company per Offer Share[(3)]	HK$14.99	HK$15.71

Notes:

(1) All statistics in this table are presented based on the assumption that the Over-allotment Option is not exercised.

(2) The calculation of market capitalization is based on 1,164,741,086 Shares expected to be in issue and outstanding following the completion of the Global Offering.

(3) The unaudited pro forma adjusted consolidated net tangible asset of the Group attributable to owners of the Company per Share is calculated after the adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information" to this prospectus and on the basis that 1,158,459,756 Shares were in issue assuming that the Global Offering had been completed on September 30, 2018 and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under 2018 WuXi AppTec A Share Incentive Scheme.

SUMMARY OF MATERIAL RISK FACTORS

Our business faces risks including those set out in the "Risk Factors" section. 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 outsourced discovery, testing, development and manufacturing of pharmaceuticals, cell and gene therapies and medical devices. A reduction in spending or demand could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

- Our success depends on our ability to attract, train, motivate and retain highly skilled scientists and research technicians.

- The loss of services of our senior management and key scientific personnel could severely disrupt our business and growth.

- Any failure to comply with existing regulations and industry standards 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.

- 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.

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

- Our growth strategy and business expansion may not be successful.

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

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

- In conducting discovery, testing, development and manufacturing of pharmaceuticals, cell and gene therapies and medical devices, we face potential liabilities, in particular, product liability risks.

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

"2018 WuXi AppTec A Share Incentive Scheme"	the share incentive scheme adopted by our Company on August 22, 2018, the principal terms of which are summarized in "Appendix VI — Statutory and General Information — 2. Further Information about our Business — B. Share Incentive Schemes — (A) 2018 WuXi AppTec A Share Incentive Scheme"
"A Share(s)"	domestic shares of our Company, with a nominal value of RMB1.00 each, which are listed for trading on the Shanghai Stock Exchange and traded in Renminbi
"A Share Offering"	the initial public offering and listing of A Shares of our Company on the Shanghai Stock Exchange in May 2018
"Acting-in-concert Investors"	Eastern Star, L&C Investment and Fertile Harvest
"ADS(s)"	American depository share(s)
"Ally Bridge"	ABG-WX (HK) Limited, a company engaged in investment incorporated under the laws of Hong Kong on September 4, 2015 with limited liability which is managed or advised by ABG Management Ltd. and ABG Capital Partners II GP, L.P., and a shareholder of Life Science Holdings
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Applications Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix V to this prospectus
"Ascletis Pharma"	Ascletis Pharma Inc., a company incorporated in the Cayman Islands with limited liability February 25, 2014 and listed on the Hong Kong Stock Exchange
"Audit Committee"	audit committee of the Board
"Board" or "Board of Directors"	the Board of Directors of our Company
"Boyu Capital"	Glorious Sunshine Limited, a company engaged in investment and incorporated under the laws of the Cayman Islands on March 3, 2015 with limited liability which is managed and advised by Boyu Capital General Partner, L.P., and a shareholder of Life Science Holdings
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business to the public

"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS 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
"CFIUS"	Committee on Foreign Investment in the United States
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this prospectus only, Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "WuXi AppTec"	WuXi AppTec Co., Ltd. (無錫藥明康德新藥開發股份有限公司) a joint stock limited company incorporated under the laws of the PRC, the predecessor of which, WuXi AppTec Ltd. (無錫藥明康德新藥開發有限公司) (formerly known as WuXi PharmaTech Co., Ltd. (無錫藥明康德組合化學有限公司)), was established under the laws of the PRC as an enterprise legal person in December 2000, the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 603259) 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, which was lately amended on October 26, 2018 to take effective on the same date
"Controlling Shareholder(s)"	Dr. Li, Dr. Zhao, Mr. Xiaozhong Liu, Mr. Zhaohui Zhang, G&C Limited, G&C I Limited, G&C II Limited, G&C III Limited, G&C IV Limited, G&C V Limited, G&C VI Limited, G&C VII Limited,

	G&C VIII Limited, G&C IV Hong Kong Limited, Group & Cloud Limited, Shanghai Huixiao Chunyi Medical Investment Co., Ltd. (上海暉曉純頤醫療投資有限公司), Jiaxing Yuxiang Investment Partnership (Limited Partnership) (嘉興宇祥投資合夥企業（有限合夥）), Jiaxing Yumin Investment Partnership (Limited Partnership) (嘉興宇民投資合夥企業（有限合夥）), New WuXi Esop L.P., Shanghai Qunyun Investment Management Co., Ltd (上海群雲投資管理有限公司), Jiaxing Houjin Investment Partnership (Limited Partnership) (嘉興厚錦投資合夥企業（有限合夥）), Jiaxing Houyi Investment Partnership (Limited Partnership) (嘉興厚毅投資合夥企業（有限合夥）), Jiaxing Houyu Investment Partnership (Limited Partnership) (嘉興厚毓投資合夥企業（有限合夥）), Jiaxing Houzi Investment Partnership (Limited Partnership) (嘉興厚諮投資 合夥企業（有限合夥）), Fertile Harvest Investment Limited (沃茂投資有限公司), Eastern Star Asia Investment Limited (東星亞洲投資有限公司), L & C Investment Limited, Shanghai Yingyi Investment Center (Limited Partnership) (上海瀛翊投資中心（有限合夥）), Shanghai Houshen Investment Center (Limited Partnership) (上海厚燊投資中心（有限合夥）), Shanghai Houyong Investment Center (Limited Partnership) (上海厚雍投資中心（有限合夥）), Shanghai Houzhen Investment Center (Limited Partnership) (上海厚溱投資中心(有限合夥）), Shanghai Houyuan Investment Center (Limited Partnership) (上海厚轅投資中心（有限合夥）), Shanghai Houyue Investment Center (Limited Partnership) (上海厚玥投資中心（有限合夥）), Shanghai Houyao Investment Center (Limited Partnership) (上海厚堯投資中心（有限合夥）), Shanghai Housong Investment Center (Limited Partnership) (上海厚嵩投資中心（有限合夥）) and Shanghai Houling Investment Center (Limited Partnership) (上海厚菱投資中心 （有限合夥）), being the controlling shareholders (as defined under the Hong Kong Listing Rules) of the Company prior to the Listing
"Crelux"	Crelux GmbH, a company incorporated under the laws of Germany on February 24, 2005 and our wholly-owned subsidiary
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Delisting"	the delisting of WuXi PharmaTech from the NYSE
"Director(s)"	director(s) of our Company
"Dr. Li"	Dr. Ge Li (李革), our chairman, chief executive officer, executive Director, one of the Founding Individuals and the spouse of Dr. Zhao
"Dr. Zhao"	Dr. Ning Zhao (趙寧), our executive Director, one of the Founding Individuals and the spouse of Dr. Li
"Eastern Star"	Eastern Star Asia Investment Limited（東星亞洲投資有限公司）, a company incorporated under the laws of Hong Kong on August 3, 2015 with limited liability, one of the Acting-in-concert Investors

"EIT Law"	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法), as amended, supplemented or otherwise modified from time to time
"ESOP Platforms"	the platforms established for employee incentive purposes, and has the meaning given to it in the section headed "History and Corporate Development" in this prospectus
"EU"	European Union
"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
"F&S Report"	a report prepared by Frost & Sullivan on the pharmaceutical outsourcing market
"Fertile Harvest"	Fertile Harvest Investment Limited（沃茂投資有限公司）, a company incorporated under the laws of Hong Kong on January 25, 2016 with limited liability, one of the Acting-in-concert Investors
"Financial Investors"	Ally Bridge, Boyu Capital, Summer Bloom Investments Pte. Ltd., Ping An, Hillhouse Capital, Yunfeng Capital, Sequoia Capital China, Legend Capital and SPDB International
"Founding Individuals"	Dr. Li, Dr. Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang
"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
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the HK eIPO White Form Service Provider
"Group," "our Group," "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
"H Share Registrar"	Tricor Investor Services Limited

"H Share(s)"	overseas-listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
"HD Biosciences"	HD Biosciences Inc., a company incorporated under the laws of the State of California on February 10, 2014, and our wholly owned subsidiary
"Hillhouse Capital"	Hillhouse Capital Fund II, L.P., an exempted limited partnership engaged in investment formed under the laws of the Cayman Islands on July 14, 2015 which is managed by Hillhouse Fund II Holdings GP, Ltd., and is a shareholder of Life Science Holdings
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HK eIPO White Form"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk
"HK eIPO White Form Service Provider"	the HK eIPO White Form Service Provider designated by our Company as specified on the designated website at www.hkeipo.hk
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Offer Shares"	the 11,647,600 H Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) at the Offer Price (plus brokerage, SFC transaction levies and Hong Kong Stock Exchange trading fees), on and subject to the terms and conditions described in this prospectus and on the Application Forms as further described in "Structure of the Global Offering — 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

"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated November 30, 2018 relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in "Underwriting — Underwriting Arrangements and Expenses" in this prospectus
"IFRSs"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Independent Third Party(ies)"	party(ies) not connected with us within the meaning of the Hong Kong Listing Rules as far as our Directors are aware after having made all reasonable enquiries
"International Offer Shares"	the 104,826,600 H Shares initially offered by our Company for subscription pursuant to the International Offering together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)
"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price to persons outside the United States in offshore transactions in accordance with Regulation S, and to persons within the United States who are QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around December 6, 2018 by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in "Underwriting — International Offering" in this prospectus
"Jiaxing Houjin"	Jiaxing Houjin Investment Partnership (Limited Partnership) (嘉興厚錦投資合夥企業（有限合夥）), a limited partnership established under the laws of the PRC on March 4, 2016, a Shareholder controlled by the Founding Individuals
"Jiaxing Houyi"	Jiaxing Houyi Investment Partnership (Limited Partnership) (嘉興厚毅投資合夥企業（有限合夥）), a limited partnership established under the laws of the PRC on March 4, 2016, a Shareholder controlled by the Founding Individuals

"Jiaxing Houyu"	Jiaxing Houyu Investment Partnership (Limited Partnership) (嘉興厚毓投資合夥企業（有限合夥）), a limited partnership established under the laws of the PRC on March 4, 2016, a Shareholder controlled by the Founding Individuals
"Jiaxing Houzi"	Jiaxing Houzi Investment Partnership (Limited Partnership) (嘉興厚諧投資合夥企業（有限合夥）), a limited partnership established under the laws of the PRC on March 4, 2016, a Shareholder controlled by the Founding Individuals
"Joint Bookrunners"	Morgan Stanley Asia Limited (for Hong Kong Public Offering only), Morgan Stanley & Co. International plc (for International Offering only), Huatai Financial Holdings (Hong Kong) Limited, Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch, China Merchants Securities (HK) Co., Limited, China Renaissance Securities (Hong Kong) Limited, BOCI Asia Limited and CLSA Limited
"Joint Global Coordinators"	Morgan Stanley Asia Limited, Huatai Financial Holdings (Hong Kong) Limited, Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited
"Joint Sponsors"	Morgan Stanley Asia Limited, Huatai Financial Holdings (Hong Kong) Limited and Goldman Sachs (Asia) L.L.C.
"L&C Investment"	L & C Investment Limited, a company incorporated under the laws of Hong Kong on January 20, 2016 with limited liability, one of the Acting-in-concert Investors
"Latest Practicable Date"	November 23, 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"LBO Facility Agreement"	the US$800,000,000 facility agreement dated November 20, 2015 between, among others, WuXi Merger Limited as borrower, Shanghai Pudong Development Bank Co., Ltd. as facility agent and Ping An Bank Co., Ltd. as security agent, as revised and supplemented from time to time
"Legend Capital"	Constant Cypress Limited, a wholly-owned company of Legend Capital Management Limited engaged in investment and incorporated under the laws of the BVI on September 16, 2015, and a shareholder of Life Science Holdings
"Life Science Holdings"	New WuXi Life Science Holdings Limited, a company incorporated under the laws of Cayman Islands on July 2, 2015 with limited liability, which holds 100% issued share capital of Life Science Limited
"Life Science Limited"	New WuXi Life Science Limited, a company incorporated under the laws of the Cayman Islands on July 2, 2015 with limited liability, which holds 100% issued share capital of WuXi PharmaTech

"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or around Thursday, December 13, 2018, on which our H Shares of the Company are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Management Facility Agreement"	the US$300,000,000 facility agreement dated November 20, 2015 for Group & Cloud Limited arranged by Ping An Bank Co., Ltd. and Shanghai Pudong Development Bank Co., Ltd. as mandated lead arrangers with Shanghai Pudong Development Bank Co., Ltd. as facility agent and Ping An Bank Co., Ltd. as security agent, as revised and supplemented from time to time
"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
"Medkey"	Shanghai Medkey Med-Tech Development Co., Ltd. (上海津石醫藥科技有限公司), a company incorporated in the PRC on February 24, 2009 and our wholly-owned subsidiary
"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)
"NASDAQ"	the National Association of Securities Dealers Automated Quotations Stock Market
"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)
"NEEQ"	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
"NextCode Holdings"	WuXi NextCode Holdings Limited, a company incorporated under the laws of the BVI on December 17, 2015, which is ultimately controlled by the Founding Individuals

"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)
"NYSE"	New York Stock Exchange
"OECD"	Organization for Economic Co-operation and Development, an intergovernmental economic organization founded to stimulate economic progress and world trade
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) of not less than HK$64.10 and expected to be not more than HK$71.50, at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in "Structure of the Global Offering — Pricing and Allocation" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional H Shares which may be 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 (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 17,471,100 additional H Shares at the Offer Price to, cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"PBOC"	the central bank of the People's Republic of China (中國人民銀行)
"Ping An"	Pingan WX Pharm Limited, a company engaged in investment and incorporated under the laws of the Cayman Islands on October 28, 2015 with limited liability, an affiliate of Ping An Insurance (Group) Company of China Ltd. and a shareholder of Life Science Holdings
"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"	generally accepted accounting principles of the PRC

"Price Determination Agreement"	the agreement to be entered into by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around Thursday, December 6, 2018 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company may agree, but in any event no later than Friday, December 7, 2018
"Proxy Grantor"	Relian Investment Limited (in respect of Life Science Holdings) or Shanghai Yingyi (in respect of our Company)
"QIB" or "Qualified Institutional Buyer"	a qualified institutional buyer within the meaning of Rule 144A under the U.S. Securities Act
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"Reorganization"	the corporate reorganization of our Group conducted in preparation for the Global Offering, details of which are described in the section headed "History and Corporate Development — Reorganization"
"Restricted A Shares"	the restricted A Shares granted by our Company under the 2018 WuXi AppTec A Share Incentive Scheme
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (中國國家税務總局)
"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
"Sequoia Capital China"	Sequoia Capital China GF Holdco III-A, Ltd., a company incorporated under the laws of Cayman Islands on January 13, 2014 with limited liability, which is a wholly-owned subsidiary of Sequoia Capital China Growth Fund III, L.P., an investment fund whose primary purpose is to make equity investments in private companies. Sequoia Capital China is also a shareholder of Life Science Holdings

"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai AppTec CDS"	WuXi Clinical Development Services (Shanghai) Co., Ltd. (上海康德弘翼醫學臨床研究有限公司), a company incorporated in the PRC on September 23, 2011 and our wholly-owned subsidiary
"Shanghai HD Biosciences"	HD Biosciences Co., Ltd. (輝源生物科技(上海)有限公司), a company incorporated in the PRC on July 22, 2008 and our wholly-owned subsidiary
"Shanghai HealthNet"	WuXi HealthNet (Shanghai) Co., Ltd. (上海醫明康德醫療健康科技有限公司), a company incorporated in the PRC on April 30, 2015 and wholly-owned by Mr. Xiaozhong Liu and Mr. Zhaohui Zhang, two of our Founding Individuals
"Shanghai STA Research"	Shanghai STA Pharmaceutical R&D Co., Ltd. (上海合全藥物研發有限公司), a company incorporated in the PRC on April 15, 2011 and a wholly-owned subsidiary of STA
"Shanghai Stock Exchange"	Shanghai Stock Exchange (上海證券交易所)
"Shanghai Yingyi"	Shanghai Yingyi Investment Center (Limited Partnership) (上海瀛翊投資中心（有限合夥）) , a limited partnership established under the laws of the PRC on September 22, 2015, the Proxy Grantor
"Share Incentive Schemes"	the share incentive schemes provided by our Group, including the 2018 WuXi AppTec A Share Incentive Scheme, STA Share Option Incentive Scheme (2015), STA Overseas Employees Incentive Scheme, STA Share Option Incentive Scheme (2016), STA Share Appreciation Incentive Scheme (2016), STA Share Appreciation Incentive Scheme (2017) and STA Employees Share Subscription Scheme
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shareholders(s)"	holder(s) of the Share(s)
"SPDB International"	SPDBI WX Limited, a company controlled by Shanghai Pudong Development Bank engaged in investment and incorporated under the laws of the Cayman Islands on October 15, 2015 with limited liability, and a shareholder of Life Science Holdings
"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 Shanghai Stock Exchange (上海證券交易所股票上市規則), as amended from time to time
"STA"	Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司) (formerly known as Shanghai Hequan Precise Chemical Engineering Co., Ltd. (上海合全精細化工有限公司), a company incorporated in the PRC on January 23, 2003 and the shares of which are quoted on the NEEQ (stock code: 832159), an indirect non-wholly owned subsidiary of our Company as to 86.34% by WXAT Shanghai, our wholly-owned subsidiary and 1.19% by Shanghai STA Investment Management Partnership (Limited Partnership) (上海合全投資管理合夥企業（有限合夥）), the general partner of which is WuXi AppTec (Shanghai) Investment Management Co., Ltd. (上海藥明康德投資管理有限公司), our wholly-owned subsidiary, as of June 30, 2018
"STA Employees Share Subscription Scheme"	the share incentive scheme adopted by STA in September 2018, the principal terms of which are summarized in "Appendix VI — Statutory and General Information — 2. Further Information about our Business — B. Share Incentive Schemes — (G) STA Employees Share Subscription Scheme"
"STA Overseas Employees Incentive Scheme"	the share incentive scheme adopted by STA in 2015, the principal terms of which are summarized in "Appendix VI — Statutory and General Information — 2. Further Information about our Business — B. Share Incentive Schemes — (C) STA Overseas Employees Incentive Scheme"
"STA Share Appreciation Incentive Scheme (2016)"	the share incentive scheme adopted by STA in 2016, the principal terms of which are summarized in "Appendix VI — Statutory and General Information — 2. Further Information about our Business — B. Share Incentive Schemes — (E) STA Share Appreciation Incentive Scheme (2016)"
"STA Share Appreciation Incentive Scheme (2017)"	the share incentive scheme adopted by STA in 2017, the principal terms of which are summarized in "Appendix VI — Statutory and General Information — 2. Further Information about our Business — B. Share Incentive Schemes — (F) STA Share Appreciation Incentive Scheme (2017)"
"STA Share Option Incentive Scheme (2015)"	the share incentive scheme adopted by STA in 2015 and amended in 2017, the principal terms of which are summarized in "Appendix VI — Statutory and General Information — 2. Further Information about our Business — B. Share Incentive Schemes — (B) STA Share Option Incentive Scheme (2015)"
"STA Share Option Incentive Scheme (2016)"	the share incentive scheme adopted by STA in 2016 and amended in 2018, the principal terms of which are summarized in "Appendix VI — Statutory and General Information — 2. Further Information about our Business — B. Share Incentive Schemes — (D) STA Share Option Incentive Scheme (2016)"

"Stabilizing Manager"	Morgan Stanley Asia Limited
"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(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Suzhou Abgent"	Abgent Biotechnology (Suzhou) Co., Ltd. (百奇生物科技(蘇州)有限公司), a company incorporated in the PRC on January 7, 2009 and our wholly-owned subsidiary
"Track Record Period"	the three years ended December 31, 2017 and the six months ended June 30, 2018
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"UK"	United Kingdom
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name
"WuXi ATU"	WuXi ATU Co., Ltd. (無錫生基醫藥科技有限公司) (formerly known as 無錫藥明生基醫藥科技有限公司), a company incorporated in the PRC on September 29, 2017 and our wholly-owned subsidiary
"WuXi Biologics"	WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司) (stock code: 2269), a company incorporated under the laws of Cayman Islands with limited liability on February 27, 2014, the shares of which were listed on the Main Board of the Stock Exchange since June 13, 2017

"WuXi HealthNet"	WuXi HealthNet Co., Ltd. (無錫醫明康德醫療健康科技有限公司), a company incorporated in the PRC on November 5, 2015 and wholly-owned by Mr. Xiaozhong Liu and Mr. Zhaohui Zhang, two of our Founding Individuals
"WuXi Investment"	New WuXi Life Science Investment Limited, a company incorporated under the laws of the BVI on June 24, 2016 with limited liability, which is ultimately controlled by the Founding Individuals
"WuXi PharmaTech"	WuXi PharmaTech (Cayman) Inc., a company incorporated under the laws of the Cayman Islands on March 16, 2007 with limited liability. Its shares were listed on the NYSE (stock code: WX), and were delisted from the NYSE on December 10, 2015
"WuXi PharmaTech Options"	the options to purchase the shares of WuXi PharmaTech granted by the compensation committee of WuXi PharmaTech
"WuXi PharmaTech Stock Units"	the restricted stock units of the shares of WuXi PharmaTech issued by WuXi PharmaTech
"WuXi STA"	WuXi STA Pharmaceutical Co., Ltd. (無錫合全藥業有限公司) (formerly known as Jiangsu Xinfu Pharmaceutical Co., Ltd. (江蘇信孚藥業有限公司) and WuXi AppTec Pharmaceutical Co., Ltd. (無錫藥明康德藥業有限公司)), a company incorporated in the PRC on September 5, 2002, and wholly owned by WuXi STA Pharmaceutical Technology Co., Ltd. (無錫合全醫藥科技有限公司), which is in turn held as to 75% by STA and 25% by STA Pharmaceutical Hong Kong Limited
"WXAT BVI"	WuXi AppTec (BVI) Inc., a company incorporated under the laws of the BVI on June 3, 2004 with limited liability and a wholly-owned subsidiary of WuXi PharmaTech
"WXAT Chengdu"	WuXi AppTec (Chengdu) Co., Ltd. (成都藥明康德新藥開發有限公司), a company incorporated in the PRC on September 20, 2017 and our wholly-owned subsidiary
"WXAT HK"	WuXi AppTec (HongKong) Limited (藥明康德(香港)有限公司), a company incorporated in Hong Kong on March 26, 2012 and our wholly-owned subsidiary
"WXAT International"	WuXi AppTec International Holdings Limited, a company incorporated in the BVI on December 17, 2015 and our wholly-owned subsidiary
"WXAT Shanghai"	WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司), a company incorporated in the PRC on April 2, 2002 and our wholly-owned subsidiary
"WXAT Suzhou"	WuXi AppTec (Suzhou) Co., Ltd. (蘇州藥明康德新藥開發股份有限公司), a company incorporated in the PRC on October 8, 2006 and our wholly-owned subsidiary

"WXAT Tianjin"	WuXi AppTec (Tianjin) Co., Ltd. (天津藥明康德新藥開發有限公司), a company incorporated in the PRC on June 5, 2006 and our wholly-owned subsidiary
"WXAT Wuhan"	WuXi AppTec (Wuhan) Co., Ltd. (武漢藥明康德新藥開發有限公司), a company incorporated in the PRC on November 12, 2010 and our wholly-owned subsidiary
"XBL"	XenoBiotic Laboratories, Inc., a company incorporated under the laws of the State of Delaware on September 22, 2014, and our wholly-owned subsidiary
"XBL-China"	XBL-China, Inc. (南京美新諾醫藥科技有限公司), a company incorporated in the PRC on June 2, 2008 and our wholly-owned subsidiary
"Xiaozhong Investment"	Shanghai Xiaozhong Investment Center (Limited Partnership) (上海曉鐘投資中心(有限合夥)), a limited partnership established in the PRC on October 10, 2015 advised by Yinfu Capital and a shareholder of Life Science Holdings
"YELLOW Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"Yinfu Capital"	Yinfu Capital Management Co., Ltd. (上海中民銀孚投資管理有限公司), a company engaged in investment management incorporated under the laws of the PRC on February 11, 2014 with limited liability and the general partner of Xiaozhong Investment
"Yunfeng Capital"	Yunfeng II WX Limited, a company engaged in investment and incorporated under the laws of the BVI on September 16, 2015 with limited liability, which managed or advised by Yunfeng Capital Limited, and a shareholder of Life Science Holdings

In this prospectus, the terms "associate," "close associate," "connected person," "core 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.

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

"AAALAC"	AAALAC International, a private nonprofit organization that promotes the humane treatment of animals in science through voluntary accreditation and assessment programs
"absorption"	Within the context of drug metabolism, the process by which drug compounds and other molecules move across cells and tissues such as the gastrointestinal tract into the circulatory system
"ADME"	Absorption, Distribution, Metabolism and Excretion, the analysis of the body's processes of altering, utilizing and eliminating ingested and administered drugs and xenobiotics
"ANDA"	Abbreviated New Drug Application, an application made in the United States for approval of a generic equivalent to an existing approved drug
"antibody" or "Ab"	also known as an immunoglobulin, is a large, Y-shaped protein produced mainly by plasma cells that is used by the immune system to identify and neutralize pathogens such as bacteria and viruses
"antigen"	A toxin or other foreign substance that induces an immune response in the body, especially the production of antibodies
"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
"Assay"	an investigative analytical process in medicine, pharmacology or biology that aims to identify either the qualitative or quantitative presence or function of the analytical target, which can be a drug or biochemical substance or a cell in an organism or organic sample
"bioanalytical"	of or relating to the analytical chemistry covering the quantitative measurement of xenobiotics, which are drugs and their metabolites, and biological molecules in unnatural locations or concentrations, and biotics, which are macromolecules, proteins, DNA, large molecule drugs, metabolites, in biological systems
"bioanalytics"	The analytical and quantitative chemistry of certain compounds in biological systems; covering biotics (macromolecules, proteins, DNA, large molecule drugs and metabolites) and xenobiotics
"biohazardous"	of or relating to the health risk posed by the possible release of a pathogen into the environment

"biologics"	a subset of pharmaceuticals that are composed of a mixture of sugars, proteins, nucleic acids or complex compositions and may be made from biological sources
"biosafety"	the prevention of large-scale loss of biological integrity, focusing both on ecology and human health
"biotransformation"	the chemical modification of the microorganism through the action of certain microbes or enzymes
"BLAs"	Biologics License Application, a request made to the FDA for permission to introduce, or deliver for introduction, of a biological product into interstate commerce in the United States
"blockbuster drug"	a drug that generates annual sales of at least US$1.0 billion for the company that produces it
"candidate selection"	A stage in early drug discovery where a series of compounds that have indicated potential for desirable effects are selected for further intensive study and analysis
"carcinogenicity"	the ability or tendency of a chemical to induce tumors (benign or malignant), increase their incidence or malignancy, or shorten the time of tumor occurrence when it is inhaled, ingested, dermally applied, or injected
"CDMO"	Contract Development and Manufacturing Organization, a CMO that, in addition to comprehensive drug manufacturing services, also provide process development and other drug development services in connection with its manufacturing services
"chemistry, manufacturing and controls" or "CMC"	an important and detailed section in a dossier to support clinical studies and marketing applications
"clinical pathology"	the branch of pathology dealing with the study of disease and disease processes by means of chemical, microscopic, and serologic examinations
"clinical trial"	an experiment done in clinical research
"CMO"	Contract Manufacturing Organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive drug manufacturing services
"commercialization"	The stage in drug development when a new drug is approved and released to the market
"CRC"	Clinical Research Coordinators, a person responsible for conducting clinical trials using good clinical practice under the auspices of a principal investigator

"CRISPR"	Clustered Regularly-Interspaced Short Palindromic Repeats, a term used in microbiology to describe a family of DNA sequences used by unicellular organisms such as bacteria to recognize invading viruses and defend against attack; CRISPR-Cas9 is a genome editing tool that enables geneticists and medical researchers to edit parts of the genome by removing, adding or altering sections of the DNA sequence
"CRO"	Contract Research Organization, a company focused on providing research and development services to companies in the pharmaceutical and agrochemical markets
"CTA"	Clinical Trial Application, an application to the competent authority within a jurisdiction which is required for a clinical trial of an investigational medicinal product
"Current Good Manufacturing Practice regulations" or "cGMP"	regulations enforced by the FDA on pharmaceutical and biotech firms to ensure that the products produced meet specific requirements for identity, strength, quality and purity
"cytochrome"	a group of heme-containing electron transport enzymes that are essential for the oxidative metabolism necessary to generate adenosine triphosphate as well as for the oxidative degradation of drugs and endogenous substrates
"DART"	developmental and reproductive toxicology, the study of fertility, development toxicity and pre/postnatal development and other specialized functional evaluations in connection with the toxicology evaluation for pharmaceuticals
"distribution"	In the context of DMPK, the process by which molecules are transported throughout the body
"DMPK"	Drug Metabolism and Pharmacokinetics, refers to studies designed to determine the absorption and distribution of an administered drug, the rate at which a drug takes effect, the duration a drug maintains its effects and what happens to the drug after being metabolized by the body
"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
"druggability"	the extent to which a subject is amenable to treatment with drugs or susceptible to alteration or manipulation with drugs
"electroporation"	the use of an electrical pulse to introduce genetic material into cells

"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
"ex vivo"	Latin for "out of the living"; refers to experimentation or measurements done in or on tissue from an organism in an external environment with minimal alteration of natural conditions
"FDA"	the Food and Drugs Administration of the United States
"FFS"	fee-for-service, a payment model whereby services are unbundled and paid for separately
"formulation development"	A stage of analyzing and refining the physio-chemical structure of a product to stabilize or enhance its suitability for use in *in vivo* testing. Formulation development may also include assessing delivery options and delivery device compatibility
"FTE"	full-time-equivalent, a payment model based on the number of researchers allocated to a project
"fusion protein"	proteins created through the joining of two or more genes that originally coded for separate proteins
"gene therapy"	an experimental technique that uses genes to treat or prevent disease
"genome"	The complete set of genetic material present in a cell or organism
"genomics"	The branch of molecular biology concerned with the structure, function, evolution, and mapping of genomes
"GLP"	Good Laboratory Practice, a quality system of management controls for research laboratories and organizations to try to ensure the uniformity, consistency, reliability, reproducibility, quality and integrity of chemical and pharmaceuticals non-clinical safety tests
"GMP"	Good Manufacturing Practice, a quality system imposed on pharmaceutical firms to ensure that products produced meet specific requirements for identity, strength, quality and purity, and enforced by public agencies, for example the U.S. FDA
"hit-to-lead"	A stage in early drug discovery where small molecule hits from a high throughput screen are evaluated and undergo limited optimization to identify promising lead compounds
"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

"immunotoxicology"	the study of the effects of toxic substances on the immune system
"in silico"	an expression used in systems biology to mean "performed on a computer or via computer simulation"
"*in vitro*"	Latin for "in glass"; studies in vitro are conducted using components of an organism that have been isolated from their usual biological surroundings, such as microorganisms, cells or biological molecules
"*in vivo*"	Latin for "within the living"; studies in vivo are those in which the effects of various biological entities are tested on whole, living organisms as opposed to a partial or dead organism, or those done in vitro ("within the glass"), i.e., in a laboratory environment using test tubes, petri dishes etc.
"Investigational new drug" or "IND"	an experimental drug for which a pharmaceutical company obtains permission to ship across jurisdictions (usually to clinical investigators) before a marketing application for the drug has been approved
"LabWare"	refers to LabWare, Inc., a company that develops and implements Laboratory Information Management Systems and Electronic Laboratory Notebooks headquartered in the United States
"lead optimization"	The stage of early drug discovery where promising lead compounds are further optimized in preparation for toxicity assessment prior to human clinical trials
"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 large molecules into components) and anabolism (the synthesis of smaller molecules into larger ones with specific structures, characteristics and purposes)
"metabolites"	A substance formed in or necessary for metabolism. A "metabolite" of a drug is a compound formed from the drug's original components through metabolism
"method validation"	An assessment of a procedure to ensure it meets its own analytical objectives. This involves ensuring that an analytical method produces results with sufficient accuracy and precision within a range of concentrations that is appropriate to a particular analyte

"micro organisms"	microscopic organisms, which may exist in single-celled form or in a colony of cells, examples of which include bacteria, fungi, viruses, algae, archaea and protozoa
"molecule"	an electrically neutral group of two or more atoms held together by chemical bonds
"NDA"	New Drug Application, the formal application to the U.S. or China FDA proposing approval of a new pharmaceutical product for sale and marketing
"nucleic acids"	large biomolecules, essential for all known forms of life
"nucleoside chemistry"	a branch of chemistry focusing on the study of nucleosides, a compound that consists of a purine or pyrimidine base combined with deoxyribose or ribose and is found especially in DNA or RNA
"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
"oncology"	the study and treatment of tumors
"pathogen"	A bacterium, virus, or other microorganism that can cause disease
"peptide"	Small fragments of proteins, composed of amino acids
"pharmacodynamics"	The branch of pharmacology concerned with the effect of a drug on the body
"pharmacokinetics"	The branch of pharmacology concerned with the movement of drugs within the body
"pharmacology"	The branch of medicine concerned with the uses, effects, and modes of action of drugs
"pharmacovigilance"	The practice of monitoring the effects of medical drugs after they have been licensed for use, especially in order to identify and evaluate previously unreported adverse reactions
"preclinical"	of or relating to a stage preceding a clinical stage
"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
"protein binding"	The situation in which medications attach to proteins within the blood. Often an integral measurement in the understanding of the efficacy of a drug, as the less protein bound a drug is, the more efficiently it can interact with the drug target and effect its action

"recombinant"	of or relating to the combination of genetic materials from more than one origin
"recombinant therapeutic proteins"	specifically engineered proteins, such as EPO and G-CSF, that are produced from recombinant DNA within living cells, typically bacteria or CHO cells
"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
"Serious Adverse Events"	in the context of clinical trials, any undesirable medical event judged to be related to the investigational treatment that results in death, is life-threatening, requires hospitalization, results in persistent or significant disability or incapacity, is a congenital anomaly or birth defect, or requires intervention to prevent permanent impairment or damage
"small-molecule"	within the fields of molecular biology and pharmacology, a low molecular weight (< 900 daltons) organic compound that may regulate a biological process, with a size in the order of 1 nanometer
"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
"stability tests"	tests 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 by reaction from simpler materials
"TGA"	Therapeutic Goods Administration, a Division of the Australian Department of Health, which serves as the regulatory body for therapeutic goods in Australia
"transcriptomic"	the study of the transcriptome, the complete set of RNA molecules in one cell or a population of cells
"transporters"	membrane-bound proteins that play a key role in the absorption, distribution, metabolism and excretion of drugs
"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

"x-ray crystallography"	a technique used for determining the atomic and molecular structure of a crystal, in which the crystalline structure causes a beam of incident x-rays to diffract into many specific directions

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

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as "may", "will", "should", "would", "could", "believe", "expect", "anticipate", "intend", "plan", "continue", "seek", "estimate" or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against placing undue reliance on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our business prospects;
- our business strategies and plans to achieve these strategies;
- future developments, trends and conditions in and competitive environment for the industries and markets in which we operate;
- general economic, political and business conditions in locations where we operate;
- our financial condition and performance;
- our capital expenditure plans;
- our dividend policy;
- changes to the regulatory environment, policies, operating conditions of and general outlook in the industries and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;
- the amount and nature of, and potential for, future development of our business;
- the actions of and developments affecting our competitors;
- the actions of and developments affecting our major customers and suppliers; and

- certain statement in the sections headed "Risk Factors", "Industry Overview", "Regulatory Overview", "Business", "Financial Information", "Relationship with the Founding Individuals" and "Future Plans and Use of Proceeds" with respect to trends in interest rates, foreign exchange rates, prices, volumes, operations, margins, risk management and overall market trends.

Any forward-looking statement made by us in this prospectus speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

Investing in the Offer Shares involves a high degree of risk. You should carefully consider all of the information set out in this Prospectus, including the risks and uncertainties described below in respect of, inter alia, our business and industry, when considering making an investment in the Offer Shares. Our business, prospects, financial condition or results of operations could be materially and adversely affected by any of these risks. As a result, the trading price of the Offer Shares could decline and you could lose all or part of your investment.

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 conducting 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 outsourced discovery, testing, development and manufacturing of pharmaceuticals, cell and gene therapies, and medical devices. A reduction in spending or demand could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

The success of our business depends primarily on the number and size of service contracts with our customers, primarily pharmaceutical, biotechnology and medical devices companies. Over the past several years, we have benefited from an increasing demand for our services from our customers as a result of the continued growth of the global pharmaceutical market, increasing research and development budgets of our customers, and a greater degree of outsourcing by our customers. A slowing or reversal of any of these trends could have a significant adverse effect on the demand for our services. For example, if our customers are unable to adhere to applicable law or obtain the relevant licenses, demand from our customers for our services may decrease significantly. Furthermore, if investments from venture capital investors in start-up biotechnology and virtual companies were to decrease, the demand for outsourced discovery, testing, development and manufacturing services for pharmaceuticals, cell and gene therapies and medical devices from such companies may also decrease.

In addition to the foregoing industry trends, our customers' willingness and ability to utilize our services are also subject to, among other things, their own financial performance, changes in their available resources, their decisions to acquire in-house discovery, testing, development or commercial manufacturing capacity, their spending priorities, their budgetary policies and practices, and their need to develop new pharmaceutical products, which, in turn, is dependent upon a number of factors, including their competitors' discovery, testing, development and commercial manufacturing initiatives, and the anticipated market update, clinical and reimbursement scenarios for specific products and therapeutic areas. In addition, consolidation in the industries in which our customers operate may have an impact on such spending as our customers integrate acquired operations, including research and development departments and their budgets. If our customers reduce their spending on our services as a result of any of these or other factors, our business, financial condition, results of operations, cash flows and prospects would be materially and adversely affected.

Our success depends on our ability to attract, train, motivate and retain highly skilled scientists and research technicians.

Our success depends on our team of scientists and research technicians and their ability to deliver high-quality and timely services to our customers and keep pace with cutting-edge technologies and developments in pharmaceuticals. 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 within the industry and we may face challenges in attracting or retaining skilled scientists and research technicians. We compete vigorously with pharmaceutical and biotechnology companies, other pharmaceutical outsourcing services

providers and research and academic institutions for qualified and experienced scientists and research technicians. We may not be able to hire and retain enough skilled and experienced scientists and research technicians at the current level of wages. To compete effectively, we may need to offer higher compensation and other benefits, which could materially and adversely affect our 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 research technicians may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

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

Our success significantly depends upon the continued service of our senior management and key scientific personnel. In particular, we are highly dependent on Dr. Li, our founder, Chairman and chief executive officer, who manages our business, operations and sales and marketing activities and maintains personal and direct relationships with many of our key customers. Our success is also dependent on other senior management specializing in research and development, financial and investment, and sales and marketing. The loss of any of our senior management or key scientific personnel, and in particular Dr. Li, could have a material adverse effect on our business and operations. If we lose the services of any senior management members or key scientific personnel, we may be unable to identify, hire and train suitable qualified replacements and may incur additional expenses and time to recruit and train new personnel, which could severely disrupt our business operations. In addition, although each member of our senior management and key scientific personnel has signed a non-compete agreement with us, we may not be able to successfully enforce these provisions should any of them leaves us, which could adversely affect our business operations.

Any failure to comply with existing regulations and industry standards 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, Europe and Japan, the relevant government agencies and industry regulatory bodies impose high standards on the efficacy of such drug, as well as strict rules, regulations and industry standards on how we and our customers develop and manufacture such drug. For example, we may need to obtain clearance from the FDA or the NMPA or other regulatory authorities in the event that our customers' preclinical trials are filed as part of an IND filing to seek authorization to begin clinical trials, or their clinical trials are filed as part of a NDA or other filings to seek marketing approval. These regulatory authorities may conduct scheduled or unscheduled periodic inspections of our facilities to monitor our regulatory compliance. Although we passed all the inspections and obtained clearance in relation to drug discovery, testing, 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. Any failure to comply with existing regulations and industry standards could result in fines or other punitive actions against us or our customers, the termination of ongoing projects by our customers and the disqualification of data for submission to regulatory authorities, each of which could have a material adverse impact on our reputation, business, financial condition, results of operations and prospects. For example, if we fail to treat research animals in accordance with international standards set out by the Association for Assessment and Accreditation of Laboratory Animal Care, or AAALAC, that organization could revoke accreditation, and the accuracy of our animal research data could be questioned. 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.

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 or 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 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. Although 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, there can be no assurance that we will successfully procure such renewals and/or reassessment. 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.

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

The global research and manufacturing outsourcing services market for pharmaceuticals, cell and gene therapies, and medical devices is highly competitive, and we expect this high level of competition to continue to increase. We face competition based on several factors, including quality of services, breadth of our integrated services, our capacity, our ability to protect intellectual property or other confidential information, timeliness of delivery of our services, maintenance of GLP, GMP and cGMP, depth of customer relationships, price and geography.

We expect increasing competition from other companies, both domestically and internationally, as we continue to invest in more complex and sophisticated capabilities and capacity in discovery, testing, development and manufacturing of pharmaceuticals, cell and gene therapies, and medical devices. We also expect increased competition as additional companies enter our market and as more advanced technologies become available. We compete with other CROs, CMO/CDMOs, and research and academic institutions, typically in specific service areas. We also compete with the in-house discovery, testing, development and commercial manufacturing functions of pharmaceutical and biotechnology companies. Some of our competitors may have more extensive financial, research and other resources, greater pricing flexibility, broader technical capabilities, stronger sales and marketing efforts, longer track record and better brand recognition. In addition, our competitors may improve the performance of their services, introduce new services at lower prices and with improved performance characteristics, or adapt more quickly to new technologies and changes in customer demand and requirements. 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.

Our growth strategy and business expansion may not be successful.

Our growth strategies include expanding our facilities and our capacity of discovery, testing, development and manufacturing of pharmaceuticals, cell and gene therapies and medical devices to meet our customers' needs, broadening the breadth of our integrated services, increasing our penetration into European and Asia Pacific (ex-China) markets and pursuing strategic acquisitions. For more information, please see "Business — Our 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 global drug outsourcing services 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 are constructing new facilities at our various locations globally, in anticipation of growing customer demand for pharmaceutical research, commercial manufacturing and clinical development. For more information about our business expansion, see "Business — Future Expansion". In preparing the new facilities for operation, we may experience unforeseen delays due to construction or regulatory issues, which could result in loss of business opportunities and could materially and adversely affect our business, financial condition, results of operations and prospects. Costs of construction could also exceed budget, divert resources from other productive uses and consume significant amounts of management time.

The success of our business expansion also depends on our customers' success in advancing drug candidates through development, regulatory approval and commercial manufacturing. Any delay in regulatory approvals, lower than anticipated treatment effectiveness, unexpected side effect, low success rate or lack of patient demand may have a material impact on our business. If our growth strategy or business expansion is not successful or sufficient or does not earn a satisfactory return on investment, our business, financial condition, results of operations and prospects could be materially and adversely affected.

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

The global drug outsourcing services market is constantly evolving, and we must keep pace with new technologies to maintain our competitive position through research and development or acquisitions. 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. We intend to continue to enhance our technical capabilities, which can be capital intensive and require significant time to be built. We cannot assure you that we will be able to develop, enhance, adapt to or acquire new technologies. 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.

In addition, to develop and market our new technologies successfully, we must accurately assess and meet customers' needs, make significant capital expenditures, optimize the process of discovery, testing, development and manufacturing of pharmaceuticals, cell and gene therapies, and medical devices to predict and control costs, hire, train and retain the necessary personnel, obtain required regulatory clearances or approvals, increase customer awareness and acceptance of our services, provide high-quality services in a timely manner, price our services competitively and effectively integrate customer feedback into our business planning. If we fail to create demand for or incorrectly predict customer demand for new technologies, our future business, results of operations, financial condition and prospects could be materially and adversely 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-hows, trade secrets and other intellectual property to carry out our services. In addition, due to the nature of our services, we typically have access to a significant amount of intellectual property owned by our customers. Our customers typically retain ownership of all intellectual property associated with their projects, including the intellectual property provided to us and the intellectual property arising from the services we provide, except for intellectual property created or developed in connection with the provision of our services that is derivative of our own intellectual property or that relates to manufacturing processes developed at our expense.

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

In conducting discovery, testing, development and manufacturing of pharmaceuticals, cell and gene therapies and medical devices, we face potential liabilities, in particular, product liability risks.

In providing our services, we face a range of potential liabilities. We typically undertake to defend, indemnify and hold our customers harmless from and against any liabilities and damages (including attorneys' fees) resulting from any third party claims, demands, suits or proceedings to the extent arising out of or relating to our negligence, willful misconduct, unlawful activities or material breach of the long-term service agreement or project-based service contract or a work order under the long-term service agreement. In particular, we may face product liability risks if the pharmaceuticals, cell and gene therapies, or medical devices we help to discover, test, develop or manufacture are subject to product liability claims. Our liability is not always capped under our long-term service agreements or project-based service contracts, and in certain cases, the product liability cap is not applicable for claims relating to personal injuries or death. We provide services in the discovery, testing, development and manufacturing of pharmaceuticals, cell and gene therapies, and medical devices that are intended ultimately to be used in humans, either in 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, unlawful activities or material breach, we may be subject to litigation and may be required to pay damages. Damages awarded in a product liability action could be substantial and could have a material and adverse impact on our reputation, business, financial condition, results of operations and prospects. Although we currently maintain product liability and professional liability insurance, our insurance coverage may be inadequate or may become unavailable on terms acceptable to us.

Other jurisdictions in which our products are, or may in the future be, sold, in particular in developed markets including the United States, Europe and Japan, may have similar or more onerous product liability and pharmaceutical product regulatory regimes, as well as more litigious environments that may further expose us to the risk of product liability claims. Even if we are able to successfully defend ourselves against any such product liability claims, doing so may require significant financial resources and the time and attention of our management.

As some of our service contracts are contingent on successful completion of milestones in the drug development process, we may not recover some or all of our cost or receive service fees.

We generate fee income primarily for the services provided. Under certain of our project-based contracts or work orders, we recognize revenue upon completion of milestones, either in the form of pre-set steps, delivery

and acceptance of the study results and/or other deliverables or critical point in the drug development or commercialization process, and in limited circumstances, we have the right to royalty fees upon drug commercialization. For more information, please see "Business — Our Fee Model". As a result, if we fail to deliver services in a timely manner in accordance with our contractual requirements, regulatory standards or ethical considerations, if we incur cost overruns or if we price these contracts below our costs because of competitive pressures, we could be subject to significant costs or liability and our reputation could be harmed. Even if we are able to deliver services as required in the contracts and recognize such revenue, we are still exposed to the risks of early termination of contracts or delay in payment due to factors such as unsatisfactory research results, failure in clinical development or changes in our customers' willingness to research and develop drugs, which could have an adverse effect on our business, financial condition, results of operations, cash flows and prospects. Furthermore, if our customers' drug candidates fail to pass the requisite steps or proceed through development, regulatory approval or commercialization, our services would be cut short and we would not be able to fully realize the value of our service contracts.

In pricing our contracts, we take into consideration the market positioning of our services, prices of comparable services offered by our competitors, the success of the project, degree of saturation of the current market, market trends, complexities of the services required, costs and expenses of our services and the timeline of the contract. However, our evaluation of these factors may be inaccurate or incorrect. If we underprice our contracts or experience cost overruns, we would incur losses from our contracts, and our business, financial condition, results of operations, cash flows and prospects would be adversely affected.

If we lose any of our key customers, our business and results of operations may be materially and adversely affected.

We derived a substantial portion of our revenue from a relatively small number of customers during the Track Record Period and expect to continue to do so in the near future. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, our top five customers accounted for 26.4%, 24.8%, 21.8% and 21.8% of our revenue, respectively, and our largest customer accounted for 5.8%, 6.5%, 7.5% and 5.8% of our revenue, respectively. For more information about our key customers, please see "Business — Customers". We cannot assure you that we will be able to maintain or strengthen our relationships with our key customers, or that our key customers will continue to place large work orders with us. If there is any significant cutback in spending for our outsourcing services by our key customers due to industry consolidation, deterioration of their financial conditions, research and development budget cuts, pending regulatory approvals or other reasons 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. In addition, any deterioration in our key customers' ability to settle their trade receivables in a timely manner will have a material adverse effect on our results of operations.

We are subject to risks inherent in international operations.

We have operations all around the world, primarily in the U.S. and the PRC. We intend to continue to expand our presence internationally. Our success in providing services internationally and competing in international markets is subject to our ability to manage various risks and difficulties, including, but not limited to:

- our ability to effectively manage our employees at remote locations who are operating far away, or in different business environments from the PRC and the U.S.;
- our ability to develop and maintain relationships with customers, suppliers and other local businesses;
- compliance with product safety requirements and standards that are different from those of the PRC or the U.S.;

- variations and changes in laws applicable to our operations in different jurisdictions, including enforceability of intellectual property and contract rights;
- trade restrictions, political changes, disruptions in financial markets, and deterioration of economic conditions;
- customs regulations and the import and export of goods and raw materials;
- the ability to provide sufficient levels of technical support in different locations;
- our ability to obtain and renew licenses that may be needed in international locations to support operations; and
- changes in tariffs, taxes, and foreign currency exchange rates.

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

Our future investments in different countries may be adversely affected by regulatory or governmental scrutiny of the target countries.

We conduct selective investments in a wide variety of companies within the healthcare ecosystem in different countries. Such investments may be subject to stringent regulatory or governmental scrutiny imposed by certain countries. For example, according to the interim regulations issued by U.S. Department of the Treasury on October 10, 2018, which implements certain provisions of the Foreign Investment Risk Review Modernization Act of 2018 (the "**FIRRMA interim regulations**"), the CFIUS is authorized to conduct a pilot program expanding CFIUS jurisdiction in the review of non-controlling foreign investments in certain U.S. businesses that utilize "critical technologies" in activity within or aimed at any of 27 designated industry sectors ("**Pilot Program Industries**"). This pilot program may require mandatory declarations for both controlling and non-controlling investments in these sectors. Certain of our investments in the healthcare ecosystem in the United States (*i.e.*, research and development of biotechnology) may be subject to the mandatory declaration and review process under the FIRRMA interim regulations if and to the extent that a target business utilizes "critical technologies" in activity within or aimed at a Pilot Program Industry, and that business designs, tests, manufactures, fabricates or develops a critical technology as defined under the FIRRMA interim regulations. This may increase the uncertainty and transaction costs of our future investments in and acquisitions of U.S. biotechnology businesses and therefore adversely affect the implementation of our future merger and acquisition activities and investment strategies in respect of U.S. biotechnology assets and businesses, which could negative impact our financial position.

We are subject to the laws and regulations in the U.S. and certain countries in the European Union.

We are required to fulfill the respective legal and regulatory requirements for our operations in the U.S. and certain countries in the European Union. For instance, all laboratory testing (except research) performed on humans in the U.S. are regulated through the Clinical Laboratory Improvement Amendments, and our laboratories are subject to licensing requirements and regulations under federal, state and local laws relating to, among others, occupational safety and health and controlled substances. As a CRO, we may have obligations under the medicinal products and medical device regime that applies in the European Union to the extent that we are involved in R&D, preclinical studies, and/or clinical trials. In Germany, any cooperation, research and development service is subject to different rights and statutory restrictions, while our X-ray equipment and the handling of hazardous substances are also subject to approval and relevant regulations. As of the Latest

Practicable Date, our operations in the UK are only limited to the sales of products and services, but statutory requirements such as those relating to data protection, bribery and corruption, anti-trust and employment law will still apply. For details of the applicable laws and regulations of our operations in the U.S., Germany, the UK and the regulatory framework in the EU, please see the paragraphs headed "— Laws and regulations related to our business in the United States", "— Laws and regulations related to our business in Germany", "— Laws and regulations related to our business in the United Kingdom" and "— Regulatory framework in the European Union" in the section "Regulatory Overview" of this prospectus. Failure to comply with any of the legal and regulatory requirements may result in material impact on our operations in the relevant jurisdictions. We are also required to hold a number of permits and licenses to carry on our business in the U.S. and Germany. Our ability to obtain and maintain these regulatory approvals is subject to any future changes to the applicable U.S., German, UK or EU laws and regulations may place additional burden on us and have a material impact on our operations in these countries.

If we are unable to successfully expand or operate in new geographic markets, our growth, results of operations and financial condition could be adversely affected.

During the Track Record Period, we generated a significant majority of our revenue from customers headquartered in the United States and China. We intend to further diversify our customer geographic mix to increase revenue generated by customers in Europe and Asia-Pacific. The legal and regulatory frameworks, competitive landscapes and customer preferences of these foreign markets may be different from the U.S. and China markets. We have limited experience working with customers in Europe and Asia-Pacific, and we may encounter unforeseeable barriers and challenges in these foreign markets, which may result in a delay to or failure of our expansion plans. In addition, we may invest significant time and resources on promoting brand awareness and acquiring market shares in these foreign markets. We may not be able to manage our costs or generate sufficient revenue to justify the time and resources spent. If our geographic expansion is unsuccessful, our business operation and financial condition could be materially and adversely affected.

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 "WuXi" name, even if untrue, could adversely affect our reputation and business prospects, which could damage our brand image or have a material adverse effect on our business, results of operations and financial condition. In particular, in light of our specialized customer base, customer referrals and word-of-mouth marketing have significantly contributed to our ability to acquire customers. Furthermore, a significant number of our affiliates or unrelated entities bear the "WuXi" name. As a result, any negative publicity about us or any of our affiliates or any entity that shares the "WuXi" name could also adversely affect our ability to retain our existing customers or attract new customers which in turn could reduce our revenue and profitability. Damage to our reputation could be difficult, expensive and time-consuming to repair and could make potential or existing customers reluctant to select us for new engagements, resulting in a loss of business and could adversely affect our recruitment and retention efforts. Damage to our reputation could also reduce the value and effectiveness of our brand name and could reduce investor confidence in us, adversely affecting the price of our Shares.

Changes in laws, government regulations or in practices relating to the pharmaceutical, biotechnology and medical devices industries, including healthcare reform 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 in the United States and China. Changes in laws, government regulations or in practices relating to the pharmaceutical, biotechnology and medical devices industries, such as a relaxation in regulatory requirements, or the introduction of simplified new drug 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. By engaging us, foreign pharmaceutical or biotechnology companies will be able to reduce the time and cost required to introduce new drugs to the China market. If China ever streamlines, expedites or simplifies such regulatory procedures, foreign pharmaceutical or biotechnology companies' demand for our services may decrease, which would have a material adverse effect on our business, financial condition, results of operations and prospects. On September 28, 2018, the NMPA issued the newly revised List of Medical Devices Exempted from Clinical Trials (《免於進行臨床試驗醫療器械目錄》), under which 855 medical devices are exempted from clinical trials. As a result of this exemption, the demand for our clinical trials services for medical devices may reduce. Furthermore, there can be no assurance that further medical devices can be exempted from clinical trials, which could further reduce the demand for our clinical trial services.

In China, the Ministry of Human Resources and Social Security or provincial or local human resources and social security authorities, together with other government authorities, review the inclusion or removal of drugs from the China's National Drug Catalog for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance, or the National Reimbursement Drug List (the "NRDL"), or provincial or local medical insurance catalogues for the National Medical Insurance Program regularly, and the tier under which a drug will be classified, both of which affect the amounts reimbursable to program participants for their purchases of those drugs. For example, on February 21, 2017, the Ministry of Human Resources and Social Security issued the Notice on the Printing and Distribution of the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (2017 edition) (Ren She Bu Fa [2017] No. 15) (《關於印發國家基本醫療保險、工傷保險和生育保險藥品目錄(2017年版)的通知》 (人社部發[2017]15號)) which removed 28 types of drugs and added 339 types of drugs compared with the 2009 edition. Recently, the State Medical Insurance Administration issued the Notice on Inclusion of 17 Anticancer Drugs in the National Reimbursement Drug List B Catalogue for National Basic Medical Insurance, Work Injury Insurance and Maternity Insurance (Yi Bao Fa [2018] No. 17) (《關於將17種抗癌藥納入國家基本醫療保險、工傷保險和生育保險藥品目錄乙類範圍的通知》) (醫保發[2018]17號) on September 30, 2018. There can be no assurance that any of the approved drug candidates of our customers will be included in the NRDL at all or at a reasonable price, which may materially affect the commercialization and revenue of drugs produced by our customers which in turn may impact the research and development expenditure of our customers. If our customers' research and development expenditure were to decrease, our customers may demand less of our services. In addition, if our customers' approved drug candidates for which we have a royalty fee arrangement were to not be included in the NDRL at all or at a reasonable price, our royalty fees from such drug candidate projects may be adversely affected, which in turn may have a material and adverse impact on our business, financial condition, results of operations and prospects. In addition, recent laws and regulations may increase our risk of liability, increase our costs or limit our service offerings. For example, regulations and guidance worldwide concerning the production and use of laboratory animals for research purposes continues to be updated. Other relevant laws and regulations include those that are described in "Regulatory Overview." Some of these laws and regulations require additional operating and capital expenses that have impacted and will continue to impact not only us and our competitors, but also customers through both changes in the pricing of goods and services and changes in their own operations.

On October 1, 2017, the General Office of the CPC Central Committee and the General Office of the State Council issued *the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices* (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) (Tingzi [2017] No. 42, the "Innovation Opinions"), which proposed 36 important reform measures such as reforming the administration of clinical trials and accelerating the evaluation and approval for applications. In order to ensure the reform measures have legal ground, the Standing Committee of the NPC issued Drug Administrative Law of the PRC (Revised Draft) (《中華人民共和國藥品管理法(修正草案)》) (the "Revised Draft of Drug Administration Law") on November 1, 2018, to solicit public comments. According to the Revised Draft of Drug Administrative Law, the major changes include the following: improvement of the whole-process supervision system of drugs; clarification and improvement of regulatory responsibilities and measures for drugs, by requiring drug regulatory authorities to inspect the implementation of GMP by MAH holders as well as production and operation processes, establishing a new system for the appointment of professional drug inspectors and maintenance, and publicly disclosing drug safety records; significantly increase the penalties for violations; official implementation of the MAH system; reform of the drug approval system; cancellation of the GMP certifications for drugs and

good supply practice for pharmaceutical products; and replacement of approval by registration of clinical trial organizations and improvement of the approval procedure for clinical trials, etc. Certain changes under the Revised Draft of Drug Administrative Law will impose more stringent requirements on us. For example, the Revised Draft of Drug Administration Law cancels the requirement that drug manufacturers shall obtain GMP certification, but introduces the requirement that companies shall establish a quality management system to ensure on-going compliance of manufacturing processes, and shall also be subject to supervision and inspection of drug regulatory authorities for their on-going compliance with relevant requirements. The transition from certification to on-going compliance imposes higher and stricter requirements for the good manufacturing practices of companies. If we were to fail to meet such requirements, our overall business operations and financial condition could be materially and adversely affected.

Although the amendments to the Drug Administrative Law have been included in the legislation plan of 2018 of the former China Food and Drug Administration, save for the aforementioned Draft Revised Drug Administrative Law soliciting public comments, the regulatory authorities have not officially promulgated any revised Drug Administrative Law up to the Latest Practicable Date. However, should the amendments under the Revised Draft of Drug Administrative Law be adopted by the legislative departments and were to take effect, drug manufacturers, which are our primary customers, will be materially affected, which in turn could materially affect their demand for our services and have a material and adverse impact on our business, financial condition, results of operations 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, biological or chemical hazards or personal injury.

Our past and present 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 the process of our business operations. 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. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, our total cost of compliance with environmental protection and health and safety laws and regulations was approximately RMB55.2 million, RMB75.7 million, RMB91.3 million and RMB45.3 million, respectively. As requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may not be able to comply with, or accurately predict any potential 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, or production suspensions in our business operations. For example, during the Track Record Period, there were three instances where certain of our PRC subsidiaries providing CMO/CDMO services were ordered to temporarily suspend their production and fined for an aggregate amount of approximately RMB0.17 million by relevant local environmental protection bureaus resulting from violation of environment-related regulations. 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 or chemical hazards or personal injury at our facilities during the process of discovery, testing, development and manufacturing of pharmaceuticals, cell and gene therapies, and medical devices. 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 or chemical hazards or personal injury could have a material and adverse impact on our business, financial condition, results of operations and prospects.

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

We are subject to the anti-bribery laws of the jurisdictions in which we operate, particularly the United States and China. Many of our customers are subject to the Foreign Corrupt Practices Act, or FCPA, enacted in the United States. The FCPA generally prohibits a company from making improper payments, directly or indirectly, 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. As our business has expanded, the applicability of the FCPA and other anti-bribery laws to our operations has increased. We may not be able to fully control the interactions our employees have with hospitals, doctors and patients, and they may try to alter the results of our clinical trials through means that constitute violations of the anti-bribery laws. Our procedures and controls to monitor anti-bribery compliance may fail to 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 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.

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 process of discovery, testing, development and manufacturing of pharmaceuticals, cell and gene therapies, and medical devices. However, we cannot assure you that we will be able to pass all the customer audits and inspections in the future. 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.

Increased labor costs could 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. Our direct labor costs accounted for approximately 24.9%, 21.8%, 22.1% and 24.8% of our revenue for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, 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.

We depend 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.

During our business operations, a substantial amount of raw materials, such as reagents, are required. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, our cost of raw materials accounted for approximately 17.4%, 14.8%, 14.5% and 14.9%, respectively, of our revenue. In the event of significant price increases for raw materials, we cannot assure you that we will be able to raise the prices of our services sufficiently to cover the increased costs. As a result, any significant price increase for our raw materials may have an adverse effect on our profitability.

Although we believe that we have stable relationships with our existing suppliers, we cannot assure you that we will be able to secure a stable supply of raw materials going forward. Our suppliers may not be able to

keep up with our fast growth or may reduce or cease their supply of raw materials to us at any time. 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. Some 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.

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

Our inventories include raw materials and consumables used for our service. 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 RMB208.4 million as of December 31, 2015 to RMB444.6 million as of December 31, 2016 to RMB649.8 million as of December 31, 2017 and further increased to RMB772.1 million as of June 30, 2018, primarily as a result of accumulation of inventories due to increased capacity from our U.S. sites and our newly established factory in Changzhou.

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. 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.

A payment delay or failure by any of our customers could harm our cash flows and profitability.

We generally grant our customers credit terms of 30 to 90 days. As of December 31, 2015, 2016 and 2017 and June 30, 2018, our trade receivables were RMB1,068.1 million, RMB1,161.3 million, RMB1,404.3 million and RMB1,625.9 million, respectively. We recorded allowance for impairment of trade receivables of RMB15.9 million, RMB20.9 million, RMB18.9 million and RMB18.3 million in the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, 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 working capital, financial condition and results of operations.

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.

During the Track Record Period, we have benefited from government incentives. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, we recorded under other income RMB69.1 million, RMB100.6 million, RMB230.3 million and RMB45.7 million of government grants and subsidies, respectively, accounting for 1.4%, 1.6%, 3.0% and 1.0% of the revenue for the respective years. For more details on government grants and subsidies (including tax incentives) recognized in our profit or loss, please see Note 8 to the Accountants' Report in Appendix I to this prospectus. We also enjoyed preferential tax treatment during the Track Record Period. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, assuming a base tax rate of 25%, we enjoyed a tax concession of RMB97.0 million, RMB131.8 million, RMB155.7 million and RMB96.2 million, respectively. For more details on tax concessions we enjoyed, please see Note 12 to the Accountants' Report in Appendix I to this prospectus. See "Financial Information — Description of Key Statement of Profit or Loss Items — Other Income" and "Financial

Information — Description of Key Statement of Profit or Loss Items — Income Tax Expense — PRC Enterprise Income Tax" for more details. Our eligibility to receive these financial incentives requires that we continue to qualify for them. The incentives are provided to us at the discretion of the central government or relevant local government authorities, which could determine at any time to eliminate or reduce these 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.

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

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

In addition, some of our service agreements and project-based service contracts contain exclusivity clause which prohibits us from working for other parties on certain projects. Such restriction typically remains effective for a number of years after the relevant service agreement or project-based service contract is completed, and in some cases is effective for an indefinite period. For some customers, the exclusivity clause covers a broad range of products. Complying with such exclusivity clause restricts our ability to obtain new projects and adversely affects the extent to which other customers or potential customers use our services, and failure to do so could significantly harm our business and reputation, as well as expose us to liability for breach of contract.

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

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 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, and particularly if such deliverable ultimately becomes a commercially successful product, we could be exposed to substantial liability. Any material intellectual property infringement claim, if raised against us, could have a material adverse impact on our reputation, business, financial condition and results of operations.

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

We intend to continue to expand our services. Over the past few years, we have established new services in cell and gene therapies and other areas. We are in the early stages of expanding our capabilities to a DNA-encoded chemical library. To develop and market our new services successfully, we must accurately assess and meet customer needs; make significant capital expenditures; optimize our processes of discovery, testing,

development and manufacturing of pharmaceuticals, cell and gene therapies, and medical devices to predict and control costs; hire, train and retain the necessary personnel; obtain required regulatory clearances or approvals; increase customer awareness and acceptance of our services; provide services of a high quality and in a timely manner; price our services competitively; compete effectively with other research and development outsourcing providers and effectively integrate customer feedback into our business planning. If we fail to effectively develop new services and create demand for them, our future business, including results of operations, financial condition, cash flows and prospects, could be materially and adversely affected.

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.

In particular, virtual companies which have little assets or capital may rely particularly on the success of their projects to maintain their business. If their projects were to fail, these companies may not be able to continue to operate and may become insolvent. If this were to happen, these companies may not be able to pay our service fees and may need to terminate their master service agreement with us.

We may undertake acquisitions or joint ventures or make equity investments that may have a material adverse effect on our ability to manage our business. These acquisitions or joint ventures or equity investments may not be successful, and we may fail to integrate acquisitions successfully.

To pursue our growth strategy, we may acquire new technologies, businesses or services or enter into strategic alliances with third parties, that fit into and support our existing value chain, which allows us to further access a wider variety of participants in the healthcare ecosystem. We may not be able to identify attractive targets. Even if we manage to identify such targets, we may not be able to successfully acquire the targets identified despite spending significant amount of time and resources on pursuing such acquisition or investment, or complete the transactions on terms favorable to or acceptable to us, in a timely manner, or at all. The inability to identify the targets or complete such transactions successfully could adversely affect our business operations, financial results and competitiveness. Furthermore, integration of an acquired company, its intellectual property or technology into our own operations is a complex, time-consuming and expensive process. The successful integration of an acquisition 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. If we are not able to do so, our business strategies and operations may be adversely affected.

The geographic distance between companies, the complexity of the technologies and operations being integrated and the disparate corporate cultures being combined may increase the difficulties of integrating an acquired company or technology. In addition, it is common in our industry for competitors to attract customers and recruit key employees away from companies during the integration phase of an acquisition.

If we are presented with appropriate opportunities, we may acquire or make minority equity investments in businesses that are complementary to our existing businesses or can leverage our service platform to create significant value. From time to time, we make investments to further our growth strategy. Up to June 30, 2018, we have invested approximately US$238.5 million in a wide range of investments, including investments in our joint ventures and associates.

Our available cash and stock may be used for our future acquisitions or make equity investments, which may possibly result in significant acquisition or investment-related charges to earnings and dilution to our shareholders. Future acquisitions or equity investments will likely present challenges and could require that our management develop expertise in new areas, manage new business relationships and attract new types of customers. The diversion of our management's attention and any difficulties encountered in these acquisitions and equity investments could have an adverse effect on our ability to effectively manage our own business. These acquisitions and equity investments may also expose us to other potential risks, including loss of the invested amounts, inability to earn an adequate return, unforeseen liabilities, diversion of resources from our existing businesses and potential harm to relationships with employees or customers.

We may not be able to realize our anticipated investment returns from our investments.

From time to time, we may make strategic investments in (a) investment targets that fit into and support our existing value chain and (b) cutting edge technologies that we believe will advance the healthcare industry, both of which would allow us to further access a wider variety of participants in the healthcare ecosystem wile maintaining our position at the forefront of science. In 2017 and the six months ended June 30, 2018, our fair value gain on financial assets at FVTPL was approximately 3.1% and 35.4% of our profit for the period, respectively. If the fair value of our investments were to fluctuate or decline, our results of operations may be materially and adversely affected. For example, global capital markets experienced significant fluctuations subsequent to September 30, 2018. As we mark-to-market the fair value of certain of our investments on a periodic basis, we expect the fair value of our financial assets at FVTPL, especially our investments in publicly-traded companies, may be negatively affected by such fluctuations as compared to their value as of September 30, 2018. If any downward fluctuations were to continue, the fair value of our financial assets at FVTPL may be negatively affected during our next quarterly review at December 31, 2018 or in subsequent quarterly reviews. As a result, we face risks relating to our equity investments in our investees.

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

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

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

Our financial assets at fair value through profit or loss are subject to the uncertainties in accounting estimates.

In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. See note 4 to the Accountants' Report in Appendix I to this prospectus. As such, we believe that our financial assets at fair value through profit or loss are subject to the uncertainties of accounting estimates and therefore warrant particular attention.

We accounted for these financial assets as available for sale measured at cost or fair value with changes accounted for in other comprehensive income under IAS 39 prior to 2017 and have elected to reclassify these investments as financial assets at FVTPL since January 1, 2018, at which time we adopted IFRS 9. For investments whose securities are not publicly traded and that have no quoted market prices, their fair values are estimated by using valuation techniques, including the backsolve method which takes into account the most recent transaction price of these financial assets. Valuation techniques are certified by independent and recognized business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on our specific data. However, it should be noted that some inputs, such as possibilities under different scenarios such as initial public offering, liquidation and redemption, require management estimates and assumptions, are reviewed periodically and adjusted as necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial assets. The carrying amounts of AFS at December 31, 2015, 2016 and 2017 are RMB278.0 million, RMB614.8 million and RMB683.4 million, respectively and the fair value of such investments at June 30, 2018 is RMB1,396.1 million.

For financial reporting purposes, we categorize fair value measurements of financial assets and liabilities into level 1, level 2 or level 3, based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement. As of December 31, 2015, 2016 and 2017 and June 30, 2018, we had nil, RMB320.4 million, nil and RMB1,426.8 million of level 2 financial assets, respectively. Compared to level 1 financial assets, level 2 financial assets are not quoted in an active market, and we use valuation techniques to estimate the fair value of these assets. When estimating fair value using these valuation techniques, we consider observable inputs and market data, such as foreign exchange rates. Changes in these factors will affect the estimated fair value of our level 2 financial assets and therefore these assets will face uncertainty in accounting estimation. As of December 31, 2015, 2016 and 2017 and June 30, 2018, we had RMB66.5 million, RMB107.2 million, RMB 198.2 million and RMB1,041.3 million of level 3 financial assets, respectively, the scale of which is smaller than level 2 financial assets. For level 3 financial assets, we primarily adopt valuation techniques such as the net asset value of the underlying investments and backsolve.

Our income from gain on disposal of available-for-sale investments is non-recurring in nature and any change in the number of investments disposed and the amount of gain associated with such disposals would affect our financial results.

Our income from gain on disposal of available-for-sale investments is non-recurring in nature. We recognized gain on disposal of available-for-sale investments in 2015, 2017 and in the six months ended June 30, 2017 of RMB226.1 million, RMB32.1 million and RMB19.2 million, respectively. We did not recognize gain on disposal of net investments in 2016 and in the six months ended June 30, 2018. There is no guarantee whether and which of our investments would be disposed in the future and there is no assurance that any such disposal would result in gain. If we do not dispose of any investments in the future or if such disposal does not result in gain, we will not recognize any gain on disposal of available-for-sale investments and our financial results may be materially affected.

Goodwill impairment could negatively affect our reported results of operations.

Goodwill is initially measured at cost. 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. Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. There are inherent uncertainties related to these factors and to our judgment in applying these factors to the assessment of goodwill recoverability. We could be required to evaluate the recoverability of goodwill prior to the annual assessment if there are any impairment indicators which could potentially be caused by our failure to successfully integrate the operations of our acquisition of the business to which the goodwill relates with our other operations. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of goodwill as of December 31, 2015, 2016 and 2017 and June 30, 2018 was RMB308.2 million, RMB326.3 million, RMB958.0 million and RMB960.4 million, respectively and impairment losses of RMB15.5 million, RMB26.3 million, RMB45.2 million were recognized for the year ended December 31, 2015, 2016 and 2017, respectively. We did not recognize any impairment loss in the six months ended June 30, 2018. For details on the impairment loss calculation, please see Note 21 to the Accountants' Report in Appendix I to this prospectus. Impairment charges could substantially affect our reported results of operations in the periods of such charges. In addition, impairment charges could negatively impact our financial ratios and could limit our ability to obtain financing in the future.

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

We have intangible assets other than goodwill in the form of trademarks, software, customer relationship and patents. As of December 31, 2015, 2016 and 2017 and June 30, 2018, the carrying value of our intangible assets was approximately RMB171.7 million, RMB179.2 million, RMB296.5 million and RMB288.4 million, respectively. At the end of the reporting 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 research and development 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, research and development activities and/or profit margins. In addition, 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. In the year ended December 31, 2015 and 2017, we recorded an impairment loss, net of reversal, of RMB4.4 million and RMB81.1 million, respectively. We did not recognize an impairment loss, net of reversal, in the year ended December 31, 2016 or the six months ended June 30, 2018. Please refer to Note 4 "Significant accounting policies" and Note 20 "Other intangible assets" to the Accountants' Report in Appendix I to this prospectus for further details of our accounting policies for intangible assets and their impairment, and the estimates and assumptions involved therein.

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

As of December 31, 2015, 2016 and 2017 and June 30, 2018, our deferred tax assets amounted to RMB64.8 million, RMB45.6 million, RMB244.2 million and RMB262.0 million, which primarily represent the depreciation difference arising from the effect of intragroup transaction and tax losses. For details of the movement of our deferred tax assets during the Track Record Period, please see Note 25 to the Accountants' Report in Appendix I to this prospectus.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable 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.

Negative attention from special interest groups may impair our ability to operate our business efficiently.

Some of our current services involve testing pharmaceuticals and medical devices in laboratory animals. Some of the laboratory animals we work with are large animals, including non-human primates. Although the testing of pharmaceuticals in laboratory animals is mandated by law, certain special-interest groups categorically object to the use of animals for these research purposes. Any threats directed against our animal research activities or any negative media attention could impair our ability to operate our business efficiently. In addition, if regulatory authorities were to mandate a significant reduction in safety testing procedures that utilize laboratory animals, as has been advocated by certain groups, our business could be materially and adversely affected.

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 maintain product liability and professional errors and omissions insurance covering product liability claims arising from the use, consumption or operation of our new drugs and claims arising from negligence in connection with our services to customers. We hold public liability insurance covering certain incidents involving third parties that occur on or in our premises. We also hold directors and officers' liability insurance. We do not 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. 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 subject, from time to time, to legal proceedings and claims that arise in the ordinary course of business or pursuant to governmental or regulatory enforcement activity. While we do not believe that the resolution of any lawsuits against us will, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations, litigation to which we subsequently become a party might result in substantial costs and divert management's attention and resources. Furthermore, any litigations, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate and become important to us due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved.

Our insurance might not cover claims brought against us, might not provide sufficient payments to cover all of the costs to resolve one or more such claims and might not continue to be available on terms acceptable to us. In particular, any claim could result in unanticipated liability to us if 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.

We may need additional capital that we may be unable to obtain in a timely manner on acceptable terms.

In order to expand our capacity, develop new services and remain competitive, we may require additional capital. As of December 31, 2017, and June 30, 2018, we had RMB622.2 million and RMB739.6 million of capital commitments, respectively, which are primarily related to the acquisition of property, plant and equipment. We expect to satisfy such capital commitments using net proceeds from the Global Offering, cash from operations and bank facilities available to us. Financing may be unavailable in amounts or on terms acceptable to us. Our ability to obtain additional capital is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows, general market conditions for capital-raising activities by pharmaceutical companies, and economic, political and other conditions in China, the United States and other countries. The sale of additional equity or equity-linked securities could result in dilution to the 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.

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

We rely on a variety of information technology and automated operating systems to manage or support our operations, including protecting our customers' intellectual property. The proper functioning of these systems is critical to the 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.

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

As of the Latest Practicable Date, among our 64 leased properties in China, three of them had title defects. The total GFA of these defective properties is approximately 1,574.12 sq.m., representing 0.62% of our total GFA for leased properties. The existence of title defects is mainly due to the failure of those lessors to provide either property ownership certificates or relevant construction permits regarding their legal right to lease such properties. As advised by our PRC Legal Advisor, the total GFA of these three properties only accounts for 0.62% of that of the total properties for lease, and thus the lack of certain certificates and approvals will not have a material adverse effect on our financial conditions or results of operations as a whole. 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 that we need to relocate, we intend to find alternative locations nearby and relocate in a relatively short time. We do not believe relocation of any such leased properties would cause any material disruption to our operations. For more information, please see "Business — Properties — Title defects" in this prospectus.

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

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

As of the Latest Practicable Date, lease agreements of our 42 leased properties in China had not been registered and filed with relevant real estate management departments in China according to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》). As advised by our PRC Legal Advisor, non-registration of lease agreements does not affect our relevant rights or entitlements to lease out the properties or the legality and effectiveness of the lease agreements between the parties to the agreements. However, pursuant to the relevant PRC regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. During the Track Record Period and up to the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant government authorities. For more information, please see "Business — Properties — Non-registration of leased properties" in this prospectus.

We intend to register future house lease agreements to the extent possible. Nevertheless, we cannot assure you that we would not be subject to any penalties and/or requests for undertaking the registration formalities in the future. If any of these arises in the future, our costs may be adversely affected.

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

We conduct our activities of discovery, testing, development and manufacturing of pharmaceuticals, cell and gene therapies, and medical devices in facilities located around the world. 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. Our facilities and certain equipment located in these facilities would be difficult to replace in any such event and could require substantial replacement lead time and cost. The occurrence of any such event could materially and adversely affect our business, financial condition, results of operations and prospects.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

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

We 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 PRC economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, control of foreign exchange and allocation of resources. The PRC government has implemented various measures to encourage, but also to control, economic growth and to guide the allocation of resources. Some of these measures benefit the overall PRC economy but may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by changes in tax regulations. These measures may cause decreased economic activity in China, which in turn could adversely affect our business, financial condition, results of operations, cash flows and prospects.

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

The investment activities of foreign investors in the PRC are subject to certain regulation regarding the industry participated and imposed of additional verification procedures by certain authorities. The Special Management Measures (Negative List) for the Access of Foreign Investment (2018) (《外商投資准入特別管理

措施（負面清單）（2018年版）》, the "**Negative List**") issued by the NDRC and MOFCOM, which set out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity and senior management, and the industries that are prohibited for foreign investment. The Negative List covers 14 industries, and any field not fallen in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. As of the Latest Practicable Date, our Group's main business in China does not fall within the Negative List. However, certain industries are specifically prohibited for foreign investment, such as the development and application of technologies for diagnosis and treatment of human stem cells and genes, which may restrict us from entering into these industries afterwards. Also, as the Negative List could be updated in the future, there can be no assurance that the PRC government will not change its policies in a manner that would render part of our business in China within the Negative List. If we cannot obtain approval from relevant approval authorities to engage in a business in China which becomes prohibited or restricted for foreign investors, we may be forced to sell or restructure our business which has become restricted or prohibited for foreign investment. If we are forced to adjust our corporate structure or business line as a result of changes in government policy on foreign investment, our business, financial condition and results of operations may be adversely affected.

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

We conduct a multinational business. Fluctuations in exchange rates between the Renminbi and the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. On August 11, 2015, the PRC government announced a change in how the PBOC fixes the Renminbi's daily reference rate around which the Renminbi trades against the U.S. dollar, which led to the devaluation of the Renminbi for three consecutive days. In December 2015, the People's Bank of China began publishing a trade-weighted exchange-rate index to encourage the market to assess the Renminbi's value against a basket of currencies, which was viewed by the market as an implicit agreement to gradually depreciate the Renminbi against the U.S. dollar. However, it remains unclear how this flexibility might be implemented. Further, there remains significant international pressure on the PRC government to adopt a substantial liberalization of its currency policy, which could result in a further and more significant appreciation in the value of Renminbi against the U.S. dollar.

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. We recorded net foreign exchange gain of RMB32.8 million and RMB93.2 million for the years ended December 31, 2015 and 2016, respectively. We recorded net foreign exchange loss of RMB138.9 million for the year ended December 31, 2017. We recorded net foreign exchange loss of RMB19.1 million for the six months ended June 30, 2018. While we currently do use derivative contracts to hedge against our exposure to currency risks, there is no assurance that these would successfully hedge our exposure. See "Financial Information — Qualitative and Quantitative Disclosure about Market Risk — Currency Risk" for more information.

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

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have limited precedential value. In late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing general economic matters. The overall effect of legislation over the past three decades has significantly increased the protections afforded to various forms of foreign investment in China. However, China has not developed a fully-integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activity in China.

Furthermore, as some of these laws and regulations are relatively new, and because of the limited volume of published court decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations may involve uncertainties and may not be as consistent or predictable as in other jurisdictions.

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

Implementation of the labor laws and regulations in China may adversely affect our business and results of operations.

Pursuant to the labor contract law that took effect in January 2008, its implementation rules that took effect in September 2008 and its amendment that took effect in July 2013, employers are subject to 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 the National People's Congress promulgated the PRC Social Insurance Law, or the Social Insurance Law, which became effective on July 1, 2011. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees. Recently, the PRC government enhanced its measures relating to social insurance collection, which may lead to stricter enforcement. Our social insurance policies and practices may violate the relevant laws and regulations, and we may thus be subject to related penalties, fines or legal fees. Compliance with the Social Insurance Law and its implementation rules may increase our operating expenses, in particular our personnel expenses.

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 and will at all times be deemed to be in full compliance with labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

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

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past we 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. For example, under the IIT Law which was last 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. Recently, the Standing Committee of NPC have approved the amendment of the IIT Law, which will take 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 such rule be strictly enforced, our ability to attract and retain highly skilled foreign scientists and research technicians to work in China may be materially affected, which may in turn have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects. Further adjustments or changes to PRC tax laws are regulations, together with any uncertainty resulting therefrom, could also have an adverse effect on our business, financial condition and results of operations.

It may be difficult to effect service of process upon us, our Directors, Supervisors and management or to enforce against them or us any judgments obtained from foreign courts.

We are a company incorporated under the laws of the PRC, and a significant number of our operating subsidiaries are incorporated in China. In addition, most of our Directors, Supervisors and management reside in China. A substantial amount of our assets and some of the assets of our management are located in China. Therefore, it may not be possible for investors to effect service of process outside China upon us or our management or to enforce judgments obtained against us in courts outside China.

A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC only if such jurisdiction has a treaty with the PRC or if the jurisdiction has been otherwise deemed by the PRC courts to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 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》) (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 agreement 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 us, our assets or management in China in order to seek recognition and enforcement of foreign judgments in China.

Our Articles of Association (the "**Articles**") provides that if any disputes or claims in relation to the Company's business, with respect to any rights or obligations under our Articles, the PRC Company Law or any

other relevant laws and administrative regulations shall arise between shareholders of overseas listed foreign shares and the Company, between shareholders of overseas listed foreign shares and the Company's directors, supervisors, president (chief executive officer) or other senior management personnel of the Company, or between shareholders of overseas listed foreign shares and shareholders of domestic shares, and the parties concerned shall submit such disputes or claims to arbitration, while disputes with respect to the definition of shareholders and disputes concerning the register of shareholders need not be resolved by arbitration. An applicant may choose for the arbitration to be arbitrated either by the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Center in accordance with its securities arbitration rules. For more information, see "Appendix V — Summary of Articles of Association." Awards made by the PRC arbitral authorities recognized under the Hong Kong Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitral awards are also enforceable in the PRC, subject to the satisfaction of certain PRC legal requirements and procedures. However, we are uncertain whether the action brought in the PRC to enforce an arbitral award made in favor of holders of H Shares would succeed.

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 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.

We rely principally on dividends and other distributions on equity paid by our operating subsidiaries to fund cash and financing requirements. Limitations on the ability of our operating subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company, and we rely principally on dividends and other distributions on equity paid by our subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. If any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Furthermore, relevant PRC laws and regulations permit payments of dividends by us and our PRC subsidiaries only out of retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC laws and regulations, we and each of our operating subsidiaries in China is required to set aside a portion of its net profit each year as statutory reserve. These reserves are not distributable as cash dividends. They may stop contributing if the aggregate amount of the statutory common reserve funds has already accounted for more than 50% of its registered capital. Moreover, after a company has accrued the statutory common reserve fund from its after-tax profit upon a resolution of the shareholders' meeting, it may accrue discretionary common reserve fund from its

after-tax profits. As a result of these PRC laws and regulations, each of our PRC subsidiaries is restricted in its ability to distribute 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. Any distributable profits that are not distributed in a given year will not be carried forward for distribution in subsequent years. Limitations on the ability of our operating subsidiaries in China to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions, pay dividends or otherwise fund and conduct our business.

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

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

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under Individual Income Tax Law of the People's Republic of China ("**IIT Law**",《中華人民共和國個人所得稅法》) and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui Zi [1994] No. 020) issued by the MOF and SAT on May 13, 1994, the income gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempted from individual income tax for the time being. In addition, under the IIT Law and its implementation regulations, non-PRC resident individual holders of H shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H shares. However, pursuant to Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. As of the Latest Practicable Date, no aforesaid provisions have expressly provided that whether individual income tax shall be levied from non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individual holders on gains from the sale of H shares. For more information, see "Appendix III — Taxation and Foreign Exchange — The PRC Taxation."

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

Despite the arrangements mentioned above, there are significant uncertainties as to the interpretation and application of applicable PRC tax laws and regulations due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%.

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

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

During the Track Record Period, we generated a 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 "Financial Information — Description of Key Statement of Profit or Loss Items — Revenue" for more details. In addition, many of the pharmaceuticals 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.

Our business may be materially and adversely affected by the increasing trade tensions between U.S. and China.

Recently, as trade tensions 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 expansion and the increasing cross-border transactions trend. Given that a substantial number of our customers are U.S. pharmaceutical and biotechnology companies and that we hold equity interest in certain U.S. companies, the demands of our services are significantly influenced by U.S. government's attitude towards Chinese service providers in pharmaceutical and biotechnology industries. We cannot assure you that we will not be negatively influenced by the increasing trade tensions between the United States and China as well as by adverse changes in U.S. laws and regulations towards diplomatic relations. As a result, our business, financial condition, results of operations and prospects could be materially and adversely affected as a result.

Any future outbreak of severe acute respiratory syndrome or avian flu in China, or similar adverse public health development, may severely disrupt our business and operations.

Our business is subject to the general economic and social conditions in China. The outbreak of any severe contagious disease, such as severe acute respiratory syndrome, or SARS, Ebola virus, the H1N1 influenza or other subtypes of avian flu, including H5N1 and most recently H7N9, could adversely affect the economy, infrastructure and livelihood of people in China. For instance, China experienced an outbreak of SARS in 2003 and several occurrences of avian flu in various regions since 2004. Recently, there was an outbreak of Ebola virus, the Middle East Respiratory Syndrome and Zika virus, which has not yet been fully contained.

The perception that an outbreak of contagious disease may occur again may also have an adverse effect on our future recruiting efforts. In addition, if any of our employees are affected by any severe communicable disease outbreak, we may be required to quarantine the employees who are suspected of becoming infected, as well as others who have come into contact with those employees to prevent the spread of the disease. We may also be required to disinfect our affected premises, which could cause a temporary suspension of our service capacity and thus adversely affect our operations. In such event, the disruption in our production process could affect our financial condition, operational results and future prospects.

RISKS RELATING TO THE GLOBAL OFFERING

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

Our A Shares were listed on the Shanghai Stock Exchange in May 2018. Following the Global Offering, our A Shares will continue to be traded on the Shanghai 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 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. The initial Offer Price for our H Shares to the public will be the result of negotiations between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the H Shares following the Global Offering.

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

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

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

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

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an

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

Future increase or perceived significant increase in the supply of our H Shares in public markets following the Global Offering could materially and adversely affect the price of our H Shares.

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

Our A Shares can be converted into H Shares if the conversion and trading of the H Shares is duly completed pursuant to the requisite approval process and the approval from the relevant PRC regulatory authorities, including the CSRC, is obtained. In addition, such conversion and trading must, in all aspects, comply with the regulations promulgated by the securities regulatory authority under the State Council and the regulations, requirements and procedures of the Hong Kong Stock Exchange. If a significant number of A Shares are converted into H Shares, the supply of H Shares may be substantially increased, which could have a material and adverse effect on the prevailing market price for our H Shares. In addition, while investors subscribing shares in the Global Offering are not subject to any restrictions on the disposal of the H Shares they subscribed (except as disclosed in this prospectus), they may have existing arrangements or agreement to dispose part or all of the H Shares they hold immediately or within certain period upon completion of the Global Offering for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or any time or period after the Listing Date.

Any sale of the H Shares subscribed by such investors pursuant to such arrangement or agreement could adversely affect the market price of our H Shares and any sizeable sale could have a material and adverse effect on the market price of our H Shares and could cause substantial volatility in the trading volume of our H Shares.

Our Founding Individuals 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 Founding Individuals will collectively control approximately 27.7623% voting power at general meetings of our Company. Our Founding Individuals 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 Founding Individuals may not act in the best interests of our minority Shareholders. In addition, without the consent of our Founding Individuals, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our H Shares.

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

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

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

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Under PRC law and the constitutional documents of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory capital reserve funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. The calculation of our distributable profits under PRC GAAP differs in many aspects from the calculation under IFRS. In addition, as stipulated by our Articles, distributable profits are recognized as our net profit determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we and our PRC operating subsidiaries may not be able to pay a dividend in a given year if we or our PRC operating subsidiaries do not have distributable profits as determined under PRC GAAP even if they have profits as determined under IFRS. Certain subsidiaries of the Company declared and paid a cash dividend to their shareholders or non-controlling shareholders of RMB326.6 million, RMB1,137.7 million, RMB18.8 million, RMB18.8 million and RMB19.2 million, respectively. Other than the foregoing, no dividend has been paid or declared by other companies comprising our Group during the Track Record Period or the Company since its incorporation. See "Financial Information — Dividends" 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, and subject to the approval from Shareholders' meeting. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

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

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

Hong Kong dollars for the purpose of making payments for dividends on our H Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

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

Facts, forecasts and statistics in this prospectus relating to the PRC, the PRC economy and healthcare industry in China are obtained from various sources including official government publications that we believe are reliable. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Joint Global Coordinators nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this prospectus relating to the PRC economy and the healthcare industry in China may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

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

As our A Shares are listed on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in the PRC. As a result, before the Listing Date, from time to time we will publicly release information relating to ourselves on the Shanghai Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares is based on the regulatory requirements of the securities 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 a part of this prospectus. As a result, prospective investors in 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 prospectus and the Application Forms. 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 prospectus, the Application Forms and any formal announcements made by us in Hong Kong with respect to the Global Offering.

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

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

In preparation for the Global Offering, we have applied to the Hong Kong Stock Exchange for the following waivers from strict compliance with the relevant provisions of the Hong Kong Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Hong Kong Listing Rules, all applicants applying for a primary listing on the Hong Kong Stock Exchange must have sufficient management presence in Hong Kong. This would normally mean that at least two of the applicant's executive directors must be ordinarily resident in Hong Kong.

The Company's business operations and assets are primarily located outside Hong Kong. The Company's executive Directors are based in the PRC as the Board believes it is more effective and efficient for its executive Directors to be based in a location where our substantial operations are located. The Company therefore does not, and in the foreseeable future will not, maintain management presence in Hong Kong.

Accordingly, pursuant to Rule 19A.15 of the Hong Kong Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Hong Kong Listing Rules, provided that the Company implements the following arrangements:

(i) We have appointed Mr. Edward Hu and Mr. Chi Yao as the authorized representatives for the purpose of Rule 3.05 of the Hong Kong Listing Rules. They will serve as the principal channel of communication with the Hong Kong Stock Exchange and make themselves readily available to communicate 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 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. In the event that a Director expects to be traveling or otherwise be out of office, he/she will provide the phone number of the place of his/her accommodation or other contact information to the authorized representatives, to ensure that each of the authorized representatives will be able to contact all the Directors promptly at all times if and when the Hong Kong Stock Exchange wishes to contact the Directors.

(iii) We have appointed Somerley Capital Limited as our compliance advisor in accordance with Rule 3A.19 of the Hong Kong Listing Rules, which will serve as an additional and alternative channel of communication with the Hong Kong Stock Exchange in addition to our authorized representatives. The compliance advisor will have reasonable access, at all times during the term of their appointment, to our authorized representatives, Directors and other officers of the Company, participate in the communication between the Hong Kong Stock Exchange and the Company and answer inquiries from the Hong Kong Stock Exchange.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Hong Kong Listing Rules, we 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 Hong Kong 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;

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

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

Note 2 to Rule 3.28 of the Hong Kong Listing Rules further sets out the factors that the Hong Kong Stock Exchange will consider in assessing an individual's "relevant experience":

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

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

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

(iv) professional qualifications in other jurisdictions.

The Company has appointed Mr. Chi Yao as one of the joint company secretaries. He has extensive experience in corporate governance matters, corporate secretarial affairs and is the secretary to the Board. However, Mr. Yao does not possess the qualifications under Rule 3.28 of the Hong Kong Listing Rules, and may not be able to fulfill the requirements of the Hong Kong Listing Rules on his own. Therefore, we have appointed Ms. Yuen Wing Yan Winnie, a fellow member of the Hong Kong Institute of Chartered Secretaries, who is qualified under Rule 3.28 of the Hong Kong Listing Rules to act as the other joint company secretary and to work closely with and provide assistance to Mr. Yao.

The following arrangements have been, or will be, put in place to assist Mr. Chi Yao in acquiring the qualifications and experience as the company secretary of the Company required under Rule 3.28 of the Hong Kong Listing Rules:

(i) In the course of the preparation of the application for the Listing, Mr. Yao has been provided with a memorandum and has attended a training seminar on the respective obligations of the Directors and senior management and the Company under the relevant Hong Kong laws and the Hong Kong Listing Rules provided by the Company's Hong Kong legal advisor.

(ii) In addition to the minimum training requirements under Rule 3.29 of the Hong Kong Listing Rules, the Company will ensure that Mr. Yao continues to have access to relevant training and support to familiarize himself with the Hong Kong Listing Rules and the duties of a company secretary of an issuer listed on the Hong Kong Stock Exchange, and to receive updates on the latest changes to the applicable Hong Kong laws, regulations and the Hong Kong Listing Rules. Furthermore, the Company will ensure that both Mr. Yao and Ms. Yuen will seek and have access to the advice from the Company's Hong Kong legal advisor and other professional advisors as and when required.

(iii) Ms. Yuen will assist Mr. Yao to acquire the "relevant experience" as required under Note 2 to Rule 3.28 of the Hong Kong Listing Rules and to discharge his duties as a company secretary. Mr. Yao will be assisted by Ms. Yuen for an initial period of three years commencing from the Listing Date. As part of the arrangement, Ms. Yuen will act as one of the joint company secretaries and communicate regularly with Mr. Yao on matters relating to corporate governance, the Hong Kong Listing Rules as well as other laws and regulations which are relevant to the Company. She will also assist Mr. Yao in organizing Board meetings and Shareholders' meetings as well as other matters of the Company which are incidental to the duties of a company secretary.

(iv) The Company has appointed the compliance advisor pursuant to Rule 3A.19 of the Hong Kong Listing Rules, which will act as our additional channel of communication with the Hong Kong Stock Exchange and provide professional guidance and advice to us and our joint company secretaries as to compliance with the Hong Kong Listing Rules and all other applicable laws and regulations.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Hong Kong Listing Rules. Upon the expiry of the initial three-year period, the qualifications of Mr. Yao will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Hong Kong Listing Rules can be satisfied.

CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into certain transactions which would constitute non-exempt continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules after the Listing. Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules are set out in the section headed "Connected Transactions" in this prospectus.

WAIVER IN RELATION TO BUSINESS OR SUBSIDIARY ACQUIRED OR PROPOSED TO BE ACQUIRED AFTER THE TRACK RECORD PERIOD

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

Since July 1, 2018, our Group has acquired or may acquire equity interests in certain offshore entities as part of the targets' corporate restructuring steps to swap their shareholders' shareholding interests from onshore entities to their offshore holding companies. As there will be no net increase in the investment of our Group in such targets on a group basis as a result of such acquisitions, and the financial contribution of such targets are already reflected in our Group's historical financial statements, our Company does not believe such acquisitions in offshore entities would fall under the ambit of Rules 4.04(2) and 4.04(4) of the Hong Kong Listing Rules.

Pursuant to guidance letter HKEX-GL-32-12 issued by the Hong Kong Stock Exchange ("**GL32-12**"), acquisitions of business include acquisitions of associates and any equity in another company. Pursuant to GL32-12, the Hong Kong Stock Exchange may consider granting a waiver of the requirements under Rules 4.04(2) and 4.04(4) of the Hong Kong Listing Rules on a case-by-case basis, and having regard to all relevant facts and circumstances. The Hong Kong Stock Exchange will ordinarily grant a waiver in relation to acquisitions of equity securities in the ordinary and usual course of business subject to the following conditions

(a) the percentage ratios (as defined under Rule 14.04(9) of the Hong Kong Listing Rules) of each acquisition are all less than 5% by reference to the most recent financial year of the applicant's trading record period, (b) the applicant is neither able to exercise any control, nor has any significant influence, over the underlying company or business, and (c) the listing document should include the reasons for the acquisitions and a confirmation that the counterparties and the ultimate beneficial owners of the counterparties are independent third parties of the applicant and its connected persons. In addition, the Hong Kong Stock Exchange will ordinarily grant a waiver in relation to acquisitions of a business or subsidiary subject to the following conditions: (i) the percentage ratios (as defined under Rule 14.04(9) of the Hong Kong Listing Rules) of the acquired or to be acquired business or subsidiary are all less than 5% by reference to the most recent financial year of the applicant's trading record period; (ii) the historical financial information of the acquired or to be acquired business or subsidiary is not available or would be unduly burdensome to obtain or prepare, and (iii) the listing document should include at least the information that would be required for a disclosable transaction under Chapter 14 of the Hong Kong Listing Rules on each acquisition.

As part of our efforts to foster the ecosystem, our Group has established joint ventures and made selective investments in a wide variety of companies within the healthcare ecosystem. We primarily focus our investments in (a) targets that fit into and support our existing value chain, (b) cutting edge technologies that we believe will advance the healthcare industry, (c) strategic long-term investments, and (d) venture capital funds, all of which would allow us to further access a wide variety of participants in the healthcare ecosystem while maintaining our position at the forefront of science. We primarily make venture capital investments using our own funds through our venture capital arm, WuXi PharmaTech Healthcare Fund I L.P., which we expect will play an increasingly significant role in contributing to the ecosystem as it expands its portfolio of companies. As of June 30, 2018, our Group had investments in 44 companies (not including our investments in our joint ventures and associates). See "Business — Our Investments" for further details.

The Company expects that the investments below will be funded by our internal resources. Our Directors confirm that the terms or proposed terms of the investments below are fair, reasonable and in the interest of the Shareholders as a whole.

As the Company is generally subject to confidentiality obligations with the target companies and still in negotiation with some of the target companies without any signed agreement, the Company believes it is not appropriate to disclose the names of the target companies for the investments below.

Post-TRP Venture Capital Investments

Since July 1, 2018 and up to the Latest Practicable Date, our Group has made or proposed to make the following venture capital investments:

	Target company	Investment amount	Percentage of shareholding/ equity interest upon completion[1]	Principal business	Basis for determining the investment amount	Completion date/Expected completion date
1.	**Company A**	US$139,500	1.34%	Therapeutics development	Based on the latest valuation	Note 2
2.	**Company B**	US$3,258,861	6.25%	Therapeutics development	Based on the latest valuation	Note 3
3.	**Company C**	US$809,421	15.61%	Molecular diagnostics	Based on the latest valuation	September 2018
4.	**Company D**	US$1,000,000	12.5%	Health data exchange platform	Based on the latest valuation	November 2018
5.	**Company E**	US$1,000,000	1.1%	Development and commercialization of specialty healthcare products	Based on the latest valuation	September 2018

	Target company	Investment amount	Percentage of shareholding/ equity interest upon completion[1]	Principal business	Basis for determining the investment amount	Completion date/Expected completion date
6.	**Company F**	RMB500,000,000	5%	Investment for construction and industrial development relating to healthcare and other businesses	Upon arm's length negotiations with seller	Note 4
7.	**Company G**	RMB273,315,000	99.64%[(5)]	Special purpose vehicle for the investment with a minority interest in the hospital chain	Based on the capital required for the target's operations	October 2018
8.	**Company H**	US$3,000,000	3.33%	Venture capital investing in healthcare and other businesses	Based on the capital required for the target's operations	December 2018
9.	**Company I**	US$4,999,999	0.86%	Provider of molecular simulations and enterprise software solutions	Based on the latest valuation	November 2018
10.	**Company J**	US$5,000,000	9.82%	Investment in technologies through collaborations with academic institutions	Based on the latest valuation	January 2019
11.	**Company K**	US$5,000,000	1%	Investment fund for healthcare and other businesses	Based on the capital required for the target's operations	December 2018
12.	**Company L**	US$20,000,000	2.25%	Hospital chain	Based on the latest valuation	December 2018
13.	**Company M**	US$12,000,000	18%	Development and commercialization of medical device	Based on the latest valuation	November 2018
14.	**Company N**	US$20,000,000	15-20%	Small molecule discovery focusing on G protein-coupled receptor targets	Based on the latest valuation	December 2018
15.	**Company O**	US$1,500,000	20%	Artificial intelligence company focusing on development of a subscription based revenue model for pharmaceutical companies	Based on the latest valuation	January 2019
16.	**Company P**	US$500,000	4.8%	Biotech focusing on small molecule therapies	Based on the latest valuation	February 2019
17.	**Company Q**	US$3,800,000	8%	Life science company focusing on human micro-organs for therapeutic treatments	Based on the latest valuation	February 2019

	Target company	Investment amount	Percentage of shareholding/ equity interest upon completion[1]	Principal business	Basis for determining the investment amount	Completion date/Expected completion date
18.	**Company R**	RMB60,000,000	Up to 20%	Solution provider for Parkinson's disease treatment	Based on the latest valuation	February 2019
19.	**Company S**	US$10,000,000	6.7%	Investment fund for biotech investments	Based on the capital required for the target's operations	February 2019
20.	**Company T**	US$5,000,000	4.9%	Artificial intelligence company using genomics, big data analysis and deep learning for in silico drug discovery	Based on the latest valuation	January 2019
21.	**Company U**	US$40,000,000	20%	Investment vehicle for potential acquisition of healthcare and other businesses	Based on the capital required for the target's operations	February 2019
22.	**Company V**	US$2,000,000	1.3%	Therapeutics development	Based on the latest valuation	September 2018

Notes:

(1) On a fully diluted basis and inclusive of equity interests acquired prior to the completion.

(2) The first closing after the Track Record Period involving a consideration of US$69,750 has been completed in August 2018 and the subsequent closing involving US$69,750 is expected to be completed in August 2019.

(3) The first two closings after the Track Record Period involving an aggregated consideration of US$925,528 have been completed in August 2018 and October 2018 while the subsequent closings involving US$2,333,333 are expected to be completed in stages from September 2019 to July 2020.

(4) RMB25,000,000 has been paid in July 2018 while the remaining unpaid registered capital is required to be paid up before April 2038 pursuant to the articles of association of the target company.

(5) This special purpose vehicle refers to the limited partnership interest to be held by our Group. We have no interests in the general partner of the investment vehicle and have no control as to its operation. The general partner of this investment vehicle is an Independent Third Party. It is intended that the investment vehicle would hold a minority interest in a hospital chain.

Each of the above investments has been or will be settled in cash. To the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, other than the investments of minority stakes prior to the Post-TRP VC Investments by (i) our Group in Company A, Company C, Company E, Company P and Company T, (ii) our associate company in Company C, and (iii) one of the close associates of the Founding Individuals in Company E, all of the target companies set out above and their ultimate beneficial owners are Independent Third Parties from our Company and its connected persons. In its ordinary course of business, our Company expects to continue to enter into further investments subsequent to the Latest Practicable Date and prior to the date of this prospectus (together with the investments listed above, the "**Post-TRP VC Investments**"). The final terms of the Post-TRP VC Investments that have yet to be completed may be subject to change.

The reasons for the acquisitions for the Post-TRP VC Investments are to further expand the healthcare ecosystem related to our Group's core business such that our Group could create strategic synergy and to support

the growth of smaller companies and benefit from their expected development of cutting edge healthcare applications and technology.

Before the adoption of IFRS 9 on January 1, 2018, venture capital investments which we do not have significant influence are classified as available for sale ("**AFS**") financial assets and measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss included in the income statement as "other gains and losses".

After the adoption of IFRS 9 at January 1, 2018, venture capital investments which we do not have significant influence are classified as non-current financial assets at fair value through profit or loss. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Based on the following reasons, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules in respect of the Post-TRP VC Investments:

(i) *Ordinary and usual course of business.* Venture capital investments within the healthcare ecosystem is part of the ordinary course of business of our Group. As of June 30, 2018, our Group had investments in 44 companies (not including our investments in our joint ventures and associates). We have an investment team dedicated for conducting the venture capital investments on a full-time basis. Thus, the Post-TRP VC Investments are in our ordinary and usual course of business.

(ii) *Immateriality of the Post-TRP VC Investments.* One crucial business characteristic of the venture capital investments is large transaction volume of small investment amount. As of the Latest Practicable Date, the investment amount of each of the Post-TRP VC Investments generally does not exceed US$40 million. The percentage ratios for each of the Post-TRP VC Investments are all less than 5% by reference to the most recent financial year of the Track Record Period, and any subsequent investments are also expected to be so. To the best knowledge of our Company, the Post-TRP VC Investments are not subject to aggregation under Rule 14.22 of the Hong Kong Listing Rules. Accordingly, we consider the Post-TRP VC Investments are immaterial and do not expect them to have any material effect on the business, financial condition or operations of our Group.

(iii) *Target historical financial information not meaningful to investors' investment decision.* Since most of the target companies of the Post-TRP VC Investments are all at start-up stage which either have no historical financial information available as they have no operation history or have no meaningful financial information to enable us to prepare the Target Historical Financial Information for inclusion in this prospectus as required under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules, it would be impracticable for our Company to include the Target Historical Financial Information in this prospectus and any effort spent in this regard will not create any value in terms of enhancing disclosures in this prospectus.

(iv) *Unable to exercise control or significant influence.* Our Company holds only either minority equity interest or limited partnership interest in each of the target companies under the Post-TRP VC Investments and does not control the board or the general partner of the same. Given that our

Company is neither able to exercise any control nor has any significant influence over each of the target companies under the Post-TRP VC Investments, our Company would not be able to compel or request the target companies of the Post-TRP VC Investments to cooperate with our audit work in order to comply with the relevant requirements under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules.

(v) *Alternative disclosure.* We have provided in this section alternative information in connection with the Post-TRP VC Investments which would be required, where applicable, for a disclosable transaction under Chapter 14 of the Listing Rules, including but not limited to reasons for the investments, the investment amount, the principal business, the basis for determination of the investment amount and the completion/expected completion date for each investment, and a confirmation that the counterparties and the ultimate beneficial owners of the counterparties are Independent Third Parties from our Company and its connected persons. As disclosed above, as our Company is generally subject to confidentiality obligations with the target companies and still in negotiations with some of the target companies without any signed agreement, the identities of the target companies are not disclosed in this prospectus.

Post-TRP Strategic Acquisitions

Since July 1, 2018 and up to the Latest Practicable Date, our Group has also entered into or proposed to enter into certain strategic acquisitions which we may have control or joint control (the "**Post-TRP Strategic Acquisitions**").

1. *Acquisition of WuXi Clinical Development, Inc.*

WuXi Clinical Development, Inc. (carrying on business as ResearchPoint Global and formerly known as Cycle Solutions, Inc.) ("**WuXi Clinical**") had been a joint venture of our Group since October 17, 2017 when our Group was interested in 50% of its equity interests pursuant to a merger of one of our subsidiaries with and into WuXi Clinical ("**First Acquisition**"). On July 31, 2018, we entered into a share transfer agreement with First Shanghai Company, LLC ("**First Shanghai**"), an Independent Third Party, pursuant to which we agreed to purchase the remaining 50% of the equity interest in WuXi Clinical held by First Shanghai at the consideration of the cancelation of the promissory notes of US$17,227,847 subscribed by First Shanghai from our Group ("**Second Acquisition**"). The consideration was reached based on arm's length negotiations between the parties. First Shanghai is a corporation established in Texas, the U.S. and is primarily engaged in investment holding. The transaction was completed on the same date. No guarantee and/or security was given or required as part of or in connection with the acquisition.

WuXi Clinical is a corporation incorporated in Texas, the U.S. and is a full-service clinical CRO corporation headquartered in Texas. According to the unaudited management accounts of WuXi Clinical prepared in accordance with the U.S. GAAP, its total assets amounted to approximately US$6.1 million and US$6.4 million as of December 31, 2016 and 2017, respectively, its total revenue amounted to approximately US$15.8 million and US$23.2 million for the year ended December 31, 2016 and 2017, respectively, and it recorded a net profit of US$1.6 million and a net loss of US$1.3 million for the year ended December 31, 2016 and 2017, respectively.

Our Directors believe that the acquisition would render our Group to have full control of WuXi Clinical, which is in line with our clinical business expansion plan in the U.S., and is highly complementary to our existing clinical CRO business in China. Our full control would also allow WuXi Clinical to enjoy economies of scale which we believe would turn the business profitable again.

2. *Investment in the development of radioactive probes and related CRO business*

We proposed to acquire not more than 70% of equity interest in a joint venture ("**JV A**") focusing on the development of radioactive probes for a total consideration of no more than RMB15.0 million, which is expected to be settled in cash. The consideration will be based on arm's length negotiations between the potential joint venture partners, who are university professors and researchers with abundant experience in this field and Independent Third Parties, and our Group. We intend to use our own internal resources to satisfy the cash consideration payable by us. No guarantee and/or security are expected to be given or required as part of or in connection with the acquisition.

As of the Latest Practicable Date, the parties were still in negotiation of the term sheet and JV A had not been incorporated. The terms of this investment may change subject to finalization of the transaction documents. The acquisition is expected to be completed in December 2018. It is expected that JV A will conduct radioactive isotope-labeled drug CRO business in China, which will have good synergy with our existing laboratory testing service business.

3. *Investment in the CRO business in Japan*

We proposed to subscribe 50% of equity interest in a joint venture ("**JV B**") which will be primarily engaged in CRO business in Japan for a total consideration of approximately Japanese Yen ¥200 million (equivalent to approximately RMB12,286,000), which is expected to be settled in cash. The consideration will be based on arm's length negotiations between the potential joint venture partner, who is an individual who has many years of experience in clinical trials and new drug approvals in Japan and an Independent Third Party, and our Group. We intend to use our own internal resources to satisfy the cash consideration payable by us. No guarantee and/or security are expected to be given or required as part of or in connection with the acquisition.

JV B is a company incorporated in Japan on March 16, 2017. According to the unaudited management account of JV B, its total assets, revenue and net profit in 2017 amounted to Japanese Yen ¥6.7 million, ¥6.5 million and ¥3.3 million (equivalent to approximately RMB412,000, RMB400,000 and RMB203,000), respectively.

As of the Latest Practicable Date, the relevant parties were still in negotiation and the term sheet had not been entered into yet. The terms of this investment may change subject to finalization of the transaction documents. The acquisition is expected to be completed in December 2018. It is expected that JV B will help us to develop the Japan clinical CRO market as well as explore opportunities for Japan and China clinical trials.

Based on the following reasons, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules in respect of the Post-TRP Strategic Acquisitions:

(i) *Immateriality of the Post-TRP Strategic Acquisition*s: The scale of the business acquired by us through each of the Post-TRP Strategic Acquisitions as compared to that of our Group is not material. Each of the percentage ratios in relation to each of the Post-TRP Strategic Acquisitions is less than 5% of that of our Company for the most recent financial year of the Track Record Period. In addition, notwithstanding that the Post-TRP Strategic Acquisitions represent suitable strategic acquisition target of our Group, we are of the view that the Post-TRP Strategic Acquisitions, as and if completed or materialized, would not significantly affect the financial position of our Group as a whole. Furthermore, we believe that each of WuXi Clinical, JV A or JV B would not constitute a material subsidiary of our Company.

(ii) *Undue burden to obtain and prepare historical financial information of the target company to be acquired or such financial information is not available*: Since our Group was not previously involved in the management of WuXi Clinical before the First Acquisition, and the Second Acquisition which allows us to have full control of WuXi Clinical only took place on July 31, 2018, it will require considerable time and resources for our Company and our reporting accountant to gather and compile the necessary financial information and convert the same from U.S. GAAP to IFRSs for disclosure in this prospectus prior to the First Acquisition. For the period subsequent to the First Acquisition, the financial information of WuXi Clinical has been reflected in our historical financial information as a joint venture. Accordingly, having considered the immateriality of the business as well as the time and resources required to obtain, compile and audit such historical financial information in conformity with the accounting policies of our Company, it would be unduly burdensome and impracticable for our Company to prepare and include the full financial information of WuXi Clinical during the Track Record Period in this prospectus.

In addition, given that JV A is not yet incorporated and the acquisition of the equity interest in JV B is not expected to be completed by December 2018, there is no historical financial information available or it is impracticable for us to prepare the Target Historical Financial Information for inclusion in this prospectus.

(iii) *Disclosure of necessary information in the prospectus*: With a view to allowing the potential investors to understand the Post-TRP Strategic Acquisitions in greater details, our Company has included in this prospectus the relevant information in relation to the Post-TRP Strategic Acquisitions which is comparable to the information that is required to be included in the announcement of a disclosable transaction under Chapter 14 of the Hong Kong Listing Rules, including:

a. general description of the scope of principal business activities of the target company and the counterparties, and financial information on the target companies available to our Company;

b. the consideration of the transaction;

c. the basis on which the consideration is determined;

d. how the consideration will be satisfied and the payment terms;

e. reasons for and benefits of the transactions; and

f. any other material terms in relation to the Post-TRP Strategic Acquisitions.

WAIVER FROM STRICT COMPLIANCE WITH NOTE 1 TO RULE 17.03(9) OF THE HONG KONG LISTING RULES

Under note 1 to Rule 17.03(9) of the Hong Kong Listing Rules, the exercise price of the share options to be granted under a share option scheme must be at least the higher of: (i) the closing price of the securities as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

Pursuant to the 2018 WuXi AppTec A Share Incentive Scheme, all the Shares and/or interests to be granted therein shall be ordinary A Shares. The number of Shares to be granted under the 2018 WuXi AppTec A Share

Incentive Scheme shall be 8,856,900 Shares, representing 0.84% of our Company's total issued share capital of 1,048,266,886 Shares as of the Latest Practicable Date. On August 28, 2018, the Board had resolved to grant 7,085,500 Restricted A Shares, representing 80% of the A Shares available under the 2018 WuXi AppTec A Share Incentive Scheme. As of the Latest Practicable Date, 6,281,330 Restricted A Shares had been granted. The remaining 20%, being 1,771,400 Shares shall be reserved for further distribution as share options ("**Reserved Share Options**") or Restricted A Shares (together with Reserved Share Options, the "**Reserved Interests**").

Under the 2018 WuXi AppTec A Share Incentive Scheme, the Reserved Interests to be granted shall involve A Shares only, and the determination of the exercise price ("**Exercise Price**") is in accordance with the relevant laws and regulations of the PRC. The grant price of the Reserved Share Options shall not be lower than the nominal value of the Shares, and not lower than the higher of (i) the average trading price of the A Shares on the trading day preceding the date of announcement of the grant of the Reserved Share Options; or (ii) any one of the average trading prices of the A Shares for the last 20, 60 and 120 trading days preceding the date of announcement of the grant of the Reserved Share Options. For the principal terms of the 2018 WuXi AppTec A Share Incentive Scheme, please see the section headed "Appendix VI — Statutory and General Information — 2. Further Information about our Business — B. Share Incentive Schemes — (A) 2018 WuXi AppTec A Share Incentive Scheme."

To incentivize our employees, we may adopt similar share incentive schemes from time to time ("**A Share Incentive Schemes**") and determine the exercise price of the options to be issued thereunder in accordance with the relevant laws and regulations in the PRC and in line with market practice. While the grant of the Restricted A Shares will not be governed under Chapter 17 of the Hong Kong Listing Rules, the grant of the share options may be.

Based on the following reasons, our Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with note 1 to Rule 17.03(9) of the Hong Kong Listing Rules in respect of the exercise price of the Reserved Share Options and any options to be issued pursuant to the A Share Incentive Schemes ("**Other Share Options**") on the following grounds:

(1) the grant of the Reserved Share Options or Other Share Options, if any, shall involve A Shares only;

(2) the determination of the exercise price of the Reserved Share Options or Other Share Options is in accordance with the relevant laws and regulations of the PRC and the grant of the Reserved Share Options or Other Share Options at the relevant exercise price is in line with the practice of other PRC companies with both of its A shares and H shares listed;

(3) the principal terms of the 2018 WuXi AppTec A Share Incentive Scheme and the determination of the exercise price under the subsequent grant(s) are set out in the section headed "Appendix VI — Statutory and General Information — 2. Further Information about our Business — B. Share Incentive Schemes — (A) 2018 WuXi AppTec A Share Incentive Scheme" of this prospectus, and the principal terms of the A Share Incentive Schemes will be disclosed in circular(s), which would provide potential investors with sufficient information to make a relevant assessment of our Company in their investment decision making process. The details of any subsequent grant of the Reserved Share Options or Other Share Options, the exercise price and other principal terms will be disclosed by way of announcement(s); and

(4) the waiver will not prejudice the interest of the investing public based on the reasons above and the amount of A Shares involved is or will be insignificant.

DISCLOSURE REQUIREMENTS WITH RESPECT TO CHANGES IN SHARE CAPITAL

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of paragraph 26 of Part A of Appendix 1 to the Hong Kong Listing Rules in respect of

disclosing the particulars of any alterations in the capital of any member of our Group within the two years immediately preceding the issue of this prospectus.

We have identified 10 entities that we consider are material to our operations and/or contributed significantly to our financial performance during the Track Record Period (collectively, the "**Material Entities**"). For further details, please see the sections headed "Statutory and General Information — D. Changes in Share Capital of our Material Subsidiaries" and "— E. Further Information about Our Subsidiaries" in this prospectus. Globally, we have more than 60 subsidiaries across in 9 different jurisdictions. It would be unduly burdensome for us to disclose this information, which would not be material or meaningful to investors. By way of illustration, for the financial year ended December 31, 2017, the aggregate revenue of the Material Entities in respect of which the relevant information is disclosed represents approximately over 89.73% of our total revenue. Accordingly, the remaining subsidiaries in our Group are relatively insignificant to the overall results of our Group.

PUBLIC FLOAT REQUIREMENTS

Rules 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.

Based on the minimum Offer Price HK$64.10 and assuming the Over-allotment Option will not be exercised, we expected that our market capitalization will be not less than approximately HK$10 billion. 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, the minimum public float of the Company shall be the highest of (i) 10% of the total issued share capital of the Company; (ii) such percentage of H Shares to be held by the public immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no options or additional Restricted A Shares are granted under the 2018 WuXi AppTec A Share Incentive Scheme); or (iii) 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 (the "**Minimum Threshold**").

In order to support the application of this waiver, our Company has confirmed to the Hong Kong Stock Exchange that:

(a) the Joint Sponsors and our Company shall be able to demonstrate compliance with Rules 8.08(2) and 8.08(3) of the Listing Rules upon Listing;

(b) our Company will make appropriate disclosure of the lower prescribed percentage of public float in the Prospectus;

(c) we will confirm sufficiency of public float in its successive annual reports after the Proposed Listing;

(d) we will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum 10% public float (or a higher percentage upon completion of the exercise of the Over-allotment Option) upon Listing and from time to time; and

(e) in the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, our Directors will take appropriate steps which may include a further issue of Share

to independent third parties, to ensure the minimum percentage of public float prescribed by the Stock Exchange is complied with.

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

Rule 10.04 of the Listing Rules requires that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the following conditions in Rule 10.03 of the Listing Rules are fulfilled:

(i) no securities are offered to existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and

(ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Hong Kong Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules provides that, unless with the prior written consent of the Stock Exchange, no allocations will be permitted to the existing shareholders of the applicant or their close associates, whether in their own names or through nominees, in the Global Offering unless the conditions set out in Rules 10.03 and 10.04 are fulfilled.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 10.04 and its consent under paragraph 5(2) of Appendix 6 to the Listing Rules to permit certain existing minority Shareholders who hold a small amount of our A Shares and their close associates to receive allocation of the H Shares in the International Offering as part of the Listing, subject to the following conditions:

(i) each existing minority Shareholder to whom the Company may allocate H Shares in the International Offering must hold less than 5% of the Company's voting rights prior to the completion of the Global Offering;

(ii) each existing minority Shareholder is not, and will not be, a core connected person (as defined under the Listing Rules) of the Company or any close associate (as defined under the Listing Rules) of any such core connected person immediately prior to or following the Global Offering;

(iii) such existing minority Shareholders have no right to appoint directors of the Company and do not have other special rights in the Company;

(iv) allocation to such existing minority Shareholders and their close associates will not affect our ability to satisfy the public float requirement under Rule 8.08 of the Listing Rules;

(v) to the best of their knowledge and belief, each of the Company, the Joint Bookrunners and the Joint Sponsors (based on their discussions with and confirmations from the Company and the Joint Bookrunners) confirm to the Stock Exchange in writing that no preferential treatment has been, nor will be, given to such existing minority Shareholders and their close associates by virtue of their relationship with the Company in any allocation in the International Offering; and

(vi) the relevant information in respect of the allocation to such existing minority Shareholders and/or their close associates will be disclosed in the allotment results announcement.

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. 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.

APPROVAL OF THE CSRC

The CSRC issued an approval letter on November 6, 2018 for the submission of the application to list our H Shares on the Hong Kong Stock Exchange and for the Global Offering. In granting such approval, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or on the Application Forms. No other approvals are required to be obtained for the listing of the H Shares on the Stock Exchange.

UNDERWRITING AND 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 Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of 11,647,600 H Shares initially offered and the International Offering of 104,826,600 H Shares initially offered (subject, in each case, to re-allocation on the basis under the section headed ''Structure of the Global Offering'' in this prospectus).

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters on a conditional basis, with one of the conditions being that the Offer Price is agreed between the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and us. The International Offering is managed by the Joint Bookrunners. The International Underwriting Agreement is expected to be entered into on or about the Price Determination Date, subject to determination of the pricing of the H Shares and agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us. For details of the Underwriters and the underwriting arrangements, please refer to the section headed ''Underwriting'' in this prospectus.

The H Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised 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 authorised by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of their respective directors, agents, employees or advisers or any other party 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 at any subsequent time.

For details of the structure of the Global Offering, including its conditions, please refer to the section headed ''Structure of the Global Offering'' in this prospectus. For the procedures for applying for our H Shares,

please refer to the section headed ''How to Apply for Hong Kong Offer Shares'' in this prospectus and in the relevant Application Forms. For details of the arrangements relating to the Over-allotment Option and stabilization, please refer to the section headed "Structure of the Global Offering" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The H Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or around Thursday, December 6, 2018 or such later date as may be agreed upon between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, and in any event no later than Friday, December 7, 2018. If the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on such date, the Global Offering will not proceed.

INFORMATION ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the H Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

RESTRICTIONS ON OFFERS AND SALES OF THE H SHARES

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

No action has been taken to permit a public offering of the H Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering 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 and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the H Shares in issue and 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).

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

Save for our A Shares listed on the Shanghai Stock Exchange as disclosed in this prospectus, no part of our 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.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on 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 business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the H Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

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

H SHARE REGISTRAR AND STAMP DUTY

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

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

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

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

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

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

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

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

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

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 such term is defined in the Hong Kong Listing Rules) of any of the Directors of our Company or any existing Shareholders of our Company or a nominee of any of the foregoing.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the H Shares or exercising any rights attaching to the H Shares. We emphasize that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the H Shares or your exercise of any rights attaching to the H Shares.

EXCHANGE RATE CONVERSION

Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates:

US$1.00: HK$7.8238
RMB0.8853: HK$1.00
US$1.00: RMB6.9477

No estimation is made that any amounts in HK$, RMB and US$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

The English names of companies incorporated in the PRC are translations of their Chinese names and are included for identification purposes only.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. However, the translated English names of the PRC and foreign

national, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the names in their original languages shall prevail.

COMMENCEMENT OF DEALING IN THE H SHARES

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on December 13, 2018.

OTHER

Certain amounts and percentage figures included in this prospectus 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.

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. Ge Li (李革)	Lane 1883 Hua Mu Road Pudong District Shanghai China	American
Mr. Edward Hu (胡正國)	1888 Langu Road Pudong District Shanghai China	American
Mr. Xiaozhong Liu (劉曉鐘)	Building No. 37 Tianshuiyuan Dongli Chaoyang District Beijing China	Chinese
Mr. Zhaohui Zhang (張朝暉)	No. 64 Tang Xiang Chong'an District Wuxi Jiangsu Province China	Chinese
Dr. Ning Zhao (趙寧)	Lane 1883 Hua Mu Road Pudong District Shanghai China	American
Non-executive Directors		
Mr. Xiaomeng Tong (童小幪)	2 Bel-air Avenue Pokfulam Hong Kong	Chinese
Dr. Yibing Wu (吳亦兵)	Grand Hills #887 Jingshun Road Chaoyang District Beijing China	American
Independent non-executive Directors		
Dr. Jiangnan Cai (蔡江南)	199 Biyun Road, No. 2 Pudong District Shanghai China	American
Ms. Yan Liu (劉艷)	No. 6, Madian Guancheng Beiyuan Haidian District Beijing PRC	Chinese

Name	Address	Nationality
Mr. Dai Feng (馮岱)	4/F, Excelsior Building No. 364 Nathan Road Yau Ma Tei Hong Kong	Chinese
Dr. Hetong Lou (婁賀統)	No. 5, Lane 408 East Tiyuhui Road Hongkou District Shanghai PRC	Chinese
Mr. Xiaotong Zhang (張曉彤)	No. 811, Zhongguancun Haidian District Beijing PRC	Chinese

SUPERVISORS

Name	Address	Nationality
Mr. Harry Liang He (賀亮)	Lane 1515 Zhangyang Road Pudong District Shanghai China	American
Mr. Jichao Wang (王繼超)	Lane 999 Zhenghe Road Yangpu District Shanghai China	Chinese
Ms. Minfang Zhu (朱敏芳)	302, No. 10 Mashanfengying Yuan Binhu District Wuxi China	Chinese

For the biographies and other relevant information of the Directors and Supervisors, please see the section "Directors, Supervisors and Senior Management."

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Morgan Stanley Asia Limited** 46/F, International Commerce Center 1 Austin Road West Kowloon Hong Kong **Huatai Financial Holdings (Hong Kong) Limited** Unit 5808-12, 58/F, The Center 99 Queen's Road Central Hong Kong **Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
Joint Global Coordinators	**Morgan Stanley Asia Limited** 46/F, International Commerce Center 1 Austin Road West Kowloon Hong Kong **Huatai Financial Holdings (Hong Kong) Limited** Unit 5808-12, 58/F, The Center 99 Queen's Road Central Hong Kong **Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong **UBS AG Hong Kong Branch** 52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong **China Merchants Securities (HK) Co., Limited** 48/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong

Joint Bookrunners

Morgan Stanley Asia Limited
(in relation to the Hong Kong Public Offering)
46/F, International Commerce Center
1 Austin Road West
Kowloon
Hong Kong

Morgan Stanley & Co. International plc
(in relation to the International Offering)
25 Cabot Square
Canary Wharf
London, E14 4QA
United Kingdom

Huatai Financial Holdings (Hong Kong) Limited
Unit 5808-12, 58/F, The Center
99 Queen's Road Central
Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

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

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square,
8 Connaught Place,
Central,
Hong Kong

China Renaissance Securities (Hong Kong) Limited
Units 8107-08, Level 81,
International Commerce Centre,
1 Austin Road West,
Kowloon,
Hong Kong

BOCI Asia Limited
26/F Bank of China Tower,
1 Garden Road,
Central,
Hong Kong

	CLSA Limited 18/F, One Pacific Place, 88 Queensway, Hong Kong
Legal Advisors to the Company	*as to Hong Kong and U.S. laws:* Wilson Sonsini Goodrich & Rosati Suite 1509, 15/F, Jardine House 1 Connaught Place Central Hong Kong *as to PRC law:* Fangda Partners 24/F, HKRI Centre Two HKRI Taikoo Hui 288 Shi Men Yi Road Shanghai China
Legal Advisers to the Underwriters	*as to Hong Kong and U.S. law:* Shearman & Sterling 12/F, Gloucester Tower, The Landmark 15 Queen's Road Central Hong Kong *as to PRC law:* Jia Yuan Law Offices F408, Ocean Plaza 158 Fuxing Men Nei Street Xicheng District Beijing PRC
Auditors and Reporting Accountants	Deloitte Touche Tohmatsu *Certified Public Accountants* 35/F, One Pacific Place 88 Queensway
Independent Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai China
Receiving Bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

Registered Office in the PRC	Mashan No. 5 Bridge Binhu District Wuxi Jiangsu Province PRC
Headquarters and Principal Place of Business in the PRC	288 Fute Zhong Road Waigaoqiao Free Trade Zone Shanghai PRC
Principal Place of Business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company Website	www.wuxiapptec.com.cn (Information contained on this website does not form part of this prospectus)
Joint Company Secretaries	Mr. Chi Yao (姚馳) 288 Fute Zhong Road Waigaoqiao Free Trade Zone Shanghai PRC Ms. Yuen Wing Yan Winnie (袁潁欣) *FCIS, FCS, (PE)* Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorized Representatives	Mr. Edward Hu (胡正國) 1888 Langu Road Pudong District Shanghai China Mr. Chi Yao (姚馳) 288 Fute Zhong Road Waigaoqiao Free Trade Zone Shanghai PRC
Strategy Committee	Dr. Ge Li (李革) (*Chairperson*) Mr. Edward Hu (胡正國) Mr. Xiaomeng Tong (童小幪) Dr. Yibing Wu (吳亦兵) Dr. Jiangnan Cai (蔡江南)
Nomination Committee	Dr. Jiangnan Cai (蔡江南) (*Chairperson*) Ms. Yan Liu (劉艷) Dr. Ge Li (李革)
Audit Committee	Dr. Hetong Lou (婁賀統) (*Chairperson*) Mr. Xiaotong Zhang (張曉彤) Ms. Yan Liu (劉艷)

Remuneration and Appraisal Committee	Ms. Yan Liu (劉艷) (*Chairperson*) Dr. Hetong Lou (婁賀統) Dr. Ning Zhao (趙寧)
Compliance Adviser	Somerley Capital Limited
H Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Center 183 Queen's Road East Hong Kong
Principal Bankers	HSBC Bank (China) Company Limited (Shanghai Branch) 26th Floor, HSBC Building Shanghai IFC 8 Century Avenue Pudong District Shanghai PRC Shanghai Pudong Development Bank (Baoshan Branch) No. 1283 Mudanjiang Road Baoshan District Shanghai PRC Agricultural Bank of China Limited (Caojing Branch) No. 118 Zhifu Road Caojing Town Jinshan District Shanghai PRC China Merchants Bank (Waigaoqiao Branch) No. 333 Fute West 1st Road Pudong District Shanghai JPMorgan Chase Bank (China) Company Limited 41st Floor, Park Place No. 1601 West Nanjing Road Jing'an District Shanghai PRC Citibank Citi Tower No. 33 Hua Yuan Shi Qiao Road Lu Jia Zui Finance and Trade Zone Shanghai PRC

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

SOURCE OF INFORMATION

In connection with the Global Offering, we have commissioned Frost & Sullivan, an independent third party, to conduct research and analysis of, and to produce a report on the pharmaceutical outsourcing market. The F&S Report has been prepared by Frost & Sullivan independent of our influence. We have agreed to pay Frost & Sullivan a fee of RMB900,000 for the preparation of the report which we consider in line with market rates. Except as otherwise noted, all data and forecasts in this section are derived from the F&S Report. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of F&S Report which may qualify, contradict or have an impact on the information disclosed in this section. Frost & Sullivan's independent research was undertaken primarily through secondary research which primarily involved analyzing data from various publicly available data. In compiling and preparing the F&S Report, Frost & Sullivan has made the following key assumptions: (i) the economies of the United States and China are likely to maintain a steady rate of growth in the next decade; (ii) the key growth drivers mentioned in this section are likely to drive the growth of the global pharmaceutical market and the pharmaceutical outsourcing industry market from 2017 to 2022; and (iii) there is no force majeure or industry regulation that affects any of such markets dramatically or fundamentally. In this section, Frost & Sullivan present historical market information for five years (i.e. from 2013 to 2017) which is a longer period compared to the three-year Track Record Period and is a more accurate reflection of the trends affecting the Group's markets.

OVERVIEW OF THE GLOBAL PHARMACEUTICAL MARKET

Market Size

As a result of the aging population, technological advancement, increasing healthcare expenditure and favorable policies, the global pharmaceutical market has increased from US$998.5 billion in 2013 to US$1,209.0 billion in 2017, representing a CAGR of 4.9%, and is expected to grow to US$1,596.6 billion by 2022, representing a CAGR of 5.7% from 2017. The United States and China are the two largest pharmaceutical markets in the world in terms of the market size in 2017 with global market share of 38.3% and 17.5%, respectively.

In particular, policies in China are expected to continue to focus on encouraging the development of innovative patented drugs over the next five years from 2017 to 2022, which in turn is expected to attract increased investment in new drugs in addition to continued growth of generics and biosimilars. China's market size for generic and patented drugs is expected to grow from RMB1,430.4 billion in 2017 to RMB2,097.8 billion in 2022, representing a CAGR of 8.0%.

The number of pharmaceutical companies has also been growing and is expected to continue to grow. Currently, the global pharmaceutical market is dominated by large global pharmaceutical companies.

Top 20 Global Pharmaceutical Companies in 2017 by Revenue

Rank	Company	2017 Overall Pharmaceutical Sales (USD Billion)*
1	Pfizer	49.1
2	Roche	41.9*
3	Johnson & Johnson	36.3
4	Merck & Co.	35.4
5	Sanofi	34.9*
6	Novartis AG	33.0
7	GSK	28.9*
8	AbbVie	28.2
9	Gilead Sciences	25.7
10	Bayer AG	22.7
11	Teva	22.4
12	Amgen	21.8
13	Bristol-Myers Squibb	20.8
14	AstraZeneca	20.2
15	Eli Lilly	19.8
16	Takeda	17.7*
17	Nova Nordisk	16.8*
18	Allergan	15.9
19	Boehringer Ingelheim	15.0*
20	Shire	14.4

Note:

* *Yearly-average exchange rates: 2017: 1USD=0.887EUR, 1USD=0.984CHF, 1USD=0.777GBP, 1USD=112.149JPY, 1USD=6.596DKK*

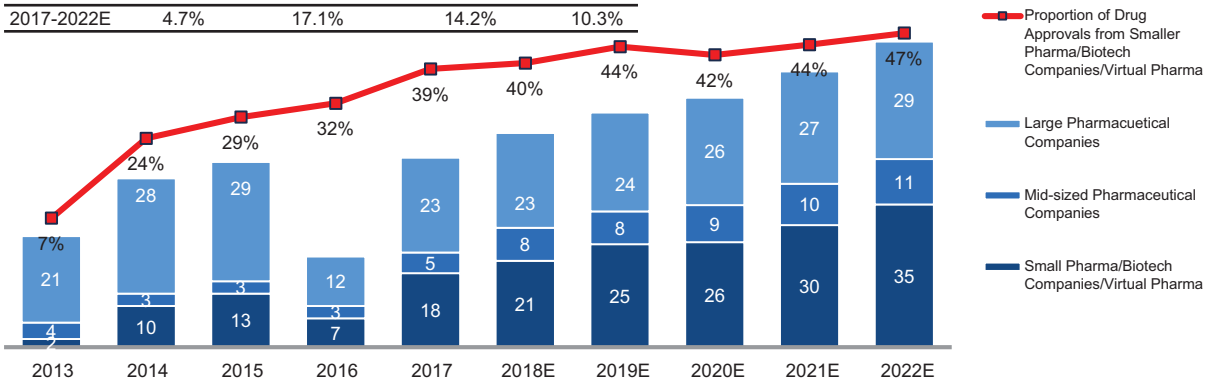
Source: Frost & Sullivan Analysis, Company Annual Reports

However, the number of small pharmaceutical companies, biotechnology startups and virtual pharmaceutical companies with annual revenue lower than US$100 million, is growing more rapidly than big pharmaceutical companies. Such trend is expected to continue until at least 2022. The number of small pharmaceutical companies, biotechnology startups and virtual pharmaceutical companies is expected to increase from 7,454 in 2017 to 13,523 in 2022, representing a CAGR of 12.7%, while the number of large pharmaceutical companies is expected to increase from 86 in 2017 to 99 in 2022, representing a CAGR of 3.0%.

Furthermore, the proportion of FDA-approved new drugs (NDAs and BLAs) by small pharmaceutical and biotechnology startups has increased from 7% in 2013 to 39% in 2017 and is expected to increase to 47% by 2022.

New Drug Approval by Size of Originator, 2013-2022E

CAGR	Large Pharmaceutical Companies	Mid-sized Pharmaceutical Companies	Small Pharma/ Biotechs/ Virtual Pharma	Total
2013-2017	2.3%	5.7%	73.2%	14.2%
2017-2022E	4.7%	17.1%	14.2%	10.3%



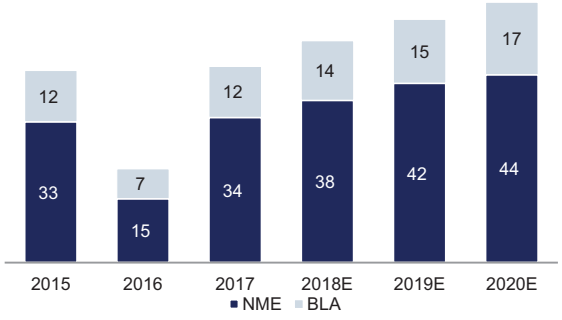
Notes: "Large pharmaceutical companies" = Pharmaceutical companies with sales over USD1 billion
"Mid-sized pharmaceutical companies" = Companies with significant sales of usually between a few USD100 million and USD1 billion.
"Small Pharma/Biotechs/Virtual Pharma" = Other smaller companies with sales revenue lower than USD100 million

Source: FDA, Frost & Sullivan analysis

The growth in small pharmaceutical companies, biotechnology startups and virtual pharmaceutical companies has been fueled by capital investment, including venture capital investment, in these companies.

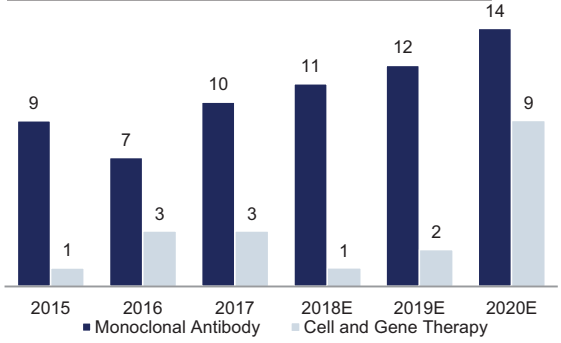
Number of FDA Novel Drug Approved, 2015-2020E

CAGR	NME	BLA
2015-2017	0.0%	1.5%
2017-2020E	12.3%	9.0%



Number of FDA Approved Monoclonal Antibody and Cell and Gene Therapy, 2015-2020E

CAGR	Monoclonal Antibody	Cell and Gene Therapy
2015-2017	5.4%	73.2%
2017-2020E	11.9%	44.2%



Note: Cell and gene therapy approved by FDA is not included in either NME or BLA approvals.

Source: FDA, Frost & Sullivan Analysis

Challenges and Opportunities in Global and China Pharmaceutical Market

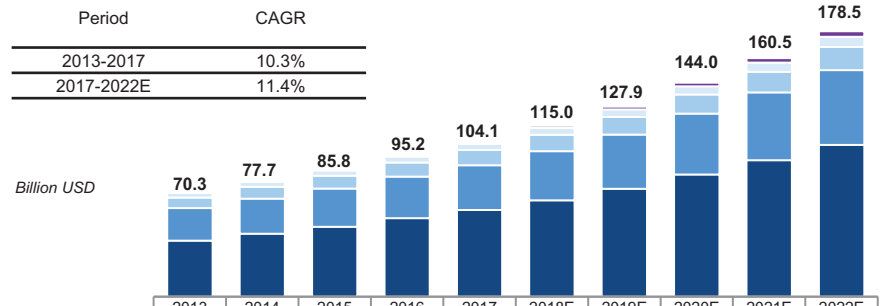
Despite various market drivers to the global pharmaceutical market, pharmaceutical companies also face the following challenges: (i) increasing R&D costs; (ii) unknown molecular pathogenesis hindering the development of pharmaceutical market; (iii) difficulty in drug target discovery and (iv) increasingly stringent

regulations during drug development processes. In the case of the China pharmaceutical market, the market players also face (i) intense competition among generic drugs; (ii) pricing pressure; and (iii) high market fragmentation.

As a result of these challenges, global and PRC pharmaceutical companies have sought to control their costs and improve their efficiency, and the industry has witnessed a trend of increased R&D outsourcing by pharmaceuticals companies. In line with the growth of the global pharmaceutical market, the size of the global pharmaceutical R&D outsourcing services market, including the CRO and CMO/CDMO services markets, increased from US$70.3 billion in 2013 to US$104.1 billion in 2017, representing a CAGR of 10.3%. This market is expected to grow to US$178.5 billion in 2022, representing a CAGR of 11.4% from 2022.

Historical and Forecasted Market Size of Global Pharmaceutical R&D Outsourcing Services, 2013-2022E

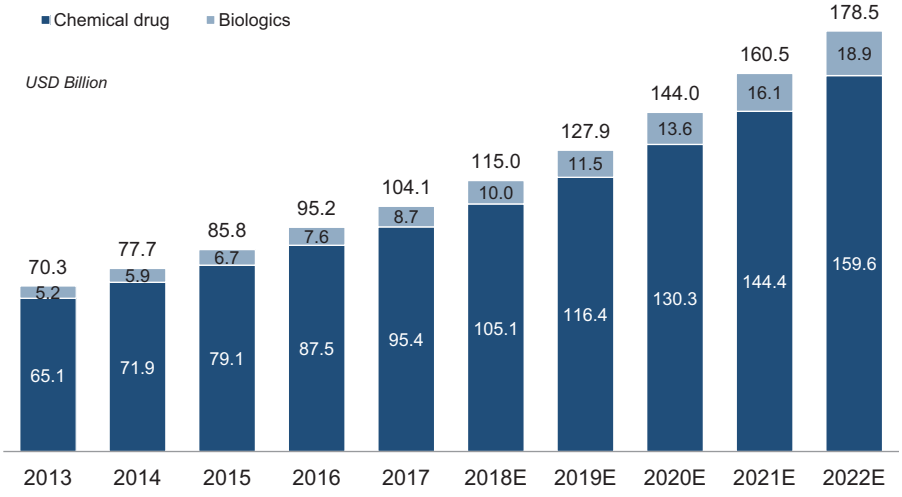
Period	CAGR
2013-2017	10.3%
2017-2022E	11.4%



	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E	CAGR 2013-2017	CAGR 2017-2022E
Cell and gene therapy CMO/CDMO outsourcing services	0.5	0.6	0.8	1.0	1.2	1.5	1.9	2.3	3.0	3.6	23.2%	24.2%
Preclinical outsourcing services	3.1	3.3	3.6	3.9	4.2	4.6	5.1	5.6	6.2	6.8	8.0%	10.2%
Discovery outsourcing services	7.1	7.8	8.6	9.4	10.2	11.1	11.9	12.8	13.9	15.6	9.5%	8.9%
Clinical outsourcing services	21.8	23.7	25.7	28.0	30.2	33.0	36.5	41.0	45.6	50.3	8.5%	10.8%
Small molecular CMO/CDMO outsourcing services	37.7	42.3	47.1	52.8	58.3	64.9	72.5	82.2	91.8	102.1	11.5%	11.8%

Source: Frost & Sullivan Analysis

Global Pharmaceutical R&D Outsourcing Services Market and Breakdown 2013-2022E



	13-17 CAGR	17-22 CAGR
Total	10.3%	11.4%
Biologics	13.8%	16.8%
Chemical Drug	10.0%	10.8%

Source: Frost & Sullivan Analysis

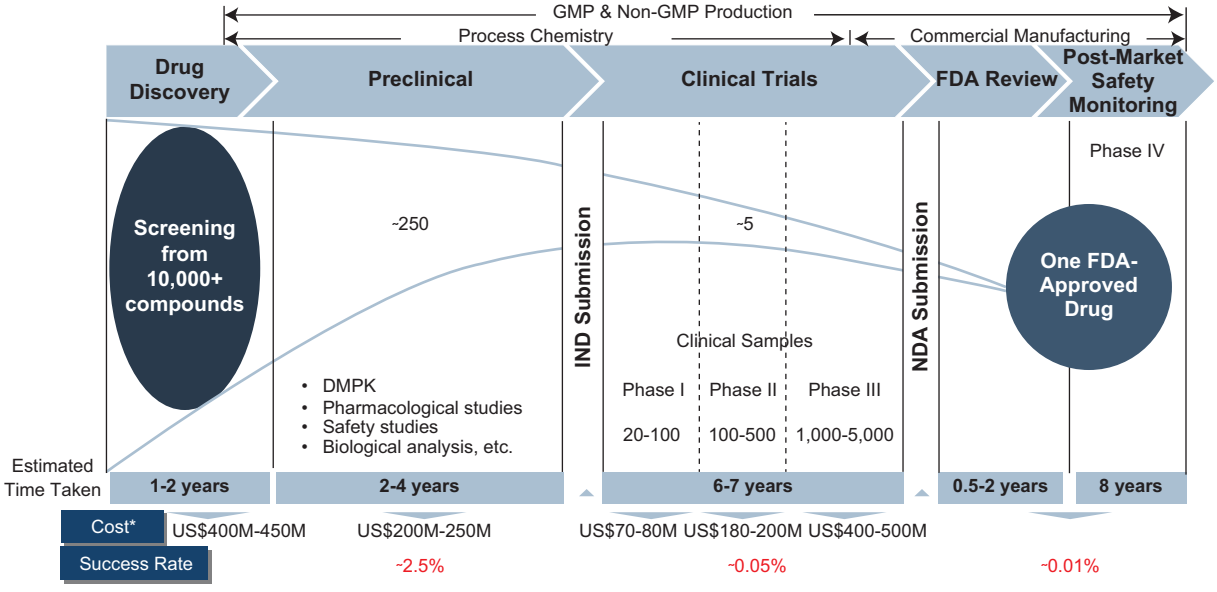
The proportion of R&D expenditure that is expected to be outsourced in (a) the global pharmaceutical market increased from 32.2% in 2013 to 36.5% in 2017 and is expected to further increase to 45.8% by 2022. (b) the US pharmaceutical market increased from 36.9% in 2013 to 41.8% in 2017 and is expected to further increase to 51.0% by 2022 (c) the China pharmaceutical market increased from 25.8% in 2013 to 30.6% in 2017 and is expected to further increase to 40.3% by 2022, and (d) the Europe pharmaceutical market increased from 35.0% in 2013 to 40.2% in 2017 and is expected to further increase to 50.7% by 2022.

THE MARKET FOR ONE-STOP SERVICE SOLUTIONS FOR PHARMACEUTICAL R&D

Process of Drug Research & Development

Developing a new drug is a lengthy, complex and costly process. Drug development activities include early stage R&D, pre-clinical and clinical research, as well as supply chain related management, such as sample preparation, process research and development and manufacturing facility design. On average, the process typically takes more than 10 years and requires over US$1 billion R&D costs from the early stage drug discovery to commercialization. The success rate for developing a new drug from drug discovery to approval is extremely low, which can be lower than 0.01%.

Illustrative Drug Development Process

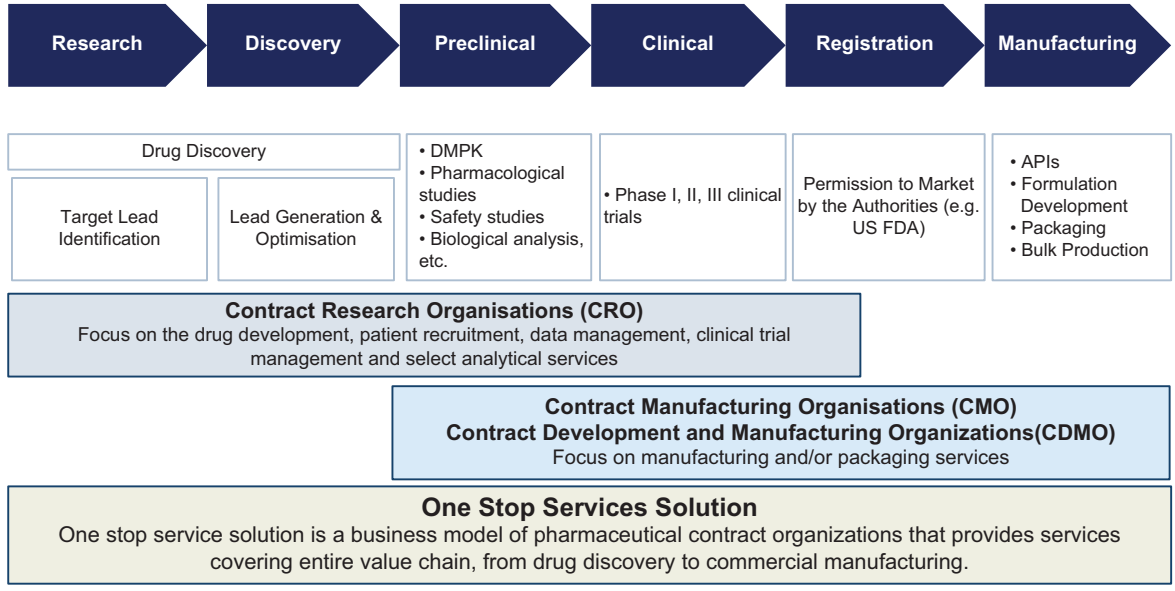


* *The cost is based on out-of-pocket cost, not capitalized cost.*

Source: Frost & Sullivan Analysis

Pharmaceutical R&D Outsourcing Value Chain

Pharmaceutical R&D outsourcing can be divided into two types: Contract Research Organizations (CROs) and Contract Manufacturing Organizations/Contract Development Manufacturing Organizations (CMOs/CDMOs). One stop shops provide services covering the entire pharmaceutical value chain, ranging from drug discovery to commercial manufacturing. The following chart illustrates typical service offerings of CROs, CMOs/CDMOs and one stop shop service providers:



**Service offerings vary based on company's core strength and focus*

Source: Frost & Sullivan analysis

Due to (i) the capital intensive nature of the business, (ii) inherent risk associated with drug development, and (iii) complex manufacturing requirements, many pharmaceutical companies are seeing the benefit in using services of CROs or CMOs/CDMOs for drug discovery, preclinical and clinical development or commercial stage manufacturing. One stop service solution providers offer pharmaceutical companies the following benefits: (i) reduced costs and risks of technology transferring between different outsourcing organizations; (ii) deeper understanding of a project, which increases the success of the final drug; and (iii) shortened overall time from drug discovery to commercialization.

Growth drivers of pharmaceutical R&D one-stop services

Three drivers primarily fuel the growth in demand for pharmaceutical R&D one-stop services:

1. *Capital Efficiency* — one stop service providers assist pharmaceutical companies to improve capital efficiency by offering services ranging from drug discovery to commercial manufacturing, allowing them to focus on their core scientific research and development strengths. These companies would not need to invest in laboratory and other fixed assets. Furthermore as one stop service providers possess advanced technology and experienced professional scientists, they can also improve overall R&D efficiency.

2. *Rise in number of small-sized companies* — In 2017, the number of small-sized pharmaceutical companies reached 7,454, accounting for 76% of total pharmaceutical companies, and 39% of new drugs approved by FDA originated for small-sized pharmaceutical companies. Moreover, the number of small-sized pharmaceutical companies is expected to increase.

3. *Big pharmaceutical business expansion* — There is a growing interest by big pharmaceutical companies to expand into areas such as cell and gene therapy, which is expected to propel more large scale contract manufacturing deals between one-stop service providers and big pharmaceutical companies.

Key success factors of pharmaceutical R&D one-stop services

There are primarily four key success factors for pharmaceutical R&D one-stop service providers:

1. *Capacity* — Large-scale one stop services solution providers covering all services from CRO to CMO/CDMO can provide equipment and researchers specializing in different areas needed for different services across the entire value chain from drug discovery to manufacturing.

2. *Capability* — One stop service solution providers possess professional technologies covering different stages of drug R&D. Particularly, one stop services providers need to expand types of services offering covering small molecule drugs, as well as new areas such as cell and gene therapy, meeting the diverse needs of clients. The providers also need to have a professional technical team and rich experience in pharmaceutical outsourcing.

3. *Customized development* — Flexibility to provide customized services to different types of companies, particularly to small to mid-sized pharmaceutical and biotechnology companies, is crucial in building long term relationships with clients.

4. *Efficiency* — One stop service solution providers offer services covering entire industry chain. There is no need for clients to select different outsourcing service providers for different stage of R&D and manufacturing respectively, reducing the cost and risk of technology transfer among different outsourcing organizations.

Overview of the CRO Market

In the pharmaceutical industry, a new drug undergoes extensive testing and regulatory review to examine and verify its safety and efficacy before it is allowed to be released to the market. The complete process of drug development is generally categorized into four stages: (i) discovery, (ii) preclinical testing and development, (iii) clinical trials (e.g. phase I — III clinical studies) and (iv) post approval clinical studies (e.g. phase IV clinical studies). This process is time consuming and capital intensive, and also uncertain.

CROs provide certain advantages to pharmaceutical companies seeking to improve efficiency in their drug development projects. CROs combine specialized talent and expertise, advanced equipment and methods, customized research and development capability as well as quality, cost and risk control systems. The services they offer may assist pharmaceutical companies by accelerating the project timeline, controlling risks, optimizing resources, and reducing costs. For these reasons, pharmaceutical companies have been increasingly outsourcing certain research, analytical and development services. Faced with increasing investment costs in R&D, longer R&D cycles and reduced success rates, more pharmaceutical companies worldwide have chosen to engage professional CROs to help them with their new drug R&D services, in order to reduce their own R&D costs and control risks.

Future CRO industry development trend

CROs are expected to continue to expand their coverage of services. In particular, some CROs are seeking to expand their services to cover CMOs/CDMOs services to establish an integrated service platform to cover the entire pharmaceutical drug development value chain, by expanding their portfolio through investing in new

technologies and establishing new facilities. CROs are also expected to diversify their business models, including moving from a fee for service fee model to other flexible arrangements including milestone, royalty or even equity-for-service models. CROs are also active in M&A activities through which they can expand their service offerings and capabilities and gain a larger footprint across the drug development value chain. Furthermore, favorable policies in China have been constructive for the pharmaceutical market. In particular, the number of small-sized innovative pharmaceutical and biotechnology companies has grown, which has led to further development of the CRO market. China has also recently joined the International Conference on Harmonisation, which is expected to an increase in the number of international multi-center clinical trials and lead to more stringent requirements for clinical trial data, leading to greater opportunities for CROs.

Overview of the Clinical Development Outsourcing and SMO services market

CROs have begun to provide clinical development services, covering clinical trial services, clinical data management, biostatistics analysis and registration and regulation. In China, the growing number of small pharmaceutical and biotechnology companies and tightening of regulation on drug applications have driven demand for clinical CROs, while in the U.S., better technical expertise, quick turnaround time and restricted R&D budgets on clinical trials have also driven demand for clinical CROs. In the future, the clinical CRO market is expected to continue to benefit from a fast growing drug R&D CRO market, increasing adherence to global standards and technology improvements, which is expected to enhance the efficiency of clinical CROs.

Site management organizations ("SMO") provide clinical trial-related services to pharmaceutical, biotechnology and medical device companies and CROs. The sites managed by SMOs are typically hospitals or similar healthcare institutions which have adequate infrastructure and employees to meet the requirements under the clinical trial protocols. SMOs are relatively new entrants into the field of clinical research in the U.S. and China where clinical trial outsourcing has grown at rapid speed. The market size of SMO services in China has grown rapidly from US$19.9 million in 2013 to US$97.3 million in 2017, representing a CAGR of 48.7%, and which is expected to continue to grow further to US$852.4 million in 2022.

Overview of the CMO/CDMO Market

CMOs serve pharmaceutical companies by providing manufacturing support for pre-clinical and phase I to III clinical trial materials, APIs and preparations (e.g. oral or injection), packaging and labeling, and other customized manufacturing operations.

Pharmaceutical companies increasingly look to CMOs and CROs that can use their own production facilities and technological expertise to provide more innovative services, including process R&D and improvement, to further improve production processes, increase synthesis efficiency and ultimately reduce manufacturing costs. As such, there is a trend toward high-tech added value and industrial application process R&D, leading to the emergence and development of CDMOs.

CDMOs aim to provide pharmaceutical companies with process R&D, optimization, formula development and trial production services, which are required for the production of innovative drugs. CDMOs also aim to provide customized production services, offered on the basis of the research and development services that they offer. CDMOs integrate their own high-tech value-added process R&D capability with mass production capacity.

To accelerate drug marketing, reduce drug R&D and production costs and improve operating efficiency of assets, most transnational pharmaceutical companies have adjusted their strategies to increase the proportion of R&D expenses and concentrate internal resources on preliminary R&D and outsource other aspects of the development process to CMO/CDMOs.

Future CMO/CDMO industry development trend

The CMO/CDMO industry mainly provides services to international pharmaceutical companies and emerging R&D companies. Given improving technology levels and comprehensive management systems of CMO/CDMO and laws on intellectual property protection in emerging countries, including China and India, CMO/CDMOs in China and India have become strong competitors to their counterparts in North America, Europe and Japan.

China recently entered the CMO/CDMO industry. Capitalizing on various competitive strengths with respect to talent, infrastructure and cost structure, China's CMOs and CDMOs have become strategic suppliers for international pharmaceutical companies and play an increasingly important role, largely driven by China's new drug R&D policies.

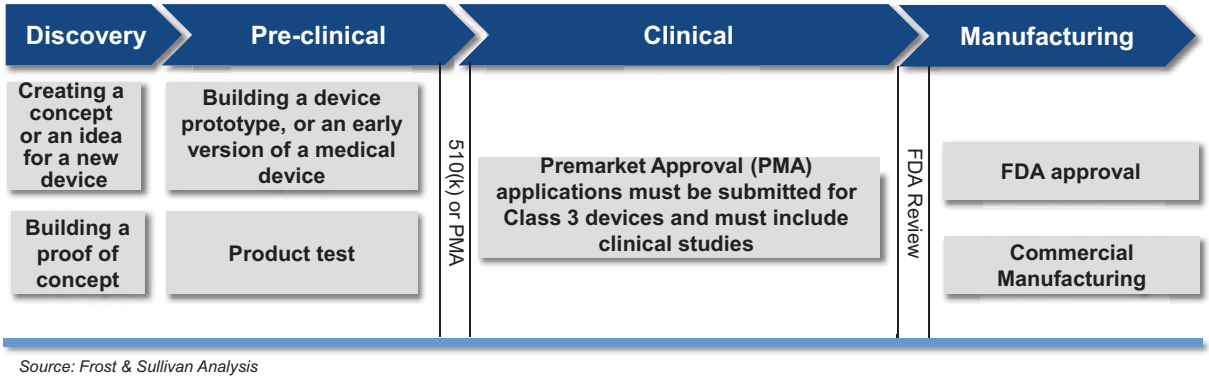
In May 2016, the State Council of the PRC approved and issued the Pilot Program of the Drug Marketing Authorization Holder System (藥品上市許可持有人制度試點方案), which adopts a management model that separates drug marketing authorization from production authorization. Drug marketing authorization holders can produce drugs themselves or entrust the production of drugs to any manufacturer meeting GMP conditions. Under this system, drugs can be manufactured without extensive fixed-asset investments. The system will be promoted first in highly market-oriented areas including Beijing, Shanghai and Guangdong province and will be gradually improved and expanded. The implementation and subsequent expansion of this system is expected to drive the growth of the CMO/CDMO industry.

OVERVIEW OF MEDICAL DEVICE TESTING INDUSTRY

Generally, in developed countries, the spending on medical device is declining, resulting in ongoing pressures to reduce costs and lower margins in manufacturing. Furthermore, the need to comply with increasing regulatory complexities in global markets is driving up costs and increasing the risk of costly compliance failures.

Smaller medical device manufacturers have traditionally been driven by innovation in products and services, but they are being joined in an increasingly crowded field by larger companies in developing markets and by new players with technological and data analytics capabilities. To respond to these pressures, leading medical device manufacturers are investing heavily in research and development, and are shifting their innovation strategies.

Development Process of Medical Device



Source: Frost & Sullivan Analysis

Rapid globalization and regulatory development will continue to drive change in the medical device industry. As a result medical device companies are now embracing a more inclusive innovation model,

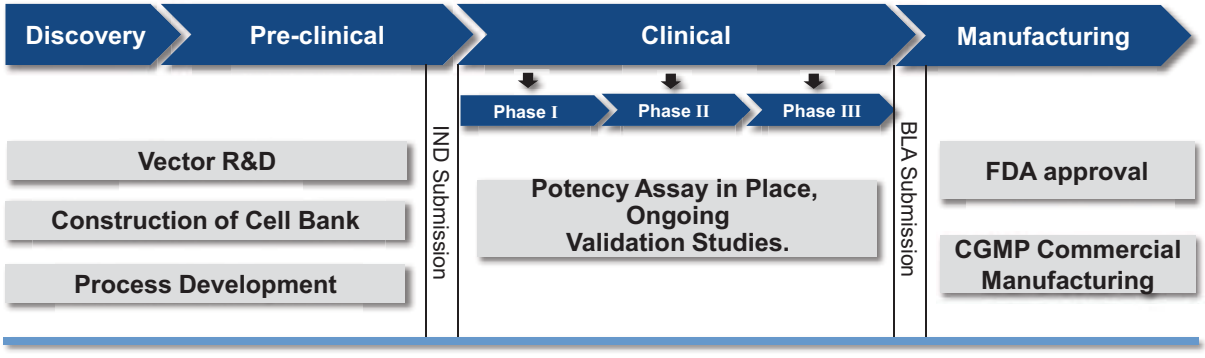
collaborating more frequently and with a broader range of partners, and pursuing greater integration with suppliers, development partners and healthcare providers. The market for medical device testing in the U.S. has been growing from US$207.3 million in 2013 to US$284.3 million in 2017, representing a CAGR of 8.2%, and is expected to grow to US$586.7 million by 2022, representing a CAGR of 15.6% from 2017.

The success rate of medical device development varies greatly and cannot be estimated by stages, on account of different process of medical device review and approval by different classification. Low risk medical devices have a higher success rate (85%~95%) as they are only required to be registered. Moderate risk medical devices are required to demonstrate their safety and effectiveness, and therefore have a medium success rate (70%~80%). High risk medical devices are required to be evaluated for their safety and effectiveness, which along with higher level of development difficulty, would have lower success rate (60%~70%). Similarly, the R&D expenditure of medical devices vary significantly, ranging from relatively low R&D costs for class I medical devices to over hundreds of millions of US dollars in the case of class III medical devices such as high-value medical consumable and large scale medical devices.

OVERVIEW OF CELL AND GENE THERAPY CMO/CDMO INDUSTRY

CMO/CDMO services for cell and gene therapy are at a nascent stage. Demand for cell therapy outsourcing services has continued to increase as the pressure to innovate and optimize has incentivized cell therapy companies to seek CROs and CMOs/CDMOs which possess technical, manufacturing, and regulation expertise. The services provided by CRO and CMO/CDMO range from discovery to manufacturing, which can increase the speed to market and reduce cost. Similar trends are also driving the growth of outsourcing services for gene therapy R&D. Growth in gene therapy R&D has been fueled by increased government funding for genomic projects and studies and increased pharmaco-sponsored genomic projects from preclinical through clinical trials for target drugs. The above factors are expected to drive the growth in cell and gene therapy CMO/CDMO outsourcing. The market for such services grew from US$0.5 billion in 2013 to US$1.2 billion in 2017, representing a CAGR of 23.2%, and is expected to grow to US$3.6 billion in 2022, representing a CAGR of 24.2% from 2017. With a market share of 8.1% and 18.2%, we are the fourth and second largest market player in the global and U.S. cell and gene therapy CMO/CDMO market by revenue in 2017, respectively.

Development Process of Cell and Gene Therapy



Source: Frost & Sullivan Analysis

The R&D expenditure of cell and gene therapy varies greatly. The expenditure required is generally higher than that of traditional drugs, taking into consideration the cost of transportation and storage and special requirements for clinical trials. According to the F&S Report, the R&D expenditure during discovery and pre-clinical stages is expected to range from US$900 million to US$1,100 million, while the expenditure during clinical stage is expected to range from US$800 million to US$1,200 million.

COMPETITIVE LANDSCAPE IN OUR MARKETS

The top 15 CROs and CMOs/CDMOs by revenue accounted for 27.1% of the market share of the global pharmaceutical R&D outsourcing services market by revenue in 2017. This category of large CROs and CMOs/CDMOs includes companies such as IQVIA, Covance, Paraxel, ICON, and Charles River, which are mostly focused on clinical research services. WuXi AppTec is the largest pharmaceutical R&D services platform in Asia, with a global market share of 1.1% of the global pharmaceutical R&D outsourcing services market by revenue in 2017. There are also a substantial number of small to medium sized CROs and CMOs/CDMOs, both multinational and locally based, which proactively compete for market share. These include US-based firms, such as Catalent, IQVIA, Covance and Charles River, as well as China-based firms such as Asymchem, Tigermed and Fountain Medical Development.

Competitive Landscape of China-based Pharmaceutical Outsourcing R&D Services Market Players

	2017 Revenue (USD millions)	Market Share
Wuxi AppTec	1,142.6	8.3%
Company A	337.1	2.4%
Company B	249.7	1.8%
Company C	235.1	1.7%
Company D	210.6	1.5%
Company E	200.0	1.4%
Company F	175.2	1.3%
Company G	144.0	1.0%
Company H	141.6	1.0%
Company I	122.5	0.9%
Company J	105.0	0.8%
Company K	91.8	0.7%
Company L	73.6	0.5%
Company M	45.9	0.3%
Company N	44.6	0.3%

Notes: China-based market includes all services which are provided and generated revenue in China.

Source: Frost & Sullivan Analysis

The market for early stage drug discovery outsourcing services is highly competitive. A number of large multinational CROs, and our competitors, such as Charles River, Pharmaron and Covance, provide a range of services, including drug discovery. A substantial number of small and medium-sized CROs also deliver specialized services for structure-based drug discovery.

Competitive Landscape of Global and China Pharmaceutical R&D Outsourcing Services Platform Market Players, 2017

		Discovery	Preclinical	Clinical	Small Molecule CMO/CDMO	Cell and Gene Therapy CMO/CDMO	Medical Device Testing	Recent Achievements or Milestones
The Company	Wuxi AppTec	√	√	√	√	√	√	Invested in a DNA-encoded chemical library
Top 5 Comparable Companies in the worldwide	Company E			√				To build clinically-focused tech solutions suite for life sciences
	Company L	√	√	√				Acquisition accelerated its parent's stake in CDx space
	Company O				√	√		Opened world's largest dedicated cell-and-gene-therapy manufacturing facility
	Company P				√			Cooperated with Australian Government to build and operate biopharmaceutical manufacturing facility
	Company G			√				Opened Shenyang office to support business growth in Asia
Top 5 Comparable Companies in the PRC	Company A	√	√	√	√			Acquired majority stake in full-service clinical CRO
	Company B			√				Acquired full-service clinical CRO to expand services
	Company C				√			N/A
	Company D				√			Strategic cooperation with pre-clinical CRO
	Company E			√				To build clinically-focused tech solutions suite for life sciences

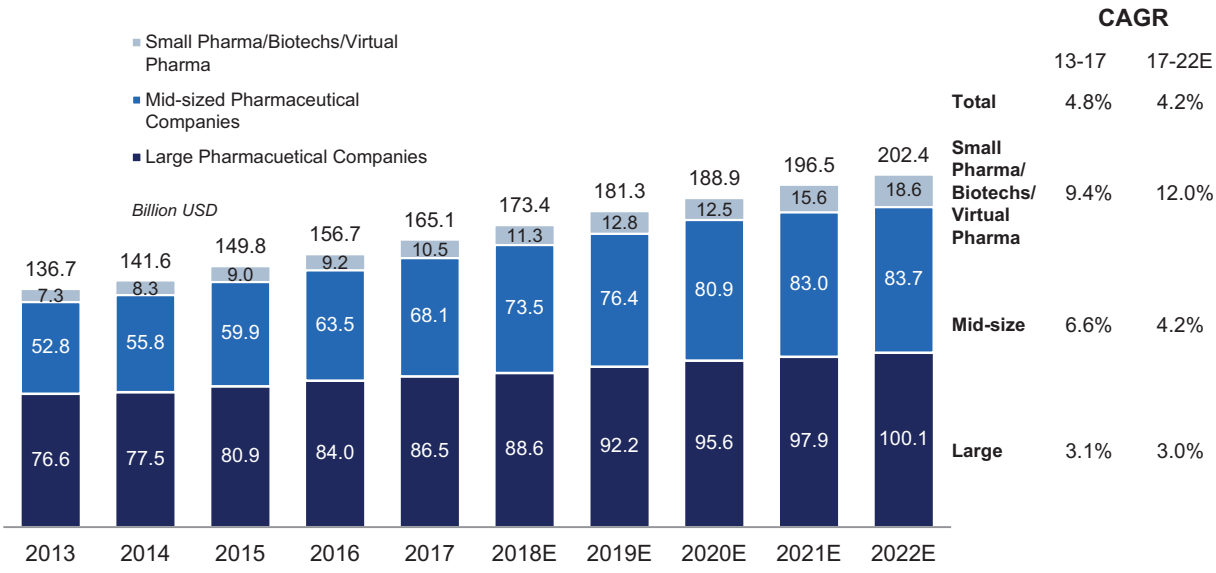
Source: Frost & Sullivan Analysis

Future Opportunities and Challenges in Our Markets

We expect the most significant future opportunities and challenges in our markets to be closely related to the trends outlined throughout this section. Innovations in the model for drug developments or regulatory filings that could reduce the time to market will represent a substantial competitive advantage, particularly in the pharmaceutical market with increasing competition. There are therefore opportunities for CROs and CMOs/CDMOs with efficient cross-border regulatory filing experiences and tailored filing support processes to gain additional market share.

Further, the increase in the approval of new drugs and R&D expenditures has laid a foundation for the continuous growth of the global pharmaceutical R&D outsourcing services industry. The R&D budget of pharmaceutical companies will gradually increase due to the upward trend in drug approval, which will help promote the rapid development of the entire global pharmaceutical R&D outsourcing services industry. Global R&D expenditure increased from US$136.7 billion in 2013 to US$165.1 billion in 2017, representing a CAGR of 4.8%, and is expected to increase further to US$202.4 billion by 2022, representing a CAGR of 4.2% from 2017. Small pharmaceutical, biotechnology and virtual pharmaceutical companies are expected to contribute a significant portion of this growth.

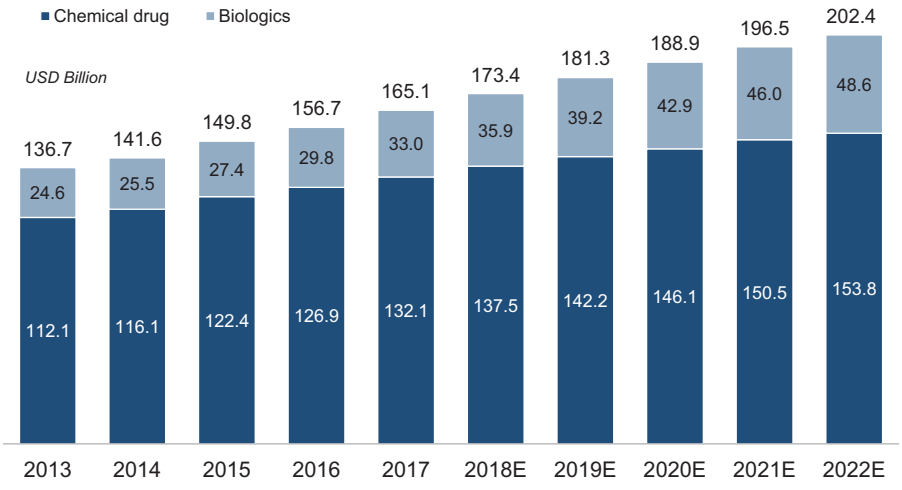
Global R&D Expenditure and Breakdown by Company Types 2013-2022E



	CAGR 13-17	CAGR 17-22E
Total	4.8%	4.2%
Small Pharma/ Biotechs/ Virtual Pharma	9.4%	12.0%
Mid-size	6.6%	4.2%
Large	3.1%	3.0%

Source: Frost & Sullivan Analysis

Global R&D Expenditure and Breakdown, 2013-2022E



	13-17 CAGR	17-22 CAGR
Total	4.8%	4.2%
Biologics	7.6%	8.0%
Chemical Drug	4.2%	3.1%

Source: Frost & Sullivan Analysis

Furthermore, the FDA has also gradually accelerated its approval of new drugs. The number of new drugs approved by the FDA increased from 27 in 2013 to 46 in 2017, reflecting a CAGR of 14.2% and is expected to increase further to 75 by 2022, representing a CAGR of 10.3% from 2017. This increase is expected to whet the enthusiasm of pharmaceutical companies to actively increase their R&D costs.

Additionally, the development trend of the global pharmaceutical R&D outsourcing services industry has been focused on vertical integration, which favors comprehensive pharmaceutical R&D outsourcing services companies. The R&D of new drugs is a complex systematic project. CROs and CMO/CDMOs cover all stages of the R&D process, including the discovery of drugs, preclinical research, clinical research and new drug registration. Given that research data and the trustworthiness of experimental results are critical throughout the

drug development process, companies that provide pharmaceutical R&D services for a single stage of the drug development process cannot meet the R&D needs of large pharmaceutical companies.

Entry barriers for new entrants

New entrants to the CRO and CMO/CDMO markets face the following entry barriers:

- *High upfront costs and time commitment.* In order to comply with FDA, NMPA and EMA requirement, CRO and CMO/CDMO companies must organize dozens of research centers, hundreds of researchers and nearly a thousand subjects, which can be very taxing on the management structure, service quality and organizational efficiency for CROs and CMOs/CDMOs. High upfront costs and significant time commitments are required to invest in the appropriate facilities, sites and technology and to develop teams with sufficient expertise (both scientific and management) to handle the requirements of research, analysis and development of a drug development project.

- *Difficulty in recruiting experienced talents.* Experienced and qualified scientists and experts, as well as experienced project managers are essential to the operation of CRO and CMO/CDMO service providers. Since the overall supply of talents is lower than the demand, the shortage of senior professionals and the high remuneration requirements from suitable candidates have formed a high talent barrier for companies newly entering the industry.

- *Lack of track record and reputation to attract clients.* New entrants may find it difficult to replicate the well-established relationships between service providers and their customers for efficient service delivery. Customers perform in depth assessments prior to entering into relationships with service providers, put in place certain safeguards for the protection of their intellectual property and impart certain institutional knowledge on the service provider, thus encouraging customers to maintain their relationships with their existing service providers. Within the CRO and CMO/CDMO markets, there is also a high degree of reliance on reputation to win new business. Since it is often difficult to market in a short period of time through regular methods such as advertising, CROs and CMO/CDMOs are required to gradually establish market reputation through high-quality services and successful projects. Further, given the potential for larger pharmaceutical companies to consolidate in the future, the number of potential clients for CROs and CMO/CDMOs in the market may reduce, bolstering CROs and CMO/CDMOs that already have an existing strong market position.

- *Emphasis on cost efficiency.* In line with the highly competitive nature of the pharmaceutical industry, cost efficiency is a high priority, which means that CROs and CMO/CDMOs must be flexible and able to respond and adapt to changing trends and customer preferences. CROs and CMO/CDMOs must also ensure that budgets are adhered to and that they keep to timelines agreed with the customer, which requires teams with professional research and project management experience as well as flexible and well trained professional staff.

Challenges faced by market players

The CRO market is primarily faced with the following challenges: (i) Significant costs and efforts incurred to protect trade secrets and manage IP rights; (ii) Difficulties in recruiting experienced talents; (iii) Difficulties in recruiting clinical trial patients; and (iv) Difficulties in quality control which may lead to customer loss.

For the CMO/CDMO market, the main challenges come from excessive production capacity, costs and risks involved in production site safety management, and intense competition for professional staff which results in increasing staff cost.

General salary levels of scientists are expected to increase globally and in China and continue to present as a challenge for both CRO and CMO/CDMO markets. Despite such increases, the average salary level of junior to senior principal scientists in China is expected to continue to be below the global average.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE PRC

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; 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 Organisation (CRO), that are ultimately intended for marketing in China. As a CRO focused on small-molecule drugs, the Company directly engages in the entire production chain of drug research. Pharmaceutical enterprises may also delegate the Company to conduct drug technology and formulate development, customised manufacturing service for clinical medication, pharmaceutical intermediates and drug substance, manufacturing dose and packaging etc.. These processes are also supervised by the NMPA and local drug regulatory authorities.

The 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 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.

The 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.

The 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 Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No.6) issued by the State Council on March 22, 2018, the duty of the entry-exit inspection and quarantine management and relevant staff of the former State Administration for Quality Supervision and Inspection and Quarantine were assigned to the General Administration of Customs of the PRC.

PRC LAWS AND REGULATIONS

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》, PRC President Order No. 27 , effective on December 1, 2001, amended on December 28, 2013 and April 24, 2015 respectively), the dossier on a new drug research and development, including the manufacturing method, quality specifications, results of pharmacological and toxicological tests and the related data and the samples, shall, in accordance with the regulations of the drug regulatory department under the State Council, be truthfully submitted to the said department for approval before clinical trial is conducted. When a new drug has gone through the clinical trial and passed the evaluation, a New Drug Certificate shall be issued upon approval by the drug regulatory department under the State Council. The institutions for non-clinical safety evaluation and study and clinical trial organizations shall respectively implement the *Good Laboratory Practice for Non-Clinical Laboratory Studies* (the "GLP") (《藥物非臨床研究質量管理規範》, Order No.34 of the State Food and Drug Administration, effective on September 1, 2017) and *Good Clinical Practice* (the "GCP") (《藥物臨床試驗質量管理規範》, Order No.3 of the State Food and Drug Administration, effective on September 1, 2003).

Pursuant to the *Measures for the Administration of Drug Registrations* (《藥品註冊管理辦法》) (Order No. 28 of the State Food and Drug Administration, effective on October 1, 2007), pre-clinical drug research for the purpose of drug registration includes drug synthetic processes, extraction methods, physical and chemical properties, purity, selection of dosage form, screening of formulation, preparation and production processes, inspection methods, quality indicators, stability, pharmacology, toxicology and animal pharmacokinetics. A pre-clinical drug research shall be subject to the relevant administrative regulations, among which the research on safety assessment must be subject to the GLP. Other pre-clinical related research activities for the purpose of drugs registration shall be carried out with reference to the GLP. Each drug study laboratory shall consist of personnel(s) of similar research experiences, venues, facilities, equipment, apparatus devices and management system and assure the authenticity of the experimental data; all laboratory animals, test articles and raw materials shall be in conformance with the relevant state regulations and requirements. The clinical trials, biological utilization trials or biological equivalency trials involving human testees of various periods shall be conducted in

accordance with GCP. A sponsor may organize the clinical trial according to the protocol only after obtaining the approval of the drug regulatory department under the State Council and the approval document from the Ethics Committee.

The Company's business involves the import of drugs from overseas for non-clinical research or clinical laboratory services. Pursuant to the *Administrative Measures for the Import of Drugs* (《藥品進口管理辦法》) (Order No. 4 of the State Food and Drug Administration and the General Administration of Customs, effective on January 1, 2004 and amended on August 24, 2012), imported drugs shall go through procedures of record-filing, customs declaration and port inspection, which includes the procedures that import entities filing applications for customs clearance for imported drugs to the administrative departments for drugs of the place where the ports are located, and the medicine inspection institutions conducting examination in accordance with the law on the imported drugs which have arrived at the ports.

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) from the relevant provincial drug administration authority of the PRC. The grant of such license is subject to an inspection of the manufacturing facilities, and an inspection to determine whether the sanitary condition, quality assurance systems, management structure and equipment meet the required standards. Pursuant to the *Regulations of Implementation of the Drug Administration Law of the PRC* (《中華人民共和國藥品管理法實施條例》, effective on September 15, 2002 and amended on February 6, 2016) and the *Measures on the Supervision and Administration of the Manufacture of Drugs* (《藥品生產監督管理辦法》, effective on August 5, 2004 and amended on November 17, 2017), 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,* the *Measures on the Supervision and Administration of the Manufacture of Drugs* (《藥品生產監督管理辦法》) and *the Administrative Measures for Certification of the Good Manufacturing Practice for Drugs* (《藥品生產質量管理規範認證管理辦法》, effective on August 2, 2011), the application for Good Manufacturing Practice (the "GMP") certificate shall be made to the relevant drug supervision and administration department by the new drug manufacturer or existing drug manufacturer which builds a new drug production workshop or adds new production forms in 30 days after obtaining the drug manufacturing license or production approval, in order to obtain the relevant certificate. A GMP certificate shall be renewed at least six months prior to its expiration date upon re-examination by the relevant authority.

The *Good Manufacturing Practice for Drugs (2010 revised edition)* (《藥品生產質量管理規範》, effective on March 1, 2011), comprises a set of detailed standard guidelines governing the manufacture of drugs, which includes 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.

Drug Registration

Pursuant to the *Measures for the Administration of Drug Registrations* (《藥品註冊管理辦法》), the *Measures* shall apply to the applications filed for drug clinical trials, drug manufacture and import within the territory of the PRC, as well as drug-related examination and approval, registration and inspection, and supervision and administration. Drug registration applications include applications for new drugs, applications for generic drugs, applications for import drugs and the supplementary applications thereof and applications for re-registration. Applications for drug registration filed by the PRC applicants shall be handled according to the procedures and requirements for the applications for new drugs or generic drugs. The applications filed by overseas applicants for the registration of imported drugs shall be handled according to the procedures and requirements for the import of drugs.

In the process of drug registration, the drug regulatory department shall carry out on-site inspections and special or complaint-driven inspections on non-clinical research & clinical trials and production site inspection before granting the drug marketing approval. This is to ensure the authenticity, accuracy and integrity of application material.

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.

Where an application is only for registration of pharmaceutical preparations, any drug substance used for the research shall obtain drug approval number and Imported Drug Registration Certificate or Pharmaceutical Product Registration Certificate, and be acquired through legitimated means. Where a drug substance used for the research has no drug approval number, Imported Drug Registration Certificate or Pharmaceutical Product Registration Certificate, the use of such drug substance in the research shall be subject to the approval of the state drug regulatory department.

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

Pursuant to the *Office of the State Council's Comments on Commencing Consistency Evaluation of Generic Drugs' Quality and Curative Effects* (《國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見》) (No. 8 [2016] of the State Council's Office, effective on February 6, 2016), in order to increase the overall standards 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 not 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.

Pursuant to the *Office of the State Council's Notice on the Pilot Scheme for Issuing Permit Holder of Drugs for Sale* (《國務院辦公廳關於印發藥品上市許可持有人制度試點方案的通知》) (No. 41 [2016] of the State Council's Office, effective on May 26, 2016), in order to encourage innovation and improvement on the quality of drugs, certain drug research and development institutions or scientific personnel(s) in the pilot areas such as Beijing, Tianjin, Hebei, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong and Sichuan may become registration applicants in applications for drug clinical trials and drug marketing approval. An applicant who obtains the drug marketing approval and the approval number may become the holder of the said approval. In order to satisfy the needs for deepening the reform for the pharmaceutical and health system, improving the quality and curative effects of drugs, and regulating circulation of drugs and conduct of use etc., the *Office of the State Council's Certain Comments on the Policy Advancing the Reform and Consummation of Pharmaceutical Production and Circulation of Usage* (《國務院辦公廳關於進一步改革完善藥品生產流通使用政策的若干意見》) (No. 13 [2017] of the State Council's Office, effective on January 24, 2017) further required a stricter examination for the drug marketing approval, an enhanced consistency evaluation for post-market quality and curative effects of generic drugs and a progressive implementation of the said approval holder system.

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

Pursuant to the *Procedures of the State Food and Drug Administration for Special Examination and Approval of Drugs* (《國家食品藥品監督管理局藥品特別審批程序》) (Order No. 21 of the State Food and Drug Administration, effective on November 18, 2005), where the listed exceptional circumstances arise, the drug regulatory department under the State Council 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 & approval is significantly reduced in comparison with that of the usual examination and approval for registration.

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

Regulations on Medical Devices

The Company is also engaged in providing medical device testing service. On regards to such service, the PRC has the following regulatory provisions:

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

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

Pursuant to the *Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices* (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) (effective in October, 2017), for the purposes of promoting structural adjustment and technology innovation in drug and medical device industries, improving industrial competitiveness, and meeting the clinical need of the general public, the state will deepen the reform on the system of examination and approval. The measures include: institutions qualified for clinical trials may, upon registration on the website designated by the Food and Drug regulation department, conduct clinical trials entrusted by registration applicants of drugs or medical devices; optimizing the approval procedures for clinical trials; enhancing the evaluation and approval of urgently-needed clinical drugs and medical devices; supporting the research and development of drugs and medical devices for the treatment of rare diseases, etc..

Pursuant to the *Regulations on the Supervision and Administration of Medical Equipment* (《醫療器械監督管理條例》) (Order No. 276 of the State Council of the PRC, firstly promulgated on January 4, 2000 and most recently amended and implemented on May 4, 2017), classification administration is imposed on medical devices

according to their risk levels. Clinical trials are required for Class II and Class III medical devices. Clinical trial on medical devices shall be conducted by organizations that possess relevant qualifications as required by the GCP for medical devices trial and shall be filed with the drug regulatory department under the people's government of the province, autonomous region or municipality where the clinical trial provider is located.

On September 28, 2018, the NMPA promulgated the newly revised *List of Medical Devices Exempted from Clinical Trials* (《免於進行臨床試驗醫療器械目錄》) (Notice No. 94 [2018] of the NMPA) (the "New Exempted List"), which became effective on the same date. The New Exempted List contains two categories, the medical device products and vitro diagnostic reagents, which cover 855 medical device products and 393 vitro diagnostic reagents, respectively. Product components listed in the description of products under the New Exempted List which are managed separately as medical device with the expected usage being identical to that under the product description in the New Exempted List shall be exempted from clinical trials. Products consisting of medical devices of Class I and medical devices of Class II and Class III (which are exempted from clinical trials) are also exempted from clinical trials, provided that their usage is not expanded.

Regulations on Cell and gene therapies

The Company mainly plans to engage in the manufacture of virus vectors and plasmid DNA used in cell and gene therapies products in China.

According to Technical Guidelines for Research and Evaluation of Cell Therapy Products (Trial) (《細胞治療產品研究與評價技術指導原則(試行)》) (Notice No. 216 [2017] of the China Food and Drug Administration) which became effective on December 18, 2017, cell therapy products refer to human-derived living cell products used for the treatment for human diseases, with origins, operations and clinical trial processes fulfilling the ethical requirements, and are developed and registered in accordance with the relevant drug administrative regulations. The guidelines stipulate the general principles and basic requirements on risk control, pharmaceutical research and non-clinical and clinical research of cell therapy products. Cell therapy products shall meet the general requirements for quality management of drugs and the whole production process of samples for clinical research shall meet the general principles and basic requirements as stipulated in the Good Manufacturing Practice. For substance or materials used in the preparation of cell therapy products which are essential to the quality of products, including cells, cultivation media, cytokines, various additional components, cryopreservation solution and genetic modification/manipulation, researchers shall establish a sound and standardized system to manage the quality of materials for production, including risk evaluation, assessment on suppliers of key production materials and establishment of quality control mechanism.

On March 13, 2018, Center for Drug Evaluation under the former China Food and Drug Administration promulgated and implemented the Conditions for Consideration of Application for Clinical Trial Pharmaceutical Research on Cell Therapy Products and Application Materials (《細胞治療產品申請臨床試驗藥學研究和申報資料的考慮要點》) (the "Main Points for Consideration") to specify requirements on pharmaceutical research, drug application, quality control, testing and research and non-clinical research in relation to cell therapy products. According to the Main Points for Consideration, in respect of production process, the production and environmental conditions of plasmid and viral vectors shall comply with GMP.

Laboratory Regulations

Administration of Pathogenic Microorganism Laboratories

The PRC conducts multi-level management of all laboratories engaged in teaching, testing, diagnosing and other activities related to bacterial and viral pathogen infection or pathogenic microbial samples. Pursuant to the *Regulations on the Bio-safety Management of Pathogenic Microbe Laboratories* (《病原微生物實驗室生物安全管理條例》) (Order No. 424 of the State Council, effective on November 12, 2004, amended on February 6, 2016 and March 19, 2018 respectively), the pathogenic microorganism laboratories are classified into Bio-safety

Level 1, Bio-safety Level 2, Bio-safety Level 3 and Bio-safety Level 4 in accordance with its biosafety level for pathogenic microorganisms and the national standards for the bio-safety. Laboratories at Bio-safety Level 1 and Level 2 are forbidden to conduct experimental activities relating to any highly pathogenic microbes. Laboratories at Bio-safety Level 3 and Level 4 shall meet certain requirements to conduct experimental activities relating to any highly pathogenic microbes. Newly building, rebuilding or expanding of Bio-safety Level 1 or Level 2 laboratories shall go through the archive filing formalities with the relevant administrative department of health. The laboratories of Bio-safety Level 3 and Level 4 shall be subject to the state accreditation for laboratories. The founder of the laboratory must establish a scientific and rigorous management system that regularly monitors the implementation of bio-safety regulations. They shall also regularly inspect, maintain and update the facilities, equipment and materials in the laboratory to ensure that they are in compliance with national standards.

Administration of Radiation Safety

The Company's laboratories will use radioisotopes and radiation devices. Pursuant to the *Regulations on the Safety and Protection of Radioisotopes and Radiation Devices* (《放射性同位素與射線裝置安全和防護條例》) (Order No. 653 of the State Council, effective on December 1, 2005 and amended on July 29, 2014), in accordance with the degree of potential harm of radioactive sources and radiation devices to human health and environment, radioactive sources may be divided, from high to low, into Class I, Class II, Class III, Class IV and Class V; radiation devices may be divided into Class I, Class II and Class III. An entity producing, selling or using radioisotopes or radiation devices shall apply, in advance, for a license to the competent department of environmental protection with the examination and approval power, and submit the evidential materials meeting specified conditions. An entity producing, selling or using radioisotopes or radiation devices shall provide the education and training on safety and protection knowledge for its personnel engaged in relevant works, make assessment, and conduct personal dose monitoring and occupational health examination of its personnel engaged in relevant works; shall conduct annual assessment of the status of safety and protection of its radioisotopes or radiation devices.

Administration of Laboratory Animals

Pursuant to the *Regulations on the Administration of Laboratory Animals* (《實驗動物管理條例》) (Order No. 2 of the State Science and Technology Commission, effective on November 14, 1988 and amended on January 8, 2011, July 18, 2013 and March 1, 2017 respectively), enterprises that are engaged in feeding and breeding laboratory animals shall, in accordance with relevant standards, conduct regular quality monitoring on laboratory animals. Laboratory animals that are newly introduced shall be subject to quarantine inspection in isolation. Enterprises engaged in working with laboratory animals shall regularly organize physical check-ups for personnel(s) who are in direct contact with the laboratory animals.

Regulations on Auxiliary healthcare technologies

According to the Notice of the State Council on Issuing the "13th Five-Year Plan" for Hygiene and Health (《國務院關於印發「十三五」衛生與健康規劃的通知》) (Guo Fa [2016] No. 77) which became effective on December 27, 2016, the Chinese government intends to develop intelligent healthcare medical equipment to support the industrialization, improve the quality of medical equipment and promote the application of such equipment. It also intends to develop wearable medical monitoring devices, portable diagnostic devices and other mobile medical products and to develop a remote medical system which enables remote monitoring, diagnosis and treatment instruction.

According to the Opinions on Promoting the Development of "Internet + Healthcare" (《關於促進"互聯網+醫療健康"發展的意見》) (Guo Ban Fa [2018] No. 26) which became effective on April 25, 2018, medical institutions shall capitalize on the Internet and other information technologies to expand the capacity and offerings of their healthcare services and establish an integrated online and offline healthcare model covering the whole process of medical treatment.

According to the Legislation Plan issued by the Standing Committee of the NPC on September 7, 2018, the legislation on artificial intelligence is considered to be without sufficient legislative conditions and requiring continuing research and discussion. The legislation may be scheduled for deliberation when all preconditions are met after research and discussion.

Environmental Regulations

Environmental Assessment and Acceptance of Environmental Protection Facilities

Pursuant to the *Law of Environmental Impact Assessment of the PRC* (《中華人民共和國環境影響評價法》) (Order No. 48 of the PRC President, effective on September 1, 2003 and amended on July 2, 2016), *Regulations on Environmental Protection Management for Construction Projects* (《建設項目環境保護管理條例》) (Order No. 253 of the State Council, effective on November 29, 1998 and amended on July 16, 2017), *Measures for the Administration of Environmental Protection Acceptance of Completed Construction Projects*(《建設項目竣工環境保護驗收管理辦法》) (Order No. 13 of the State Environmental Protection Administration, effective on February 1, 2002 and amended on December 22, 2010), where effects may be exerted on the environment after the completion of construction projects, the construction enterprise shall submit an environmental impact report (form) or environmental impact registration form to the relevant environmental protection department. The project that is required to prepare the environmental impact report (form) in accordance with the law shall obtain the approval from the relevant environmental protection department for its environmental impact assessment documents; otherwise it shall not start the construction. After the construction project is completed, the construction enterprise shall apply for environmental protection acceptance of the construction project and make acceptance report pursuant to the standard and formality set by the environmental protection authority.

Regulations on Pollution Permit

Pursuant to the *Administrative Measures on Pollutant Emission Permits (Trial)* (《排污許可管理辦法（試行）》) (Order No. 48 of the Ministry of Environmental Protection, effective on January 10, 2018), enterprises, institutions and other producers and operators (the "pollutant discharge enterprises") that have been included in the Classification Management List for Fixed Source Pollution Permits shall apply for and obtain a discharge permit in accordance with the prescribed time limit. The pollutant discharge enterprises that are not included in the Classification Management List do not need to apply for a pollutant discharge permit. The pollutant discharge enterprise shall hold a pollutant discharge permit in accordance with the law and discharge pollutants in accordance with the 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》) (No. 81 [2016] of the State Council's Office, effective on November 10, 2016) and the *Classification Management List for Fixed Source Pollution Permits (2017 Edition)* (《固定污染源排污許可分類管理名錄（2017年版）》) (Order No. 45 of Ministry of Environmental Protection, effective on July 28, 2017), 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 Ministry of Environmental Protection 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.

Safety Management Supervision

Safety Production Management

Pursuant to the *Law on Work Safety of the PRC* (《中華人民共和國安全生產法》) (Order No. 70 of the PRC President, effective on November 1, 2002 and amended on August 27, 2009 and August 31, 2014 respectively),

enterprises engaged in production activities must strengthen safety production management, establish and improve the responsibility system for safe production and ensure a safe production environment. The state establishes and implements a system for the accountability of production safety accidents. If the company fails to comply with the provisions of the Law on Work Safety, the supervisory authority on production safety may issue a rectification order, impose a fine, order the company to cease production and operation, or revoke the relevant permit.

Some chemical materials needed for new drug research and development, such as toluene and hydrochloric acid, are hazardous chemicals. Pursuant to the *Regulations on Safety Management of Hazardous Chemicals* (《危險化學品安全管理條例》) (Order No. 344 of the State Council, effective on March 15, 2002 and amended on December 7, 2013), the production, storage, use, operation, and transportation of hazardous chemicals must be in accordance with the safety management regulations. The hazardous chemical units shall oblige to the safety conditions required by laws and administrative regulations and state and industry standards, establish and improve safety management rules and post safety responsibility systems, and provide safety education and legal education and occupation technical training for employees. Employees should accept such education and training, and may begin working only after qualifying the relevant assessment. Where it requires employees to have certain qualification to assume a post, an enterprise shall only designated employees having such qualification to assume the post.

Regulations on Occupational Disease Prevention

Pursuant to the *Law on Prevention and Control of Occupational Diseases of the PRC* (《中華人民共和國職業病防治法》) (Order No. 60 of the PRC President, effective on May 1, 2002 and amended on December 31, 2011, July 2, 2016 and November 4, 2017 respectively), in order to strengthen the management, raise the standard of prevention and control of occupational diseases and assume the responsibilities for the occupational disease hazards happening in the unit, the employment unit shall establish and improve the responsibility system for prevention and control of occupational diseases by implementing the following requirements: 1) In addition to the establishment of employing entity that have occupational disease hazards shall meet the establishing conditions required by the law and administrative regulations, its workplace shall also meet the occupational health requirements; 2) The employing entity shall truthfully report the hazardous item to the local supervisory department on work safety in a timely manner and accept supervision if any hazardous factor causing an occupational disease listed in the *Occupational Diseases Catalogue* exists at the workplace. 3) Construction enterprises shall conduct preliminary assessment of occupational disease hazards during the stage of feasibility study, if a construction project may cause occupational disease hazards.

Labour and Personnel Supervision

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

Pursuant to *Social Insurance Law of the PRC* (《中華人民共和國社會保險法》), (Order No. 35 of the PRC President, effective on July 1, 2011), *Interim Regulations on Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) (Order No. 259 of the State Council, effective on January 22, 1991), *Trial Measures for Enterprise Staff Maternity Insurance* (《企業職工生育保險試行辦法》) (No. 504 [1994] the Ministry of Labour, effective on January 1, 1995), *Regulations on Work-Related Injury Insurance* (《工傷保險條例》) (Order No. 375 of the State Council, effective on January 1, 2004 and amended on December 20, 2010),

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

Regulations on Import and Export of Goods

Import and Export of Goods

Pursuant to the *Administrative Provisions on the Registration of Customs Declaration Entities of the PRC* (《中華人民共和國海關報關單位註冊登記管理規定》) (Order No. 221 of the General Administration of Customs, effective on March 13, 2014, amended on February 1, 2018 and July 1, 2018 respectively), the import and export of goods shall be declared by the consignor or consignee itself, or by a customs declaration enterprise entrusted by the consignor or consignee and duly registered with the customs authority. Consignors and consignees of imported and exported goods shall go through customs declaration entity registration formalities with the competent customs departments in accordance with the applicable provisions. After completing the registration formalities with the customs, consignors and consignees of the imported and exported goods may handle their own customs declarations at customs ports or localities where customs supervisory affairs are concentrated within the customs territory of the PRC.

Import and Export of Special Articles

Pursuant to the *Administrative Provisions on the Sanitation and Quarantine of Entry/Exit Special Articles* (《出入境特殊物品衛生檢疫管理規定》) (Order No. 160 of the General Administration of Quality Supervision, Inspection and Quarantine, effective on March 1, 2015 and amended on October 18, 2016, May 1, 2018 and July 1, 2018 respectively), the import or export of special articles, including micro-organisms, human tissues, biological products, blood and blood products shall be subject to the supervision and administration over health quarantine. The customs office is responsible for the health quarantine and approval of import and export of special articles in its relevant jurisdictions. The enterprise conducting import or export of special articles shall establish safety management system for special articles, and shall produce, use or sell the special articles in strict accordance with the purposes for the approval of such special articles.

Intellectual Property

Patent

Pursuant to the *Patent Law of the PRC* (the "Patent Law" ,《中華人民共和國專利法》), (Order No. 11 of the PRC President, effective on April 1, 1985, and amended on September 4, 1992, August 25, 2000 and December 27, 2008 respectively) and its implementation rules, there are three types of patent in the PRC: invention patent, utility model patent and design patent. The protection period is 20 years for invention patent and 10 years for utility model patent and design patent, commencing from their respective application dates. After the granting of patent for an invention or utility model, unless it is otherwise prescribed by the Patent Law, no entity or individual is entitled to, without permission of the patentee, exploit the patent, that is, to make, use,

promise the sale of, sell or import the patented product, or use the patented process and use, promise the sale of, sell or import the product directly obtained from the patented process, for production or business purposes. After the granting of a design patent, no entity or individual shall, without permission of the patentee, exploit the patent, that is, they shall not make, promise to sell, sell, or import the product incorporating its or his patented design, for production and business purposes. In the event that a patent is owned by two or more co-owners without an agreement regarding the distribution of revenue generated from the exploitation of any co-owner of the patent, such revenue shall be distributed among all the co-owners.

In the event that a dispute arises out of any exploitation of a patent without permission of the patentee, that is, the infringement upon a patent right, the parties shall settle the dispute through negotiations. If they are not willing to negotiate or fail to reach an agreement through negotiations, the patentee or any interested party may either bring a lawsuit with the people's court, or request the patent administrative department, for settlement. If the patent administrative department ascertains at the time of settlement that infringement exists, it may order the infringer to immediately stop the infringement act. The party dissatisfied may, within 15 days as of receipt of the notification, bring a lawsuit with the people's court in accordance with the *Administrative Procedural Law of the PRC*. If the infringer neither brings a lawsuit within the time limit nor stops the infringement act, the patent administrative department may apply to the people's court for compulsory enforcement. The patent administrative department that settles the dispute may, upon request of the parties, hold a mediation regarding the compensation amount for infringement upon the patent right. If no agreement is reached through mediation, either party may bring a lawsuit with the people's court in accordance with the *Civil Procedural Law of the PRC*.

Trademark

Pursuant to the *Trademark Law of the PRC* (the "Trademark Law",《中華人民共和國商標法》) (Order No. 10 of the SCNPC, effective on March 1, 1983, amended on February 22, 1993, October 27, 2001 and August 30, 2013 respectively) , the period of validity for a registered trademark is 10 years, commencing from the date of registration. Upon expiry of the period of validity, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry as required if the registrant needs to continue to use the trademark. Where the registrant fails to do so, a grace period of six months may be granted. The period of validity for each renewal of registration is 10 years, commencing from the date immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be canceled.

According to the Trademark Law, any of the following conduct shall be an infringement upon the right to exclusively use a registered trademark:

- Using a trademark identical with a registered trademark on identical goods without being licensed by the trademark registrant.

- Using a trademark similar to a registered trademark on identical goods or using a trademark identical with or similar to a registered trademark on similar goods, without being licensed by the trademark registrant, which may easily cause confusion.

- Selling goods which infringe upon the right to exclusively use a registered trademark.

- Forging or manufacturing without authorization the labels of a registered trademark of another party or selling the labels of a registered trademark forged or manufactured without authorization.

- Replacing a registered trademark without the consent of the trademark registrant and putting the goods with a substituted trademark into the market.

- Intentionally providing facilitation for infringement upon others' right to exclusively use a registered trademark or aiding others in committing infringement upon the right to exclusively use a registered trademark.

- Otherwise causing damage to the right to exclusively use a registered trademark of others.

Where any dispute arises from any of infringements upon the right to exclusively use a registered trademark as set out above, the parties concerned shall resolve the dispute through negotiation; and if they are reluctant to resolve the dispute through negotiation or the negotiation fails, the trademark registrant or an interested party may institute an action in a people's court or request the administrative department for industry and commerce to handle the dispute.

Where any dispute arises regarding the amount of damages for infringement upon the right to exclusively use a registered trademark, the parties concerned may request the administrative department for industry and commerce handling the dispute to conduct mediation or institute an action in a people's court in accordance with the *Civil Procedural Law of the PRC*. If the parties concerned fail to reach an agreement upon mediation by the administrative department for industry and commerce or fail to fulfill a mediation agreement after being executed, the parties concerned may institute an action in a people's court in accordance with the *Civil Procedural Law of the PRC*.

Laws and Regulations on Foreign Investment

The Company is a foreign-invested joint stock company.

The investment activities of foreign investors in the PRC are subject to certain regulation regarding the industry participated. The industrial scope of a foreign-invested enterprise shall be restricted to certain extent. The *Special Management Measures (Negative List) for the Access of Foreign Investment (2018)* (《外商投資准入特別管理措施（負面清單）（2018年版）》, the "Negative List"), were recently issued by the NDRC and MOFCOM on June 28, 2018 and implemented on July 28, 2018, which set out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity and senior management, and the industries that are prohibited for foreign investment. The Negative List covers 14 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

The *Administrative Measures for the Verification and Approval and the Record-filing of Foreign Investment Projects (Revised in 2014)* (《外商投資項目核准和備案管理辦法（2014年修正）》) (Order No. 12 of the NDRC, effective on May 17, 2014 and amended on December 27, 2014) promulgated by NDRC, 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.

The *Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises* promulgated by the Ministry of Commerce (《外商投資企業設立及變更備案管理暫行辦法》) (Order No.6 [2018] of the MOFCOM, effective on October 8, 2016, amended on July 30, 2017 and June 30, 2018 respectively) promulgated by MOFCOM, shall apply to the establishment and change of foreign-invested enterprises, as long as the special market entry management measures prescribed by the State are not involved. Under the aforesaid *Measures*, the foreign-invested listed companies and companies listed on the National Equities Exchange and Quotations may go through the record-filing procedures for change in basic information of investors or shares only when the accumulated change of shareholding percentage of foreign investors have exceeded 5% and the status of share controlling or relevant share controlling thereof has been changed.

Laws and Regulations on Overseas Investment

Pursuant to the *Administrative Measures for Outbound Investment by Enterprises* (《企業境外投資管理辦法》) (Order No.11 of the NDRC, effective on March 1, 2018), a domestic enterprise (the "investor") making an outbound investment shall go through verification and approval or record-filing or other procedures applicable to outbound investment projects (the "Projects"), report relevant information, and cooperate with the supervision and inspection. Sensitive Projects carried out by Investors directly or through overseas enterprises controlled by them shall be subject to the management of verification and approval; non-sensitive Projects directly carried out by Investors, namely, non-sensitive projects involving investors' direct contribution of assets or rights and interests or provision of financing or security, shall be subject to the management of record-filing . The aforementioned "sensitive project" means a project involving a country or region without diplomatic relations with China or a sensitive industry. The NDRC promulgated the *Catalogue of Sensitive Sectors for Outbound Investment (2018 Edition)* (《境外投資敏感行業目錄(2018年版)》), effective on March 1, 2018 to list the current sensitive industries in detail.

Pursuant to the *Administrative Measures for Outbound Investment* (《境外投資管理辦法》) (Order No. 3 [2014] of the MOFCOM, effective on October 6, 2014) promulgated by the MOFCOM, the MOFCOM and Provincial Competent Commerce Departments shall carry out administration either by record-filing or by verification and approval depending on different circumstances of outbound investment by enterprises. Outbound investment by enterprises that involves sensitive countries and regions or sensitive industries shall be subject to administration by verification and approval. Outbound investment by enterprises that falls under any other circumstances shall be subject to administration by record-filing.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE UNITED STATES

MAJOR REGULATORY AUTHORITIES AND RELEVANT ORGANIZATIONS

The operations of the Company in the United States are mainly supervised and regulated by the following authorities, in addition to the authorities generally administering the companies in the United States: Not all the laws and regulations discussed in this section regulate the Company directly. They may regulate the Company's customers and in that fashion become applicable to the Company.

U.S. Food and Drug Administration (FDA)

The FDA is an agency within the U.S. Department of Health and Human Services. It consists of the Office of the Commissioner and four directorates overseeing the core functions of the agency: Medical Products and Tobacco, Foods and Veterinary Medicine, Global Regulatory Operations and Policy, and Operations. In the United States, the FDA regulates the conduct of clinical trials of drug products in human subjects, the form and content of regulatory applications. The FDA also regulates the development, approval, manufacture, safety, labeling, storage, record keeping, and marketing of drug products. The FDA has similar authority and similar 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. It works to enforce 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.

U.S Centers for Medicare & Medicaid Services (CMS)

The Centers for Medicare & Medicaid Services (CMS) regulates all laboratory testing (except research) performed on humans in the U.S. through the Clinical Laboratory Improvement Amendments (CLIA). The objective of the CLIA program is to ensure quality laboratory testing.

Committee on Foreign Investment in the United States (CFIUS)

CFIUS is an interagency committee that includes representatives from various U.S. departments and agencies. The objective of CFIUS is to protect the national security of the United States by reviewing transactions involving foreign investment in the United States and determining the effect of such transactions.

U.S. LAWS AND REGULATIONS

Regulation of Drugs and Biologics

Before a new drug or biologic may be approved and marketed, it must undergo extensive testing and regulatory review to determine that it is safe and effective. It is not possible to estimate the duration of this testing with respect to a given product, although the time period may last many years. The stages of this development process are generally as follows:

Preclinical Research

Preclinical research involves *in vitro* (test tube) and animal studies to establish the relative toxicity of the drug or biologic over a wide range of doses and to detect any potential to cause a variety of adverse conditions or diseases, including birth defects or cancer. If results warrant continuing development of the drug or biologic, the results of the studies are submitted to the FDA by the manufacturer as part of an investigational new drug filing, or IND filing, which includes, among other things, items such as preclinical data and an investigational plan and must be reviewed by the FDA and become effective before proposed clinical testing can begin. In some cases, the FDA raises questions or concerns relating to one or more proposed clinical trials, which the IND sponsor and the FDA must resolve before the clinical trial can begin. In addition, clinical trials cannot begin at a particular trial site until approved by the site's institutional review board, which is an independent expert body charged with protecting patient safety. As a result, there can be no assurance that submission of an IND will result in the ability to commence clinical trials.

Clinical Trials

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

In general, for purposes of product candidate approval, human clinical trials are typically conducted in three sequential phases, which may overlap or be combined. Phase I clinical trials include basic safety and pharmacology testing in human subjects, usually healthy volunteers or stable patients, and include trials to evaluate 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 afflicted with a specific disease or condition for which the product is intended for use, further safety testing, evaluation of effectiveness, and determination of optimal dose levels, dose schedules and routes of administration. If Phase II trials yield satisfactory results and no hold is placed on further trials by the FDA, Phase III trials can commence. Phase III clinical trials include larger scale, multi-center, comparative clinical trials conducted with patients afflicted by a target disease, in order to provide enough data for a valid statistical test of safety and effectiveness required by the FDA and others and to provide an adequate basis for product labeling. The FDA receives reports on the progress of each phase of clinical testing and may require the modification, suspension or termination of clinical trials if, among other things, an unreasonable risk is presented to patients or if the design of the trial is insufficient to meet its stated objective.

NDA or BLA Preparation and Submission

Upon completion of Phase III clinical trials, the customer assembles the statistically analyzed data from all phases of development, along with the chemistry and manufacturing and pre-clinical data and the proposed labeling, among other things, into a single large document, the NDA or the biologic license application, or BLA. The FDA carefully scrutinizes the submitted information and data to determine whether the sponsors and any other companies, such as CROs and laboratories working on the sponsor's behalf, have complied with the applicable regulations, and to determine whether the drug or biologic is safe and effective for the specific use. 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 not approve an application unless it determines that the manufacturing processes and facilities, including contract manufacturers and subcontractors, are in compliance with GMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving a marketing application the U.S. FDA may inspect one or more clinical trial sites to assure compliance with GCPs. Even after accepting the submission for review, the FDA may require additional testing or information before approval of an NDA or BLA. The FDA must deny approval of an NDA or BLA if applicable regulatory requirements are not satisfied.

Post-Marketing Surveillance and Phase IV Trials

Federal regulation requires a manufacturer to collect and periodically report to the FDA additional safety and efficacy data on the drug or biologic for as long as the manufacturer markets the product (post-marketing surveillance). If the product is marketed outside the United States, these reports must include data from all countries in which the product is sold. Additional post-marketing trials (Phase IV) may be required by the FDA as a condition of the product's approval to assess safety or verify clinical benefit or may be voluntarily undertaken after initial approval to find new uses for the product, to test new dosage formulations or to confirm selected non-clinical benefits. Product approval may 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 for approved and marketed drugs and biologics, aimed at assessing 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, to conduct post-marketing trials required by the FDA and to increase public transparency by submitting clinical trial information, including clinical study results, of investigational and marketed drugs (as well as medical devices) to a databank maintained by the National Institutes of Health and accessible to the public on the Internet (www.clinicaltrials.gov).

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 regulations describe 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 preclinical 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. In the United States, the 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 and biologics, and their APIs, intended for use in clinical trials or for the commercial market be manufactured and tested in accordance with cGMP provisions and guidelines. The FDA requires that drug and biologic products used in clinical trials, approved products, and their API, be manufactured under cGMPs. cGMPs require that manufacturers, which includes entities conducting certain laboratory testing, adequately control manufacturing operations. This includes establishing quality management systems, quality control and assurance, obtaining raw materials that meet quality requirements, establishing operating procedures, detecting and investigating deviations, maintaining laboratory quality, maintaining records, samples and documentation, and ensuring the integrity of manufacturing and testing data. Poor control of production and testing processes can lead to the introduction of adventitious agents or other contaminants, or to inadvertent changes in the properties or stability of products or product candidates. Manufacturers and other entities involved in the manufacture, including control and contract laboratories are required to annually register their establishments with the FDA.

Records for clinical trials must be maintained for specified periods for inspection by the FDA and other regulators. Significant noncompliance with GLP, GCP, or cGMP requirements can result in the disqualification of data collected during the clinical trial, as well as 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 that are designed to satisfy regulatory requirements and serve as a mechanism for controlling and enhancing the quality of our clinical trials. In the United States, our procedures were developed to ensure compliance with GCP and associated guidelines.

Regulation of Laboratories

CLIA

Our United States laboratories are subject to CLIA regulations. CLIA regulations are based on a complexity model, with more complicated testing subject to more stringent requirements. The three categories of testing for CLIA purposes are waived, moderate complexity, and high complexity. CLIA imposes standards for laboratory personnel, patient-test management, quality control (QC) and quality assurance (QA). The rule also imposes application procedures, fees for certification, enforcement and sanctions. Laboratories performing moderate- and high-complexity testing must undergo biennial inspections conducted by CMS or a private accreditation organization. CMS considers both the volume of testing and the number of specialties being tested when determining the biennial inspection fees that laboratories will be charged. The QC requirements include control and calibration requirements applicable to both moderate and high complexity labs and are mandatory for all laboratories. The QA and patient-test management requirements refer to the comprehensive, ongoing process of monitoring and evaluating every step of the laboratory's testing process — including patient preparation and specimen collection, test analysis and test-result reporting. Each laboratory performing non-waived testing must establish and follow written policies and procedures for a comprehensive QA program that is designed to monitor and evaluate the ongoing and overall quality of the total testing process.

Safety and Health Regulation

Our United States laboratories are also subject to licensing and regulation under federal, state and local laws relating to hazard communication and employee right-to-know regulations, and the safety and health of laboratory employees. Additionally, our United States laboratories are subject to applicable federal and state laws and regulations and licensing requirements relating to the handling, storage and disposal of hazardous waste, radioactive materials and laboratory specimens, including the regulations of the Environmental Protection Agency, the Nuclear Regulatory Commission, the Department of Transportation, the National Fire Protection Agency and the DEA.

Regulation of Controlled Substances

The use, research, testing, import and export, and manufacture of controlled substances and listed chemicals is regulated in the United States by the DEA through the Controlled Substances Act and the DEA's implementing regulations.

Additional Laboratory Requirements

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

In addition to its comprehensive regulation of safety in the workplace, the United States Occupational Safety and Health Administration has established extensive requirements relating to workplace safety for healthcare employers whose workers may be exposed to blood-borne pathogens such as HIV and the hepatitis B virus. These regulations, among other things, require work practice controls, protective clothing and equipment, training, medical follow-up, vaccinations and other measures designed to minimize exposure to chemicals, and transmission of blood-borne and airborne pathogens. Furthermore, certain employees must receive initial and periodic training to ensure compliance with applicable hazardous materials regulations and health and safety guidelines.

Regulation of Medical Devices

The FDA approval or clearance is generally required before a medical device may be marketed in the United States. In order to obtain clearance for marketing, a manufacturer must demonstrate substantial equivalence to a similar legally marketed product by submitting a pre-market notification, or 510(k), to the FDA seeking FDA 510(k) clearance. The FDA may require preclinical and clinical data to support a substantial equivalence determination, and there can be no assurance the FDA will find a device substantially equivalent to a similar legally marketed product. Clinical trials can take extended periods of time to complete. After submission of a pre-market notification containing, among other things, any data collected, the FDA may find the device substantially equivalent and the device may be marketed.

After a device receives 510(k) clearance from the FDA, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, requires a new 510(k) clearance or could require approval of a pre-market approval application, or PMA. If the FDA finds that a device is not substantially equivalent, the manufacturer may request that the FDA make a risk-based classification to place the device in Class I or Class II. However, if a timely request for risk-based classification is not made, or if the FDA determines that a Class III designation is appropriate, a PMA will be required before the device may be marketed. If there is no legally marketed predicate device, a manufacturer can seek to have a device classified in

Class I or Class II through the de novo review process. As a result of statutory revisions made in 2012, the de novo process can be used without first going through the 510(k) process. The PMA approval process is lengthy, expensive and typically requires, among other things, extensive data from preclinical testing and a well-controlled clinical trial or trials that demonstrate a reasonable assurance of safety and effectiveness. There can be no assurance that review will result in timely, or any, PMA approval. There may also be significant conditions associated with the approval, including limitations on labeling and advertising claims and the imposition of post-market testing, tracking or surveillance requirements. Even after approval, a new PMA or PMA supplement is required in the event of a modification to the device, its labeling or its manufacturing process.

The Animal Welfare Act

The conduct of animal research at our laboratories in the U.S. must be in compliance with the U.S. Animal Welfare Act (AWA), which governs the care and use of warm-blooded animals for research in the U.S. other than laboratory rats, mice and chickens, and is enforced through periodic inspections by the U.S. Department of Agriculture (USDA). The AWA establishes facility standards regarding several aspects of animal welfare, including housing, ventilation, lighting, feeding and watering, handling, veterinary care, and recordkeeping. We comply with licensing and registration requirement standards set by the USDA for the care and use of regulated species. If the USDA determines that our equipment, facilities, laboratories or processes do not comply with applicable AWA standards, it may issue an inspection report documenting the deficiencies and setting deadlines for any required corrective actions. The USDA may impose fines, suspend and/or revoke animal research licenses or confiscate research animals.

Regulation of Patient Information

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

Regulations to protect the safety and privacy of human subjects who participate in or whose data are used in clinical research generally require clinical investigators to obtain affirmative informed consent from identifiable research subjects before research is undertaken.

In the United States, the Health Insurance Portability and Accountability Act of 1996 (HIPAA) was designed to address issues related to the security and confidentiality of health information and to improve the efficiency and effectiveness of the healthcare system by facilitating the electronic exchange of information in certain financial and administrative transactions. Under the HIPAA, the United States Department of Health and Human Services has issued regulations mandating heightened privacy and confidentiality protections for certain types of individually identifiable health information, or protected health information, when used or disclosed by healthcare providers and other HIPAA-covered entities or business associates that provide services to or perform functions on behalf of these covered entities. HIPAA regulations require an applicable permission from the patient or exemption before identifiable health information may be used for research, in addition to any required informed consent. Portions of the American Recovery and Reinvestment Act of 2009 supplemented these regulations by requiring notification to individuals when their protected health information may have been stolen or accessed by unauthorized persons. HIPAA regulations also specify standards for de-identifying health information so that information can be handled outside of the HIPAA requirements and for creating limited data sets that can be used for research purposes under less stringent HIPAA restrictions.

Fraud and Abuse and Anti-Corruption Laws and Regulations

Existing U.S. laws governing federal healthcare programs, including Medicare and Medicaid, as well as similar state laws, impose a variety of broadly described fraud and abuse prohibitions on healthcare providers, including clinical laboratories. These laws are interpreted liberally and enforced aggressively by multiple government agencies, including the U.S. Department of Justice, HHS' Office of Inspector General (OIG), and various state agencies.

As a CRO, we may be subject to many federal and state healthcare laws, such as the federal Anti-Kickback Statute, the federal civil and criminal False Claims Acts, the civil monetary penalties statute and other laws relating to patient inducements, the Medicaid Drug Rebate statute and other price reporting requirements, the Veterans Health Care Act of 1992, the Patient Protection and Affordable Care Act of 2010, and similar state laws. Even though we do not and will not control referrals of healthcare services or bill directly to Medicare, Medicaid or other third-party payors, certain federal and state healthcare laws and regulations pertaining to fraud and abuse, reimbursement programs, government procurement, and patients' rights may be applicable to our business. We would be subject to healthcare fraud and abuse regulation by both the federal government and the states in which we conduct our business.

The Company seeks to conduct its business in compliance with all U.S. and state fraud and abuse laws. Sanctions for violations of these laws may include penalties, including civil, criminal, and administrative penalties, damages, fines, disgorgement, suspension and debarment from government contracts, and refusal of orders under existing government contracts, exclusion from participation in U.S. federal or state healthcare programs, corporate integrity agreements, and the curtailment or restructuring of our operations, any of which could materially adversely affect our ability to operate our business and our financial results.

Achieving and sustaining compliance with applicable federal and state reimbursement and fraud laws can prove costly. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business.

We are required to comply with the U.S. Foreign Corrupt Practices Act, or the FCPA, and other U.S. and non-U.S. anti-corruption laws, which prohibit companies from engaging in bribery including corruptly or improperly offering, promising, or providing money or anything else of value to non-U.S. officials and certain other recipients. We operate in parts of the world in which corruption can be common and compliance with anti-bribery laws may conflict with local customs and practices. Our global operations face the risk of unauthorized payments or offers being made by employees, consultants, sales agents, and other business partners outside of our control or without our authorization. It is our policy to implement safeguards to prohibit these practices by our employees and business partners with respect to our operations. In some cases, 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

Under the Defense Production Act of 1950, as amended by several later pieces of legislation, including most recently the Foreign Investment Risk Review Modernization Act of 2018 (the "**DPA**"), the president of the U.S. is authorized to prohibit or suspend acquisitions, mergers or takeovers by foreign persons engaged in interstate commerce in the U.S. if the president determines that there is credible evidence that such foreign persons in exercising control of such acquired persons might take action that threatens to impair the national security of the U.S. and that other provisions of existing law do not provide adequate authority to protect national security. On October 10, 2018, the U.S. Department of Treasury (as the chair of CFIUS) issued interim regulations implementing certain provisions of the Foreign Investment Risk Review Modernization Act of 2018 (the "**FIRRMA interim regulations**"). The FIRRMA interim regulations initiate a pilot program which, among other changes, (i) expands CFIUS jurisdiction to cover not only controlling investments, but also certain non-controlling investments involving foreign persons in U.S. businesses that utilize "critical technologies" in activity within or aimed at one of 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 DPA and the FIRRMA interim regulations define "critical technologies" broadly, in a manner which includes certain biotechnology-related products, services or materials, and the definition may expand over time, as the U.S. government has the authority to further develop the set of technologies of interest through rulemaking. Assuming no changes following a 30-day public comment period, the FIRRMA interim regulations will formally take effect on November 10, 2018 and are expected to remain in effect until such time as they are replaced by final regulations implementing the DPA.

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 submit a declaration with basic information regarding such transaction with CFIUS (unless the parties elect to file a notice instead) prior to the closing of the investment. Filing a declaration with CFIUS will be mandatory in such cases when the foreign party in the transaction will gain control of the U.S. target business as a result of such transaction or when the transaction grants the foreign party (i) a board seat, observer, or nomination right, (ii) access to non-public information about the target's technologies, or (iii) any other form of involvement in the use, development, acquisition, or release of the target's critical technologies. Declarations shall be filed no later than November 10, 2018 or promptly thereafter (for transactions closing between November 10, 2018 and December 25, 2018) or 45 days before the closing of the transaction (for transactions closing after December 25, 2018). Once a declaration has been accepted by CFIUS, CFIUS has 30 calendar days to determine its subsequent action, including approving the transaction, requesting that the parties file a notice or initiating a unilateral review, among others.

As the Company may be deemed a "foreign person" under the DPA, some biotechnology products and their applications may fall under the scope of critical technologies and may involve Pilot Program Industries. As a result, the Company's future investments in or acquisitions of U.S. biotechnology businesses after November 10, 2018 may be subject to the mandatory CFIUS filing and review process if and to the extent that the U.S. target business produces, designs, tests, manufactures, fabricates or develops critical technology.

The FIRRMA interim regulations generally do not limit the scope and sustainability of ongoing research and development activities or revenue-generating services provided by the Company to its customers. Nor do the FIRRMA interim regulations generally limit arm's length research collaborations and business partnerships between the Company and academic/industrial institutions, except to the extent that such relationships involve the Company taking an equity stake in a U.S. business or joint venture involving a U.S. business, in which case the FIRRMA interim regulations may be implicated.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN GERMANY

Commercial Law

As far as German law applies, mainly the provisions of the German Civil Code ("*Bürgerliches Gesetzbuch*") ("**BGB**") govern contracts under civil law.

Service contracts are primarily governed by the provisions of the "*Dienstvertrag*" (service contract) in Sections 611 et seq. BGB. On some of these contracts, the provisions of the "*Werkvertrag*" (contract to produce a work) in Sections 631 et seq. BGB apply. Whereas under a "*Dienstvertrag*" only the performance of services is owed, under a "*Werkvertrag*" a specific outcome is owed. For confidentiality agreements German law does not provide specific statutory provisions.

Failure to fulfill obligations under a contract may lead to a claim for damages of the opposing party. The opposing party may also, besides other rights, rescind from the contract, generally after setting an appropriate deadline. The liability for breach of contract is generally unlimited. Contractual limitations of liability are admissible to some extent.

To the extent contracts are considered as general terms and conditions ("**GTC**") and not individual agreements, the German law stipulates very strict requirements of validity. Provisions which do not comply with these requirements are highly likely to be void. In the event a GTC is void, the statutory provisions apply. For instance, provisions in GTC are void under Section 307 BGB if, contrary to the requirement of good faith, these provisions unreasonably disadvantage the other party to the contract with the user. An unreasonable disadvantage may also arise from the provision not being clear and comprehensible.

Employment Law

The employment contracts of the employees and managing directors are governed by German employment law. This, however, is not codified in one single employment act, but subject to a large number of specific laws, acts, principles, statutes, European directives and ordinances. These are all filled and interpreted by the jurisdiction of the European Court of Justice, the German Federal Labor Court ("*Bundesarbeitsgericht*") ("**BAG**") and the subordinated lower instances at the state labor courts and local labor courts which all have in many cases a wide discretion of judgment. The most important German laws applicable to the employees are inter alia:

All employees of the Company except the managing directors benefit from special protection from termination according to the Unfair Dismissal Act ("*Kündigungsschutzgesetz*") ("**KSchG**"). Pursuant to that law any at-will employment is mandatorily excluded if the company employs more than 10 employees. Any termination notice given by the company requires a special justification due to (i) redundancy / operational reasons (ii) misconduct or (iii) personal inability to work. Further any termination must be given with a statutory notice period of a minimum from 2 weeks up to 7 months (subject to duration of service, unless severe breach of contract or a similar matter entitles the employer to give notice for good cause with immediate effect).

Even if the Company's employees have not made use of this right yet, on sites with minimum 5 or more employees, pursuant to the Works Constitution Act ("*Betriebsverfassungsgesetz*") ("**BetrVG**") all employees allocated to that site may elect a works council. This employees' representation body has — besides a number of general information and consulting rights — wide co-determination rights towards the Company with respect to social, personnel-related and economic matters (such as reservation of consent on certain entrepreneurial measures determined by Works Constitution Act, co-determination of working conditions through collective bargaining agreements etc.).

Although this is currently not the case for the Company, working conditions may in future further be determined by tariff collecting bargaining agreements between the proper employer's association and/or single employers as one party and the proper union as the other party. Working conditions determined in such tariff agreements are mandatorily applicable to the respective two parties of employment subject to the Collective Bargaining Act ("*Tarifvertragsgesetz*") ("**TVG**"), if the employer as a member of the employer's association or party of such agreement and the individual employee is member of the union. However, the proper union may set companies on strike in order to enforce their claims for working conditions or in order to force a company to enter the employees' association or a company tariff agreement.

All salary payments and related benefits are gross and subject to tax deductions and social contributions of the employee as well as the employer to the social security systems (health insurance, nursing care redundancy insurance, public pension insurance etc.) subject to the Social Security Statute Books ("*Sozialgesetzbücher*") ("**SGB I — XI**"). The employer is responsible and liable for their correct discharge/payment.

IP Law

IP Rights and Copyrights

Owners and users of trademarks and company names are subject to rights and obligations under the German Trademark Law ("*Markengesetz*") ("**MarkenG**"). The trademark's owner has exclusive rights. This means that a third party may not use the trademark or a similar sign for identical or similar goods and/or services without the owner's consent. Nevertheless, the owner cannot prevent anybody from using, for example, their own name or address, or a sign that is identical with or similar to a trademark to describe characteristics or properties of goods or services. Not only registered trademarks are protected by the MarkenG, but also signs in use, which acquired public recognition as a trademark within affected trade circles, well-known signs according to the Paris Convention for the Protection of Industrial Property and commercial designations like a company name or symbols.

Domain owners are subject to various statutory regulations, such as the German Telemedia Act ("*Telemediengesetz"*) ("**TMG**"), the German Telecommunications Act (*Telekommunikationsgesetz"*) ("**TKG**"), the General Data Protection Regulation ("Datenschutz-*Grundverordnung*") ("**GDPR**") and the German Data Protection Act ("*Bundesdatenschutzgesetz*") ("**BDSG**"). The GDPR and the BDSG also apply to the personnel data of employees and customers. Under German law, entities are subject to the limitations of the German Act Against Unfair Competition ("*Gesetz gegen den unlauteren Wettbewerb*") ("**UWG**"), not only with regard to website content, but also with regard to commercial practice, which must be fair, non-aggressive, non-misleading, transparent and without unacceptable nuisance in connection to competitors, market participants and customers. Domain rights may be protected by the MarkenG and the BGB's rights of name.

With regard to creative inventions of employees, self-developed database management systems and the corresponding software and to any creative inventions during the developments with or for third parties the Company is subject to the German Act on Copyright and Related Rights ("*Gesetz über Urheberrecht und verwandte Schutzrechte*") ("**UrhG**"). There is no requirement of copyright registration or notice in Germany. The person (not the company) who created the work is the author and owner of all copyrights regarding this work. Hence, the Company does not become directly or solely owner of its employees' creative work or computer program copyrights, but according to statutory regulations of the UrhG is entitled to exercise all economical rights regarding works created within and in fulfillment of the employment.

The respective regulations of open source software licenses limit copyrights on new software based on the open source software, the rights to use open source software and regulate the Company's liability in cases of breach of such regulations.

Research & Development

With regard to its cooperation, research and development services, the Company is subject to different rights and statutory restrictions. The UrhG regulates the authors' rights of the employees or third parties. In cases of patentable or utility model capable inventions, the Company is subject to the Act on Employee Inventions ("*Arbeitnehmererfindergesetz*") ("**AErfG**") and the obligation of remuneration of employee's invention. In cases of cooperation with universities and professors, their rights on active and negative publication and their right of ownership and use of invention are governed by statutory regulations of individual German State laws on Higher Education. In cases where there is no contractual regulation of invention's ownership with third parties, the BGB, the German Patent Act ("*Patentgesetz*") ("**PatG**") and the German Act on Utility-Models ("*Gebrauchsmustergesetz*") ("**GebrMG**") and the German Design Act ("*Gesetz über den rechtlichen Schutz von Design*") ("**DesignG**") regulate the rights, the co-ownership of inventions and the possibilities to use these inventions.

Know-how and Trade Secrets

On 8th of June 2016, the Directive (EU) 2016/943 on the Protection of Undisclosed Know-how and Business Information (trade secrets) Against Their Unlawful Acquisition, Use and Disclosure ("**EU Trade Secrets Directive**") came into force. It applies to the Company and its partners regarding trade secrets. This EU Trade Secrets Directive yet has to be implemented into German law but is already valid and applicable now and defines what "trade secrets" are. It requires i.e. to implement reasonable measures to protect trade secrets, to adapt a strategy for protection of trade secrets in order to benefit from the improved statutory protection of trade secrets and allows reverse engineering or whistleblowing. The German law must be interpreted in conformity with the EU Trade Secrets Directive. The misappropriation of trade secrets remains a criminal offense under German law.

Public Law

Public Construction Law

According to the German building law, the construction, modification, change of use (e.g. from an office into a laboratory) and the demolition of a building generally require a building permit. If the permit is not obtained prior to the implementation of the constructional measure, a fine of up to EUR 500,000 or an administrative order (decommissioning, usage prohibition or dismantling) may be imposed by the Lower Building Supervisory Authority ("*Untere Bauaufsichtsbehörde*").

Medical devices law

Medical devices are subject to the German Medical Devices Act ("*Medizinproduktegesetz*") ("MPG"). The law implements European directives such as the Medical Devices Directive No. 93/42/EEC ("MDD") or the Directive No. 90/385/EEC on active implantable medical devices ("AIMDD"). These two directives have since been repealed by the new EU regulation No. 2017/745/EU on medical devices ("MDR"), which came into effect on May 25, 2017. Due to the chosen legal form of a regulation, it applies directly in all member states and no longer must be implemented by national German law, as before. However, the new MDR is only a legal framework which needs to be specified by further complementary legal acts in the future. Until May 26, 2020, there is still a transitional phase in place in which either old medical device law can still be applied, or new medical device law can already be applied. At present, however, the primary and mandatory regulations to be observed by users continue to originate from the old legal framework, particularly the MPG, until German law has been adapted.

The MPG must be observed when medical devices are sold or transferred to others. However, it also regulates, for example, the installation, use and operation of medical devices. The law does not apply to certain applications, e.g. in vitro diagnostics or pharmaceuticals.

Medical devices are only marketable if their conformity with the essential requirements for safety and reliability has been checked in a conformity assessment procedure. Only medical devices that have been tested in an appropriate procedure may be provided with the CE marking, which marks them as released for free circulation within the European Union. In some cases, a clinical trial must also be carried out. A clinical trial may be necessary if the required evidence cannot be provided, for example, by existing clinical data on similar products. In order to conduct a clinical trial, the manufacturer requires the approval of an ethics committee and the approval of the responsible higher federal authority.

Further regulations apply to the sale of medical devices. For example, there is an obligation to notify the competent authority, there are product labelling obligations, an obligation to provide a user's manual, a safety officer must be appointed who has the necessary expertise.

For the operation of medical devices, in addition to the requirements of the MPG, some other legal regulations may have to be observed. This applies in particular to the Medical Devices Operator Ordinance (*"Medizinprodukte-Betreiberverordnung"*). Further regulations are contained for example in the German Medical Devices Ordinance (*"Medizinproduktever-ordnung*"), the Medical Devices Transfer Ordinance (*"Medizinprodukte-Abgabever-ordnung"*) or the Ordinance on Clinical Trials of Medical Devices ("*Verordnung über klinische Prüfungen von Medizinprodukten*").

In order to monitor compliance, competent authorities may take measures, e.g. up to and including the closure of the establishment, to prohibit the placing on the market of the corresponding medical device or its further operation completely or temporarily and to adopt further individual measures. In the event of a product defect, in particular in the form of a design defect or an instructional error in a package leaflet accompanying the product, the obligation to recall the product results from the manufacturer's obligation to ensure the safety of the goods. Product liability is largely subject to general German product liability law.

Violation of some essential provisions may be punishable by criminal law, e.g. if, intention-ally or negligently, medical devices are placed on the market or put into service which are suspected of being dangerous, but also in the case of sales under misleading claims of medical benefits. Other offences can be punished with fines of up to EUR 30,000.

Pharmaceuticals law

Pharmaceuticals/drugs must be distinguished from medical devices and are essentially regulated in the Pharmaceuticals Act ("*Arzneimittelgesetz*") ("AMG"). For the producer of pharmaceuticals, a manufacturing license is required. An authorization must be granted for bringing the pharmaceuticals to market.

An essential prerequisite for approval of a pharmaceutical is a positive result of the clinical trial. In this regard, the German GCP regulation on clinical trials of drugs must also be observed. The clinical trial may only be started after an ethics committee at the site of the clinical trial has approved the project. The latest, especially genetically engineered drugs must be approved by the EMA (European Medical Agency) (see below). This approval is then valid throughout the EU.

The AMG contains many other provisions to be respected, e.g. for the protection of humans during clinical trials, the transfer of pharmaceuticals, to ensure and control quality, to continuously and systematically monitor the safety of a medicine.

The manufacturer of a medicinal product is liable for side effects and interactions, i.e. not for the efficacy of the pharmaceutical. Reasons for liability are, for example, excessive risks and incorrect instructions. Furthermore, a liability according to the general tort law applies.

Violation of some essential provisions may be punishable by criminal law, e.g. if, intention-ally or negligently, pharmaceuticals are placed on the market which may have harmful effects. Other offences can be punished with fines of up to EUR 25,000.

Laws on gene therapy

Genetic engineering work in genetic engineering plants is regulated by the Genetic Engineering Act ("*Gentechnikgesetz*") ("GtG") and the Genetic Technology Safety Regulations ("Gentechnik-Sicherheitsverordnung") ("GenTSV"), which are already mentioned in the Regulatory Overview (Germany) Crelux GmbHDraft, dated August 21, 2018. In addition, the law on genetic testing of humans ("*Gesetz über genetische Untersuchungen bei Menschen*") ("GenDG") is relevant for human genetic diagnostics. Gene therapy is not legally specified; it is therefore subject to the general requirements of medical law, i.e. the aforementioned Pharmaceuticals law or the Medical devices law or the GenDG.

According to the AMG, gene therapy medicinal products are, along with somatic cell therapy medicinal products or tissue engineered products, so-called advanced therapy medicinal products. These are regulated in the EU Regulation No. 1394/2007 on Medicinal Products for Novel Therapy. This regulation establishes specific rules for the authorization, supervision and pharmacovigilance of advanced therapy medicinal products, which must be com-plied with. Some special requirements in this regard are also included in the AMG.

Business Operation

According to the German Industrial Code ("*Gewerbeordnung*") ("**GewO**") only a few businesses are subject to a commercial approval (for example gambling, auctions, estate agents, etc.). All other trades are only notifiable. However, if the notifiable trade may cause environmental effects, a permit according to the Federal Immission Control Act ("*Bundes-Immissionsschutzgesetz*") ("**BImSchG**") may be required for the business operation.

a) Genetic Engineering Work

The genetic engineering work of the Company may only be carried out in accordance with the German Genetic Engineering Law ("*Gentechnikgesetz*") ("**GenTG**") and the Genetic Technology Safety Regulations ("*Gentechnik-Sicherheitsverordnung*") ("**GenTSV**"). According to these provisions an assessment of the risks in relation to genetic engineering work is required. The risk assessment must be reviewed regularly. A violation of these requirements may be punished with a fine up to EUR 50,000.

It depends on the security level of the genetic engineering work whether the genetic engineering facility requires an approval or only notification. The same applies to any modification of the genetic engineering facility. If the genetic engineering facility is operated without the required approval, a fine of up to EUR 50,000 may be imposed.

The genetic engineering work of the Company is under the supervision of the Government of Upper Bavaria.

German genetic engineering law is based on European regulations and guidelines, which are regularly revised and further developed. In this case, the German law will be adjusted accordingly, and the Company will have to adapt its business to the new legal situation.

b) X-ray Equipment

The X-ray equipment of the Company is subject to the German X-Ray Regulation ("*Röntgenverordnung*") ("**RöV**") and the German Radiation Protection Regulation ("*Strahlenschutzverordnung*") ("**StrlSchV**"). The X-Ray Regulation distinguishes between the operation of X-ray equipment which is subject to approval and equipment which is only subject to notification. X-ray equipment must be inspected regularly by an expert (at least every five years).

Violations of the provisions of the RöV and StrlSchV are usually fined up to EUR 50,000 per breach.

The StrlSchV and RöV will expire with effect from December 31, 2018. The Radiation Protection Act ("*Strahlenschutzgesetz*") ("StrSchG") and a new Radiation Protection Regulation ("*Strahlenschutzverordnung*") ("StrSchV") will then apply to X-ray equipment. Violations can still be fined with up to EUR 50,000.

c) Hazardous Substances

With respect to the hazardous substances used by the Company, in particular the German Regulation on Hazardous Substances ("*Gefahrstoffverordnung*") ("**GefStoffV**") as well as numerous non-legislative standards (e.g. the technical rules of the statutory accident insurer) have to be considered. These provisions contain requirements for the safe handling and storage of hazardous substances. Their disposal must be executed in accordance with the German Waste Management and Product Recycling Act ("*Kreislaufwirtschaftsgesetz*") ("**KrWG**") and the Regulation on the List of Wastes ("*Abfallverzeichnisverordnung*") ("**AVV**"). The German hazardous substances law is also determined by European law.

State Aids and Subsidies

Subsidized research and development projects are governed by German and European State Aid Law. State aids and subsidies are usually granted on the basis of a grant decision by the German authorities and the European Commission or subsidy agreements with the European Commission.

a) Incidental Provisions

Grant decisions and subsidy agreements usually contain incidental provisions, which may provide for guidelines on the type of use of the funding as well as the research and project results, information obligations,

etc. Items which have been bought for the project are often subject to a so-called "earmarking obligation". This obligation contains the prohibition to sell these items for a specific period even after the end of the funding project. Some grant decisions and subsidy agreements contain change of control clauses. Due to these clauses, the change of control of the beneficiary may have impact on the persistence of the subsidy. A change of control may also be caused by the acquisition of shares of the beneficiary by an investor.

A violation of those incidental provisions may entail a full or partial reclaim of the state aid or subsidy plus interest. The unjustified receival of a state aid or subsidy can also lead to such a reclaim. In addition, the competent supervisory authority may impose a fine.

SME-Company

Some grant decisions and subsidy agreements require that the beneficiary is a SME-company, which means that the beneficiary is a micro, small or medium-sized enterprise within the meaning of Recommendation 2003/361/EC of the European Commission in the version of 6th of May 2003. The assignment of a company to one of the categories is based on a financial threshold (annual turnover or balance) and its number of employees. Corporate connections to other companies are considered. A change of the SME-status of the beneficiary may therefore have an impact on the state aid or subsidy.

German and EU Cartel Law

German and EU-cartel law aim to protect the market structure and the competition between undertakings. Both regimes intend to uphold the autonomous market behavior of the market participants. Insofar, also cooperations concerning research and development are scrutinized against cartel law provisions.

The main provisions are found in Art. 101/ 102 of the Treaty on the Functioning of the European Union ("**TFEU**"), Regulation (EC) no. 139/2004 (the merger regulation) and in the German Act against Restrictions of Competition („*Gesetz gegen Wettbewerbsbeschränkungen*") ("**GWB**").

A cartel law violation could have the following possible consequences: the invalidity of contractual agreements, confiscation of illegally gained profits, claims for damages and fines (both directed against undertakings and individuals). The competent supervisory authority on EU level is the European Commission; on national level, the German Federal Cartel Office is the competent supervisory authority.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE UNITED KINGDOM

The operations of the Company in the UK are limited to sales of product and services, and the relevant material laws and regulations are set out below.

Data Protection

The General Data Protection Regulation (Regulation (EU) 2016/679; GDPR) ("**GDPR**") came into force on May 25, 2018 and is implemented in the UK in 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 required to comply with the UK Bribery Act 2010, which seeks to prohibit individuals and companies from offering, promising or giving of a bribe (active bribery) and the requesting, agreeing to receive

or accepting of a bribe (passive bribery). It also prohibits bribery of a foreign public official in order to obtain or retain business or an advantage in the conduct of business. Failing to prevent bribery on behalf of a commercial organisation can give rise to corporate liability in the UK.

Our global operations face the risk of unauthorised payments or offers being made by employees, consultants, sales agents and other business partners outside of the Company's control or without the Company's authorisation.

Competition / anti-trust

Articles 101 and 102 of the 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 stipulates that it is the duty of every employer to ensure, so far as is reasonably practicable, the health, safety and welfare at work of all their employees.

Employment Law

The key principles of English employment law are derived from a combination of: (i) common law (case law and the decisions 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 (from which some of the UK domestic law is derived).

Most employees in the UK will have a written contract in place with their employer. As a minimum, employers are obliged to give employees written particulars of the main terms and conditions of their employment. The contract will comprise both express and implied terms and may also incorporate terms contained in other documents, such as an employee handbook or a collective agreement.

UK and European legislation grants certain rights to employees during the term of their employment. For example, regulations have been introduced regulating the number of hours employees can be required to work and providing minimum notice periods, rest breaks and for a minimum amount of annual leave, maternity leave, parental leave and other similar types of leave, and the right to take time off work to deal with emergencies involving dependants. In addition, legislation guarantees a minimum hourly rate of 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. In addition, employers will need to have effective disciplinary and grievance procedures in place to safeguard against claims brought by employees for wrongful or unfair dismissal.

REGULATORY FRAMEWORK IN THE EUROPEAN UNION

Medicinal Products

Unless exempted, a new medicinal product must have a marketing authorization covering the country where it is marketed. A medicinal product must undergo extensive preclinical and clinical testing before a marketing authorization is granted by the relevant regulatory authorities. Market surveillance of a medicinal product after the medicinal product is placed on the market is also required.

The stages of process and the key legislation are outlined 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.

Preclinical Studies (including animal studies)

These studies include pharmaceutical tests (physico-chemical, biological or microbiological) and pre-clinical tests (toxicological and pharmacological). These are generally included in the regulatory dossier submitted as part of a marketing authorization application.

The principles of Good Laboratory Practice apply to preclinical studies. The requirements are set out in Directive 2004/9/EC and Directive 2004/10/EC.

Directive 2010/63/EU establishes measures for the protection of animals used for scientific or educational purposes. The 3Rs (replacement, reduction and refinement) and welfare standards for the treatment of animals apply to all aspects of the development, manufacture and testing of medicinal products (and medical devices).

Clinical Trials

The conduct of clinical trials in the European Union is currently governed by the Directive 2001/20/EC.

The 'sponsor' of a clinical must be established in the European Union, or have appointed a legal representative established in the European Union. The sponsor is an individual, company, institution or organisation which takes responsibility for the initiation, management and/or financing of a clinical trial.

Clinical trials comprise four stages and the trial can only proceed to the next stage once it has satisfied the safety and effectiveness tests in the previous phase. Phase I trials are also known as 'first in human trials' and usually involve a small number of test subjects to find the minimum therapeutic dose and the highest dose that can be taken without causing harm. Phase II trials involve a larger number of individuals and aim to determine the efficacy of the treatment, identify side effects and refine dose and length of treatment. Phase III trials typically involve several thousand patients and influence prescribing and patient information of a medicine prior to marketing. Phase IV trials are carried out after a marketing authorization has been granted and the medicinal product is on the market, and generally relate to long-term risks and benefits.

Before commencing any clinical trial, the sponsor must submit a valid request for authorization to the competent authority of the Member State in which the sponsor plans to conduct the clinical trial. A clinical trial can only be commenced once an ethics committee has issued a favorable opinion and provided the competent authority of the Member State concerned has not informed the sponsor of any grounds for non-acceptance.

All clinical trials, including bioavailability and bioequivalence studies, must be designed, conducted and reported in accordance with the principles of Good Clinical Practice. Informed consent of participants is also a cornerstone of clinical trial legislation in the European Union.

A new EU Regulation (Regulation EU) No. 536/2014) concerning clinical trials on medicinal products for human use will replace Directive 2001/20/EC. The European Medicines Agency, which is the EU-wide medicines regulatory body, anticipates that the Regulation will come into effect during 2020.

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.

Subject to limited exceptions, a new medicinal product can only be placed on the market within the European Union if 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):

- The centralized procedure allows applicants to obtain an EEA-wide marketing authorization directly through the European Medicines Agency. This centralized procedure is laid out in Regulation (EC) No. 726/2004 and is mandatory 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.

- The mutual recognition procedure is available where medicinal products have already received a marketing authorization in 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.

- The decentralized procedure is similar to the mutual recognition procedure, but applies to medicines which have not received a marketing authorization in any European Union Member State at the time of the application.

- The national procedure is available where relevant medicines fall outside the mandatory scope of the centralized procedure and are intended to be marketed only in 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, preclinical tests and clinical trials.

An "abridged application" can be possible in circumstances where the active substance is already 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.

In the case of investigational medicinal products, 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 shall establish and implement an effective pharmaceutical quality assurance system.

Post-market surveillance (pharmacovigilance)

The legal framework of pharmacovigilance 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.

Marketing authorization holders in the European Union are required to comply with ongoing pharmacovigilance obligations once a medicinal product is placed on the market. These include the submission of a risk management plan; keeping a pharmacovigilance system and to audit the system at intervals; and reporting suspected adverse reactions.

Where there is uncertainty about some aspects of the efficacy of the medicinal product, the marketing authorization holder can be required to perform post-authorization efficacy studies.

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 incorporated, 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.

Additional information requirements for marketing applications for biological medicinal products and advance therapy apply.

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 the marketing of the drug in the European Union would generate sufficient return to justify the necessary investment. For either of these conditions, the applicant must demonstrate that there exists no satisfactory method of diagnosis, prevention, or treatment of the condition in question that has been authorized in the European Union or, if such method exists, the drug has to be of significant benefit compared to products available for the condition.

An orphan drug designation provides a number of 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." A "similar medicinal product" is defined as 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. 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 not to justify market exclusivity.

Medical Devices

The key legislative texts governing medical devices in the European Economic Area are Directive 93/42/EEC concerning medical devices, Directive 90/385/EEC on active implantable medical devices, and Directive 98/79/EC on in vitro diagnostic medical devices (together, the "**Medical Devices Directives**").

The regulatory landscape will be subject to change in the next few years. The Medical Devices Directives will be repealed and replaced with two new EU Regulations: Regulation (EU) 2017/745 on medical devices will apply in full from May 26, 2020 for general medical devices and active implantable devices; and Regulation (EU) 2017/746 on in vitro diagnostic medical devices will apply from May 26, 2022.

An overview of the requirements of the Medical Devices Directives is set out below:

CE Mark

Unless exempted, a medical device cannot be placed on the market within the EEA unless it has undergone the required conformity assessment procedure, which varies according to the classification of a medical device, and a CE mark has been affixed.

A CE mark is an indicator that the device conforms to the essential requirements of the relevant Medical Device Directive. Once lawfully affixed, a CE marked medical device can be sold throughout the EEA.

If the manufacturer of the medical device does not have an establishment in the European Union, they must appoint an authorized representative.

Medical Devices under Directive 93/42/EEC

Medical devices under Directive 93/42/EEC are classified as Class I, Class IIa, Class IIb and Class III. Class I represents medical devices with the lowest risk profile and Class III have the highest risk profile.

Conformity assessment is the procedure required for the manufacturer to demonstrate that their device complies with the requirements of Directive 93/42/EEC. The classification of the medical device will have an impact on the conformity assessment route. Non-sterile Class I medical devices can be self-certified if they do not have a measuring function, but sterile Class I (or those which have a measuring function), Class IIa, Class IIb and Class III require the involvement of a "notified body". A notified body is an independent body that acts under the supervision of a national competent authority to undertake certain regulatory functions.

Medical Devices under Directive 90/385/EEC

Active implantable medical devices are medical devices relying for their functioning on a source of electrical energy or any source of power other than that directly generated by the human body or gravity. The term "active implantable medical device" means any active medical device which is intended to be totally or partially introduced, surgically or medically, into the human body or by medical intervention into a natural orifice, and which is intended to remain after the procedure. Active implantable medical devices are high risk devices and the conformity assessment requires a notified body.

Medical Devices Directive 98/79/EC

An *in vitro* diagnostic medical devices is any medical device that is a reagent, reagent product, calibrator, control material, kit, instrument, apparatus, equipment, or system, whether used alone or in combination, intended by the manufacturer to be used in vitro for the examination of specimens, including blood and tissue donations, derived from the human body, solely or principally for the purpose of providing information: (i) concerning a physiological or pathological state; or (ii) concerning a congenital abnormality; or (iii) to determine the safety and compatibility with potential recipients; or (iv) to monitor therapeutic measures.

Products for general laboratory use are not in vitro diagnostic medical devices unless such products, in view of their characteristics, are specifically intended by their manufacturer to be used for in vitro diagnostic examination.

In vitro diagnostic medical devices are categorised into Annex II List A devices, Annex II List B devices, self-test and general. Annex II List A devices, Annex II List B devices and self-test devices require a notified body.

Clinical Investigations / Clinical Evaluations

Clinical Evaluation is required for medical devices governed by Directive 93/42/EEC and Directive 90/385/EEC and is based (depending on the circumstances) on either (i) a critical evaluation of the relevant scientific literature currently available relating to the safety, performance, design characteristics and intended purpose of the device; or (ii) a critical evaluation of the results of all clinical investigations made; or (iii) a critical evaluation of the combined clinical data provided in (i) and (ii).

In the case of implantable devices and devices in Class III and active implantable medical devices, clinical investigations shall be performed unless it is duly justified to rely on existing clinical data.

The objectives of clinical investigation are: (i) to verify that, under normal conditions of use, the performance of the devices conforms with certain requirements; and (ii) to determine any undesirable side-effects, under normal conditions of use, and assess whether they constitute risks when weighed against the intended performance of the device.

Clinical investigations must be carried out in accordance with the Helsinki Declaration. It is mandatory that all measures relating to the protection of human subjects are carried out in the spirit of the Helsinki Declaration. This includes every step in the clinical investigation from first consideration of the need and justification of the study to publication of the results.

Clinical investigations must be performed on the basis of an appropriate plan of investigation reflecting the latest scientific and technical knowledge and defined in such a way as to confirm or refute the manufacturer's claims for the device; these investigations must include an adequate number of observations to guarantee the scientific validity of the conclusions.

Clinical investigations must be performed in circumstances similar to the normal conditions of use of the device and the appropriate features, including those involving the safety and performances of the device, and its effect on patients must be examined. The investigations must be performed under the responsibility of a medical practitioner or another authorized qualified person in an appropriate environment.

All serious adverse events must be fully recorded and immediately notified to all competent authorities of the Member States in which the clinical investigation is being performed.

Performance evaluation

Performance evaluation applies to in vitro diagnostic devices under Directive 98/79/EC. A 'device for performance evaluation' is a device that is intended by the manufacturer to be subject to one or more performance evaluation studies in laboratories for medical analyses or in other appropriate environments outside the manufacturer's own premises.

Other Relevant Laws and Regulations

Data Protection

The GDPR came into application on May 25, 2018. Personal data must be processed in accordance with the GDPR. However, there may be some permitted derogations under the laws of the Member States of the European Union.

Clinical trials and health-related research, which make use of patient data, will involve the processing of 'special categories of personal data'. '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. The processing of special categories of personal data is prohibited under the GDPR unless there is a legal basis for such processing.

Consent is not regarded as an appropriate legal basis under the GDPR to process personal data in clinical trials/studies. Recital 43 of the GDPR 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…". In order to process such data, the processor must have at least one legal basis for processing under the GDPR and must also meet the requirements of other relevant laws (such as the obtaining of informed consent to participate).

The GDPR also gives the data subject certain new rights regarding the processing of their personal information.

Competition / anti-trust law

At an EU level, the principle competition provisions are contained in Article 101 and Article 102 of the TFEU. Article 101(1) prohibits agreements between undertakings (i.e. businesses), decisions by associations of undertakings or concerted practices that may affect trade between EU Member States and have as their object or effect the prevention, restriction or distortion of competition within the EU. Article 102 prohibits the abuse by one or more undertakings of a dominant market position within the EU (or a substantial part of it) in a way which may affect trade between EU Member States.

Certain exemptions may apply, either in respect of an agreement individually or in respect of a category of agreements, by way of a block exemption regulation. 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 provides a relatively narrow safe harbor for technology licensing agreements containing clauses that are potentially anti-competitive.

Coverage, Pricing and Reimbursement

In the European Union, pricing and reimbursement schemes vary widely from country to country. Some countries provide that products may be marketed only after a reimbursement price has been agreed. Some countries may require the completion of additional studies that compare the cost effectiveness of a particular product candidate to currently available therapies (known as health technology assessments) in order to obtain 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, especially in light of the severe fiscal and debt crises experienced by many countries in the European Union. The downward pressure on health care costs in general, particularly prescription products, has become intense. As a result, increasingly high barriers are being erected to the entry of new products. Political, economic and regulatory developments may further complicate pricing negotiations, and pricing negotiations may continue after reimbursement has been obtained. 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. Inclusion of orphan drugs in reimbursement systems tend to focus on the medical usefulness, need, quality and economic benefits to patients and the healthcare system as for any drug. Acceptance of any medicinal product for reimbursement may come with cost, use and often volume restrictions, which again can vary by country. In addition, results based rules of reimbursement may apply. There can be no assurance that any country that has price controls or reimbursement limitations for pharmaceutical products will allow favorable reimbursement and pricing arrangements for any of our products, if approved in those countries.

OUR HISTORY

We are a leading global pharmaceutical R&D services platform and the largest in Asia by total revenue in 2017, according to the F&S Report, transforming the business of discovery and development of innovative pharmaceuticals. We provide comprehensive and integrated research and manufacturing services throughout the discovery, development and manufacturing spectrum for small molecule drugs. We also provide development and manufacturing services for cell therapies and gene therapies as well as providing testing services for medical devices.

Dr. Li, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang, and certain other Independent Third Parties founded our predecessor, WuXi AppTec Ltd. (無錫藥明康德新藥開發有限公司) (formerly known as WuXi PharmaTech Co., Ltd. (無錫藥明康德組合化學有限公司)), in the PRC in December 2000, while Dr. Zhao, the spouse of Dr. Li, joined shortly after its establishment.

Prior to the Reorganization, our predecessor was wholly-owned by WuXi PharmaTech, a leading global pharmaceutical, biopharmaceutical and medical device platform with operation in China and the U.S. WuXi PharmaTech's shares were listed on the NYSE on August 9, 2007 and subsequently delisted from the NYSE on December 10, 2015. See "— Prior Listing on NYSE and Delisting of WuXi PharmaTech" for details. Our business formed part of the integrated business operated by WuXi PharmaTech, alongside with, among others, the provision of discovery, development and manufacturing services for biologics, and genomic services ("**Other WuXi Businesses**"). On June 13, 2017, WuXi Biologics (stock code: 2269), which was also a part of WuXi PharmaTech, was listed on the Main Board of the Hong Kong Stock Exchange.

After the Delisting and following the Reorganization, on May 8, 2018, shares of our Company were listed on the Shanghai Stock Exchange under the stock code 603259. As of the Latest Practicable Date, the Founding Individuals were entitled to exercise 30.8471% of the voting rights of our Company. Upon Listing, the aggregate shareholding held or controlled by the Founding Individuals will be 27.7623% of the issued share capital of our Company. Accordingly, they will be no controlling shareholders upon the Listing.

OUR BUSINESS MILESTONES

The following table illustrates the key milestones of our business development:

Time	Milestone
2000.....	In December, our predecessor, WuXi AppTec Ltd. (無錫藥明康德新藥開發有限公司), was established in Wuxi in China.
2001-2007	We expanded our capabilities over the years by establishing services in discovery chemistry in 2001, manufacturing process development in 2003, manufacturing in 2004, bioanalytical services in 2005, biology in 2006, and toxicology and formulation in 2007.
2008.....	In January, WuXi PharmaTech acquired AppTec, Inc., a U.S.-based company with expertise in medical-device and drug testing, to provide integrated research and development services.
2009.....	We opened a toxicology facility in Suzhou in China as our base for toxicology services.
2010.....	WXAT Suzhou earned accreditation from the Association for Assessment and Accreditation of Laboratory Animal Care International (AAALAC) and Good Laboratory Practice (GLP) from the Organization for Economic Co-operation and Development (OECD).
2011.....	We further expanded our service scope to clinical development and registration. In the same year, we acquired Medkey, a China-based clinical research company.

Time	Milestone
2014.....	We continued to expand our global footprint by establishing or expanding facilities in Changzhou in China, and Philadelphia and Minnesota in the U.S., and setting up our branch offices in Israel as well as Boston in the U.S. The facility in Changzhou was used for the development of new drugs and a cGMP production base, strengthening our drug development and CDMO services. The facility in Philadelphia was used for the development and production of CAR-T cells and related cancer immune cell therapies. We also acquired XBL, a CRO that provides bioanalytical, drug metabolism and pharmacokinetic services in the U.S., expanding our laboratory testing services.
2015.....	In September, we established our laboratory testing division to provide services on medical device testing.
2016.....	STA opened new facilities in Changzhou in China and operations in San Diego in the U.S. In the same year, we acquired Crelux, a structure-based drug discovery provider based in Munich, Germany, further enhancing our capabilities in protein structure elucidation. We also opened a branch office in South Korea.
2017.....	We acquired Shanghai HD Biosciences, a biology-focused preclinical drug discovery contract research organization, enhancing our scale and capability for biology research.
2018.....	We established our Health Science Park in Chengdu in China, bringing research and development capabilities to Western China. We also completed the acquisition of the entire equity interest in WuXi Clinical Development, Inc. (carrying on business as ResearchPoint Global), a clinical CRO in Texas, further expanding our clinical development services in the U.S. We were listed on the SSE (stock code: 603259) in May.

OUR CORPORATE DEVELOPMENT

As of the Latest Practicable Date, we had 65 subsidiaries in nine different jurisdictions for strategic purposes to cover different domestic and overseas markets.

We operate our business through seven first-tier subsidiaries, namely, WXAT Shanghai, WXAT Wuhan, WXAT Tianjin, WXAT Suzhou, WXAT HK, WXAT International and WXAT Chengdu. The shares of one of our subsidiaries, STA, are quoted on the NEEQ (stock code: 832159). The following table sets out certain information of our Company, our first-tier subsidiaries and STA as of the Latest Practicable Date:

Entity	Date and place of incorporation	Authorized share capital/ Registered capital	Equity interest attributable to our Group	Principal activities
Our Company	March 1, 2017, PRC[(1)]	RMB1,048,266,886	Not applicable	Investment holding
WXAT Shanghai ...	April 2, 2002, PRC	RMB1,000,000,000	100%	Discovery and development in relation to small molecule drugs
WXAT Wuhan.....	November 12, 2010, PRC	RMB196,238,960	100%	Discovery and development in relation to small molecule drugs
WXAT Suzhou	October 8, 2006, PRC	RMB600,000,000	100%	Research in pharmacology, toxicology and safety evaluation

Entity	Date and place of incorporation	Authorized share capital/ Registered capital	Equity interest attributable to our Group	Principal activities
WXAT Tianjin.....	June 5, 2006, PRC	RMB600,000,000	100%	Discovery and development in relation to small molecule drugs
WXAT HK.....	March 26, 2012, Hong Kong	—	100%	Sales and marketing of our products overseas
WXAT International[2].....	December 17, 2015, BVI	50,000 shares[3]	100%	Investment holding
WXAT Chengdu ...	September 20, 2017, PRC	RMB550,000,000	100%	Discovery and development in relation to small molecule drugs
STA.....	January 23, 2003, PRC	RMB442,060,881	See Note 4	CMO/CDMO services in relation to small molecular drugs

Notes:

(1) Our predecessor, WuXi AppTec Ltd. (無錫藥明康德新藥開發有限公司), was established on December 1, 2000 under the laws of the PRC, prior to being converted into a joint stock limited liability company on March 1, 2017.

(2) WXAT International serves an our holding company for our overseas business operation and owns overseas entities such as AppTec, Inc., Abgent Inc., XBL and WuXi Clinical Development, Inc. in the U.S. and Crelux in Germany. See "Acquisitions and Disposals of Subsidiaries" for details of our overseas subsidiaries acquired during the Track Record Period.

(3) There is no par value in the share capital.

(4) As of June 30, 2018, STA was held as to 86.34% by WXAT Shanghai, our wholly-owned subsidiary, and 1.19% by Shanghai STA Investment Management Partnership (Limited Partnership) (上海合全投資管理合夥企業（有限合夥）), the general partner of which is WuXi AppTec (Shanghai) Investment Management Co., Ltd. (上海藥明康德投資管理有限公司), our wholly-owned subsidiary and the limited partners of which comprise employees of STA.

For details of the subsidiaries which principally affected the results, assets or liabilities of our Group, see Note 55 to the accountants' report set forth in Appendix I to this prospectus.

Our Company

Our predecessor, formerly known as WuXi PharmaTechs Co., Ltd. (無錫藥明康德組合化學有限公司), was established on December 1, 2000 under the laws of the PRC with a registered capital of US$5,600,000, among which ChinaTechs Inc. ("**ChinaTechs**"), a company incorporated by Dr. Li, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang, Jiangsu Taihushui Group Company Ltd. (江蘇太湖水集團有限公司) ("**Taihushui**") and Mr. John J. Baldwin, both of which are Independent Third Parties, contributed US$3,050,000, US$2,270,000, and US$280,000, respectively. On December 13, 2000, our predecessor was renamed as WuXi AppTec Ltd. (無錫藥明康德新藥開發有限公司).

On March 5, 2004, Taihushui transferred US$840,000 of the registered capital of our predecessor it contributed, representing 15% of our then total registered capital, to ChinaTechs for a consideration of US$1,376,200, pursuant to an equity transfer agreement dated December 23, 2003. The consideration was based on the then registered capital of the predecessor.

On July 13, 2005, Taihushui, ChinaTechs and Mr. John J. Baldwin transferred all their equity interests in our predecessor to WXAT BVI, an entity wholly-owned by Dr. Li by then, in consideration of US$2,210,000, issuance of 3,109,999 shares of WXAT BVI and 280,000 shares of WXAT BVI, respectively. The consideration was based on the then registered capital, the net asset value and future earning capacity of our predecessor.

From 2006 to 2016, as our business expanded, the registered capital of the predecessor increased and was converted into RMB900,000,000.

As part of the Reorganization, WXAT BVI transferred its 91% equity interest in our predecessor to 32 entities, including certain platforms established for employee incentive purposes, namely Shanghai Houshen Investment Center (Limited Partnership) (上海厚燊投資中心(有限合夥)), Shanghai Houyong Investment Center ((Limited Partnership) (上海厚雍投資中心(有限合夥)), Shanghai Houzhen Investment Center (Limited Partnership) (上海厚溱投資中心(有限合夥)), Shanghai Houyuan Investment Center (Limited Partnership) (上海厚轅投資中心(有限合夥)), Shanghai Houyue Investment Center (Limited Partnership) (上海厚玥投資中心(有限合夥), Shanghai Houyao Investment Center (Limited Partnership) (上海厚堯投資中心(有限合夥)), Shanghai Housong Investment Center (Limited Partnership) (上海厚嵩投資中心(有限合夥)) and Shanghai Houling Investment Center (Limited Partnership) (上海厚菱投資中心(有限合夥)) (collectively, the "**ESOP Platforms**"), pursuant to a series of equity transfer agreements dated March 14, 2016. See "— Reorganization — Push-Down — Step 1" for details.

On January 24, 2017, G&C V Limited, G&C VII Limited, the ESOP Platforms transferred their 2.5% equity interests in our Company to Fertile Harvest and Eastern Star, which are two of our Acting-in-concert Investors, LCH Investment Limited, Brilliant Rich Global Limited, Ningbo Meishan Baoshuigangqu Yunlong Investment Management Co., Ltd. (寧波梅山保税港區澐瀧投資管理有限公司) and Ningbo Hongqi Equity Investment Partnership (Limited Partnership) (寧波弘祺股權投資合夥企業(有限合夥)), all of which are Independent Third Parties, for a total consideration of RMB900,000,000. The consideration for the equity transfers was determined after arm's length negotiation with reference to our business potential and our then valuation. See "— Prior Listing on NYSE and Delisting of WuXi PharmaTech — LBO Facility Agreement and Management Facility Agreement" for details.

On the same date, six investors including China Life Chengda (Shanghai) Healthcare Industry Equity Investment Center (Limited Partnership) (國壽成達(上海)健康產業股權投資中心(有限合夥)), Taikang Insurance Group Inc. (泰康保險集團股份有限公司), Shenzhen Pingan Property Investment Co., Ltd. (深圳市平安置業投資有限公司), Tangshan Jingji Health Industry Fund Partnership (Limited Partnership) (唐山京冀協同健康產業基金合夥企業(有限合夥)), Shanghai Yunfeng Hengyuan Investment Center (Limited Partnership) (上海雲鋒衡遠投資中心(有限合夥)) and Ningbo Meishan Baoshuigangqu Yunlong Investment Management Co., Ltd. (寧波梅山保税港區澐瀧投資管理有限公司), all of which are Independent Third Parties, contributed an aggregate of RMB1,511,480,000 to our Company, among which RMB37,787,000 was contributed to our registered capital, equivalent to 4.0294% of the equity interest in our Company, and the remaining RMB1,473,693,000 was kept as our capital reserve. The consideration was determined after arm's length negotiation with reference to our business potential and our then valuation. Upon the completion of this capital increase, the total registered capital of our Company amounted to RMB 937,787,000.

Joint-stock Reform

In February 2017, the board of directors of our predecessor approved our conversion into a joint stock limited liability company. In February 2017, all 42 shareholders of our Company, being our promoters, carried out our joint-stock reform, and conducted an independent valuation of its net asset value as of January 31, 2017. In accordance with the audit report, the audited net assets of our Company as of January 31, 2017 was RMB3,249,774,976.95, among which RMB937,787,000 was used as the registered capital in establishing our Company, and the remaining amount was kept as our capital reserve. We were incorporated under the name of WuXi AppTec Ltd. (無錫藥明康德新藥開發股份有限公司) with a registered capital of RMB937,787,000 and the promoters maintained the same shareholding in our Company as they had prior to the joint-stock reform.

Listing on the Shanghai Stock Exchange

With the approval of the CSRC, we completed the initial public offering and listing of 104,198,556 A Shares (stock code: 603259) on the Shanghai Stock Exchange on May 8, 2018, and raised approximately RMB 2,130 million from the A Share Offering after deducting the underwriting commissions and offering-related expenses. Upon completion of the A Share Offering, our Company had a registered capital of RMB1,041,985,556, divided into 1,041,985,556 A Shares, among which 937,787,000 A Shares and 104,198,556 A Shares were held by our promoters and the public Shareholders, respectively.

Based on the knowledge of the Directors, our Company has been operating in compliance with the SSE Listing Rules in all material aspects since our A Share Offering. As of the Latest Practicable Date, we had not been informed by the Shanghai Stock Exchange of any breach of the SSE Listing Rules.

WXAT Shanghai

Our Company and WuXi Century Biologics Co., Ltd. (無錫市世紀生物藥業有限公司) ("**WuXi Century Biologics**"), an Independent Third Party, established WXAT Shanghai on April 2, 2002, with an initial registered capital of RMB10,000,000, which was paid in full. Our Company and WuXi Century Biologics held 90% and 10% equity interest in WXAT Shanghai, respectively, upon establishment. After certain shareholding changes, WXAT Shanghai has become our wholly-owned subsidiary since March 7, 2016 and the registered capital of WXAT Shanghai has been increased to RMB1,000,000,000 since June 4, 2018.

WXAT Wuhan

Our Company and WXAT BVI established WXAT Wuhan on November 12, 2010, with an initial registered capital of US$29,800,000. Our Company and WXAT BVI held 60% and 40% equity interest in WXAT Wuhan, respectively, upon establishment. After certain shareholding changes, WXAT Wuhan has become our wholly-owned subsidiary since January 28, 2016 and the registered capital was converted to RMB196,238,960 at the then exchange rate on the same date.

WXAT Suzhou

Our Company and WXAT BVI established WXAT Suzhou on October 8, 2006, with an initial registered capital of US$20,000,000. Our Company and WXAT BVI held 70% and 30% equity interest in WXAT Suzhou, respectively. After certain shareholding changes, WXAT Suzhou has become our wholly-owned subsidiary since February 2, 2016 and the registered capital of WXAT Suzhou has been increased to RMB600,000,000 since June 15, 2018.

WXAT Tianjin

Our Company and WXAT BVI established WXAT Tianjin on June 5, 2006, with an initial registered capital of US$6,000,000. Our Company contributed a total amount of US$4,000,000, consisting of US$3,000,000 in cash and US$1,000,000 by way of proprietary technology. WXAT BVI contributed US$2,000,000 in cash. Our Company and WXAT BVI held 66.67% and 33.33% equity interest in WXAT Tianjin, respectively. After certain shareholding changes, WXAT Tianjin has become our wholly-owned subsidiary since January 20, 2016 and the registered capital of WXAT Tianjin has been increased to RMB600,000,000 since May 31, 2018.

WXAT Chengdu

WXAT Chengdu was established by our Company on September 20, 2017 with an initial registered capital of RMB550,000,000.

WXAT HK

WXAT HK was incorporated on March 26, 2012 under the laws of Hong Kong. Upon its incorporation, WXAT HK issued 100,000 shares to WXAT BVI, and had an issued share capital of HK$10,000. On February 29, 2016, WXAT BVI transferred all such shares of WXAT HK to our Company at nominal value.

WXAT International

On December 17, 2015, WXAT International was incorporated under the laws of the British Virgin Islands, and issued a single ordinary share to our Company on January 8, 2016. See "Acquisitions and Disposals of Subsidiaries" for details of our overseas subsidiaries acquired by WXAT International during the Track Record Period.

STA

STA, formerly known as Shanghai Hequan Precise Chemical Engineering Co., Ltd. (上海合全精細化工有限公司), was established on January 23, 2003 under the laws of the PRC with a registered capital of RMB5,000,000, among which our Company and WXAT Shanghai contributed RMB4,500,000 and RMB500,000, respectively, representing 90% and 10% equity interest in STA, respectively.

On December 13, 2011, STA was converted to a joint-stock company with limited liability. Upon this conversion, its audited net assets as of June 30, 2011 were converted to an aggregate of 120,000,000 shares, each with a par value of RMB1. WXAT Shanghai and WXAT BVI, the then shareholders, each held 90,000,000 and 30,000,000 shares, representing 75% and 25% equity interest in STA, respectively.

On April 3, 2015, shares of STA commenced to be quoted on the NEEQ (stock code: 832159) and STA had completed various rounds of share issuance to investors since then in 2015, 2016 and 2017 to increase an aggregate of RMB318,826,581 in its registered capital.

On December 29, 2016, WXAT Shanghai entered into an asset purchase agreement with STA pursuant to which STA agreed to acquire the assets and liabilities relating to Pharmaceutical Development Service Department of WXAT Shanghai by issuing an additional 12,850,862 shares (which was subsequently adjusted to 12,960,436 shares) to WXAT Shanghai. The transaction was completed on October 26, 2017. The consideration was reached after arm's length negotiation.

As of June 30, 2018, STA was held as to 86.34% by WXAT Shanghai, our wholly-owned subsidiary, and 1.19% by Shanghai STA Investment Management Partnership (Limited Partnership) (上海合全投資管理合夥企業（有限合夥）) the general partner of which is WuXi AppTec (Shanghai) Investment Management Co., Ltd. (上海藥明康德投資管理有限公司), our wholly-owned subsidiary.

In November 2018, STA completed a new round of share issuance, and as a result, its registered capital was increased from RMB438,826,581 to RMB442,060,881.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the Track Record Period, our Group had actively sought for investment opportunities which are in line with our business objectives through acquisitions. As previously a part of WuXi PharmaTech, which was engaged in the provision of different pharmaceutical, biopharmaceutical and medical device services, our Group had also disposed certain subsidiaries to align with our business focus on the small molecule drug business during the Track Record Period. The following table sets forth details of our major acquisitions during the Track Record Period:

Date of completion	Equity interests acquired	Principal business activities of the targets	Transferor	Amount of consideration
February 2015	100% equity interests in XBL	CRO services	WuXi PharmaTech, one of our indirect Shareholders	RMB258,638,000
February 2016	49% equity interest in WuXi Clinical Development Services (Shanghai) Co., Ltd. （上海康德弘翼醫學臨床研究有限公司） (formerly known as 上海康德保瑞醫學臨床研究有限公司)	Clinical development services	An Independent Third Party	RMB25,815,000
April 2016	100% equity interests in Crelux	Drug discovery services	An Independent Third Party	RMB45,861,000
November 2016	100% equity interests in WuXi STA Pharmacetical Co., Ltd. （無錫合全藥業有限公司）	Small molecule drug production services	Independent Third Parties	RMB63,000,000
May 2017	100% equity interests in Shanghai HD Biosciences	Pre-clinical development services	Independent Third Parties	RMB1,027,875,000

The following table sets forth details of our major disposals transactions during the Track Record Period:

Date of completion	Equity interests disposed	Principal business activities of the targets	Transferee	Amount of consideration
April 2015	100% equity interests in WuXi Biologics Holdings Co., Ltd. (無錫藥明康德企業管理有限公司)	Development of the biopharmaceutical technology	WuXi Biologics Investments Limited, a wholly-owned subsidiary of WuXi Biologics, a connected person	RMB90,809,369

Date of completion	Equity interests disposed	Principal business activities of the targets	Transferee	Amount of consideration
July 2015	70% equity interests in WuXi AppTec (Suzhou) Testing Technology Co., Ltd. (蘇州藥明康德檢測檢驗有限責任公司)	Testing and development of testing technologies	WuXi AppTec Biopharmaceuticals Co., Ltd. (無錫藥明康德生物技術股份有限公司), a wholly-owned subsidiary of WuXi Biologics, a connected person	RMB24,951,640
June 2016	100% equity interests in WuXi AppTec Medical Testing Institute (Shanghai) Co., Ltd. (上海藥明康德醫學檢驗所有限公司)	research and development of healthcare management services	Shanghai HealthNet, an entity wholly-owned by Mr. Xiaozhong Liu and Mr. Zhaohui Zhang, two of our Founding Individuals	RMB28,912,802

The consideration of the acquisitions and disposals was determined after arm's length negotiations among the parties with reference to the valuation of the entities and the past and future earning capacity of the entities. The aforesaid transactions have been properly and legally completed and settled.

For details of our acquisitions after the Track Record Period, see "Waivers from Strict Compliance with the Hong Kong Listing Rules – Waiver in relation to Business or Subsidiary Acquired or Proposed to be Acquired after the Track Record Period."

OUR EMPLOYEE INCENTIVE SCHEMES

In recognition of the contributions of our Directors, senior management and employees, on August 22, 2018, our Company adopted an employee incentive scheme to award A Shares to the scheme participants, pursuant to which 8,856,900 A shares (representing 0.84% of the total issued share capital of our Company as of the Latest Practicable Date) were reserved for the vesting in the form of Restricted A Shares and options granted under the employee incentive scheme. On August 28, 2018, our Board resolved to initially grant 7,085,500 Restricted A Shares to 1,528 participants. As of the Latest Practicable Date, 6,281,330 Restricted A Shares had been granted, representing approximately 0.54% of the total issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no options or additional Restricted A Shares are granted under the 2018 WuXi AppTec A Share Incentive Scheme).

STA, our subsidiary with its shares are quoted on NEEQ, has also adopted different employee incentive schemes to provide incentives for its employees. For details, see "Statutory and General Information — 2. Further Information about our Business — B. Share Incentive Schemes" in Appendix VI of this prospectus for details.

PRIOR LISTING ON NYSE AND DELISTING OF WUXI PHARMATECH

Prior to the Reorganization, our Company was wholly-owned by WuXi PharmaTech, an exempted company with limited liability incorporated in the Cayman Islands.

On August 9, 2007, WuXi PharmaTech completed an initial public offering of ADSs on the NYSE, at the offer price of US$14.00 per ADS (i.e., one ADS represented eight shares), resulting in a market capitalization of

approximately US$833.7 million. Subsequently, on December 10, 2015, WuXi PharmaTech, which then wholly-owned our Company, was taken private by a consortium including the Financial Investors led by the Founding Individuals. For the Delisting, the purchase price paid to the NYSE investors was US$5.75 per share or US$46.00 per ADS resulting in a market capitalization of approximately US$3,622.2 million. Such purchase price was determined with reference to (i) the market price of the ADSs of WuXi PharmaTech; (ii) trading multiples of similar companies; and (iii) financial terms of certain relevant business combinations and other transactions on the NYSE. The Delisting was financed by debt financing under the LBO Facility Agreement and the Management Facility Agreement as well as equity commitment of the consortium. Our Directors confirm that, to the best of their knowledge and belief, WuXi PharmaTech had been in compliance with all applicable U.S. securities laws and regulations as well as rules and regulations of the NYSE in all material respects, and had not been subject to any disciplinary action by the relevant regulators, during the period when it was listed on the NYSE and up to the Delisting. Our Directors also confirm that there is no matter in relation to the Delisting that should be brought to the attention of our investors.

The total consideration of the merger was around US$3.3 billion and was fully paid on December 10, 2015. As part of the merger, all outstanding WuXi PharmaTech Options as of December 10, 2015 were settled at the consideration of US$5.75 less the exercise price by cash. All outstanding WuXi PharmaTech Stock Units as of December 10, 2015 were settled at the consideration of US$5.75 per share by cash, except that part of the unvested outstanding WuXi PharmaTech Stock Units as of December 31, 2015 were assumed by Life Science Holdings to be paid at the consideration of US$5.75 per share in accordance with the original vesting schedule. Such consideration was put aside in an escrow account and would be paid out to the holders of WuXi PharmaTech Stock Units when the original vesting period is met. As a result of the merger, all outstanding shares (including shares represented by ADSs) of WuXi PharmaTech were canceled and all outstanding WuXi PharmaTech Stock Units and WuXi PharmaTech Options were cash settled. The Delisting was completed on December 10, 2015.

The intent of the Delisting was to allow WuXi PharmaTech's management greater flexibility to develop the long-term strategy and restructure different business units to realize their respective market potentials with a defined business focus.

The Founding Individuals' controlling interest in our Company after the Delisting and prior to the Reorganization

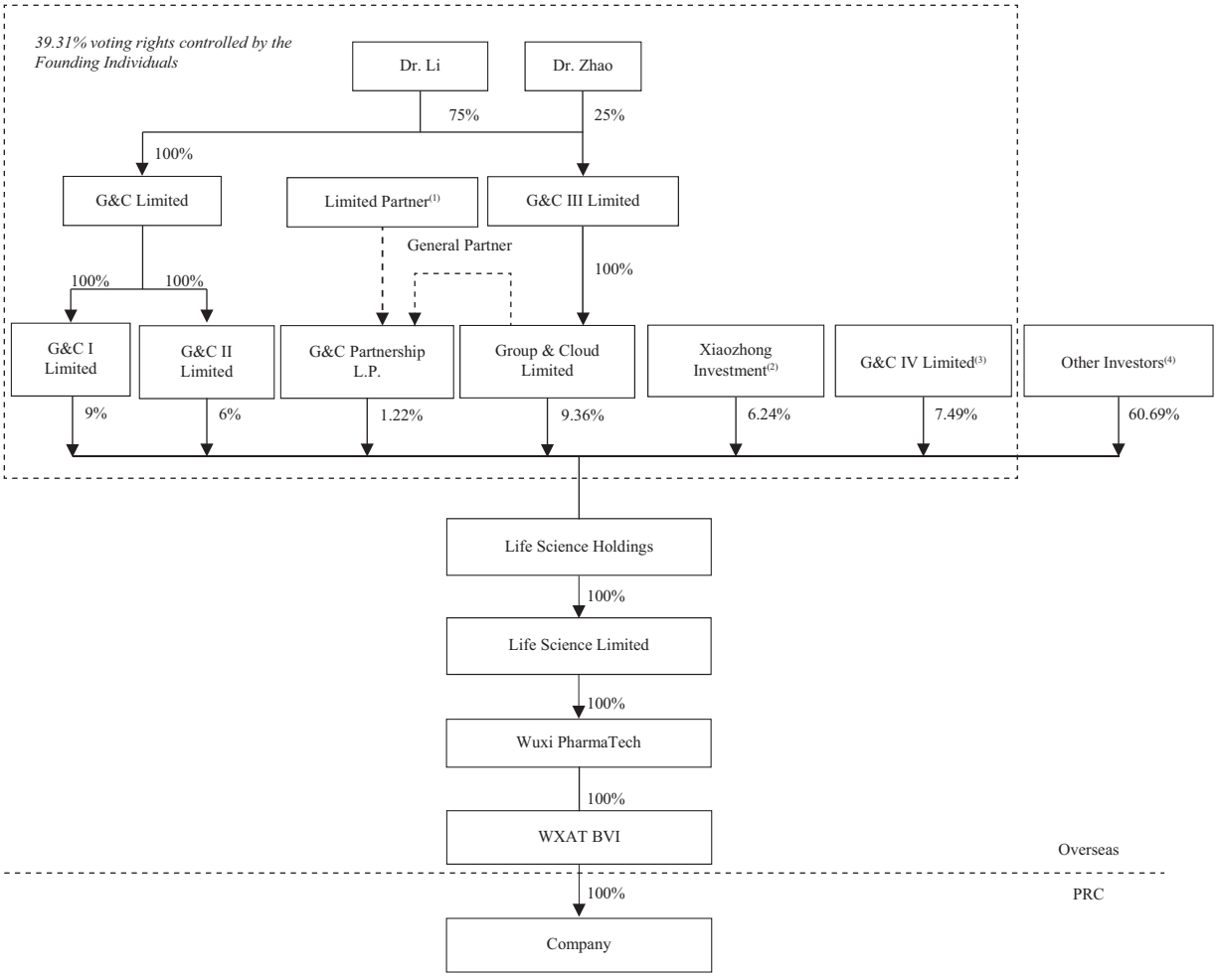
Immediately after the Delisting and prior to the Reorganization, the Founding Individuals controlled the exercise of 39.31% voting rights in Life Science Holdings, our then holding company incorporated for the purpose of the privatization in the Delisting, by way of the following:

- 25.58% shareholding interest owned by the Founding Individuals through G&C I Limited, G&C II Limited, G&C Partnership L.P. and Group & Cloud Limited which are all investment holding entities;

- 6.24% voting rights controlled through Xiaozhong Investment, a limited partnership where Mr. Xiaozhong Liu and Mr. Zhaohui Zhang controlled the investment decision committee, the decision-making body of such limited partnership; and

- 7.49% voting rights controlled through G&C IV Limited, a company funded by investors who are Independent Third Parties and in which Dr. Li held one voting share representing 100% voting power.

Set forth below is the simplified corporate structure of our Group immediately after the Delisting and prior to the Reorganization.



Notes:

(1) Limited partner of G&C Partnership L.P. is Shanghai Zhong'ao Investment Management Center (Limited Partnership) (上海鐘奧投資管理中心(有限合夥)), which is an investment fund managed by Yinfu Capital as the general partner. Limited partner of Shanghai Zhong'ao Investment Center (Limited Partnership) is Minsheng Jiayin Asset Management Co., Ltd. (民生加銀資產管理有限公司).

(2) Xiaozhong Investment is an investment fund managed by Yinfu Capital as the general partner. Mr. Xiaozhong Liu and Mr. Zhaohui Zhang, being two of the Founding Individuals, control the investment decision committee, which is the decision-making body of Xiaozhong Investment.

(3) G&C IV Limited is funded by eight investors, who are Independent Third Parties and independent to each other, holding non-voting shares, and is controlled by Dr. Li by holding one voting share representing 100% of the voting power in G&C IV Limited. These eight investors are Vivo Super VIII Limited, Shanghai Yingyi Investment Co., Ltd., Bright Luck Inc. Limited, Eastern Frontier Limited, Booming Future Ltd., Asean China Investment Fund III L.P., Asean China Investment Fund (U.S.) III L.P. and Celestial Knight Limited who hold 20.83%, 20.83%, 16.67%, 16.67%, 10.42%, 11.00%, 1.50% and 2.08% of the non-voting shares of G&C IV Limited, respectively.

(4) Other investors include nine financial investors that owned 60.69% shareholding interest of Life Science Holdings, including Ally Bridge as to 9.36%, Boyu Capital as to 20.32%, Summer Bloom Investments Pte. Ltd. as to 10.29%, Ping An as to 6.24%, Hillhouse Capital as to 7.93%, Yunfeng Capital as to 1.56%, Sequoia Capital China as to 1.56%, Legend Capital as to 1.56% and SPDB International as to 1.87%. The nine financial investors are independent to each other.

LBO Facility Agreement and Management Facility Agreement

To finance part of the total consideration of the merger in the Delisting, the consortium entered into the LBO Facility Agreement with Ping An Bank Co., Ltd. and Shanghai Pudong Development Bank Co., Ltd. as lenders (the "**Lenders**"), pursuant to which the Lenders extended a US$800,000,000 loan to the consortium. Pursuant to the LBO Facility Agreement, Life Science Limited's equity interest in WuXi PharmaTech was charged as security interest in favor of the Lenders in November 2015.

Group & Cloud Limited, whose equity interest is indirectly owned by Dr. Li and Dr. Zhao as to 75% and 25%, respectively, entered into the Management Facility Agreement with the Lenders to finance its investment in Life Science Holdings during the privatization, pursuant to which the Lenders extended a US$300,000,000 loan to Group & Cloud Limited. In November 2015, pursuant to the Management Facility Agreement, an aggregate of 24.4% equity interest in Life Science Holdings owned by G&C I Limited, G&C II Limited and Group & Cloud Limited, and the 100% equity interest in Group & Cloud Limited owned by G&C III Limited, as set out in the corporate structure chart above, were charged as security interest in favor of the Lenders. In addition, debentures over the assets of G&C I Limited, G&C II Limited and Group & Cloud Limited were given in favor of the Lenders in November 2015. Dr. Li also provided a personal guarantee for Group & Cloud Limited's obligations under the Management Facility Agreement.

From January 27, 2016 to February 1, 2016, upon release by the Lenders under the Management Facility Agreement of an aggregate of 18,173,833 shares in Life Science Holdings held by Group & Cloud Limited, Group & Cloud Limited transferred such shares to Eastern Star, L&C Investment, Fertile Harvest and Relian Investment Limited, each an investment holding company. The transfer price was used by Group & Cloud Limited to repay part of the loan under the Management Facility Agreement. As a result, Group & Cloud Limited's remaining shareholding interest in Life Science Holdings was 6.10%. See "— Reorganization — Share Transfer to Acting-in-concert Investors and the Proxy Grantor."

The shares held by G&C I Limited, G&C II Limited and Group & Cloud Limited in Life Science Holdings were later repurchased by Life Science Holdings. See "— Reorganization — Push-Down — Step 2." As of the Latest Practicable Date, the loans under the Management Facility Agreement and the LBO Facility Agreement has been repaid and all of the related share charges and debentures had been terminated and released.

REORGANIZATION

Following the Delisting, the Reorganization was carried out as part of the strategic restructuring to realign Wuxi PharmaTech's businesses through three primary business units, namely our Group, WuXi Biologics and Next Code Holdings. WuXi Biologics (stock code: 2269) was listed on the Main Board of the Hong Kong Stock Exchange on June 13, 2017. See "Relationship with the Founding Individuals — Overview" for details of the clear business delineation of our Group from the Other WuXi Businesses.

Our Group carried out the Reorganization which included the following principal steps.

Share Transfer to Acting-in-concert Investors and the Proxy Grantor

From January 27, 2016 to February 1, 2016, Group & Cloud Limited, which is controlled by Dr. Li, transferred 6,490,655 ordinary shares, 6,490,654 ordinary shares, 2,596,262 ordinary shares and 2,596,262 ordinary shares to Fertile Harvest, Relian Investment Limited, L&C Investment and Eastern Star, representing 1.16%, 1.16%, 0.47% and 0.47%, respectively, of Life Science Holdings' outstanding shares, at an aggregate price of US$140 million. The purchase price of US$7.7 per share was determined after arm's length negotiation. After the transfer, the ownership structure of Life Science Holdings was as follows:

Name of Shareholder	Number of Shares Held	Shareholding Percentage
G&C I Limited	50,173,154	9.00%
G&C IV Limited	41,739,130	7.49%
Xiaozhong Investment	34,782,609	6.24%
Group & Cloud Limited	34,000,080	6.10%
G&C II Limited	33,448,770	6.00%
G&C Partnership L.P.	6,826,308	1.22%
Boyu Capital	113,266,802	20.32%
Summer Bloom Investments Pte. Ltd.	57,391,304	10.29%
Ally Bridge	52,173,913	9.36%
Hillhouse Capital	44,199,241	7.93%
Ping An	34,782,609	6.24%
SPDB International	10,434,783	1.87%
Yunfeng Capital	8,695,652	1.56%
Sequoia Capital China	8,695,652	1.56%
Legend Capital	8,695,652	1.56%
Fertile Harvest	6,490,655	1.16%
Relian Investment Limited	6,490,654	1.16%
L&C Investment	2,596,262	0.47%
Eastern Star	2,596,262	0.47%
Total	557,839,492	100%

Push-Down

The push down of the Founding Individuals' and other investors' interest from Life Science Holdings to our Company (the "**Push-Down**"), which was carried out alongside with the push-down of the Founding Individuals' interest in Other WuXi Businesses to the level of separate holding company of each Other WuXi Businesses, involved the following two steps.

Step 1

On March 23, 2016, WXAT BVI transferred to entities established by the then shareholders of Life Science Holdings or their designated affiliates an aggregate of 91% of the then total equity interest of our Company held by WXAT BVI, at a transfer price of (i) nominal price of RMB1 to the ESOP Platforms, and (ii) RMB3.89 per RMB1 of the registered capital to the then other shareholders of Life Science Holdings or their designated affiliates, among which, 18 domestic entities, including the ESOP Platforms, agreed to pay, pursuant to the relevant agreements, an aggregate amount of RMB795,109,008 in cash, while 14 offshore entities, including G&C V Limited and G&C VI Limited, issued promissory notes in an aggregate amount of RMB2,349,921,000 to WXAT BVI, each in consideration for such share transfers.

Step 2

As the second step of the Push-Down, from March 30, 2016 to May 23, 2016, equity interests of the shareholders of Life Science Holdings were repurchased by Life Science Holdings at a total consideration of US$651,894,043.

The shareholding structure before and immediately after the Push-Down for the shareholders of Life Science Holdings and the special purpose vehicles established by such shareholders or their designated affiliates are detailed as follows:

Before Push-Down		**After Push-Down**					
Indirect Ownership in Life Science Holdings		**Direct Ownership in our Company**		**Indirect Ownership in our Company**			**Whether the entities are controlled by the Founding Individuals**
Shareholder	**Ownership Percentage ①**	**Shareholder(s)**	**Ownership Percentage ②**	**Shareholder**	**Ownership Percentage ③**	**Total ④=②+③**	
Boyu Capital	20.32%	Glorious Moonlight Limited	9.87%	Boyu Capital	2.46%	20.32%	No
		Jiashi Kangheng (Tianjian) Investments Partnership (Limited Partnership) (嘉世康恒（天津）投資合夥企業（有限合夥）)	7.99%				
Summer Bloom Investments Pte. Ltd.	10.29%	Summer Bloom Investments (I) Pte. Ltd.	9.05%	Summer Bloom Investments Pte. Ltd.	1.25%	10.29%	No
Ally Bridge	9.36%	ABG-WX Holding (HK) Limited	8.23%	Ally Bridge	1.13%	9.36%	No
G&C I Limited	9.00%	G&C VI Limited	9.00%	—	—	9.00%	Yes
Hillhouse Capital	7.93%	HCFII WX (HK) Holdings Limited	6.97%	Hillhouse Capital	0.96%	7.93%	No
G&C IV Limited	7.49%	G&C IV Hong Kong Limited	6.58%	G&C IV Limited	0.91%	7.49%	Yes
Xiaozhong Investment	6.24%	Jiaxing Yuxiang Investment Partnership (Limited Partnership) (嘉興宇祥投資合夥企業（有限合夥）)	4.11%	Xiaozhong Investment	0.75%	6.24%	Yes
		Jiaxing Yumin Investment Partnership (Limited Partnership) (嘉興宇民投資合夥企業（有限合夥）)	1.37%				
Ping An	6.24%	Shanghai Jinyao Investment Management Co., Ltd. (上海金藥投資管理有限公司)	5.48%	Ping An	0.75%	6.24%	No
Group & Cloud Limited	6.10%	G&C V	6.10%	—	—	6.10%	Yes

Before Push-Down		After Push-Down					
Indirect Ownership in Life Science Holdings		Direct Ownership in our Company		Indirect Ownership in our Company			Whether the entities are controlled by the Founding Individuals
Shareholder	Ownership Percentage ①	Shareholder(s)	Ownership Percentage ②	Shareholder	Ownership Percentage ③	Total ④=②+③	
G&C II Limited	6.00%	G&C VII	4.86%	—	—	6.00%	Yes
		Shanghai Houshen Investment Center (Limited Partnership) (上海厚燊投資中心（有限合夥）)	0.59%				
		Shanghai Houyong Investment Center (Limited Partnership) (上海厚雍投資中心（有限合夥）)	0.11%				
		Shanghai Houzhen Investment Center (Limited Partnership) (上海厚溱投資中心（有限合夥）)	0.08%				
		Shanghai Houyuan Investment Center (Limited Partnership) (上海厚轅投資中心（有限合夥）)	0.08%				
		Shanghai Houyue Investment Center (Limited Partnership) (上海厚玥投資中心（有限合夥）)	0.08%				
		Shanghai Houyao Investment Center (Limited Partnership) (上海厚堯投資中心（有限合夥）)	0.08%				
		Shanghai Housong Investment Center (Limited Partnership) (上海厚嵩投資中心 (有限合夥))	0.07%				

Before Push-Down		After Push-Down					
Indirect Ownership in Life Science Holdings		Direct Ownership in our Company		Indirect Ownership in our Company			Whether the entities are controlled by the Founding Individuals
Shareholder	Ownership Percentage ①	Shareholder(s)	Ownership Percentage ②	Shareholder	Ownership Percentage ③	Total ④=②+③	
		Shanghai Houling Investment Center (Limited Partnership) (上海厚菱投資中心 (有限合夥))	0.05%				
SPDB International	1.87%	Pearl WX HK Limited (明珠投資香港有限公司)	1.65%	SPDB International	0.23%	1.87%	No
Yunfeng Capital	1.56%	Yunfeng II WX Limited	1.37%	Yunfeng Capital	0.19%	1.56%	No
Sequoia Capital China	1.56%	SCC Growth III Holdco B Ltd.	1.37%	Sequoia Capital China	0.19%	1.56%	No
Legend Capital	1.56%	Shanghai Jiehuan Investment Center (Limited Partnership) (上海杰寰投資中心（有限合夥）)	1.37%	Legend Capital	0.19%	1.56%	No
G&C Partnership L.P.	1.22%	Jiaxing Houyi	0.52%	—	—	1.22%	Yes
		Jiaxing Houyu	0.52%				
		Jiaxing Houzi	0.09%				
		Jiaxing Houjin	0.09%				
Fertile Harvest	1.16%	Fertile Harvest	1.16%	—	—	1.16%	Yes
Relian Investment Limited	1.16%	Shanghai Yingyi	1.16%	—	—	1.16%	Yes
L&C Investment	0.47%	L&C Investment	0.47%	—	—	0.47%	Yes
Eastern Star	0.47%	Eastern Star	0.47%	—	—	0.47%	Yes

After the Push-Down, our Company underwent certain shareholding changes and was converted into a joint stock limited liability company, as further discussed in "— Our Corporate Development — Our Company" above, before we carried out our A Share Offering.

The Company confirms that all relevant regulatory approvals for the Reorganization have been obtained and the Reorganization complies with the relevant laws and regulations.

ACTING IN CONCERT

To ensure the Founding Individuals' control over the voting power attaching to the Shares held by the Acting-in-concert Investors and the Proxy Grantor, on March 23, 2016 and March 17, 2017 (i) each of Eastern Star, L&C Investment and Fertile Harvest signed an acting-in-concert agreement with Dr. Li, pursuant to each of them shall act in accordance with the instruction of Dr. Li in respect of their voting power in our Company; and (ii) Shanghai Yingyi issued a voting proxy to appoint Dr. Li as its attorney and proxy to exercise all of its voting power in our Company and to exercise all consensual rights in respect of the shares held by it.

Furthermore, the Founding Individuals, namely Dr. Li, Dr. Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang, entered into an acting-in-concert agreement and a supplemental agreement on March 23, 2016 and March 17, 2017, respectively, to acknowledge and confirm their acting-in-concert relationship in our Company, pursuant to which, Dr. Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang should defer to Dr. Li's view and decision should there be different views among them on any matter considered at board meetings and general meetings of our Company.

As a result, the Founding Individuals were entitled to control 30.8471% voting rights of our Company as of the Latest Practicable Date. See "Relationship with the Founding Individuals — Overview" for details.

REASONS FOR LISTING ON THE STOCK EXCHANGE

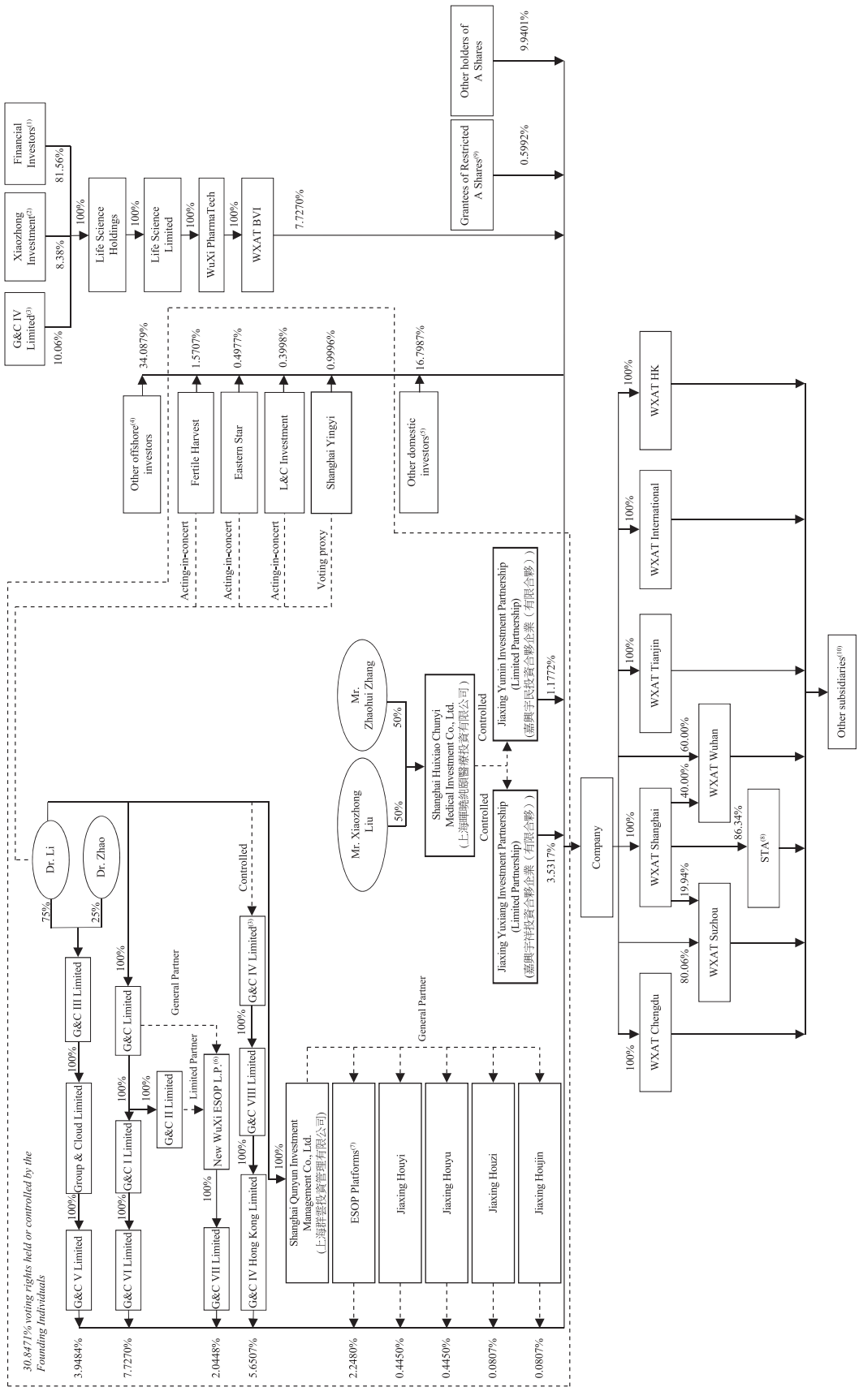
Our Directors believe that the Listing will be in the interests of our Group's business development strategies, and would be beneficial to us and our Shareholders as a whole for the following reasons:

(i) the Listing will provide an additional fund raising platform for our Company and allow us to raise the capital required to finance future expansion should the need arise. The Stock Exchange, as a leading player of the international financial market, serves as the ideal listing venue for us by virtue of its strong business ties with international investors and business partners; and

(ii) a listing status on the Stock Exchange will further raise our profile as a business with a global presence and thus, enhance our ability to attract new customers, business partners and strategic investors, further advance our international strategies, and recruit, motivate and retain key management personnel for our Group's business. See "Business — Our Strategies" for details.

CORPORATE STRUCTURE

As of the Latest Practicable Date, the Founding Individuals directly or indirectly held or controlled over an aggregate of 30.8471% shareholding in our Company. Set forth below is the simplified corporate structure of our Group as of the Latest Practicable Date before completion of the Global Offering.



Notes:

(1) The Financial Investors comprise nine financial investors that together own 81.56% shareholding interest of Life Science Holdings, including Ally Bridge as to 12.58%, Boyu Capital as to 27.30%, Summer Bloom Investments Pte. Ltd. as to 13.83%, Ping An as to 8.38%, Hillhouse Capital as to 10.65%, Yunfeng Capital as to 2.10%, Sequoia Capital China as to 2.10%, Legend Capital as to 2.10% and SPDB International as to 2.52%. The Financial Investors are Independent Third Parties and independent to each other.

(2) Xiaozhong Investment is an investment fund managed by Yinfu Capital as the general partner of Xiaozhong Investment. Mr. Xiaozhong Liu and Mr. Zhaohui Zhang, being two of the Founding Individuals, control the investment decision committee, which is the decision-making body of Xiaozhong Investment. On June 27, 2016, Xiaozhong Investment issued a voting proxy to appoint the Financial Investors and G&C IV Limited as its attorney and proxy to exercise voting power attaching to all of its shares in Life Science Holdings and to exercise all consensual rights in respect of such shares in proportion to the Financial Investors' shareholdings in Life Science Holdings

(3) G&C IV Limited is funded by nine investors, who are Independent Third Parties and independent to each other, holding non-voting shares, and is controlled by Dr. Li by holding one voting share representing 100% of the voting power in G&C IV Limited. These nine investors are Vivo Super VIII Limited, Shanghai Yingyi Investment Co., Ltd., Bright Luck Inc. Limited, Eastern Frontier Limited, Booming Future Ltd., ASEAN China Investment Fund III L.P., ASEAN China Investment Fund (U.S.) III L.P., Celestial Knight Limited and Tianmin Liu who hold 20.83%, 20.83%, 16.67%, 16.67%, 10.42%, 11.00%, 1.50%, 1.04% and 1.04% of the non-voting shares of G&C IV Limited, respectively. On June 27, 2016, G&C IV Limited issued a voting proxy to appoint the Financial Investors and Xiaozhong Investment as its attorney and proxy to exercise voting power attaching to all of its shares in Life Science Holdings and to exercise all consensual rights in respect of such shares in proportion to the Financial Investors' shareholdings in Life Science Holdings.

(4) Other offshore investors include nine financial investors that together own 34.0879% of our Shares as of the Latest Practicable Date, including Glorious Moonlight Limited as to 8.4760%, Summer Bloom Investments (I) Pte. Ltd. as to 7.7697%, ABG-WX Holding (HK) Limited as to 7.0634%, HCFII WX (HK) Holdings Limited as to 5.9837%, Pearl WX HK Limited as to 1.4127%, Yunfeng II WX Limited as to 1.1773%, SCC Growth III Holdco B Ltd. as to 1.1773%, Brilliant Rich Global Limited as to 0.5384% and LCH Investment Limited as to 0.4895%. These investors are Independent Third Parties and independent to each other.

(5) Other onshore investors include 10 financial investors that together own 16.7987% of our Shares as of the Latest Practicable Date, including Jiashi Kangheng (Tianjin) Investment Partnership (Limited Partnership) (嘉世康恒（天津）投資合夥企業（有限合夥）) as to 6.8582%, Shanghai Jinyao Investment Management Co., Ltd. (上海金藥投資管理有限公司) ("**Shanghai Jinyao**") as to 4.7089%, China Life Chengda (Shanghai) Healthcare Industry Equity Investment Center (Limited Partnership) (國壽成達（上海）健康產業股權投資中心（有限合夥）) as to 1.1924%, Taikang Insurance Group Inc. (泰康保險集團股份有限公司) as to 1.1924%, Shenzhen Pingan Property Investment Co., Ltd. (深圳市平安置業投資有限公司) ("**Pingan Property**") as to 0.4770%, Shanghai Jiehuan Investment Center (Limited Partnership) (上海杰寰投資中心（有限合夥）) as to 1.1773%, Tangshan Jingyi Health Industry Fund Partnership (Limited Partnership) (唐山京冀協同健康產業基金合夥企業（有限合夥）) as to 0.3577%, Shanghai Yunfeng Hengyuan Investment Center (Limited Partnership) (上海雲鋒衡遠投資中心（有限合夥）) as to 0.3577%, Ningbo Meishan Baoshuigangqu Yunlong Investment Management Co., Ltd. (寧波梅山保稅港區澐瀧投資管理有限公司) as to 0.2385% and Ningbo Hongqi Equity Investment Partnership (Limited Partnership) (寧波弘祺股權投資合夥企業（有限合夥）) as to 0.2385%. Save for the fact both Pingan Property and Shanghai Jinyao are controlled by Ping An Insurance (Group) Company of China, Ltd (中國平安保險(集團)股份有限公司), these investors are Independent Third Parties and independent to each other.

(6) Other than G&C II Limited, the limited partners of New WuXi ESOP L.P. included Dr. Zhao, Mr. Edward Hu and certain employees of our Group as of the Latest Practicable Date.

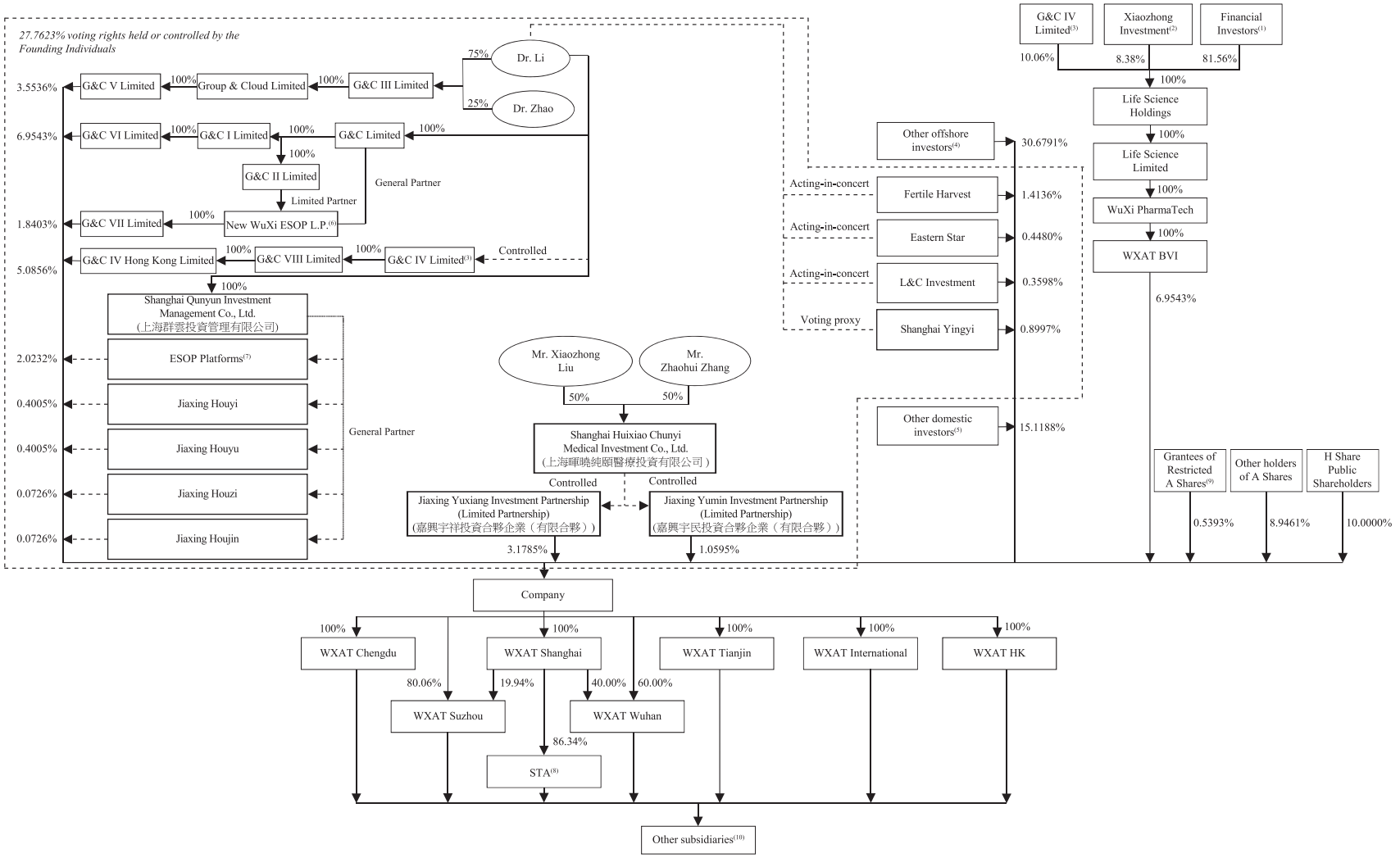
(7) The limited partners of the ESOP Platforms included Mr. Xiaozhong Liu, Mr. Zhaohui Zhang and certain employees of our Group as of the Latest Practicable Date.

(8) As of June 30, 2018, STA was held as to 86.34% by WXAT Shanghai, 12.47% by other independent public shareholders and 1.19% by Shanghai STA Investment Management Partnership (Limited Partnership) (上海合全投資管理合夥企業（有限合夥）), the general partner of which is WuXi AppTec (Shanghai) Investment Management Co., Ltd. (上海藥明康德投資管理有限公司), our wholly-owned subsidiary.

(9) The grantees of Restricted A Shares under the 2018 WuXi AppTec A Share Incentive Scheme included Mr. Edward Hu and other employees of our Group. For further details, please see the section headed "Appendix VI — Statutory and General Information — 2. Further Information about Our Business — B. Share Incentive Schemes — (A) 2018 WuXi AppTec A Share Incentive Scheme.

(10) For the list of our subsidiaries, please see the section headed "Appendix VI — Statutory and General Information — 1. Further Information about Our Company — E. Further Information about Our Subsidiaries."

The simplified corporate structure of our Group immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no options or additional Restricted A Shares are granted under the 2018 WuXi AppTec A Share Incentive Scheme) is as follows.



For footnotes (1) to (10), please see the footnotes for the simplified corporate structure of our Group as of the Latest Practicable Date.

Our Vision

Our vision is that "every drug can be made and every disease can be treated" through building the open-access platform with the most comprehensive capabilities and technologies in the global healthcare industry.

Overview

We are a leading global pharmaceutical R&D services platform and the largest in Asia by total revenue in 2017, according to the F&S Report, transforming the business of discovery, development and manufacturing of innovative pharmaceuticals. We provide comprehensive and integrated research and manufacturing services throughout the discovery, development and manufacturing spectrum for small molecule drugs. We also provide development and manufacturing services for cell and gene therapies as well as testing services for medical devices. Headquartered in Shanghai, we have 27 operation sites and branch offices across the globe, including in China, the U.S. and Europe.

We are one of the few comprehensive, end-to-end new drug R&D service platforms, with service capabilities covering the entire drug discovery, development and manufacturing value chain, according to the F&S Report. Our end-to-end platform enables discovery, development and manufacturing of drugs from concept to commercial manufacturing. Through our platform, we cater to the needs of our expanding, global and diverse customer base, ranging from multinational pharmaceutical and biotechnology companies to venture-backed start-up and virtual companies, which are companies that employ a relatively small number of people and outsource most of their research, development and manufacturing to third parties, as well as academics and non-profit research organizations. For the last twelve months ended June 30, 2018, we provided services to 3,380 customers. We enjoy a high level of customer loyalty and have developed solid working relationships with many customers. During the Track Record Period, we achieved 100% retention for our top 10 customers.

As a result of increasing R&D costs and the complex nature of drug target discovery, our comprehensive capabilities have attracted global pharmaceutical companies seeking to improve the efficiency of their drug discovery and development. In particular, the integrated end-to-end nature of our platform reduces the risk of technology and data transferring between different outsourcing organizations and makes us particularly attractive to global pharmaceutical companies focused on intellectual property protection and data reliability. During the Track Record Period, all of the top 20 global pharmaceutical companies by revenue in 2017, according to the F&S Report, were our customers.

Biotechnology start-ups and virtual pharmaceutical companies are expected to constitute a significant driver in the global pharmaceutical market. These companies have a greater demand for CRO and CMO/CDMO services as they require significant lead time and infrastructure build-up to establish in-house capabilities. According to the F&S Report, these companies are expected to contribute an increasing proportion of FDA-approved new drugs (NDAs and BLAs) and their R&D expenditure is expected to grow faster than their larger peers. We believe we are uniquely positioned to capture opportunities from the rapid growth of start-up pharmaceutical and biotechnology companies, as we have capabilities at the forefront of science, removing the need for such companies to invest significant resources to develop in-house capabilities and infrastructure, and improve efficiency throughout the drug development process.

We view ourselves as a frontrunner, spearheading the success of all participants in the rapidly evolving healthcare ecosystem. We aim to lower entry barriers for the discovery and development of innovative drugs with respect to capabilities, capacity and capital, and are committed to embracing demands of new and existing customers, thereby attracting new participants to join the evolving ecosystem. Through this lowering of entry barriers, we believe we are able to catalyze and benefit from the continuous transformation of the healthcare ecosystem. By nurturing and incubating the rise of new business models and encouraging participants to develop new drugs and healthcare products, we drive the creation of new knowledge and technologies, stimulate new

demand and improve efficiency, which further drives innovation and fuels the growth of all participants, including global pharmaceutical companies and biotechnology start-ups alike, in the global healthcare industry. To that end, we have made significant investments in cutting-edge biotechnology companies that develop unique technologies, artificial intelligence ("AI") capabilities and new drug targets. We have also organized the WuXi Global Forum in San Francisco every year since 2013, bringing together top executives from leading pharmaceutical companies, partners of venture capitalist firms, chief executive officers and founders of emerging startups, thought leaders from industry and academia, and officials from regulatory agencies around the world. Through the event, we provide a forum for participants to discuss the most pressing issues faced by the healthcare industry and share their insights that could shape the future of the healthcare ecosystem.

Our principle of "enabling innovation" plays a significant role in the way we design, offer and deliver our services, ensuring that we deploy our latest know-how and capabilities with the aim of enabling our customers to transform ideas into reality. Leveraging our expertise, track record and knowledge, we seek to ensure that our customers will benefit from our services and capabilities by being not only fully versed in current scientific developments but also being able to anticipate the next emerging trends. By being at the forefront of scientific developments, we seek to maintain a competitive advantage over our peers in attracting new customers and maintaining existing customers through pioneering technologies and services associated with new discoveries. Similarly, based on our experience and track record, we believe we can strategically identify discovery platforms, technologies, and assets that are valuable to our customers and further enhance our competitiveness.

We attribute our success to our experienced management team, led by our visionary founder and CEO, Dr. Ge Li, one of the pioneers in the pharmaceutical outsourcing industry. Dr. Li and our senior management team are passionately committed to transforming the drug discovery and development industry and to becoming a leading player in the global healthcare ecosystem. Since our founding 18 years ago, we have evolved from a discovery chemistry business in 2001 to an integrated platform with a comprehensive array of capabilities and over 11,000 scientists and research technicians as of June 30, 2018.

We experienced robust growth during the Track Record Period. For the years ended December 31, 2015, 2016 and 2017, our revenue amounted to RMB4,883.3 million, RMB6,116.1 million and RMB7,765.3 million, respectively. We recorded net profit of RMB683.8 million, RMB1,121.0 million and RMB1,296.7 million for the same periods, respectively. For the six months ended June 30, 2017 and 2018, our revenue amounted to RMB3,665.4 million and RMB4,409.2 million, respectively. We recorded net profit of RMB781.7 million and RMB1,304.1 million for the same periods, respectively. The market in which we operate is fragmented. The top 15 CROs and CMOs/CDMOs by revenue accounted for 27.1% of the market share of the global pharmaceutical R&D outsourcing services market by revenue in 2017. We are the largest pharmaceutical R&D services platform in Asia by total revenue in 2017, according to the F&S Report.

Our Strengths

We believe the following strengths have contributed to our success and differentiate us from our competitors:

Leading global pharmaceutical R&D services platform with the most comprehensive capabilities

We are a leading global pharmaceutical R&D services platform and the largest in Asia by total revenue in 2017, according to the F&S Report, accelerating and improving efficiency in discovery and development of innovative pharmaceuticals. As of June 30, 2018, we had more than 11,000 scientists and research technicians. Headquartered in Shanghai, we have a global footprint with 27 operation sites and branch offices, including in China, the U.S. and Europe. With our comprehensive and global services platform, we are well positioned to capture opportunities from the rapidly growing global pharmaceutical R&D outsourcing services market, which is expected to grow from a market size of US$104.1 billion in 2017 to US$178.5 billion in 2022, representing a CAGR of 11.4%, according to the F&S Report.

In addition to being a comprehensive R&D platform, we can also provide customized services for different levels of complexity, catering to a broad range of budgets in order to meet customers' varied needs. For multinational companies, we offer high-quality and cost-efficient R&D services with strong intellectual property protection. With our highly-trained talent pool and comprehensive set of capabilities, supported by our global operations and footprint, we are able to initiate complex projects with minimal lead time, significantly reducing the cost for big pharmaceutical companies. For venture-backed or start-up and virtual companies, we are able to provide cutting edge scientific capabilities, removing their need to invest significant resources in developing in-house capabilities and infrastructure, and reducing their project lead time, thus enabling them to bring their products to the market faster.

Our comprehensive service offerings allow us to better serve virtual and venture-backed companies through our one-stop service approach. Our involvement in early R&D with our customers provides us with the opportunity to build confidence and trust. Our comprehensive services give us a distinctive advantage to capture further opportunities throughout the remaining development as well as commercialization process.

We are committed to lowering the entry barriers for the development of drugs to enable the incubation and development of innovative drug products and healthcare applications. By doing so, we attract more customers and encourage more industry participants to develop new drugs and healthcare applications, which in turn stimulates the creation of new knowledge and capabilities, and further fuels the growth of the healthcare industry. From this growth, new demands can be created and more diverse customers and participants can join the healthcare ecosystem, creating a virtuous cycle that propels growth.

Enabling innovation to strengthen our competitive advantage

Our principle of "enabling innovation" plays a significant part in the way we design, offer and deliver our services, ensuring that we will deploy our latest know-how and capabilities whenever possible to fulfill our customers' demands and enable them to transform ideas into reality. We are focused on maintaining our know-how and capabilities at the forefront of scientific developments, as we leverage the experience accumulated from our advanced drug R&D platform, and the large volume of cutting-edge projects in which we are involved. Our leadership position in drug R&D technology is well recognized as evidenced by our scientists being awarded the Heroes of Chemistry Award by American Chemical Society in 2017. Annually, we organize the WuXi Life Science and Chemistry Awards ceremony, supported by the Ministry of Science and Technology, which drew over 100 participants in 2017, ranging from leading scientists to biotechnology entrepreneurs. The ceremony recognizes distinguished scientists, encouraging and promoting excellence in life science and clinical research. We seek to encourage interactions among participants in the healthcare industry and to cultivate new participants. Furthermore, our ability to identify and develop new capabilities is evidenced by our leading position in the industry. For example, in 2017 and in the six months ended June 30, 2018, we submitted ten and eight new-chemical entities IND filings with NMPA for our customers, respectively, which represented 10% and 16% of the total number of new-chemical entities IND filings submitted during the same period, according to the F&S Report.

By following an "enabling innovation" approach, our customers can benefit from services and capabilities that anticipate the next scientific development and emerging trends. We can "enable" our customers' cutting-edge discoveries from an early stage of the drug development process and develop in-depth understanding and know-how about the relevant drug candidate before our peers, which allows us to enjoy first-mover advantages. We seek to maintain a competitive advantage over our peers in attracting new customers and maintaining existing customers through pioneering technologies and services associated with new discoveries. For example, in connection with our drug discovery services, we have invested in a DNA-encoded chemical library ("DEL"), created synthesis and screening capabilities and built a substantial collection of diverse small molecule libraries covering an extensive range of chemicals. This technology accelerates hit identification, helps rapidly identify tools to validate new targets, and allows our customers to shorten the drug discovery process. We believe we have created a competitive advantage in our experience and capabilities that would be difficult to replicate,

which allows us to enhance our efficiency and generate new opportunities and innovative solutions for our customers. Similarly, based on our experience and track record, we believe we are positioned to strategically identify discovery platforms, technologies, and assets that are valuable to our customers and enhance our competitiveness.

Growing network within the healthcare ecosystem through strategic acquisitions and venture investments

We actively identify, evaluate and execute acquisitions to further our strategy and to gain access to new strategic capabilities and technologies to expand our service offerings and to expand our customer base and geographic reach. We also make venture capital investments through our corporate venture fund as part of our healthcare ecosystem development to support the growth of smaller companies and benefit from their expected development of cutting edge healthcare applications and technology. Harnessing our industry knowledge and our technology capabilities, we believe we have the unique ability to make targeted investments in important capabilities and discoveries, which can provide us with improved investment returns.

For example, we acquired WuXi Clinical Development, Inc. (carrying on business as ResearchPoint Global) in July 2018, which has allowed us to expand our clinical trial services to the U.S., allowing us to serve China-based pharmaceutical companies that seek to perform clinical trials in the U.S.. In May 2017, we acquired Shanghai HD Biosciences, adding to our biology-focused capabilities in both China and the U.S.. We also acquired Crelux in 2016, which expanded our footprint in Europe and provided us with drug discovery and fragment-based drug design capabilities in protein structure elucidation, which synergized with our existing drug discovery and development capabilities.

As of June 30, 2018, we had investments in 44 companies (not including our investments in our joint ventures and associates). We have invested in companies focused on developing first-in-class drugs, including Unity Biotechnology, Inc. which focuses on discovering drugs that treat aging-related diseases, and Hua Medicine, which focuses on developing a global first-in-class drug for Type 2 diabetes, and in companies developing the application of AI in drug discovery, for example in target identification and lead optimization with our investment in Insilico Medicine. We have also driven analysis of disease fingerprints at the genomic and transcriptomic levels through our strategic investment in Verge Genomics. We have also invested in companies in transformative technologies, including DNA synthesis (Twist Bioscience), robotic cloud laboratory (Transcriptic), gene control (Syros Pharmaceutical), and cell-penetrating micro-proteins (FOG Pharmaceutical). In addition to financial gains, our investments enable our portfolio companies to leverage our platform to efficiently discover and develop new drugs and technologies. We believe this creates new demand and attracts more diversified customers and participants, in turn further driving the growth.

Strong, loyal and expanding customer base

We have a large, diverse and loyal customer base. For the twelve months ended June 30, 2018, we provided services for 3,380 customers, including all of the top 20 global pharmaceutical companies, according to the F&S Report. Our number of new and repeat customers has steadily increased, driven by our continuous expansion in the number and type of service offerings we provide. In 2017, over 94.3% of our revenue were from repeat customers and 28.6% of our customers used services from more than one of our business units, representing 78.7% of our revenue. We believe we have achieved this through providing the highest quality pharmaceutical discovery and development services in a timely and cost-competitive manner, while strictly protecting any intellectual property created for our customers. Our customers' strong loyalty has allowed us to continuously provide new and differentiated services to our customers as their existing projects progress along the drug development value chain and as they commence new projects.

Consistent with our "long-tail" strategy, we provide comprehensive and tailored services responding to the needs of a growing group of diverse biotechnology start-ups and virtual pharmaceutical companies. These companies have a greater demand for CRO and CMO/CDMO services as they require significant lead time and

infrastructure build-up to establish in-house capabilities. According to the F&S Report, these companies are expected to contribute an increasing proportion of FDA-approved new drugs (NDAs and BLAs). Furthermore, global R&D expenditure by these companies is also expected to grow at a CAGR of 12.0% from 2017 to 2022. We believe we are uniquely positioned to capture opportunities from the rapid growth of biotechnology start-ups and virtual pharmaceutical companies, as we remove the need for these companies to invest significant resources to develop in-house capabilities and infrastructure, and improve efficiency throughout the drug development process.

Experienced management team with vision and ambition

We are led by Dr. Ge Li, one of the pioneers in the pharmaceutical outsourcing industry. All members of our senior management team have worked at the forefront of the pharmaceutical industry, with significant industry experience in their areas of expertise and an average of five to ten years at our Company. Dr. Li and our senior management team are passionately committed to the vision and ambition to transform the drug discovery and development industry and become a leading player in the global healthcare ecosystem.

We have established ourselves as a pioneer in the drug R&D services industry. Since our founding 18 years ago, we have evolved from a discovery chemistry business in 2001 to an integrated platform with a comprehensive array of capabilities and over 11,000 scientists and research technicians as of June 30, 2018. As part of this transformation, we became one of the first Chinese CROs to reach pharmaceutical companies abroad. We have attained this transformational growth through organic growth and mergers and acquisitions. In January 2008, we successfully acquired AppTec, a medical device and drug testing company with facilities in the U.S.. Following which, we successfully completed a series of acquisitions and investments, including in Medkey, XBL, Crelux and Shanghai HD Biosciences, with the most recent being WuXi Clinical Development Inc. (carrying on business as ResearchPoint Global) in July 2018, in which we have strategically invested to expand our clinical research capability into the U.S..

Our Strategies

We aim to develop our platform into a leading player in the global healthcare ecosystem to empower anyone to discover, develop and manufacture drugs from concept to commercial manufacturing. We plan to execute the following key strategies to achieve our goal:

Expand capacity and capabilities globally

Leveraging our global presence, we intend to continue to expand our capacity and capabilities across all business units globally in response to emerging technologies and demand. We intend to invest in 10 projects globally, including 7 projects in China, 2 projects in the U.S. and one project in Hong Kong. Our 7 projects in China include an R&D campus in Chengdu and chemistry and biology labs in Qidong, Jiangsu province. We are also actively seeking targets for acquisition or investment to expand our CRO and CMO/CDMO capabilities globally.

We intend to invest and expand our clinical research capabilities by building out infrastructure in China, expanding our clinical research platform, hiring new talent and improving clinical research capability to enhance our existing coverage and expand our geographical reach. We also intend on enhancing our relationships with hospitals in China. For example, we have established a pilot clinical trial center jointly with a hospital partner in Chengdu. We are looking to expand this cooperation model with other hospital partners in China. Leveraging on the acquisition of the U.S.-based ResearchPoint Global, which extended our clinical research operations into the U.S., we are also looking to expand our clinical research capabilities abroad. We expect the acquisition of a global CRO or CMO/CDMO company or companies would enhance our competitive advantage by enabling our domestic customers to further connect with the global drug and healthcare industry and allowing us to further benefit from synergies with our existing large pre-clinical pipeline both through cross-selling and improvements

in economies of scale. For example, expanding our global footprint will provide better access for our domestic customers to engage in global clinical trials, providing synergies with our existing pre-clinical pipeline. We would also be enhancing our global technological capabilities and capacity allowing us to better serve our global customers and enjoy improvements in economies of scale. In addition, we are continuously refining our capability to provide full services in clinical development, including clinical informatics. As of the Latest Practicable Date, we have not confirmed the number of CRO and CMO/CDMO companies we intend to acquire and the investment targets for portfolio companies in the healthcare ecosystem we intend to invest in using the proceeds to be raised from the Global Offering and we have not identified any such acquisition targets and investment targets.

To cater to the increasing global demand for cell and gene therapies, we have undergone efforts to expand our cell and gene therapy capabilities and capacities. In particular, we intend to expand our cGMP manufacturing facility in the U.S., and invest in a manufacturing facility in China for viral vectors and plasmid DNA used in cell and gene therapies and a R&D innovation center in Hong Kong.

We are also in the process of developing GMP manufacturing capabilities for oligonucleotides and peptides. We have already established capabilities for API process research development for both type of compounds and expect to be ready to provide GMP manufacturing services for oligonucleotides and peptides by 2019 and the end of 2018, respectively.

Capture innovative technologies through strengthening our in-house R&D capabilities and acquisitions

We believe that our advanced technologies have been crucial in helping us maintain our position as a leading drug discovery and development platform, allowing us to offer the most efficient and effective solutions to our customers. We will continue to invest in innovative technologies to stay at the forefront of the industry. This will enable us to improve drug discovery, development and manufacturing efficiency and quality, driving cost savings and creating value throughout the development process for pharmaceuticals, cell and gene therapies and medical devices. In particular, in response to customer demand, we will focus our in-house research and development efforts on improving our discovery service capability and expanding our manufacturing capability and capacity. We intend to invest in cutting-edge technology that will allow us to achieve better economies of scale. For example, we intend to invest in an AI-empowered drug discovery platform and lab automation, which will increase our capacity by freeing up our scientists from daily routine chemical reaction work for more advanced research study as well as improving the safety of our employees. It will also enhance our competitive advantage by lowering the entry barrier of new drug R&D, attracting more customers and benefiting the whole industry development.

Building on our successful acquisitions and investments, in addition to organic growth, we will actively seek to acquire or invest in technologies or companies with vast drug development capabilities that complement and strengthen our existing platform. We also plan to participate in acquisitions or joint ventures, as part of the expansion of our capabilities and capacities, which can quickly accelerate the expansion of our coverage to new clients around the world and meet increasingly new and varied needs from our customers. Leveraging our leadership in the industry and experience, we will also continue to strategically acquire and invest in companies that may provide us with attractive investment returns.

Increase customer penetration and win new customers

We seek to increase average spending from existing customers through deeper engagement and promoting different types of services through cross-selling on our platform. We will strive to maintain our high level of customer loyalty while generating more revenue per customer. We also plan to continue to provide new services to our existing customers as the development of the drug candidates, cell and gene therapies and medical devices advances. We will strive to maintain a high level of customer loyalty and enhance customer penetration. We believe the breadth and depth of our integrated services, technical expertise, analytics experience and technology,

combined with our existing strong customer relationships, position us well to capture a significant share of the untapped research and development spending as our customers' business grow. We are focused on executing our "long-tail" strategy by enhancing comprehensiveness of our services and improving our customization to target customers with unique needs and demands to provide them with access to our platform. By leveraging our comprehensive R&D platform, we continue to execute our "long-tail" strategy to work with entrepreneurs, venture capitalists, university professors to discover and develop new drugs. In the first half of 2018, we provided services to 811 new customers. As testament to the success of our "long-tail" strategy, 41 of our customers that each generated revenue of less than RMB1.0 million for us in 2015, have each generated revenue of more than RMB5.0 million for us in 2017, and have on average each generated revenue of approximately RMB12.0 million for us in 2017. In addition, from 2015 to 2017, the revenue generated by one of our medium-sized customer increased by almost three times, primarily due to one of its products having entered into commercialization.

Continue to attract, train and retain quality talent to support our rapid growth

We believe our employees are critical to our ability to provide high quality services to our customers. To maintain our high service standards, industry leading expertise and reputation for quality and innovation and to continuously meet our customers' demands, we will continue to recruit, train, promote and retain the most talented individuals in our industry. We also established WuXi Academy within our company to nurture future scientific and management talent. As part of this strategy, we have put in place significant human resources initiatives, including: (1) establishing transparent performance evaluation systems to highlight areas of improvement and allow us to identify talent for promotion, (2) offering visible career progression, (3) providing technical and managerial training to enhance our employee's knowledge, capabilities and career development and (4) providing competitive compensation packages reflecting recipients' performance. As scientists are active participants in the drug R&D ecosystem, through the network effects of the ecosystem, we believe our efforts to invest and foster the ecosystem and to strengthen our position within the ecosystem will also allow us to vigorously attract experienced industry experts and new graduates for a wide range of needs of our business operations.

Expand our reach within the healthcare ecosystem

We view ourselves as an enabler to the success of participants in the healthcare ecosystem. To that end, we will continue to support the growth of the healthcare ecosystem. For example, we are constantly analyzing opportunities to build relationships with different participants and to expand the network within the ecosystem. We have co-founded and invested in PICA, a mobile application education platform company reaching more than 1 million community doctors. PICA connects community doctors working in China's rural areas with the latest medical information and provides online training to them to better diagnose and treat their patients. PICA has access to feedback from these doctors, including market information, patient preferences, and therapeutic methods used by these doctors, which are valuable for participants in the healthcare ecosystem, including our customers. We have established CW Data Co., Ltd, a joint venture with China Electronics Corporation, a China-based Fortune 500 company, to develop healthcare data products and services that will provide data solutions to participants in the healthcare ecosystem, including pharmaceutical distributors and insurance companies.

We believe we have a unique role in nurturing and invigorating the growth of the healthcare ecosystem. We are committed to lowering R&D entry barriers to the healthcare ecosystem. We aim to continue to broaden our capabilities through investing in and acquiring new technologies, while expanding our capacity through building more infrastructure and facilities. We also intend to invest in the ecosystem through partnerships, direct equity investments, selective strategic acquisitions and other means across the globe. We believe our investments will play an increasingly significant role in contributing to the growth of the ecosystem as we expand our portfolio of companies. This growth is expected to be further fueled by the network effects of the ecosystem. Through investing in this ecosystem, we reinforce our position as a leading R&D service provider transforming the drug discovery and development process. We believe this will enable all participants in the ecosystem to continue to grow and scale, while further lowering barriers to entry in drug discovery and development, which in

turn will feedback into the ecosystem and expand the frontier of our drug research and development capabilities to better serve our customers.

OUR PLATFORM

We are a leading global pharmaceutical R&D services platform, improving the efficiency of the discovery and development of innovative pharmaceuticals. We provide comprehensive and integrated research and manufacturing services throughout the discovery, development and manufacturing spectrum for small molecule drugs. We also provide development and manufacturing services for cell therapies and gene therapies as well as providing testing services for medical devices.

Our end-to-end platform enables discovery, development and manufacturing of drugs from concept to commercial manufacturing. Through our R&D services platform, we cater to the needs of our expanding, global and diverse customer base, ranging from multinational pharmaceutical and biotechnology companies to venture-backed start-up and virtual companies. We enable our customers to discover, develop and manufacture drugs through providing cutting-edge scientific capabilities, significantly reducing associated costs, removing the need to invest significant resources to develop in-house capabilities, and improving overall efficiency throughout the drug development process.

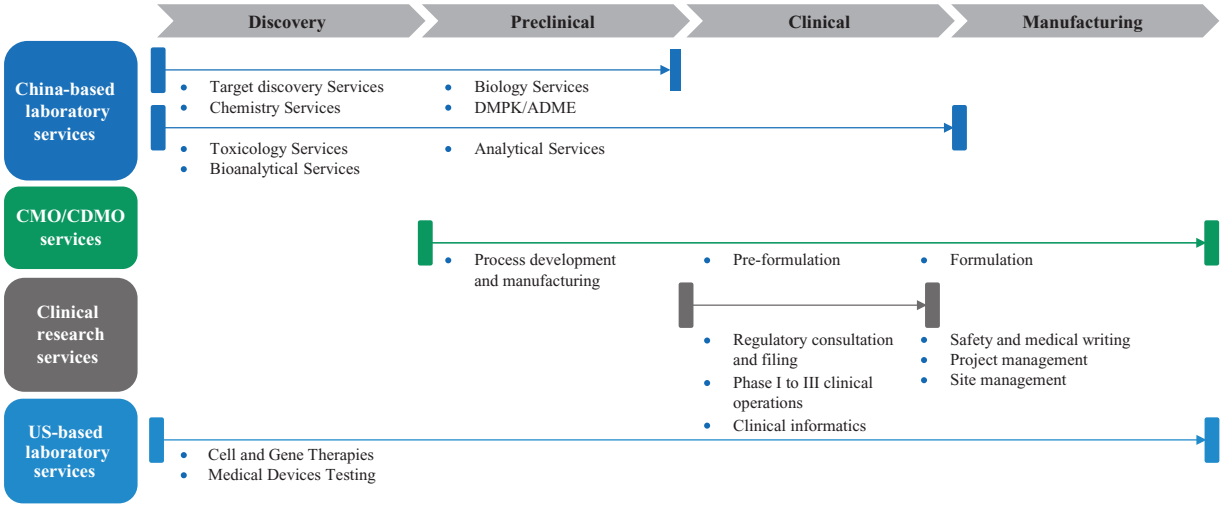
We view ourselves as a frontrunner, spearheading the success of all participants in the rapidly evolving healthcare ecosystem. We aim to lower entry barriers for the discovery and development of innovative drugs with respect to capabilities, capacity and capital, and are committed to embracing demands of new and existing customers, thereby attracting new participants to join the evolving ecosystem. Through this lowering of entry barriers, we believe we are able to catalyze and benefit from the continuous transformation of the healthcare ecosystem. By nurturing and incubating the rise of new and different business models and encouraging participants to develop new drugs and healthcare products, we drive the creation of new knowledge and technologies, stimulate new demand and improve efficiency, which further drives innovation and fuels the growth of all participants, including global pharmaceutical companies and biotechnology start-ups alike, in the global healthcare industry. For more details regarding the ecosystem in which we operate, see "— The Healthcare Ecosystem."

Our principle of "enabling innovation" plays a significant role in the way we design, offer and deliver our services, ensuring that we deploy our latest know-how and capabilities with the aim of enabling our customers to transform ideas into reality. By being at the forefront of scientific developments, we seek to maintain a competitive advantage over our peers in attracting new customers and maintaining existing customers through pioneering technologies and services associated with new discoveries. Similarly, based on our experience and track record, we believe we are positioned to strategically identify discovery platforms, technologies, and assets that are valuable to our customers and enhance our competitiveness. For more details regarding our "enabling innovation" strategy, see "— Research and Development — "Enabling Innovation"".

OUR SERVICES AND CAPABILITIES

We provide comprehensive and integrated research and manufacturing services throughout the discovery, development and manufacturing spectrum for small molecule drugs. We also provide development and manufacturing services for cell and gene therapies as well as testing services for medical devices.

The drug development process mainly consists of four stages: (i) drug discovery, (ii) pre-clinical development, (iii) clinical research, and (iv) commercial manufacturing, illustrated by the chart below:



Our services correspond to each of these stages and can be grouped into four segments: (a) China-based laboratory services, including chemistry services, biology services, drug metabolism and pharmacokinetics ("DMPK")/absorption, distribution, metabolism and excretion ("ADME"), and toxicology, bioanalytical and analytical services; (b) contract manufacturing organisation/contract development and manufacturing organisation services ("CMO/CDMO services"), focusing on development and manufacturing of advanced intermediates, active pharmaceutical ingredients ("APIs") and finished doses; (c) US-based laboratory services, including discovery, testing and manufacturing services for cell and gene therapies and testing services for medical devices; and (d) clinical research services, including clinical service support at various stages of clinical trials, monitoring and data analysis services, FDA compliance and applications, and NMPA new drug application ("NDA") procedures, and site management organization ("SMO") services. Our China-based laboratory services primarily cover pre-IND (i.e. drug discovery and pre-clinical development) stages of drug development, while our CMO/CDMO and clinical research services primarily cover post-IND (i.e. clinical research and commercial manufacturing) stages of drug development.

China-based Laboratory Services

Our China-based laboratory services encompass an array of services provided as part of drug discovery, pre-clinical development and clinical research. As part of our small molecule drug discovery services, we provide services covering the major steps of the drug discovery process, beginning from target to hit, hit to lead, and lead optimization. The "target to hit" stage involves the identification of small molecule compound hits that are able to produce a desired chemical reaction with respect to a target that has been previously chosen for study. The "hit to lead" stage involves screening and evaluating the hits identified from the "target to hit" stage to identify promising lead compounds through limited optimization. In the further stage of "lead optimization", the lead compounds undergo further extensive optimization.

Our research capability and capacity allows us to enable customers to advance a project from conceptualization to drug discovery, resulting in the delivery of preclinical drug candidates for IND submissions. Our services include chemistry, biology, DMPK/ADME, toxicology, bioanalytical and analytical services. Our integrated drug discovery services platform enable high throughput capabilities in chemistry and biology accelerating the drug discovery process for our customers. According to the F&S Report, we have the largest market share in drug discovery based on revenue amongst China-based drug discovery service providers.

For certain of our customers using our integrated drug discovery services in China, we enter into success-based agreements whereby in addition to our base service fee, we may also receive a milestone or royalty fee. By

offering such arrangements, we seek to attract biotechnology companies with limited financial resources at an early stage in their drug discovery process. For such arrangements, we focus on discovery projects associated with well-known targets, which allows us to reduce the risks associated with such arrangements and to maximize any potential upside. Up to June 30, 2018, for our customers in China, we had submitted 36 IND filings for our customers, and our customers have obtained 25 CTA approvals. For the six months ended June 30, 2018, 8 IND filings were submitted for our customers and 8 CTA approvals were obtained by our customers. For more details relating to our fee models, see "— Our Fee Models."

The following table illustrates the stages of our customers' projects that use our integrated drug discovery services in China as of September 30, 2018:

	Discovery	Preclinical	Phase I	Phase II	Total
Oncology and Immuno-Oncology	19	22	14	—	55
Infectious Disease	4	8	7	1	20
Liver Disease	2	6	2	—	10
Respiratory Disease	2	7	—	—	9
Metabolic Disease	3	4	2	—	9
Central Nervous System Diseases and Pain	2	4	3	—	9
Autoimmune Disease	2	3	2	—	7
Total	34	54	30	1	119

As of June 30, 2018, we had 7,708 employees under our China-based laboratory services segment. Our China-based laboratory services segment generated RMB4,120.6 million and RMB2,416.3 million in revenues in 2017 and the six months ended June 30, 2018, respectively.

Target discovery services

Discovery and validation of novel drug targets are the starting points of many drug discovery programs. We offer a full spectrum of capabilities and services to enable our customers to test their scientific hypothesis on the rationales of target selection and identification. Our target discovery capabilities span multiple scientific disciplines including molecular biology, genetics, biochemistry, cell biology, and pharmacology through both in vitro and in vivo studies. The scope of our discovery biology efforts covers all the major disease areas such as oncology & immunology, infectious diseases, cardiovascular and metabolic diseases, and neuroscience. Our scientists, based in China, U.S., and Germany, continue to develop new capabilities through both internal investment and collaboration with leading academic researchers. We have contributed to the identification and validation of multiple novel drug targets by our customers through cutting edge technologies such as gene editing in highly competitive disease areas such as immuno-oncology.

Chemistry Services

We provide chemistry services, including synthetic chemistry, analytical chemistry and medicinal chemistry services:

- *Synthetic Chemistry*. We provide synthetic chemistry services in building block synthesis, library synthesis, custom synthesis, compound library design and synthesis and specialty chemistry. We perform custom synthesis of reference compounds, intermediates and product candidates from mg to kg scale. We also have teams of chemists to provide specialty chemistry services in fluorination, peptide, and nucleoside chemistry. Our compound management services include storage, formatting, re-formatting and assay plate preparation in a temperature-controlled storage facility equipped with barcode / RFID technology and a customizable software system for compound tracking.

- *Analytical Chemistry.* After we synthesize compounds, we purify and characterize them through sophisticated and precision instruments, which is an integral part of the delivery process for our chemistry services. To support synthetic and process chemistry, our analytical and separation chemistry service platform provides services covering chiral separation, natural product purification, high-throughput purification and analysis, high-throughput physical property determination, isolation and structure elucidation of impurities and method validation.

- *Medicinal Chemistry.* We offer medicinal chemistry expertise on compound design, synthesis, and optimization as well as project execution and program management through the three major stages of drug discovery process. The key deliverable for our service is preclinical candidates that are ready to enter IND enabling studies. We perform these services for all the major target families and therapeutic areas. These services are performed in collaboration with other scientific service platforms including: synthetic chemistry, analytical chemistry, structural biology, computational biology, *in vitro* biology, *in vivo* pharmacology, DMPK/ADME and safety assessment and toxicology.

Recently, we have expanded our capabilities to include a DNA encoded library ("DEL") with substantial scale and chemical diversity. This new capability allows us to offer screening service to explore new chemistry space. It allows for the large-scale synthesis and screening of collections of small molecule compounds. This technology accelerates target validation and hit identification, and allows our customers to shorten the drug discovery process. We have established end-to-end capabilities in DEL library design, construction, screening and hit generation. We believe we are well-positioned to maximize the capabilities of our DEL as it complements the full range of services we provide on our comprehensive service platform. The DEL service platform not only leverages our strength in chemistry, but also our breadth and depth of scientific capability in high throughput screening, *in vitro* biology, biophysical characterization, computational chemistry, and genomics.

Biology Services

We provide biology service across all major stages of small molecule drug discovery. Our capabilities cover all the major disease areas such as infectious diseases, metabolic diseases, neuroscience, pain, oncology and immunology.

During the target-to-hit stage, our services include target validation, clustered regularly interspaced short palindromic repeats ("CRISPR") engineering and screening platform, protein production, high throughput screening, fragment-based drug discovery, x-ray crystallography, and biophysical analytics.

During the hit-to-lead stage, our services include efficacy and mechanism of action studies in the laboratory (*in vitro*) and efficacy studies in animal models (*in vivo*).

During the lead optimization stage, our services include structural activity relationship studies, selectivity panel, cell panel studies in the laboratory (*in vitro*) as well as pharmacology and target engagement studies in animal models (*in vivo*).

Our biology team works closely with colleagues in chemistry based on customer and project needs. Our fully integrated drug discovery platform with both chemistry and biology capabilities and expertise is a key differentiating factor and competitive advantage.

DMPK/ADME

We perform drug metabolism and pharmacokinetics, or DMPK, and absorption, distribution, metabolism and excretion, or ADME, services to gain information about how the human body changes a drug physically and

impacts its action, including its efficacy and toxicity. Based on this information, our customers will often modify and improve a drug candidate. The ADME properties of a drug will allow our customers to understand the safety and the efficacy data required for regulatory approval.

We study the metabolic pathway of a compound using *in vitro* and *in vivo* systems followed by high resolution mass spectroscopy and nuclear magnetic resonance to determine the number and structure of the major metabolites. We also perform pharmacokinetic and pharmacodynamic modeling studies in various rodent efficacy models, including cancer, central nervous system disorders and metabolic diseases. We offer *in vivo* pharmacokinetic studies in small and large mammals by measuring drug concentrations in a range of biological matrices, including blood, urine, bile, cerebrospinal fluid and tissues. We have capabilities to administer drugs using a variety of dosing routes and to provide results in a rapid turnaround time. In addition, we perform full mass balance and tissue distribution studies using cold material or ^{14}C-labeled material. Our *in vitro* ADME profiling services include analyzing the metabolic stability and permeability of drug candidates, interactions with transporters, drug-drug interactions and plasma protein binding. For early-stage compounds, we conduct a full panel of early ADME screening studies to investigate druggability. For drug candidates, definitive studies are conducted to profile which transporters and cytochrome P450s ("CYPs") the drug interacts with as well as the resultant metabolic biotransformations.

Toxicology services

With GLP laboratories, we provide a full range of *in vivo* and *in vitro* preclinical safety evaluation studies. Our services assist our customers to ensure their drugs are appropriate for human testing, are consistent with regulatory requirements and meet applicable ethical standards. Our toxicology services cover acute, sub-chronic, chronic and carcinogenicity general toxicology; developmental and reproductive toxicology; genetic toxicology; DART; screening and regulatory assays for genetic toxicology; ocular toxicology/toxicokinetics, pharmacodynamics; safety pharmacology; immunotoxicology; and anatomic and clinical pathology. Our services involve a wide selection of animal models and routes of administration. We have worked with scientists and government authorities to establish services that meet international regulatory requirements. We have conducted IND and NDA enabling studies for submission to the FDA, EMA and other global regulatory authorities.

Bioanalytical Services

We offer comprehensive and FDA / OECD / NMPA GLP-compliant bioanalysis services to support preclinical and clinical development for small molecule drugs, vaccines and pharmacodynamic biomarkers. Our data is accepted by health authorities worldwide, including FDA, NMPA, EMA, PMDA, Health Canada and Australia TGA. Our capabilities include liquid chromatography / tandem mass spectrometry method development and validation, immunoassay method development and validation, small-molecule drug and biologics sample analysis, peptide and protein drug analysis, synthesis of reference standards and stable labeled internal standards, biomarker analysis, vaccine analysis and measurement of antibody immunogenicity.

Analytical services

With FDA-, NMPA- and MPA-inspected GMP laboratories, we provide a full range of analytical services. We develop and validate methods of analyzing APIs and formulated products for properties such as potency, purity and solubility. We also offer compound stability tests and tests necessary for the release of APIs and clinical test material. We deliver services related to regulatory compliance with CMC requirements, including creation of a readiness testing package for an IND filing and development of a full CMC package.

CMO/CDMO Services

Our CMO/CDMO services form an integrated platform supporting the development and manufacturing of drug substance and drug products. Our services include manufacturing and process development of advanced

intermediaries and APIs, formulation development of solid dosage drug products, manufacturing of APIs for clinical trials and commercial sales. Our CMO/CDMO services generated RMB2,108.6 million and RMB1,209.4 million in revenues in 2017 and the six months ended June 30, 2018, respectively. As of June 30, 2018, our team had more than 3,200 employees. According to the F&S Report, we are the largest China-based small molecular CMO in 2017. For the six months ended June 30, 2018, we had ongoing projects working on more than 600 molecules in different R&D stages, including 484 in pre-clinical and Phase I clinical trial stage, 90 in Phase II clinical trial stage and 39 in Phase III clinical trial stage, and 13 that have been commercialized.

Leveraging more than 14 years of experience in the manufacture of small-molecule advanced intermediates and APIs and our manufacturing services being integrated with our research services across an integrated platform, we have become a leading CMO/CDMO partner with the most marketing authorization holders ("MAH") in China, according to the F&S Report, with two MAH projects approved and four undergoing MAH projects as of the Latest Practicable Date. We are the first CMO/CDMO to partner with an approved MAH in China, according to the F&S Report.

As a pioneer of "MAH", we are helping many innovative drug development partners in China to optimize their manufacturing processes, significantly reduce commercial production costs, mitigate business risk, and improve operational efficiency.

In June 2018, our customer Ascletis Pharma received approval from NMPA for the first direct-acting anti-viral agent developed by a domestic company in China to treat viral hepatitis C, which has been selected as a National Science and Technology Major Project for "Innovative Drug Development". With this approval, we became the first CDMO to support the launch of innovative drugs in China since the implementation of the MAH pilot program. We began collaborating with Ascletis Pharma since 2013 through providing process development and manufacturing services.

In September 2018, our customer Hutchison MediPharma received approval from NMPA for a small molecule, selective vascular endothelial growth factor receptor inhibitor for previously treated colorectal cancer. This is the second innovative drug approval in China supported by us, since the implementation of the MAH pilot program. We provided comprehensive support for the successful market launch of this innovative drug in China through our comprehensive process development and manufacturing CDMO platform.

We also supported the process optimization and process validation of both drugs' APIs and their NDA submission and approval. Our Jinshan API manufacturing site also successfully passed the pre-approval inspection by NMPA as part of both drugs' NDA application process.

Our facilities have undergone inspections by NMPA and audits by FDA, ensuring our quality control adheres to international standards. As a testament to our quality, according to the F&S Report, we are the first China-based small-molecule CMO/CDMO platform to pass FDA inspection without voluntary actions indicated and the first to have been authorized by the United States, Europe, Canada, Switzerland, Australia and New Zealand as a supplier of innovative APIs.

Process Development and Manufacturing. Our process R&D laboratories and cGMP plants help our customers to develop processes to manufacture pharmaceuticals, from laboratory quantities measured in milligrams and grams to scale-up quantities measured in kilograms, to process optimization quantities measured in hundreds of kilograms, to commercial quantities measured in metric tons. We aim to identify the most efficient and cost-effective methods of compound synthesis. We aim to improve efficiency by reducing raw material consumption, improving the yield of the desired compound and accelerating the time needed for synthesis. Our process chemistry development services cover route scouting, process development, optimization and scale-up, development control for regulatory starting materials, intermediates and APIs, and process validation. Our process development services are integrated with our analytical development, formulation development and cGMP manufacturing of APIs. Many of our manufacturing projects involve compounds for which we developed the scale-up methodology in process chemistry. We offer process safety evaluations as part of this service.

Pre-Formulation Services. Pre-formulation services include studies to identify the intrinsic physicochemical properties of compounds, to select an appropriate salt form, to characterize the particle size and flow properties of powders and to determine the compatibility of drug excipients. We provide services to support preparation of documentation, including solid state characterization, polymorph screening, crystallization process development and formulation support.

Formulation Services. We offer a range of services to convert optimized lead compounds into formulated drugs suitable for preclinical and clinical testing and to assist in preparation of regulatory filings. Our formulation development services cover a wide spectrum, including early safety studies, toxicity studies, proof-of-concept formulation development, late-stage formulation development, dosage manufacturing, packaging and product life-cycle management. Our capabilities cover both solid oral and liquid oral dosage forms.

US-based Laboratory Services

Our US-based laboratory services segment comprises our cell and gene therapies services and medical device testing services. As of June 30, 2018, we had 960 employees under our US-based laboratory services segment. Our US-based laboratory services segment generated RMB1,134.9 million and RMB546.1 million in revenues in 2017 and the six months ended June 30, 2018, respectively. As of the Latest Practicable Date, we assisted our customers to develop and manufacture cell and gene therapy products, of which 26 are in Phase I clinical trials and eight are in Phase II-III clinical trials.

Cell and Gene Therapies

Our cell and gene therapies services cover process and analytical development from early to late phase to commercialization of cell and gene therapies and other therapies, including oncolytic viruses and CRISPR-edited cells. We seek to accelerate and transform the development and manufacturing of cell and gene therapies through our comprehensive integrated CDMO services by establishing new and more cell and vector platforms to enhance scale and capabilities. Our services include development, testing and cGMP manufacturing of such therapies. We offer services in the development, testing and manufacture of autologous and allogeneic cell therapies. Autologous cell therapies involve harvesting a patient's cells, engineering them to address a disease, and reintroducing them back into the patient. Allogeneic cell therapies involve introduction of engineered cells that had been harvested from a different patient. Our capabilities extend to both gene-mediated therapies, such as chimeric antigen receptor T ("CAR-T") cells, and non-gene-mediated therapies. We have also recently introduced development, testing and manufacturing services to cover gene therapies, which can take different forms. Genes can be introduced through nucleic acid or viral vectors into cells in the body or in an *ex vivo* manner (taking cells out of a body to treat and then reintroducing back into the patient). Primarily, genes are delivered to patients through the use of viral vectors, such as adenoviral-, adeno-associated viral- and lenti- or retroviral vectors. These specific vectors target specific tissues. Genes can also be introduced into cells by using mild electric pulses (electroporation) to introduce nucleic acid into a cell with mild electric pulses. Gene therapy products are extremely specific as the gene is designed to replace a missing or deficient gene/nucleic acid within the patient. Cell and gene therapies are differentiated from biologics products in areas including but not limited to their mode of delivery, efficacy and process development. Unlike biologics products, cell and gene therapies are specifically designed to match very closely to the cell and genetic information of individual patients, and therefore, in general are less invasive. Our capabilities are currently offered in cGMP facilities in Pennsylvania, United States, which covers an area of approximately 25,543.8 sq.m.

Medical Devices Testing

We offer consulting, testing and manufacturing services in connection with medical devices testing. Our medical device testing services cover preclinical safety consulting to support the overall safety of medical devices, a wide range of testing programs to support medical device product manufacturers from concept to commercialization and cGMP manufacturing services for medical devices requiring a cleanroom or controlled

manufacturing environment. These services include materials selection and evaluation, product efficacy and materials performance, materials characterization, risk assessment, biocompatibility, toxicology, sterilization / inactivation validation, package integrity validation, controlled environment testing, raw material verification and lot release testing. Our capabilities are currently offered in cGMP and GLP facilities in Minnesota, United States.

Clinical research services

Our clinical research services include clinical development services and site management organization ("SMO") services, which we offer in China and the U.S.. Clinical development services include project planning, clinical operation, monitoring and management of phase I-IV clinical trials, outcomes research and medical device trials; embedded outsourcing; and clinical informatics, respectively. SMO services include project management and clinical site management services. Our clinical research and other CRO services segment generated RMB356.1 million and RMB231.2 million in revenues in 2017 and the six months ended June 30, 2018, respectively. As of June 30, 2018, we had approximately 1,950 employees providing clinical research services. During the Track Record Period, we were inspected 16 times by NMPA and passed all of the inspections, and our customers obtained approvals to market 14 new drugs for which we provided clinical research services in China.

Our clinical research services include:

- *Regulatory consultation and filing*. We support our customers throughout the FDA and NMPA process, including formulating clinical development strategies and FDA and NMPA registration pathways, planning and scheduling pre-IND meetings with FDA and NMPA, preparing and submitting INDA packages, preparing and submitting NDAs and supporting FDA and NMPA audits and NDA meetings with the FDA and NMPA.

- *Clinical operations*. Our clinical operations focus on full-service clinical studies. We assist in monitoring clinical trials to ensure the study is conducted under GCP/ICH and provide review and oversight of study data quality to ensure data integrity. We would also assist in making reports to FDA and NMPA for any Serious Adverse Events. In addition, we provide site selection and feasibility analysis, quality audit and quality control activities at sites and GCP training of on-site staff.

- *Safety/pharmacovigilance and medical writing*. We provide guidance and support on study design, protocol writing and medical support during the clinical study, and oversee and manage the safety of study subjects and any adverse events.

- *Project management*. We assist our customers in leading and driving their project under a contract-defined scope and budget, which oversee overall project quality and budget.

- *Clinical informatics*. We provide a range of clinical functional services, including biostatistics consultation and analysis, CRF design and data management, database development and validation, pharmacovigilance and safety data analysis and pharmacokinetic/pharmacodynamic analysis. In addition to our regular services, we also have expertise in more specialized areas of clinical informatics, including pharmacokinetic/pharmacodynamic modeling simulations, Clinical Data Interchange Standards Consortium data conversion, and Drug Safety Monitoring Board set up and statistical support.

- *SMO services*. We provide site management services including site feasibility, site initiation, patient recruitment, patient management, data entry and document management, onsite drug management and bio-sample management till site closure. We have experience with providing SMO services in a

significant number of hospitals across China and are able to provide efficient and superior clinical operation services. As of the Latest Practicable Date, we had approximately 1,700 clinical research coordinators ("CRCs") in approximately 100 cities throughout China.

OUR FEE MODELS

Our service fee arrangement can be primarily divided into two models: (i) Fee-for-service, or FFS, model and (ii) full-time-equivalent, or FTE, model. Regardless of the model chosen, we generally enter into a master service agreement with our customers and receive payments in accordance with a pre-agreed payment schedule specified in the contract or work order issued pursuant to the master service agreement. We determine the fee level for each discovery, development or manufacturing step based on, among others, the scope of the services required for achieving such step, the estimated costs and expenses of the required services, the amount of time allocated for achieving such discovery, development or manufacturing step, the prices charged by our competitors for similar services.

Fee-for-service model

We generate service fees primarily on a FFS basis. Under this model, our customers submit their requirements to us and we provide them with a payment schedule. The payment schedule sets out the service fee for services we are required to provide at each discovery, development or manufacturing step that fall under the scope of work in the contract or work order. Our service contracts and work orders under the FFS model typically include a detailed schedule that sets forth specifications of and anticipated time required for completing each step as well as the corresponding payment. When negotiating our customer contracts, we take into consideration a number of factors, such as the nature and potential of the project and the customer's needs for our service.

In certain cases, in connection with our integrated drug discovery services provided to customers in China, we may enter into success-based agreements with our customers that provide us with a milestone and/or royalty fee. For such arrangements, we focus on discovery projects associated with well-known targets, which allows us to reduce the risks associated with such arrangements and to maximize any potential upside. The milestone fee structure allows us to receive either (i) a fee for each pre-set milestone reached, which is typically a critical point in the drug development process, such as the signing of the service contract, the completion of an important discovery, development or manufacturing step, commercialization or (ii) a fee upon out-licensing of the drug by our customer. In the case of the latter, the milestone fee is typically in the form of a certain percentage of the out-licensing fee that our customers receive from the licensee of the drug. As of the Latest Practicable Date, we received milestone fees of RMB32.8 million and RMB16.8 million under the FFS model in 2016 and the six months ended June 30, 2018, respectively.

The royalty fee structure allows us to receive, on top of the service fees, typically a single digit percentage of the sales revenue of the relevant drug product, if such product is successfully commercialized. As of the Latest Practicable Date, we have entered into arrangements with royalty fee structures, however, we had not generated any revenue from the royalty fee structure because none of our projects with the royalty fee structure had advanced to commercialization. As of the Latest Practicable Date, all of our arrangements with royalty fee structures were only in connection with our integrated drug discovery services provided to customers in China.

In a typical agreement under the FFS model, our customers have the right to terminate the agreement without cause upon 30 to 60 days' prior written notice. In the event that one party materially breaches any covenants in the agreement, the other party may terminate the agreement upon failing to remedy such breach within 30 days' written notice if the breach is remediable, or upon written notice to the other party if such breach is not remediable.

Up to June 30, 2018, we have submitted 36 IND filings for our customers and our customers have received 25 CTA approvals.

Full-time-equivalent model

We also generate income under the full-time-equivalent, or FTE, model. Under the FTE model, we designate employees to the customer's projects at a fixed rate per FTE employee per period of time, otherwise known as "full-time equivalent." During this period of time, the designated employees are dedicated to such customer's project exclusively. We determine the amount of service fees based on the number of scientists and research technicians and the amount of time required for completing the project, among others. FTE contracts may have a term as long as three to four years and are subject to annual review. We only adopt this fee model where a customer requests us to assign a team of scientists and research technicians to its project and strongly prefers the FTE model or where the work scope of a project makes it difficult for us to estimate the cost to adopt the FFS model.

In a typical agreement under the FTE model, our customers may terminate the agreement without cause upon 30 days' prior written notice to us, or in the event that a change of control of our Company takes place. In the event that one party materially breaches any covenants in the agreement, the other party may terminate the agreement upon failing to remedy such breach within 30 days' written notice if the breach is remediable, or upon written notice to the other party if such breach is not remediable.

Payment Terms

Under the FFS model, a contract or work order typically comprises a number of tasks, each including several discovery, development and/or manufacturing steps. We bill our customers by task and typically give our customers a credit term between 30 to 90 days. We typically require our customers to make a portion of the corresponding payment upon the commencement of each task and the remaining payment after we complete such task to the satisfaction of our customers. Under a FFS contract or work order, we are typically required to deliver a technical laboratory report, product/ samples and/or other deliverables and transfer the relevant data and rights to the customer upon completion of each discovery, development or manufacturing step. Upon the acceptance of such deliverables by our customers, the relevant discovery, development or manufacturing step is deemed to be completed and revenue is recognized.

Under the milestone fee structure, we typically require the customer to make milestone payment within 30 to 90 days after the completion of each milestone. Our customers will pay us a pre-determined amount contingent upon certain milestone events as set forth in the contract. Typical milestone events include, but are not limited to, the satisfactory completion of phase I or II of clinical trial and proving the safety or efficacy of the drug candidate.

Under the royalty fee structure, we require the customer to make royalty payments after the successful commercial sales of the relevant drug. The customer is responsible for submitting a periodic sales report (quarterly or annually) to us and making royalty payment within 30 days after the end of such period as covered by the sales report. In circumstances where the customer is responsible for submitting periodic sales reports, we may also have the right to request additional documents from the customer to substantiate the sales report and to audit the customer's sales records.

Under the FTE model, we typically require the customer to make quarterly payments for services rendered with a credit term between 30 to 90 days. We typically first calculate a base rate by combining human resource cost, depreciation of equipment, cost of raw material and energy etc. After accounting for our profit margin, we give our customers a quote of hourly rate and, if accepted, enter into an agreement with them. We bill our customers based on the actual time we spend on their relevant project.

For details on our revenue recognition model, see "Financial Information — Critical Accounting Policies and Estimates — Revenue Recognition".

OUR INVESTMENTS

As part of our efforts to foster the ecosystem, we have established joint ventures and made selective investments in a wide variety of companies within the healthcare ecosystem. We primarily focus our investments in (a) targets that fit into and support our existing value chain, (b) cutting edge technologies that we believe will advance the healthcare industry, (c) strategic long-term investments, and (d) venture capital funds, all of which would allow us to further access a wider variety of participants in the healthcare ecosystem while maintaining our position at the forefront of science. Up to June 30, 2018, we have invested approximately US$238.5 million in a wide range of investments, including investments in our joint ventures and associates. Up to June 30, 2018, we had realized approximately US$61.6 million in gains from dispose of our investments in seven companies, in which we had invested US$27.8 million. We primarily make venture capital investments using our own funds through our venture capital arm, WuXi PharmaTech Healthcare Fund I L.P., which is expected to play an increasingly significant role in contributing to the ecosystem as it expands its portfolio of companies. As of June 30, 2018, we had investments in 44 companies (not including our investments in our joint ventures and associates). As of June 30, 2018, our interests in our investees (not including our investments in our joint ventures and associates) ranged from 0.1% to 20.0%. The following are some of our investments across five different areas in the healthcare industry:

- *Innovative Biotechnology* — We have invested in companies focusing on first-in-class drugs, including Unity Biotechnology, Inc., Hua Medicine, Syros Pharmaceuticals, Inc. and FOG Pharmaceuticals, Inc. Unity Biotechnology, Inc. is a biotechnology company that aims to develop therapeutics to extend healthspan by slowing, halting or reversing age-associated diseases. Unity Biotechnology, Inc.'s initial focus is on creating senolytic medicines to selectively eliminate senescent cells and thereby treat age-related diseases, such as osteoarthritis, eye diseases and pulmonary diseases. Hua Medicine is a China-based drug development company currently focused on developing a global first-in-class drug for the treatment of Type 2 diabetes. Syros Pharmaceuticals, Inc. is a company involved in developing cutting-edge medicines to control the expression of disease-driving genes, which is building a pipeline of gene control medicines for cancer, autoimmune disorders and rare genetic diseases. FOG Pharmaceuticals, Inc. is a company focused on the discovery and development of a broadly-enabling new class of medicines based on cell-penetrating miniproteins that are intended to deliver fundamentally new treatments for cancer and other life-threatening diseases.

- *Artifical Intelligence* — As part of our efforts to invest in AI-related technologies, we have invested in companies, such as (a) Insilico Medicine, Inc., a company utilizing AI-based technologies and advances in genomics, big data analysis, and deep learning for *in silico* drug discovery and drug repurposing, and (b) Verge Genomics, a machine learning, neuroscience, and experimental biology-based business seeking to accelerate drug discovery. The business has developed therapeutic programs in Amyotrophic Lateral Sclerosis (ALS) and Parkinson's disease and has also invested in creating one of the field's largest and most comprehensive databases of ALS and Parkinson's disease patient genomic data through partnerships with academic and government organization.

- *Transformative Technologies* — We are also committed to investing transformative technologies, and have invest in companies such as (a) Twist Bioscience Corporation, a company that has developed a proprietary semiconductor-based synthetic DNA manufacturing process featuring a high-throughput silicon platform that allows for the miniaturization of the chemistry necessary for DNA synthesis and (b) Transcriptic Inc., a company that has developed a robotic cloud laboratory platform for on-demand life science research.

- *Healthcare IT* — We are also interested in exploring the use of information technology applications in healthcare. We have invested in PICA Health Technologies Limited, a company operating an online medical education and training platform for chronic disease management.

- *Healthcare services* — We have recently expanded our investments to healthcare services and have invested in Clarity Medical Group Limited, a provider of professional ophthalmic services in Hong Kong.

The table below sets forth our major investments across the five different areas in the healthcare industry:

Innovative Biotechnology

Unity Biotechnology, Inc.
Syros Pharmaceuticals, Inc.
Adagene Inc.
AltheaDx, Inc
AMBRX BIOPHARMA INC.
Avelas Biosciences, Inc
FOG Pharmaceuticals, Inc.
Hua Medicine Limited
Petra Pharma Corporation
TenNor Therapeutics Limited
XW Laboratories Inc.
Canbridge Life Sciences Ltd (北海康成（北京）醫藥科技有限公司)
Huahui Anjian (Beijing) Biologics Technology Co., Ltd (華輝安健（北京）生物科技有限公司)
NeuroRX, Inc

Artificial Intelligence

Verge Analytics, Inc.
InSilico Medicine Inc.

Transformative Technologies

NuProbe Global
AnchorDx Guangzhou (廣州康丞唯業生物科技有限公司)
Transcriptic, Inc.
TruTag Technologies, Inc.
Twist Bioscience Corporation

Healthcare IT

Raiing Medical (Beijing) Co., Ltd. (北京睿仁醫療科技有限公司)

The table below shows details of the investments in seven companies that we disposed of during the Track Record Period, including the investment amount, timing of investments, our shareholding in the investee at the time of disposal, principal business of the investee and our realized gains upon disposal:

Investee	Investment amount	Timing of investments	Our shareholding at the time of disposal	Principal business	Our realized gains at disposal
Company a	US$3.0 million	November 2011	0.8%	Established biotechnology company focusing on oncology drug discovery and development	US$7.2 million
Company b	US$3.0 million	January 2012 February 2013	26.5%	Biopharmaceutical company focusing on discovery, development, and commercialization of medicines for various rare and orphan diseases	US$14.0 million

Investee	Investment amount	Timing of investments	Our shareholding at the time of disposal	Principal business	Our realized gains at disposal
Company c	US$1.0 million	September 2012	0.3%	Biotechnology company developing, manufacturing, and selling genomic profiling assays based on next-generation sequencing technology	US$1.6 million
Company d	US$1.0 million	August 2014	3.1%	Biotechnology company making cutting-edge cancer immunotherapy treatments	US$2.3 million
Company e	US$7.7 million	August 2012 April 2013 March 2014 September 2014 June 2016	1.4%(1)	Biotechnology company focusing on treating disease by mapping gene regulatory circuits and modulating the factors that regulate gene expression	US$3.9 million
Company f	US$2.6 million	August 2012 January 2014 December 2014	5.8%	Antiviral drug discovery company focusing on discovery of novel, first-in-class therapeutics for the treatment of HBV and HIV	US$32.7 million
Company g	US$20.9 million	May 2015 June 2015	13.8%(1)	Company developing antibody drug conjugates platform with lead asset in HER2-positive breast cancer	—

Note:

(1) Represents partial exit. As of June 30, 2018 we still hold interests in these companies.

Given the role of investments in our strategy, we have established an investment committee comprising senior management, and finance and legal staff. Prior to making any investments, our investment committee will assess the proposal for such investment based on our investment focus and goals and our funding resources, before the proposal is provided to our Directors for final approval.

THE HEALTHCARE ECOSYSTEM

As we operate a comprehensive service platform of a significant scale fulfilling the demands of a diverse customer base, our platform services and operations have gradually emerged to become a catalyst in invigorating interactions among participants within the healthcare ecosystem, including our customers and suppliers. Our mix of customers ranges from global pharmaceutical companies and medical device manufacturers to biotechnology startups, virtual companies and venture-capital backed companies. Our suppliers include PRC branches of multinational companies to local companies in the PRC. In addition to our customers and suppliers, we interact with a variety of participants within the healthcare ecosystem, including individuals with an academic background and scientists, and non-profit institutions with drug development goals, and further reaching hospitals, insurance companies, drug stores and laboratories, doctors and patients.

According to the F&S Report, small companies focusing on drug discovery are expected to make up a significantly large proportion of organizations sponsoring molecular entities in the pipeline. According to F&S Report, the rise of small biotechnology companies and virtual pharmaceutical companies is expected to be a key driver in the growth of the CRO and CMO/CDMO markets, and drug research and development is no longer expected to be exclusive to global pharmaceutical companies that have significant investments in research and manufacturing capability and infrastructure. Such capability and infrastructure often translates into a significant entry barrier for new market participants intending to enter the drug research and development industry. As CRO and CMO/CDMO services, such as those provided by us, are increasingly accessible to participants that do not

have their own research and manufacturing capability and facilities, these entry barriers have been significantly reduced. As a result, demand increased significantly for open-access and customized research capabilities that cater for the needs of not only global pharmaceutical company and medical device manufacturer customers but also the wider range of participants within the healthcare ecosystem. This phenomenon has been further fueled by the increasing accessibility of funding from external sources such as venture capital, together with the emergence of innovative drug discovery techniques. This phenomenon has driven the emergence of a healthcare ecosystem composed of these participants centered on the demand for drug research capability and capacity.

With our market presence, market credibility and stewardship at the heart of an evolving ecosystem, we have invigorated participants to meet and interact with each other in pursuing their respective business activities spanning from discovery, development to manufacture of small molecule drugs from conceptualization to commercialization. Leveraging our capability across the entire value chain, we believe we can enable key participants to unleash their potential through our third-party service platform. We are therefore well positioned to continue to shape, optimize and develop this ecosystem to promote the greater benefit of all participants. For example, our platform has cultivated interactions within the healthcare ecosystem between (1) Janssen, a unit of Johnson & Johnson, a multinational healthcare company, (2) Novira Therapeutics ("Novira"), a start-up US-based biotechnology company, and (3) Chia Tai Tianqing Pharmaceutical ("CTTQ"), a well-established Chinese pharmaceutical company that is a unit of Beijing- and Hong Kong-based Sino Biopharmaceutical. All of these companies are our long-term customers and their interactions have exemplified our efforts to lower entry barriers in capacity, capability and capital, and demonstrate our ability to contribute and nurture the healthcare ecosystem.

We have cooperated closely with Novira in their development of a small-molecule, direct-acting antiviral for oral administration in patients with hepatitis B virus (HBV). The compound inhibits the HBV core or capsid protein, a novel and promising drug target because it is involved in multiple activities required for viral replication and persistence. Since its inception in August 2012, we provided Novira with our integrated medicinal chemistry, pharmacology, DMPK, ADME and toxicology services for the project, which contributed to the small molecule's rapid preclinical progression and selection as a clinical candidate. Through our venture fund, we are a founding investor in Novira. In November 2015, Janssen acquired Novira.

Independently, beginning in 2013, we began providing drug discovery and research services to CTTQ to discover another anti-HBV small-molecule drug candidate with a novel immune-modulating mechanism of action on our platform. Janssen subsequently licensed from CTTQ the exclusive rights to develop, manufacture and sell this drug outside of China. Through the Novira and CTTQ deals, Janssen obtained two drug candidates with different novel mechanisms against HBV. Our platform enables all three partners to address unmet medical needs for HBV, a disease area highly significant for China, Asia, and the rest of the world.

We also seek to encourage interactions among participants in the healthcare industry and to cultivate new participants. For example, annually, we have organized the WuXi AppTec Life Science and Chemistry Awards ceremony, supported by the Ministry of Science and Technology, which drew over 100 participants in 2017, ranging from leading scientists to biotechnology-orientated entrepreneurs. The ceremony recognizes distinguished scientists, encouraging and promoting excellence in life science and clinical research. We have also organized the WuXi Global Forum in San Francisco every year since 2013, bringing together top executives from leading pharmaceutical companies, partners of venture capitalist firms, chief executive officers and founders of emerging startups, thought leaders from industry and academia, and officials from regulatory agencies around the world. Through the event, we provide a forum for participants to discuss the most pressing issues faced by the healthcare industry and share their insights that could shape the future of the healthcare ecosystem.

We view ourselves as an enabler to the success of participants in the healthcare ecosystem. To that end, we intend to continue to support the growth of the healthcare ecosystem. For example, we are constantly analyzing opportunities to build relationships with different participants and to expand the network within the ecosystem. We have invested in and co-founded PICA, a mobile application education platform company reaching more than 1 million community doctors. PICA connects community doctors working in China's rural areas with the

latest medical information and provides online training to them to better diagnose and treat their patients. PICA has access to feedback from these doctors, including market information, patient preferences, and therapeutic methods used by these doctors, which are valuable for participants in the healthcare ecosystem, including our customers. We have established CW Data Co., Ltd, a joint venture with China Electronics Corporation, a China-based Fortune 500 company, to develop healthcare data products and services. The joint venture focuses on three core solution offerings, including data informatics, commercial analytics and advisory services that will provide data solutions to participants in the healthcare ecosystem, including pharmaceutical distributors and insurance companies.

Through our continued investment and participation in the pharmaceutical R&D ecosystem, we seek to further promote our new paradigm that anyone can discover, develop and manufacture drugs through which we can attract new customers around the world. We believe we have a unique role in nurturing and invigorating the growth of the healthcare ecosystem. To do so, we seek to continue to reduce entry barriers associated with drug discovery, development and manufacturing, particularly in three areas: capabilities, capacity and capital. We will continue to broaden our capabilities through investing in and acquiring new technologies, while expanding our capacity through building more infrastructure and facilities. We also make venture capital investments through our corporate venture fund as part of our healthcare ecosystem development to support the growth of smaller companies and benefit from their expected development of cutting edge healthcare applications and technology. Harnessing our industry knowledge and our technology capabilities, we believe we have the unique ability to make targeted investments in important capabilities and discoveries, which can provide us with attractive investment returns, while allowing us to catalyze our development of new capabilities.

We believe our investments will play an increasingly significant role in contributing to the growth of the ecosystem as we expand our portfolio of companies. This growth is expected to be further fueled by the network effects of the ecosystem. Through investing in this ecosystem, we reinforce our position as a leading R&D service provider transforming the drug discovery and development process. We believe this will enable all participants in the ecosystem to continue to grow and scale, while further lowering barriers to entry in drug discovery and development, which in turn will feedback into the ecosystem and expand the frontier of our drug research and development capabilities to better serve our customers.

The below diagram provides our conceptualization of the healthcare ecosystem and its participants:

RESEARCH AND DEVELOPMENT

We are committed to providing high-level new drug research and development, manufacturing and supporting services to global pharmaceutical companies, and prioritizing staying up to date with technological advances. With the continuous increase of research and development investment and the continuous accumulation of research and development experience, we have established a complete core technology system, which has become one of our key competitive advantages.

As a R&D-focused company, we devote substantial portion of resources to continuously improve our scientific and technical capabilities independently and through projects with our customers. Our technology allows us to be at the forefront of the latest technology trend of the industry, develop novel solutions and maintain our competitive position. Our R&D process is rigorously managed and monitored to seek to ensure we have a high return of investment, and maintain our leadership in the marketplace.

As of June 30, 2018, we had 11,948 R&D personnel, of which 5,247 hold a master's or higher degree and 762 hold a Ph.D. or equivalent degree.

During the Track Record Period, our research and development expense amounted to RMB143.1 million, RMB214.4 million, RMB 305.6 million, and RMB177.5 million in 2015, 2016, 2017 and the six months ended June 30, 2018, representing 2.9%, 3.5%, 3.9% and 4.0% of the revenue in the same period.

"Enabling Innovation"

Our business model is guided by our firm belief that our services and capabilities must always be at the forefront of scientific developments, which is cemented in our "enabling innovation" approach. Leveraging our expertise, track record and knowledge, we have sought to advance our services and capabilities to not only be fully versed in current scientific developments but to also anticipate the next emerging trends. Our "enabling innovation" approach complements our end-to-end service platform by continually expanding our service and capabilities and improving access to our growing expertise, facilities, experiences and insights within our full range of services.

By encouraging cutting-edge discoveries to be conceptualized and developed on our platform, we are able to be at the forefront of our peers in establishing the technology, facilities and expertise in connection with such discoveries. By "enabling innovation", we are able to work on cutting-edge discoveries from an early stage of the drug development process and develop in-depth understanding and know-hows about the relevant drug candidate before our peers, and allow us to enjoy first-mover advantages in improving the quality and efficiency of our services for such project once it progresses to later stages. Through this strategy, we seek to maintain a competitive advantage over our peers in attracting new customers and maintaining existing customers through pioneering technologies and services associated with new discoveries.

To further our "enabling innovation" approach, we actively seek to anticipate in the next scientific development by targeted investments in new technologies, services and capabilities and do not merely act as a passive provider of services to our customers. For example, we have invested in Transcriptic, a biotechnology start-up company seeking to leverage machine learning and cloud technology to expedite research by offering automated remote laboratory services to allow scientists to conduct experiments through their web browser and receive results through email, making research cheaper, faster and more accessible. In connection with our drug discovery services, we have invested in DNA-encoded chemical library ("DEL") capabilities, which allows for the large-scale synthesis and screening of collections of small molecule compounds. This technology accelerates target validation and hit identification, and allows our customers to shorten the drug discovery process. We have established end-to-end capabilities in DEL library design, construction, screening and hit confirmation. We believe we are well-positioned to maximize the capabilities of our DEL as it complements the full range of services we provide on our comprehensive service platform. In anticipation of the increasing role of artificial intelligence-enabled drug development technologies, we have invested in Insilico Medicine, Inc., a biotechnology company leveraging genomics, big data analysis, artificial intelligence and deep learning techniques to perform drug discovery through computer modeling. In particular, Insilico Medicine, Inc. has been seeking to apply artificial intelligence technologies to generate novel molecular structures with specified properties. We have also invested in Verge Genomics, which uses machine learning and artificial intelligence models trained on patient and laboratory data to identify genes within disease networks and to predict compounds that might impede their activity.

SALES AND MARKETING

We market our CRO and CMO/CDMO 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 open-access end-to-end integrated drug research and development platform and how we can expedite the customers' product development process. We have also established an active online presence through our corporate website at www.wuxiapptec.com.cn. We provide extensive information about our integrated services and our drug discovery and development platform, our competitive and technical advantages industry news and training and education resources on our corporate website and on social media. In addition, we actively participate in trade conferences, trade shows and academic conferences. 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. Furthermore, we have organized the WuXi Global Forum in San Francisco every year since 2013, attracting entrepreneurs, industry

participants and venture capitalists. We have also organized the WuXi AppTec Life Science and Chemistry Awards ceremony annually, supported by the Ministry of Science and Technology annually, which drew over 100 participants in 2017, ranging from leading scientists to biotechnology-oriented entrepreneurs. The ceremony recognizes distinguished scientists, encouraging and promoting excellence in life science and clinical research.

A new customer typically assigns us a small project to test our capabilities. After we successfully complete the assignment, the customer often increases the size and duration of succeeding contracts and mandates us for more types of assignments. In particular, our integrated service platform has enabled us to transform customers who initially only seek our discovery or 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 the efficiency and cost-effectiveness of outsourcing their drug discovery, development and commercial manufacturing to us. We also target customers that lack in-house research and development capabilities and view outsourcing as an attractive option to achieve their 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 prepare quotes and to secure customer orders. Our sales and marketing specialists are strategically located in key geographic locations, including the United States, Asia and Europe, to conduct on-the-ground marketing activities. As of June 30, 2018, our sales and marketing team had 143 members. In anticipation of our business expansion and increasing customer base, we plan to further expand our sales and marketing force in the next few years.

OUR CUSTOMERS

We provide CRO and CMO/CDMO services to more than 3,000 customers worldwide, with our major customers including all of the global top 20 pharmaceutical companies, according to the F&S Report, in addition to various research institutions. We have a diversified customer base. We provide services to customers in the United States, China, Europe and the rest of the world, respectively, whom accounted for approximately 57.2%, 20.2%, 18.3% and 4.3%, respectively, of our revenue for the year ended December 31, 2017. Out of our five largest customers in the year ended December 31, 2017, three are headquartered in the United States, and two are headquartered in Europe.

Most of our customers are pharmaceutical and biotechnology companies, including many global and domestic renowned industry players, and start-up biotechnology companies. Consistent with our "long-tail" strategy, we also provide comprehensive and tailored services responding to the needs of a growing group of diverse biotechnology start-ups and virtual pharmaceutical companies. We are focused on executing our "long-tail" strategy by enhancing comprehensiveness of our services and improving our customization to target customers with unique needs and demands to provide them with access to our platform. By leveraging our comprehensive R&D platform, we continue to execute our "long-tail" strategy to work with entrepreneurs, venture capitalists, university professors to discover and develop new drugs.

We enjoy a high level of customer loyalty and have developed solid working relationships with many customers. We provided services to 2,633, 2,673 and 2,928 customers in the years ended December 31, 2015, 2016 and 2017, respectively. For the twelve months ended June 30, 2018, we provided services to 3,380 customers. Many of our customers return to us for additional projects, and our revenue generated from existing customers increased during the Track Record Period. Revenue generated from our existing customers amounted to RMB4,563.9 million, RMB5,671.8 million, RMB7,320.0 million and RMB4,079.8 million for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively, accounting for 93.5%, 92.7%, 94.3% and 92.5% of our total revenue in each year. We acquired 811 new customers in the six months ended June 30, 2018. During the Track Record Period, we achieved 100% retention for our top ten customers.

The total revenue generated from our five largest customers increased significantly from RMB1,289.2 million for the year ended December 31, 2015 to RMB1,518.0 million for the year ended December 31, 2016,

and further to RMB1,690.0 million for the year ended December 31, 2017, and from RMB796.8 million for the six months ended June 30, 2017 to RMB959.2 million for the six months ended June 30, 2018. Our five largest customers in the year ended December 31, 2017 had relationships with us for approximately 12 years. In 2015, 2016, 2017 and the six months ended June 30, 2018, our five largest customers together accounted for 26.4%, 24.8%, 21.8% and 21.8%, respectively, of our revenue, and our largest customer accounted for 5.8%, 6.5%, 7.5% and 5.8%, respectively, of our revenue. See "Risk Factors — Risks Relating to Our Business and Industry — If we lose any of our key customers, our business and results of operations may be materially and adversely affected." for more information.

The following tables set forth certain information about our five largest customers in terms of revenue (in descending order) generated in 2015, 2016, 2017 and the six months ended June 30, 2018, respectively:

Year ended December 31,			Six months ended June 30,
2015	**2016**	**2017**	**2018**
Customer A	Customer C	Customer C	Customer C
Customer B	Customer A	Customer A	Customer A
Customer C	Customer B	Customer F	Customer G
Customer D	Customer E	Customer B	Customer F
Customer E	Customer D	Customer D	Customer H

Customer	Background & Years of Relationship	Services Provided
Customer A	• Multinational company engaged in research, development and sales of innovative pharmaceutical products • Since 2002	Small molecule new drug discovery, research and development, laboratory testing, process development and manufacturing services
Customer B	• Multinational company engaged in the development and manufacuring of pharmaceutical and diagnostic products • Since 2003	Small molecule new drug discovery, research and development, laboratory testing, process development and manufacturing services
Customer C	• Multinational company producing consumer goods, pharmacy and medical equipment • Since 2005	Small molecule new drug discovery, research and development, laboratory testing, process development and manufacturing services
Customer D	• Multinational company engaged in research, development and production of biopharamceuticals, small molecule drugs and vaccines and health drugs • Since 2003	Small molecule new drug discovery, research and development, laboratory testing services
Customer E	• Multinational company specializing in research and development for medical treatments • Since 2003	Small molecule new drug discovery, research and development and laboratory testing services
Customer F	• Multinational company engaged in producing over the counter medicines, vaccines and healthcare consumer goods • Since 2003	Small molecule new drug discovery, research and development, laboratory testing, process development and manufacturing services
Customer G	• Multinational oncology-focused biopharmaceutical company • Since 2013	Advanced intermediates, APIs and formulation manufacturing services

Customer	Background & Years of Relationship	Services Provided
Customer H	• PRC-based biotechnology company • Since 2018	Small molecule new drug discovery, research and development and laboratory testing services.

For certain key customers, we provide not only dedicated teams of scientists and research technicians, but also dedicated laboratory facilities, analytical support and independent information technology and security services. This physical and operational separation of customer projects ensures enhanced security and protection of our customers' intellectual property. The laboratory configuration and setup, research plan, operating procedures, information technology and security protocols all can be tailored to our customers' specifications.

We generally enter into service agreements with our customers for our integrated services. Our service agreements typically do not have a maturity date and set forth general rights and obligations of the parties. Services for each project under a service agreement will be provided pursuant to a separate and distinct work order, which sets forth project deliverables and specifications, project management regime and schedule, rules governing reporting and transfer of data and results, service fee and payment instructions and payment schedule. We also enter into project-based service contracts with some of our customers. Our project-based service contracts typically have a term ranging from a number of months to several years. These contracts terminate upon the completion of the relevant projects and set forth project specifications, project management regime, project schedule and discovery, development and/or manufacturing steps, payment terms, confidentiality obligations of the parties, ownership of intellectual property rights, termination clause and other general terms and conditions. Our service agreements are legally binding, and, during the Track Record Period, there were no material breaches in our service agreements.

Our customers typically retain ownership of all intellectual property associated with their projects, including both intellectual property it provides to us and that 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. Generally, the customer, and in some cases we as well, has the right to terminate a service agreement or project-based service contract or a work order under the service agreement without cause by giving prior written notice (ranging from 30 days to 90 days). In addition, each party typically has the right to terminate a service agreement or project-based service contract or a work order under the service agreement immediately upon notice to the other party if a material breach by the other party is not curable or remains uncured for a period of time (ranging from 30 days to 90 days) after notice of the material breach is received by the other party. If a customer terminates a project-based service contract or a work order, the customer is typically obliged to pay for the services already rendered and costs and expenses already incurred or irrevocably committed up to the date we receive the termination notice, and in some cases the customer is also obliged to pay a cancelation fee.

Customer Support

To facilitate project management, we have developed an online system allowing a customer's project manager to monitor and report on the progress of its projects through an encrypted website. Additionally, our project team interacts with a customer's project-management team through daily emails, bi-weekly reports and regular conference calls. Our project management involves strict adherence to our strategic imperative to protect our customers' intellectual property and other confidential information. See "— Intellectual Property Protection" below for more information.

We conduct frequent customer satisfaction surveys with certain key customers, and use measureable key performance indicators to improve our planning, execution, evaluation and support. We focus internally on operational improvement and innovation to achieve lower direct costs, better use of assets, faster discovery and development, increased accuracy, greater customization or precision of data, more added value and simplified processes. Dedicated to improving responsiveness to our customers' needs and inquiries, our customer support

department focuses on sales support and relationship management with our customers. Less-than-satisfactory marks and comments are scrutinized for root causes and used to continuously improve operations and services. Our customers also periodically conduct site inspections and audits of our facilities which provide regulatory support to our customers. During the Track Record Period, our customers conducted an aggregate of approximately 100 inspections and audits annually. Our Directors confirm that there were no material findings in the inspections and audits conducted by our customers or material product quality complaints received from our customers during the Track Record Period.

SUPPLIERS

Owing to our vast array of services, we procure a wide variety of raw materials, such as experiment reagents, and equipment. The raw materials and equipment are generally available from various suppliers in quantities adequate to meet our needs. Many of our suppliers offer both equipment needed for our integrated services and the corresponding raw materials. We primarily source our raw materials and equipment from a variety of suppliers that are located in China or have branches or subsidiaries in China. We have maintained stable relationships with many of our key suppliers. Our five largest suppliers, during the Track Record Period, on average had approximately eight years of relationship with us.

Our top five suppliers generally ranged from specialized manufacturers with more than three decades of industry experience to PRC branches or subsidiaries of multinational companies. We generally select our suppliers based on a variety of factors, including their qualification, product selection, quality, reputation, pricing, quality management capabilities and overall services. We regularly monitor and review the performance of our suppliers and conduct annual on-site audit for our key suppliers.

We mainly procure supplies and equipment by entering into a purchase order forms, tailored to whether the purchase is a large-scale centralized purchase or smaller purchases, separated by segment and service. We primarily have two types of purchase forms:

- Large-scale centralized purchase: According to the monthly purchase demand list submitted by each business unit, we adopt a large-scale centralized purchase system for the regular purchase of raw materials commonly used in daily research and development, production and operation featured by a large purchase amount and frequent purchase.

- Differentiated purchase by each business unit: We delegate the purchasing authority of products with low purchase amounts and low purchase frequency to each business unit, and each business unit purchases on its own according to our existing standard purchase process.

We have established a complete supplier management system, which divides suppliers into four levels: strategic, preferred, maintained, and observation. We monitor and manage suppliers by setting out new supplier selection criteria and implementing a grading management system and evaluation criteria.

We generally enter into long-term supply agreements with our suppliers, which typically have a term of one to three years. In circumstances where a supplier sells the same or similar products it has sold to us to a third party at a lower price, we can typically have our price adjusted to an amount capped at such lower price. If the supplier fails to adjust the price, then we may have the option to terminate our supply agreement without having to pay any damages for breach of contract. Our suppliers may also be responsible for providing all necessary information to us to prove that they are not in violation of their agreement to provide us with the lowest price. Except for force majeure events and when the supplier is facing bankruptcy or insolvency in which case a supply contract can typically be terminated without cause, we can typically terminate a supply contract when our supplier fails to cure a material breach within 30 days or fails to perform after the grace period (usually 15 to 30 days) is over. We may also terminate a contract if the quality of products is substantially subpar. Our supply agreements with some of our key suppliers also have a renewal provision, allowing us to automatically renew unless prior notice to terminate is given by either party, ranging from 30 to 180 days in advance.

We seek to manage the impact of fluctuations in price of raw materials through various measures, such as (1) seeking to enter into long-term and/or global contracts with multinational suppliers covering cross-regions where possible to enhance our negotiating power and achieve optimal discounts, (2) acquire raw materials locally to minimize transport costs, (3) managing our stock levels and purchasing materials on consignment when necessary, and (4) continuing to diversify and expand our supplier pool. Through these measures, we seek to pass on any increase in costs to our customers. During the Track Record Period, we did not encounter any material shortage or delay in the supply of raw materials.

For purchase of raw materials under a long-term supply agreement, we typically send a separate purchase order with quantity and delivery requirements to the supplier for each purchase. For purchase of equipment under a long-term supply agreement, given the variations and constant updates of the same type of equipment, we send a separate purchase order with equipment specifications, quantity, purchase price and delivery requirements for each purchase. Typically there are no minimum purchase obligations under the long-term supply agreements. We also enter into one-off supply contracts with some suppliers. Our suppliers typically extend to us credit terms ranging between 30 to 90 days. Pursuant to the payment method set out in the relevant contract (unless otherwise set forth in the purchase order), we typically pay our suppliers via wire transfer, bank draft or bank acceptance draft.

In 2015, 2016, 2017 and the six months ended June 30, 2018, our five largest suppliers together accounted for 21.7%, 16.3%, 17.2% and 17.7%, respectively, of our total purchases, and our largest supplier accounted for 9.5%, 6.4%, 5.3% and 5.7%, respectively, of our total purchases. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material dispute with our suppliers or any material breach of our supply contracts or agreements. To the best of our knowledge, as of the Latest Practicable Date, we were not aware of any information or arrangement that would lead to termination of our relationships with any of our major suppliers. None of our Directors, their respective associates, or Shareholders who own 5% or more of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period. During the Track Record Period, none of our major suppliers was also our customer.

SUBCONTRACTORS

In limited circumstances, certain steps in some of our projects require testing procedures which we currently do not have the capabilities or capacity for. Such testing procedures normally form a minor part of the overall project, and we execute a statement of work to subcontract each such batch of testing work. We make payments after receiving invoices. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, we incurred RMB17.5 million, RMB27.0 million, RMB35.5 million and RMB37.6 million, respectively, for outsourced testing services. We typically select our subcontractors after we have performed reasonable due diligence based on their past experience and performance. During the Track Record Period, our subcontractors were Independent Third Parties. Our contracts with our subcontractors are typically valid for a term of two years. We require our subcontractors to deliver their services on an efficient and cost-effective basis and comply with relevant laws and professional standards.

QUALITY MANAGEMENT

We believe that an effective quality management system for procuring raw materials, R&D and manufacturing is critical to ensuring the quality of our services and maintaining our reputation and success. We have established an in-house quality management system and devote significant attention to quality control of raw materials and equipment and have issued standardized operating procedures relating to quality management. We seek to ensure that our services consistently meet high industry standards and requirements. We have established a quality assurance department, which is responsible for supervising the implementation of the quality standards. Based on the research and development and specific manufacturing processes of different products, we have established quality control measures for all stages of our operations, covering procurement of raw and auxiliary materials, research and development and process development, manufacturing of advanced intermediates and APIs, and product quality disputes.

1. Raw material procurement

We carefully select our raw material suppliers. Prior to engaging with suppliers, we compile a list of the raw materials required for a given project and conduct a risk assessment for each material, considering the degree of influence that a material can have on the final product, defining a safety grade for the materials and then when working with suppliers, examining their product quality and conducting on-site audits of suppliers' facilities. Our storage and transportation departments are responsible for accepting the materials, verifying their quantity and distributing or storing, as applicable, and sending the raw materials to the departments that need them. Our laboratories are responsible for sampling the raw materials and conducting a quality inspection and preparing a report summarizing the findings. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material quality issue relating to our raw materials.

The custodians of our storage and transportation departments are responsible for the acceptance, quantity verification, inspection and distribution and storage management of raw materials procured. Our laboratories are responsible for sampling, quality inspection and inspection reports of raw materials. Packaging material inspectors of quality assurance departments are responsible for the visual inspection of the packaging materials and the quality inspection of other items, and issuing inspection reports of the packaging materials. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material quality issue relating to our raw materials.

2. Research and development and process development procedures

We have implemented comprehensive standard operating procedures in order to effectively control the quality of service and ensure that the research and development and process development procedures follow the relevant GLP specifications. The quality assurance department are responsible for reviewing GLP experimental plans and experiment execution process, submitting analysis reports to management, submitting experimental plans and summary reports to the relevant regulatory authority, and participating in management meetings to discuss quality/compliance matters, on a regular basis or as appropriate.

3. Manufacturing

We have also developed standard operating procedures for quality control in the manufacturing process. We have specifically established quality assurance departments to review the integrity of each batch of products manufactured, in order to ensure that quality standards are maintained during the manufacturing process. Quality supervisors take samples from each batch of products and laboratory technicians carry out quality inspections on each batch of finished products and issue inspection reports based on the results. Samples that fail to pass the inspection are disposed of in accordance with the requirements of the operating procedures for substandard products. In addition, the quality supervisors are also responsible for the monitoring and supervision of clean environment of workshops to ensure the cleanliness requirements of our facilities and the quality supervision of manufacturing process and record in a faithful manner to ensure traceability of product quality.

4. Product quality complaints

We have a well-established system to handle product quality complaints received from customers. The complaints are divided by stage in the production process (i.e. product quality compliance, transportation and packaging). Once a complaint is received, the head of the responsible department is immediately notified. Each complaint results in an investigation and if a cause is found, corrective action is taken immediately.

We have a strong track record of successfully ensuring strict compliance with quality management standards. Our principal subsidiaries have received numerous Chinese and international quality management certifications and licenses. For example, we own the first chemical composition production and control research

and development platform in China to have passed FDA review, the first cGMP drug products manufacturing facility that meets U.S., European and Chinese quality standards in China and the first GLP preclinical laboratory and GLP/GCP bioanalytical laboratory to be certified by the OECD and the NMPA and to pass FDA review in China.

OUR FACILITIES AND OFFICES

As of the Latest Practicable Date, we had 27 operation sites and branch offices, which include sites located in Shanghai, Suzhou, Tianjin, Wuhan and Changzhou in China, Philadelphia, St. Paul, Atlanta, Austin and San Diego in the U.S., and Munich in Germany, among others.

Site	Function/Services Provided	Certifications
WXAT Shanghai （上海藥明）	Small molecule drug discovery and research services	1. Registration Proof of Shanghai Pathogenic Microorganism Laboratories 2. License for use of laboratory animals 3. Radiation Safety Permit
Shanghai STA Research	CMO/CDMO services	Radiation Safety Permit
Shanghai AppTec CDS	Clinical services, clinical operations, safety and pharmacovigilance and medical writing project management	
Medkey	SMO services	
Shanghai HD Biosciences	Biology services	1. License for use of laboratory animals 2. Radiation Safety Permit
Changzhou	CMO/CDMO services	1. cGMP certificate for pharmaceutical products 2. Drug Manufacturing License
Jinshan	CMO/CDMO services	1. GMP certificate for pharmaceutical products 2. Drug Manufacturing License 3. Hazardous Chemicals Business License
WXAT Suzhou	Toxicology services, bioanalytical services and DMPK/ADME	1. GLP certification approval for drugs 2. Registration Certificate of Biosafety Laboratories 3. License for use of laboratory animals 4. Radiation Safety Permit
Suzhou Abgent	Research reagent services	License for use of laboratory animals
XBL-China	DMPK/ADME	1. License for use of laboratory animals 2. Radiation Safety Permit
WuXi STA	CMO/CDMO services	Drug Manufacturing License
WuXi ATU	Research and development	
WXAT Wuhan	Chemistry services	

Site	Function/Services Provided	Certifications
WXAT Tianjin	Chemistry services	
Beijing	Clinical services, clinical operations and project management	
San Diego, California, United States — HD Biosciences	Biology services	
San Diego, California, United States — STA	CMO/CDMO	
Atlanta, Georgia, United States	Medical device testing	1. Certificate of GMP Compliance of a Manufacturer 2. Certificate of Accreditation — Accredited Laboratory
Philadelphia, Pennsylvania, United States	Cell and gene therapies and associated testing	1. Certificate of GMP Compliance of a Manufacturer 2. Certificate of Accreditation — Accredited Laboratory
Saint Paul, Minnesota, United States	Medical device testing	1. Certificate of GMP Compliance of a Manufacturer 2. Certificate of Registration Quality Management System — ISO 13485:2003 3. Certificate of Accreditation — Accredited Laboratory 4. Registered Class R Research Facility
Austin, Texas, United States	Clinical services	
Plainsboro, New Jersey, United States	DMPK and bioanalytical services	
Munich, Germany	Chemistry and biology services	

We also have sales and branch offices in Israel, Hong Kong, South Korea and Cambridge, Massachusetts in the U.S..

FUTURE EXPANSION

We intend to continue to expand our capacity and capabilities across all business units in the PRC, the U.S. and Hong Kong. We intend to:

1. Invest in seven projects in the PRC. The following table sets forth a summary of the new projects:

	Qidong chemistry and biology labs	**Chengdu new R&D campus**	**Wuxi contract manufacturing facility**	**Wuhan drug conjugate intermediate research platform, digital imaging research platform and manufacturing facilities**	**Suzhou bioequivalence center**	**SMO clinical research platform expansion and establishment of big data analysis platform**	**Nationwide clinical research monitoring network establishment**
Construction commencement date	Commenced in 2018. Expected to be completed in 1 year.	Not commenced. Expected to be completed in 3 years.	Commenced in 2018. Expected to be completed in 1 year.	Not commenced. Expected to be completed in 3 years.	Not commenced. Expected to be completed in 3 years.	Not commenced. Expected to be completed in 3 years.	Not commenced. Expected to be completed in 3 years.
Estimated date of operation	2019	2021	2019	2021	2021	2021	2021
Key services	Small molecule research	Lab testing services	Manufacture of viral vectors and plasmid DNA used in cell and gene therapy products	Digital imaging research platform	Bioequivalence services	SMO services, including (1) expansion of coverage nationwide, and (2) establish coordinated clinical research patient visitation scheme and clinical research coordinator training centers	Expansion of nationwide coverage for clinical research monitoring services
Estimated total capital expenditure	RMB270.0 million	RMB330.0 million	RMB150.0 million	RMB205.6 million	RMB180.0 million	RMB168.7 million	RMB168.0 million

	Qidong chemistry and biology labs	Chengdu new R&D campus	Wuxi contract manufacturing facility	Wuhan drug conjugate intermediate research platform, digital imaging research platform and manufacturing facilities	Suzhou bioequivalence center	SMO clinical research platform expansion and establishment of big data analysis platform	Nationwide clinical research monitoring network establishment
Expected key milestones	2019: • Completion of all milestones, including project preparation and filings, preliminary planning and civil construction design, civil construction implementation, public and subsidiary facility updates, purchase instruments and equipment, staff hiring and training, system testing, and grant of certificates and completion.	2019: • Completion of project preparation and filings, and preliminary planning and civil construction design. 2020: • Completion of civil construction implementation, public and subsidiary facility updates, purchase of instruments and equipment, staff hiring and training, and system testing. 2021: • Completion of remaining milestones, including grant of certificates and completion.	2019: • Completion of all milestones, including project preparation and filings, preliminary planning and civil construction design, civil construction implementation, public and subsidiary facility updates, purchase instruments and equipment, staff hiring and training, system testing, and grant of certificates and completion.	2019: • Completion of project preparation and filings, preliminary planning and civil construction design. 2020: • Completion of civil construction implementation, public and subsidiary facility updates, purchase of instruments and equipment, and staff hiring and training. 2021: • Completion of remaining milestones, including system testing, grant of certificates and completion.	2019: • Completion of project preparation and filings, and preliminary planning and civil construction design. 2020: • Completion of civil construction implementation, public and subsidiary facility updates, purchase of instruments and equipment, staff hiring and training, and system testing. 2021: • Completion of remaining milestones, including grant of certificates and completion.	Not Applicable[1]	Not Applicable[1]

Note:

(1) These projects do not have specific milestones as they relate to the expansion of our clinical research services in the form of acquiring office space and hiring additional staff.

2. Invest in two projects in the U.S.. The following table sets forth a summary of the new projects:

	Biology laboratory in San Diego, California	cGMP manufacturing cell and gene therapy facility in Philadelphia Pennsylvania
Construction commencement date	Commenced in 2018. Expected to be completed in 3 years.	Commenced in 2018. Expected to be completed in 3 years.
Estimated date of operation	2020	2020
Key services	Biology services	Cell and gene therapy products manufacturing
Estimated total capital expenditure	RMB 209.8 million	RMB 843.0 million
Expected key milestones	2019: • Completion of project preparation and filings, preliminary planning and civil construction design, civil construction implementation, and public and subsidiary facility updates. 2020: • Completion of remaining milestones.	2019: • Completion of project preparation and filings, and preliminary planning and civil construction design. 2020: • Completion of remaining milestones.

3. Establish a Hong Kong-based R&D Innovation Center: Construction has not commenced for this project, which is expected to be completed in 3 years by 2021. The innovation center will provide lab testing services and cell and gene therapy research services. Leveraging our existing long-term relationships with Hong Kong research academics, the innovation center is well positioned to connect individuals in Hong Kong and the South China region with advanced technology and research on cell and gene therapy. The estimated total capital expenditure for the project is RMB500.0 million. We expect to complete project preparation and filings, preliminary planning and civil construction design and civil construction implementation in 2019, complete public and subsidiary facility updates, purchase of instruments and equipment, staff hiring and training and system testing in 2020, and complete all remaining milestones in 2021.

As of the Latest Practicable Date, we anticipate that the estimated total capital expenditure of each of the projects will be funded using the net proceeds from the Global Offering. For further details, see "Future Plans and Use of Proceeds."

PROPERTIES

Owned properties

As of the Latest Practicable Date, we owned a total of ten real properties, which have a total gross floor area ("**GFA**") of approximately 196,972.20 sq.m. in China, and we had obtained building ownership certificates of all of such properties. The owned properties are not secured by any debt. As of the Latest Practicable Date, we had not completed all the procedures for the property completion acceptance of the sewage treatment station and

warehouse we built on our owned land in Caojing Town, Jinshan District, Shanghai, and thus did not own the title of such properties. As advised by our PRC Legal Advisor, there are no substantive obstacles under the PRC law to receive the title to the afore-mentioned property once we have completed all the completion acceptance of construction projects and registration procedures. Besides, we had not received the title of the properties we purchased which had a total GFA of 42,856 sq.m. and we have not paid the last instalment of the purchase price which is not yet due for payment. After we complete the payment, the transferor shall cooperate with us to register the title in our own pursuant to the property purchase agreement.

Leased properties

1. Leased properties located in China

As of the Latest Practicable Date, we have leased a total of 64 properties with a total GFA of approximately 253,838.17 sq. m. from unrelated parties in China for our manufacturing and operation activities. For 54 of the properties, property ownership certificates have been obtained by the lessors. For seven of the properties which have a total GFA of 76,229.04 sq.m., property ownership certificates have yet to be obtained by the lessors, while land use certificates and relevant permits for construction from competent authorities have been obtained. It is of our PRC Legal Advisor's view that the lease agreements for these seven properties are legal and binding under the PRC law. For three of the properties which have a total GFA of 1,574.12 sq.m., neither property ownership certificates nor relevant permits for construction from competent authorities have been obtained.

2. Leased Properties Outside of China

As of the Latest Practicable Date, we leased 17 properties outside of China with a monthly rental of over RMB10,000 equivalent each at the end of the Track Record Period and total GFA of approximately 59,000 sq.m.

Title defects

As of the Latest Practicable Date, among our 64 leased properties in China, three of which have title defects that may adversely affect our ability to continue to use them in the future. The total GFA of these defective properties, which were used as general office and animal testing laboratory, is approximately 1,574.12 sq.m., representing 0.62% of our total GFA for leased properties. The existence of title defects is mainly due to the failure of those lessors to provide either property ownership certificates or relevant construction permits regarding their legal right to lease such properties. Should disputes arise due to title encumbrances to such properties or government action, we may encounter difficulties in continuing to lease such properties and may be required to relocate.

As of the Latest Practicable Date, we were not aware of any challenge by a third party or government authority on the titles of any of these leased properties that might affect our current occupation. Our Directors believe that relocation will not have a material adverse impact on our business, financial position and results of operation. As advised by our PRC Legal Advisor, the total GFA of these three properties only accounts for 0.62% of that of the total properties for lease, and thus the lack of certain certificates and approvals will not have a material adverse effect on our financial conditions or results of operations as a whole.

According to relevant PRC laws and regulations and pursuant to the relevant lease agreements, we have the right to claim indemnity from the lessors for our loss if the lease agreement is invalidated by a third-party objection due to the lessor's fault.

In addition, we have enhanced our internal control to avoid such risks by the following measures:

- we have assigned designated personnel to follow up with the relevant parties to retrieve the ownership certificates or other ownership documents of the existing defective properties as soon as possible; and

- we will conduct our due diligence and reviews more prudently when we lease additional premises, particularly on title certificates for such properties.

Non-registration of leased properties

As of the Latest Practicable Date, lease agreements of our 42 leased properties in China had not been registered and filed with relevant real estate management departments in China according to the Administrative Measures for Commodity House Leasing(《商品房屋租賃管理辦法》). As advised by our PRC Legal Advisor, the validity and enforceability of the lease agreements are not affected by the failure to register or file the lease agreements with the relevant government authorities. According to the relevant PRC regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease, resulting in a maximum aggregate fine of RMB0.42 million. During the Track Record Period and up to the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant government authorities. In light of the validity and enforceability of the unregistered lease agreements and the insignificant amount of potential maximum fine, our Directors are of the view that the non-registration of leased properties will not have any material adverse impact to the Company. We undertake to cooperate fully with the lessors to facilitate the registration of lease agreements once we receive any requirements from relevant government authorities.

Land use rights

As of Latest Practicable Date, we had the land use rights of a total of nine pieces of land in China with total site area of approximately 592,420.49 sq. m. and we had obtained land use right certificates, none of which had been pledged.

EMPLOYEES

As of June 30, 2018, we had a total of 15,327 employees. As of June 30, 2018, we had 5,702 employees who have obtained a master's or higher degree, with 873 holding a Ph.D. or equivalent degree.

The table below sets forth a breakdown of our employees by function and by geography as of June 30, 2018.

	PRC (including Hong Kong)	U.S.	Europe	Total
Research and development	11,629	282	37	11,948
Manufacturing	1,036	434	—	1,470
Sales	27	104	12	143
Management and administration	1,345	416	5	1,766
Total	14,037	1,236	54	15,327

We believe that our success depends in part on our ability to attract, recruit and retain quality employees. We provide our employees with opportunities to work on cutting-edge drug development projects with world-class scientists. We also aim to establish a collaborative work environment that encourages them to develop their career with us. In addition, we have an effective training system, including orientation and continuous on-the-job training, to accelerate the learning progress and improve the knowledge and skill levels of our workforce. Our orientation process covers subjects such as corporate culture and policies, work ethics, introduction to the drug development process, quality management, and occupational safety. Our periodic on-the-job training covers streamlined technical know-hows of our integrated services, environmental, health and safety management systems and mandatory training required by applicable laws and regulations.

We enter into individual employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees generally includes salary and bonus elements. In general, we determine the remuneration package based on the qualifications, position and performance of our employees. We also make contributions to social insurance fund for our Chinese employees in the PRC, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund. In addition, we have adopted an employee share option plan to provide an additional means to attract, motivate, retain and reward our employees.

In support of our growth, we regularly review our capabilities and make adjustments to our workforce to ensure we have the right mix of expertise to meet the demand for our services. We believe that our reputation, work environment, training system, remuneration package and employee share incentive plan are advantages that attract qualified candidates. During the Track Record Period, we had primarily adopted a direct recruitment policy. We aim to attract mid-level to senior executives of large pharmaceutical or biotechnology companies with Chinese background by offering competitive compensation packages, including share-based compensation. Compared with our non-Chinese competitors, we believe we have inherent advantages in attracting such candidates as a result of the tremendous career opportunities in the booming Chinese research and development outsourcing market.

We have established a labor union that represents employees with respect to the promulgation of bylaws and internal protocols. We had not experienced any material labor disputes or any material difficulty in recruiting employees for our operations during the Track Record Period.

AWARDS AND RECOGNITIONS

The table below sets forth an indicative list of some of the awards and recognitions we have received since 2014:

Award/Recognition	Recipient	Award Date	Award Organization/Authority
CSR Award — "Growing Enterprise Award"	Our Company	2018	GoldenBee
Heroes of Chemistry Award	Our Company	2017	ACS
Global Integrated Drug R&D Services Competitive Strategy Innovation & Leadership Award	Our Company	2017	Frost & Sullivan*
Company of the Year	Our Company	2016	BayHelix
Executive of the Year	Dr. Li	2015	SCRIP Intelligence
The 25 Most Influential People in Biopharma	Dr. Li	2015	FierceBiotech
Asian CRO Company of the Year Award	Our Company	2015	Frost & Sullivan*
Open-Access R&D Technology Leadership Award	Our Company	2015	Frost & Sullivan*

Note:

* We have engaged Frost & Sullivan for preparing the F&S Report, an independent industry report in respect of the Global Offering. See "Industry Overview — Source of Information" for more details.

COMPETITION

We face competition from other CROs and CMO/CDMOs. The market in which we operate is highly fragmented. The 15 largest CROs and CMOs by revenue accounted for 27.1% of the global pharmaceutical R&D outsourcing services market by revenue in 2017, which amounted to US$104.1 billion, according to the F&S

Report. We are the largest pharmaceutical R&D services platform in Asia and had a global market share of 1.1% by revenue in 2017, according to the F&S Report. There are also a substantial number of smaller to medium sized CROs, both multinational and locally based, which compete for market share. These include US-based companies such as Catalent, IQVIA, Covance and Charles River, as well as China-based companies such as Asymchem, Tigermed and Fountain Medical Development.

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 standards of GLP and cGMP, depth of customer relationships, price and geography. We face competition mainly from multinational corporations and, to a lesser extent, from PRC companies.

In terms of entry barriers, according to the F&S Report, the CRO and CMO/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 clients and emphasis on cost efficiency.

Our core competitive edge is our offering of integrated services that cover the full research and development process and our ability to provide the customers with end-to-end open access platform that saves customers critical time and money. In addition, our capacity enables us to satisfy the increasing demand for outsourced research and development and establish network and customer relationships. We believe that we are able to maintain our services' competitiveness by leveraging our established position in the global research and development outsourcing services market and capitalizing on the opportunities offered by the booming pharmaceutical market in China. We are also of the view that a comprehensive and integrated service portfolio and effective quality assurance are critical to the continuing success of our business.

INTELLECTUAL PROPERTY

We develop and use a number of proprietary methodologies, analytics, systems, technologies, trade secrets, know-hows and other intellectual property during the conduct of our business. As of the Latest Practicable Date, we had 8 registered trademark in Hong Kong, 201 registered trademarks in the PRC, 177 registered patents in the PRC, 20 software copyrights in the PRC, and 32 registered domain name. For further details, see "Statutory and General Information — 1. Further Information about Our Company — C. Our Intellectual Property Rights" in Appendix VI to this prospectus for further details of our material intellectual property rights.

Due to the nature of our services, we typically have access to a significant amount of intellectual property owned by our customers. In addition, our customers generally retain ownership of all intellectual property associated with their projects, including the intellectual property that they provide to us and the intellectual property arising from the services we provide. We enter into agreements with all of our scientists and research technicians under which they disown all intellectual property they create during their employment and waive all relevant intellectual property rights or claims. All of our scientists and research technicians have agreed to disclose and assign to us all inventions conceived by them during their term of employment.

INTELLECTUAL PROPERTY PROTECTION

The protection of our customers' intellectual property is essential to our businesses. In addition to protecting our customers' intellectual property, our success also substantially depends on our ability to protect our own proprietary rights. Protecting the proprietary rights of our customers has been a top priority since our inception. Intellectual property protection is particularly important for us. Our employees are bound by confidentiality obligations under their employment contracts and are prohibited from disclosing the intellectual property of ours and our customers. During the Track Record Period and up to the Latest Practicable Date, none of our employees breached the confidentiality obligations under their employment contracts in a material respect.

We have also adopted an intellectual property protection process whereby we periodically scan signed and dated notebooks of every scientist and research technician onto diskettes. Notebooks are critical to the pharmaceutical drug discovery and development process, as scientists' and research technicians' notes are often used as original data in support of patent applications and disputes. We are now switching from physical notebooks to electronic notebooks for many of our customers. Our process preserves the documentation necessary to establish intellectual property ownership should any disputes arise in the future. This process not only significantly enhances the protection of key original information, but also increases customers' confidence and trust in our company. In addition, certain customer projects have dedicated laboratory space equipped with key-card access control systems. Furthermore, we have adopted fire wall policies that restrict communications between different project teams and prohibit intermingling information of different customers. Most laboratory computers are not connected to the internet and have restricted data-transfer capabilities.

We have established documentation procedures, powered by the Laboratory Information Management System, or LIMS, licensed by LabWare, to control information access on a need-to-know basis and to restrict system access in connection with our drug discovery and development. A typical bioanalytical laboratory generates hundreds or even thousands of test results daily, which must be securely stored for long periods. LIMS is designed for tracking individual samples and the information obtained. We believe that our LIMS complies with all FDA requirements regarding security, including data integrity, compatibility and audit-trail generation.

Despite the measures and efforts we have taken to protect our own and our customers' intellectual property, unauthorized parties may attempt to obtain and use information that we regard as proprietary. Under our contractual arrangements with our customers, we typically undertake to indemnify our customers for damages resulting from any third party intellectual property infringement claims that are solely based on our intellectual property; our customers typically undertake to indemnify us for damages resulting from any third party intellectual property infringement claims other than those that are solely based on our intellectual property. 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, nor were we party to, any intellectual property rights infringement claims or litigations and were not aware of any material infringement of our intellectual property rights that had a material adverse effect on our business. We had complied with all applicable intellectual property laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

Our operations and facilities are subject to extensive environmental protection and health and safety laws and regulations, which govern, among other things, the generation, storage, handling, use and transportation of hazardous materials and the handling and disposal of hazardous and biohazardous waste generated at our facilities. These laws and regulations generally impose liability regardless of the negligence or fault of a responsible party, unless it has legally defined immunities. These laws and regulations also require us to obtain permits from governmental authorities for certain operations. See "Regulatory Overview" for more details.

We have established departments in respect of environmental, health and safety, which is responsible for overseeing the implementation of our measures and procedures to ensure our compliance with the applicable environmental protection and health and safety laws and regulations and the health and safety of our employees. These measures and procedures include (i) developing and maintaining internal audit policies and procedures to monitor environmental health and safety and industrial hygiene, safety risk assessment procedures, an operational safety management system for migrant personnel, a hazard response approval system for laboratories, a chemical safety management system, a fire safety management system, a safe use management system for pressure vessels and rules on the access by personnel and vehicles to our sites, (ii) conducting safety production training for all employees, (iii) conducting regular inspections of facilities, (iv) coordinating third party occupational health assessments and third party fire safety inspections, and (v) ensuring safety throughout experiments, through approvals of experiment plans and regular monitoring throughout the experiments.

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, our total cost of compliance with environmental protection and health and safety laws and regulations was approximately RMB55.2 million, RMB75.7 million, RMB91.3 million and RMB45.3 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 forwards. However, because the requirements imposed by these laws and regulations may change, we may be unable to accurately predict the cost of complying with these laws and regulations. We expect that we would incur approximately RMB49.7 million in the last six months of 2018 to comply with environmental protection and health and safety laws and regulations.

During the Track Record Period, we have not been subject to any administrative penalties relating to safety production which would have a material adverse effect on our financial position or results of operations as a whole.

CERTIFICATE, PERMITS AND LICENSES

We are required to obtain and renew certain certificates, permits and licenses for providing our services. See "Regulatory Overview" for more information about the material certificates, permits and licenses required for our business operations in the PRC, U.S. and Germany. As of the Latest Practicable Date, we had obtained all requisite certificates, permits and licenses that are material for our operation, and all of such certificates, permits and licenses are within their respective effective periods. We have not experienced any material difficulty in renewing such certificates, permits and licenses during the Track Record Period. During the Track Record Period, we have not been subject to any material administrative penalties relating to maintenance and renewal of our material certificates, permits and licenses.

The following table sets forth a summary of the key licenses, permits and certificates that we hold, in particular, pharmaceutical product certificates, laboratory qualification certificates and permits, and manufacturing and operation permits as of the Latest Practicable Date.

Pharmaceutical Product Certificates

Holder	Certificate Name	Certificate Number	Issuing Authority	Issue Date	Expiry Date
GMP CERTIFICATE FOR PHARMACEUTICAL PRODUCTS					
STA	GMP certificate for pharmaceutical products (藥品GMP證書)	SH20160014	Shanghai Municipal Food and Drug Administration (上海市食品藥品監督管理局)	2016.04.13	2021.04.12
STA	GMP certificate for pharmaceutical products (藥品GMP證書)	SH20180027	Shanghai Municipal Food and Drug Administration	2018.07.16	2023.07.15
STA	GMP certificate for pharmaceutical products (藥品GMP證書)	SH20180046	Shanghai Municipal Food and Drug Administration (上海市食品藥品監督管理局)	2018.09.21	2023.09.20
WuXi AppTec, Inc.	Certificate of GMP Compliance of Manufacturer	UK GMP 35210 Insp GMP 35210/978451-0004	Medicines and Healthcare Products Regulation Agency, United Kingdom	2017.03.02	3 years from the date of inspection

Holder	Certificate Name	Certificate Number	Issuing Authority	Issue Date	Expiry Date
GLP CERTIFICATE FOR PHARMACEUTICAL PRODUCTS					
WXAT Suzhou	GLP certification approval for drugs (藥物GLP認證批件)	GLP10011025	China Food and Drug Administration	2010.11.02	N/A
WXAT Suzhou	GLP certification approval for drugs (藥物GLP認證批件)	GLP12008046	China Food and Drug Administration	2012.08.07	N/A
WXAT Suzhou	GLP certification approval for drugs (藥物GLP認證批件)	GLP18002098	China Food and Drug Administration	2018.03.05	N/A

Laboratory Qualification Certificates and Permits

Holder	Certificate Name	Certificate Number	Issue Authority	Issue Date	Expiry Date
PATHOGENIC MICROORGANISM LABORATORY REGISTRATION (病原微生物實驗室備案)					
WXAT Shanghai	Registration Proof of Shanghai Pathogenic Microorganism Laboratories (BSL-2) (上海市病原微生物實驗室備案憑證(BSL-2))	Pu Zi Di No. 022010018 (浦字第022010018號)	Shanghai Municipal Pudong New District Health Bureau (上海市浦東新區衛生局)	2010.11.05	N/A
WXAT Shanghai	Registration Proof of Shanghai Pathogenic Microorganism Laboratories (BSL-2) (上海市病原微生物實驗室備案憑證(BSL-2))	Pu Zi Di No. 022011019 (浦字第022011019號)	Shanghai Municipal Pudong New District Health Bureau (上海市浦東新區衛生局)	2011.10.08	N/A
WXAT Shanghai	Registration Proof of Shanghai Pathogenic Microorganism Laboratories (BSL-2) (上海市病原微生物實驗室備案憑證(BSL-2))	Pu Zi Di No. 022014020 (浦字第022014020號)	Shanghai Municipal Pudong New District Commission of Health and Family Planning (上海市浦東新區衛生和計劃生育委員會)	2014.12.23	N/A
WXAT Shanghai	Registration Proof of Shanghai Pathogenic Microorganism Laboratories (BSL-2) (上海市病原微生物實驗室備案憑證(BSL-2))	Pu Zi Di No. 022017013 (浦字第022017013號)	Shanghai Municipal Pudong New District Commission of Health and Family Planning (上海市浦東新區衛生和計劃生育委員會)	2017.05.27	N/A

Holder	Certificate Name	Certificate Number	Issue Authority	Issue Date	Expiry Date
WXAT Shanghai	Registration Proof of Shanghai Pathogenic Microorganism Laboratories (BSL-2) (上海市病原微生物實驗室備案憑證(BSL-2))	Pu Zi Di No. 022017032 (浦字第022017032號)	Shanghai Municipal Pudong New District Commission of Health and Family Planning (上海市浦東新區衛生和計劃生育委員會)	2017.08.15	N/A
WXAT Shanghai	Registration Proof of Shanghai Pathogenic Microorganism Laboratories (BSL-2) (上海市病原微生物實驗室備案憑證(BSL-2))	Pu Zi Di No. 022017037 (浦字第022017037號)	Shanghai Municipal Pudong New District Commission of Health and Family Planning (上海市浦東新區衛生和計劃生育委員會)	2017.08.28	N/A
WXAT Shanghai	Registration Proof of Shanghai Pathogenic Microorganism Laboratories (BSL-2) (上海市病原微生物實驗室備案憑證(BSL-2))	Pu Zi Di No. 022018044 (浦字第022018044號)	Shanghai Municipal Commission of Health and Family Planning (上海市浦東新區衛生和計劃生育委員會)	2018.09.10	N/A
WXAT Shanghai	Registration Proof of Shanghai Pathogenic Microorganism Laboratories (BSL-2) (上海市病原微生物實驗室備案憑證(BSL-2))	Pu Zi Di No. 022018045 (浦字第022018045號)	Shanghai Municipal Commission of Health and Family Planning (上海市浦東新區衛生和計劃生育委員會)	2018.09.10	N/A
WXAT Suzhou	Registration Certificate of Biosafety Laboratories (生物安全實驗室備案證書)	SZ2016018	Jiangsu Provincial Commission of Health and Family Planning (江蘇省衛生和計劃生育委員會)	2016.12.01	2018.11.30(1)
WXAT Suzhou	Registration Certificate of Biosafety Laboratories (生物安全實驗室備案證書)	SZ2016021	Jiangsu Provincial Commission of Health and Family Planning (江蘇省衛生和計劃生育委員會)	2016.12.01	2018.11.30(2)
WXAT Suzhou	Registration Certificate of Biosafety Laboratories (生物安全實驗室備案證書)	SZ2018044	Jiangsu Provincial Commission of Health and Family Planning (江蘇省衛生和計劃生育委員會)	2018.09.27	2020.09.26
WXAT Suzhou	Registration Certificate of Biosafety Laboratories (生物安全實驗室備案證書)	SZ2017076	Jiangsu Provincial Commission of Health and Family Planning (江蘇省衛生和計劃生育委員會)	2017.11.20	2019.11.19

Holder	Certificate Name	Certificate Number	Issue Authority	Issue Date	Expiry Date
LICENSE FOR USE OF LABORATORY ANIMALS (實驗動物使用許可證)					
WXAT Shanghai	License for use of laboratory animals (實驗動物使用許可證)	SYXK (Hu) 2015-0019 (SYXK (滬) 2015-0019)	Science and Technology Commission of Shanghai Municipality (上海市科學技術委員會)	2015.11.30	2020.11.28
WXAT Shanghai	License for use of laboratory animals (實驗動物使用許可證)	SYXK (Hu) 2018-0004 (SYXK (滬) 2018-0004)	Science and Technology Commission of Shanghai Municipality (上海市科學技術委員會)	2018.04.20	2023.04.19
WXAT Suzhou	License for use of laboratory animals (實驗動物使用許可證)	SYXK (Su) 2014-0016 (SYXK (蘇) 2014-0016)	Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳)	2014.05.08	2019.05.07
WXAT Suzhou	License for use of laboratory animals (實驗動物使用許可證)	SYXK (Su) 2014-0017 (SYXK (蘇) 2014-0017)	Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳)	2014.05.08	2019.05.07
WXAT Suzhou	License for use of laboratory animals (實驗動物使用許可證)	SYXK (Su) 2015-0021 (SYXK (蘇) 2015-0021)	Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳)	2015.09.21	2020.09.20
WXAT Suzhou	License for use of laboratory animals (實驗動物使用許可證)	SYXK (Su) 2015-0022 (SYXK (蘇) 2015-0022)	Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳)	2015.09.21	2020.09.20
WXAT Suzhou	License for use of laboratory animals (實驗動物使用許可證)	SYXK (Su) 2016-0039 (SYXK (蘇) 2016-0039)	Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳)	2016.08.05	2021.08.04
WXAT Suzhou	License for use of laboratory animals (實驗動物使用許可證)	SYXK (Su) 2018-0014 (SYXK (蘇) 2018-0014)	Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳)	2018.04.03	2023.04.02
WXAT Suzhou	License for use of laboratory animals (實驗動物使用許可證)	SYXK (Su) 2018-0045 (SYXK (蘇) 2018-0045)	Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳)	2018.10.26	2023.10.25

Holder	Certificate Name	Certificate Number	Issue Authority	Issue Date	Expiry Date
WXAT Suzhou	License for use of laboratory animals (實驗動物使用許可證)	SYXK (Su) 2018-0046 (SYXK (蘇) 2018-0046)	Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳)	2018.10.26	2023.10.25
XBL-China	License for use of laboratory animals (實驗動物使用許可證)	SYXK (Su) 2014-0031 (SYXK (蘇) 2014-0031)	Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳)	2014.07.30	2019.07.29
XBL-China	License for use of laboratory animals (實驗動物使用許可證)	SYXK (Su) 2014-0032 (SYXK (蘇) 2014-0032)	Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳)	2014.07.30	2019.07.29
Shanghai HD Biosciences	License for use of laboratory animals (實驗動物使用許可證)	SYXK (Hu) 2014-0007 (SYXK (滬) 2014-0007)	Science and Technology Commission of Shanghai Municipality (上海市科學技術委員會)	2018.01.10	2019.06.25
Suzhou Abgent	License for use of laboratory animals (實驗動物使用許可證)	SYXK (Su) 2016-0038 (SYXK (蘇) 2016-0038)	Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳)	2016.08.05	2021.08.04
WuXi AppTec, Inc.	Animal Welfare Act	41-R-0061	United States Department of Agriculture	N/A	2019.09.28
		Radiation Safety Permit (輻射安全許可證)			
WXAT Shanghai	Radiation Safety Permit (輻射安全許可證)	Hu Huan Fu Zheng [20030] (滬環輻證[20030])	Shanghai Environmental Protection Bureau (上海市環境保護局)	2018.04.08	2023.04.07
WXAT Suzhou	Radiation Safety Permit (輻射安全許可證)	Su Huan Fu Zheng [E1036] (蘇環輻證[E1036])	Suzhou Environmental Protection Bureau (蘇州市環境保護局)	2017.02.07	2021.04.13
XBL-China	Radiation Safety Permit (輻射安全許可證)	Su Huan Fu Zheng [A0338] (蘇環輻證[A0338])	Nanjing Environmental Protection Bureau (南京市環境保護局)	2016.06.07	2019.08.27
Shanghai HD Biosciences	Radiation Safety Permit (輻射安全許可證)	Hu Huan Fu Zheng [10054] (滬環輻證[10054])	Shanghai Environmental Protection Bureau (上海市環境保護局)	2018.04.10	2021.01.18

Holder	Certificate Name	Certificate Number	Issue Authority	Issue Date	Expiry Date
Shanghai STA Research	Radiation Safety Permit (輻射安全許可證)	Hu Huan Fu Zheng [30231] (滬環輻證[30231])	Shanghai Environmental Protection Bureau (上海市環境保護局)	2018.04.08	2023.04.07
Crelux	Approval of use of x-ray machines	3A/7366.0-2013	Bavarian Government	2013.08.30	N/A

Notes:

(1)(2) As of the Latest Practicable Date, we had commenced the application for the renewal of the registration of the certificate, and we are not aware of any major legal impediment for such renewal.

Manufacturing and operation permits

Holder	Certificate Name	Certificate Number	Issue Authority	Issue Date	Expiry Date
STA Pharmaceutical	Drug Manufacturing License (藥品生產許可證)	Hu 20160092 (滬20160092)	Shanghai Municipal Food and Drug Administration (上海市食品藥品監督管理局)	2017.10.10	2020.12.31
STA Pharmaceutical	Hazardous Chemicals Business License (危險化學品經營許可證)	Hu (jin) An Jianguan Wei Jing Xu [2018]202362(Y) (滬(金)安監管危經許[2018]202362(Y))	Shanghai City Jinshan District Administration of Work Safety (上海市金山區安全生產監督管理局)	2018.08.01	2021.07.31
STA	Registration Proof of Operation of Non-pharmaceutical Precursor Chemicals (非藥品類易製毒化學品經營備案證明)	(Hu) 3J31011600372	Shanghai Jinshan District Administration of Work Safety (上海市金山區安全生產監督管理局)	2018.09.20	2021.09.19
STA Changzhou	Drug Manufacturing License (藥品生產許可證)	Su 20160508 (蘇20160508)	Jiangsu Provincial Food and Drug Administration (江蘇省食品藥品監督管理局)	2018.06.13	2020.12.31
WuXi STA	Drug Manufacturing License (藥品生產許可證)	Su 20160077 (蘇20160077)	Jiangsu Provincial Food and Drug Administration (江蘇省食品藥品監督管理局)	2018.04.18	2020.12.31
LabNetwork Wuhan	Hazardous Chemicals Business License (危險化學品經營許可證)	E A An Jing Zi [2016]0500076 (鄂A安經字[2016]0500076)	Wuhan City Wuchang District Administration of Work Safety (武漢市武昌區安全生產監督管理局)	2016.7.21	2019.7.20
WuXi AppTec, Inc.	Tissue Bank License	CTB 00080352	State of California Department of Public Health	2018.06.24	2019.06.23
WuXi AppTec, Inc.	Tissue Bank License	1317	State of Florida Agency for Health Care Administration	2017.07.31	2019.09.01
WuXi AppTec, Inc.	Tissue Bank License	TP 087	New York State Department of Health	2017.05.12	2019.06.01

Holder	Certificate Name	Certificate Number	Issue Authority	Issue Date	Expiry Date
WuXi AppTec, Inc.	Tissue Bank Permit relating to Bone, Demineralized Bone Matrix, Musculoskelatal Tissue and Cyro Preserved Amniotic Membrane	TB1124	Maryland Department of Health and Mental Hygiene	2018.07.01	2020.06.30
WuXi AppTec, Inc.	Hazardous Waste Generator License	MNR000059964	Environmental Resources Department, Waste Regulation, Dakota County	2018.04.01	2019.03.31
WuXi AppTec, Inc.	Hazardous Waste Generator License	MNS00201277	Environmental Resources Department, Waste Regulation, Dakota County	2018.04.01	2019.03.31
WuXi AppTec, Inc.	Wastewater Discharge Permit (4000 S. 26th Street)	WUXI00021225MS	City of Philadelphia Water Department	2015.12.31	2020.12.31
WuXi AppTec, Inc.	Wastewater Discharge Permit (4701 League Island Boulevard)	WUXI00021233MS	City of Philadelphia Water Department	2016.12.28	2021.12.31
Crelux	Approval of genetic engineering facility	55.1-8791.148.797.865	Bavarian Government	2006.12.18	N/A

In addition, we have also obtained relevant qualifications and certificates in relation to the import and export business, such as the registration certificate of customs declaration, China entry and exit inspection and quarantine ("**CIQ**") filings and foreign trader filings. We also obtained road transport licenses relating to the transport of dangerous products.

In the U.S., we have not received any warning letters from the FDA and we are not subject to any administrative penalties during the Track Record Period.

INSURANCE

We maintain the following types of insurance:

- Property insurance policies covering physical damage to, or loss of, our buildings and their improvements, equipment, office furniture and inventory;
- Employer's liability insurance generally covering death or work-related injury of employees;
- Product liability and professional errors and omissions insurance covering product liability claims arising from the use, consumption or operation of our small-molecule compounds, cell and gene therapies and medical devices, and claims arising from negligence in connection with our services to customers;
- Public liability insurance covering certain incidents involving third parties that occur on or in the premises of the Company; and
- Directors and officers liability insurance.

We do not 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 fixed assets or employee injuries. 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 related to Our Industry and Business — We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources."

LEGAL MATTERS

Legal Proceedings

We may from time to time be involved in contractual disputes or legal proceedings arising out of the ordinary course of business. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any claims, damages or losses which would have a material adverse effect on our financial position or results of operations as a whole. As of the Latest Practicable Date, no material litigation, arbitration or administrative proceedings which would have a material adverse effect on our financial position or results of operations as a whole had been threatened against us.

Legal Compliance

During the Track Record 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 Group as a whole.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks we face include changes in the overall market condition and regulatory environment in global drug research and development outsourcing, our ability to offer quality drug discovery, development and manufacturing services, our ability to manage anticipated growth and to execute on our growth strategies and our ability to compete with other drug research and development outsourcing service providers. See "Risk Factors" for a discussion of various risks and uncertainties we face. 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. See "Financial Information — Qualitative and Quantitative Disclosure about Market Risk" for a discussion of these market risks.

In order to meet these challenges, we have developed a risk management framework, which is summarized as follows:

- Our Audit Committee, led by Dr. Hetong Lou, monitors and manages our overall risks related to our business operations. Our Audit Committee (i) reviews and approves our risk management policy to ensure that such policies are in line with our corporate objectives; (ii) reviews and approves our corporate risk tolerance; (iii) monitors significant risks related to our business operations and the handling of such risks by our management; (iv) evaluates our corporate risk based on our corporate risk tolerance; and (v) monitors and ensures the appropriate application of our risk management framework consistently within our Group.

- Our co-chief executive officers are responsible for (i) formulating and updating our risk management policy and objectives; (ii) reviewing and approving major risk management matters of our Company;

(iii) formulating risk management measures; (iv) providing guidance on our risk management approach to the relevant departments of our Company; (v) reviewing the relevant departments' reporting on key risks and providing feedback; (vi) monitoring the implementation of risk management measures by relevant departments; (vii) ensuring that the appropriate structure, processes and competences are in place across our Group ; and (viii) reporting significant risks to our Audit Committee.

- The relevant departments of our Company are responsible for implementing our risk management policy and our day-to-day risk management practices. In order to standardize risk management across our Group and establish transparent and standardized risk management performance, the relevant departments (i) collect data on risks related to their operation and function; (ii) conduct risk assessment, including the identification, prioritization, measurement and categorization of all major risks which may have potential impacts on achieving their objectives; (iii) prepare risk management reports for the review of our chief executive officers; (iv) continuously monitor major risks related to our operations; (v) implement appropriate measures in response to our risk exposure where necessary; and (vi) formulate and implement appropriate mechanisms to facilitate the application of our risk management framework.

Internal Controls

We have engaged an internal control consultant ("Internal Control Consultant") to perform certain agreed-upon procedures in connection with the internal control of our Company and our major operating subsidiaries and to report factual findings on our Group's entity-level controls and internal controls of various processes, including environment control, risk assessment, internal monitoring, information and communication, anti-bribery, reporting and disclosure, related parties and related party transaction, tax, sales and payment collection management, purchases and payment management, inventory management, fixed assets management, human resources and remuneration management, capital management, contract management, research and development and intangible assets management, information system management, and insurance. The Internal Control Consultant performed procedures on August 14, 2018 on our Company's system of internal control. As of the Latest Practicable Date, there was no material issue remaining 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 the Compliance Department and Legal Affairs Office, which are responsible for the overall internal control, corporate governance and legal compliance matters of our Group.

- Our Compliance Department and Legal Affairs Office are responsible for issuing and amending internal control policies, measures and procedures to ensure that we maintain comprehensive and effective internal control and comply with applicable laws and regulations. Our Compliance Department also monitors the implementation of our internal control policies, measures and procedures and conducts regular compliance review and investigation at different stages of drug development process. In addition, our Compliance Department and Legal Affairs Office provide guidelines to our business departments regarding each stage of the drug discovery, development or manufacturing process.

- Our Compliance Department organizes monthly/annual inspections on the internal controls of each business department of the Company. We conduct internal control inspections through on-site visit, random sampling and other means. Upon completion of on-site visits, our Compliance Department

will deliver to the person-in-charge of the relevant business department information and statistics related to the risks discovered during the visits the relevant risk type and any suggested remedial action. The person-in-charge of the relevant business department shall carry out relevant remedies upon receipt of the internal control self-assessment report.

- The person-in-charge 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 implemented relevant internal control policies, measures and procedures for all business departments regarding each of the drug discovery, development and manufacturing stages, educating the relevant employees about such policies, measures and procedures, and addressing their questions, submitting suggested revisions to such policies, measures and procedures to the Compliance Department and regularly inspect the implementation of policies, measures and procedures.

- We have adopted various measures and procedures for all aspects of our business operation, such as project management, quality assurance, intellectual property protection, environmental protection and occupational health and safety. For more information, see "— Quality Management" "— Intellectual Property Protection" and "— Health, Safety and Environmental Matters". We provide our employees with regular training on such measures and procedures as part of our employee training program. We also constantly monitor the implementation of measures and procedures through our Compliance Department at each stage of our drug development process.

- Our Compliance Department has established a whistleblowing mechanism regarding complaints against our Directors, senior management, employees, clients and other business partners, and independent and fair investigation will be conducted on the reported complaints for appropriate follow up actions. The Compliance Department has also established an online platform for our employees to report their complaints and inquiries. Besides, the Compliance Department has established Whistleblowing Policies (《檢舉政策》) which regulates the reporting channels, case officers, investigation procedures and results reports, and explicitly states that retaliation on whistleblowers is prohibited. Based on the complaints received, the Compliance Department will evaluate the effectiveness and any potential weaknesses in our internal control system to make corresponding improvement on our internal control policies, measures and procedures.

- We have engaged Somerley Capital Limited as our compliance adviser to advise our Directors and management team until the end of the first fiscal year after the Listing regarding matters relating to the Listing Rules. Our compliance adviser is expected to ensure our use of funding complies with the section headed "Future Plans and Use of Proceeds" in this prospectus after the Listing, as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.

- We plan to engage a PRC law firm in the PRC to advise us on and keep us abreast on PRC laws and regulations after the Listing. We will continue to arrange various trainings to be provided by our external legal advisors and/or appropriate accredited institutions to update our Directors, senior management and relevant employees on the latest PRC laws and regulations.

OVERVIEW

The Founding Individuals, namely Dr. Li, Dr. Zhao, the spouse of Dr. Li, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang, who are our executive Directors, had a long-term business relationship of more than 17 years and are the founders of our Group, together with certain other Independent Third Parties. On March 23, 2016 and March 17, 2017, the Founding Individuals entered into an acting-in-concert agreement and a supplemental agreement, respectively, to acknowledge and confirm their acting-in-concert relationship in our Company, pursuant to which Dr. Li, Dr. Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang should defer to Dr. Li's view and decision should there be different views among them on any matter considered at board meetings and general meetings of our Company.

From January 27, 2016 to February 1, 2016, Group & Cloud Limited, an entity owned by Dr. Li and Dr. Zhao, sold certain shares of Life Science Holdings, the then holding company of our Company, to the Acting-in-concert Investors and the Proxy Grantor such that part of the loan under the Management Facility Agreement could be repaid. To ensure the Founding Individuals' control over the voting rights attaching to the shares of Life Science Holdings then held by the Acting-in-concert Investors and the Proxy Grantor, (i) each of Eastern Star Asia, L&C Investment and Fertile Harvest signed an acting-in-concert agreement with Dr. Li in January 2016; and (ii) Relian Investment Limited issued a voting proxy on February 1, 2016 to appoint Dr. Li as its attorney and proxy to exercise all of its voting rights in Life Science Holdings and to exercise all consensual rights in respect of the shares held by it. After the Push-Down, on March 23, 2016 and March 17, 2017, the Acting-in-concert Investors and the Proxy Grantor entered into similar arrangements with Dr. Li to allow him to control their respective voting rights in our Company.

Based on the aforesaid arrangements, the Founding Individuals held or controlled 30.8471% of the voting rights of our Company through G&C III Limited, Group & Cloud Limited, G&C V Limited, G&C Limited, G&C I Limited, G&C VI Limited, G&C II Limited, New WuXi ESOP L.P., G&C VII Limited, G&C IV Limited, G&C VIII Limited, G&C IV Hong Kong Limited, Shanghai Qunyun Investment Management Co., Ltd., (上海群雲投資管理有限公司), ESOP Platforms, Jiaxing Houyi, Jiaxing Houyu, Jiaxing Houzi, Jiaxing Houjin, Shanghai Huixiao Chunyi Medical Investment Co., Ltd. （上海暉曉純頤醫療投資有限公司）, Jiaxing Yuxiang Investment Partnership (Limited Partnership) （嘉興宇祥投資合夥企業(有限合夥） and Jiaxing Yumin Investment Partnership (Limited Partnership) （嘉興宇民投資合夥企業(有限合夥)）(collectively, "**Investment Holding Companies**"), the Acting-in-concert Investors and the Proxy Grantor as of the Latest Practicable Date. The principal business of each of the Investment Holding Companies, the Acting-in-concert Investors and the Proxy Grantor is investment holding. Immediately upon the completion of the Global Offering, assuming the Over-allotment Option is not exercised and no options or additional Restricted A Shares are granted under the 2018 WuXi AppTec A Share Incentive Scheme, the voting rights held or controlled by the Founding Individuals will become 27.7623%. Accordingly, there will be no controlling shareholders upon the Listing.

LOCK-UP ARRANGEMENTS

For the purpose of application for listing of the A Shares, each of the Founding Individuals, the Acting-in concert Investors, the Proxy Grantor and the Investment Holding Companies which are direct Shareholders has undertaken that (i) for a period of thirty-six months from the date of listing of the A Shares on the Shanghai Stock Exchange, it will not transfer or authorize any third party to manage any Shares held by him/her/it directly or indirectly prior to the A Share Offering or transfer such Shares to the Company (the "**Lock-up Period**"); and (ii) during the period of two years immediately following the expiry of the Lock-up Period, he/she/ it will not dispose of such Shares at a price which is lower than the initial offering price of the A Shares, provided that such offer price shall be adjusted under certain circumstances including payment of dividends, issue of bonus shares or conversion of capital reserve to share capital by the Company.

INDEPENDENCE FROM THE FOUNDING INDIVIDUALS

As of the Latest Practicable Date, other than the interest in our Group, the Founding Individuals were also interested in certain businesses and companies, primarily including WuXi Biologics, NextCode Holdings, WuXi

Investment, Shanghai HealthNet and WuXi HealthNet, which were all controlled by the Founding Individuals, and their respective affiliated entities. Each of such businesses is run by its own management team which tends to operate independently from each other with a different business focus. Save as those transactions as disclosed in "Connected Transactions", our Group has not entered into any continuing connected transactions with such companies which will subsist after the Listing. WuXi Biologics is primarily engaged in the provision of biologics services. NextCode Holdings is primarily engaged in providing gene testing services. WuXi Investment is primarily engaged in business investment. Shanghai HealthNet and WuXi HealthNet are primarily involved in the provision of healthcare management services. Details of each business is further elaborated as follows.

WuXi Biologics and its subsidiaries (the "*WuXi Biologics Group*")

The WuXi Biologics Group provides a range of services for the discovery, development and manufacturing of biologics. Biologics are a subset of pharmaceuticals and include a wide range of products such as monoclonal antibodies, recombinant therapeutic proteins, fusion protein and vaccines. Compared to small molecule drugs which our Group is primarily involved in, biological drugs are generally more complex in nature, requiring a different set of technologies and manufacturing know-hows to produce. The costs and selling prices for biological drugs and small molecule drugs may also vary as the production process differs. The WuXi Biologics Group will continue to focus on the discovery and production of biological drugs in the future.

Due to the different nature of the pharmaceuticals, the WuXi Biologics Group is in possession of its own methodologies, technologies and other intellectual property during the conduct of its business. Save as certain trademarks, our Group has not licensed any intellectual property rights to the WuXi Biologics Group.

NextCode Holdings and its subsidiaries (the "*Nextcode Group*")

The Nextcode Group provides gene sequencing services, and produces analytics for diagnosis of rare diseases and genetic diseases based on its genetic database. The Nextcode Group will further develop its gene sequencing, genetic data analysis and auxiliary diagnostic services in the future.

With different technologies involved in its service offering, the nature of the services provided by the Nextcode Group is fundamentally different from those that we offer to our customers in relation to small molecule drugs.

WuXi Investment and its subsidiaries (the "*Investment Group*")

WuXi Investment is a company incorporated on June 24, 2016. The Investment Group serves as an investment platform focusing on opportunities in the healthcare industries. The Investment Group does not intend to invest in any businesses which may compete with the businesses of our Group. As further disclosed in "— Non-Competition Arrangements" below, each of the Founding Individuals has undertaken not to control any companies which competes or may compete with our Company.

Shanghai HealthNet and WuXi HealthNet and their respective subsidiaries (the "*HealthNet Group*")

The HealthNet Group is mainly engaged in healthcare management. The HealthNet Group will continue to develop healthcare management services.

Clear Delineation of Business

Our core business is to provide services for the discovery, development and manufacturing of small molecule drugs, development and manufacturing of cell and gene therapies as well as provision of medical

device testing services ("**Core Business**"). As described above, the WuXi Biologics Group, the Nextcode Group, the Investment Group and the HealthNet Group have different business focuses from the Group. Accordingly, the other businesses and companies in which the Founding Individuals are interested are different in nature from our Core Business. Given the clear delineation between our Core Business on the one hand and the business of the Founding Individuals and their close associates on the other hand and the non-competition arrangements in place, our Board is satisfied that our business is and will continue to be independent of the Founding Individuals. See "— Non-competition Arrangements" below for details on the non-competition arrangements entered into among our Group, the Founding Individuals and their close associates.

Our Directors also confirm that as of the Latest Practicable Date, except through our Group, none of the Directors, the Founding Individuals or their close associates had any interest in a business that competes or is likely to compete, either directly or indirectly, with the Core Business, which is subject to disclosure pursuant to Rule 8.10 of the Hong Kong Listing Rules.

Management Independence

Our Board and senior management function independently from our the Founding Individuals. Our Board comprises five executive Directors, two non-executive Directors and five independent non-executive Directors. The table below sets forth the overlapping directors and supervisors between our Group on the one hand and the close associates of the Founding Individuals as described above on the other hand:

Name	Positions in our Company	Main positions at the close associates of the Founding Individuals
Dr. Li	chairman and executive Director	chairman and non-executive director of WuXi Biologics, director of NextCode Holdings, WuXi Investment, and most subsidiaries of WuXi Biologics, NextCode Holdings and WuXi Investment
Dr. Zhao	executive Director	director of NextCode Holdings, Wuxi Investment, and various subsidiaries of WuXi Biologics and NextCode Holdings
Mr. Xiaozhong Liu	executive Director	director of NextCode Holdings, WuXi Investment and Shanghai HealthNet, WuXi HealthNet and Nextcode Shanghai, and various subsidiaries of WuXi Biologics, NextCode Holdings, WuXi Investment and Shanghai HealthNet
Mr. Zhaohui Zhang	executive Director	director of NextCode Holdings and WuXi Investment and NextCode Holdings, and various subsidiaries of WuXi Biologics, NextCode Holdings and WuXi Investment
Mr. Edward Hu	executive Director	non-executive director of WuXi Biologics, director of NextCode Holdings, WuXi Investment and various subsidiaries of NextCode Holdings, WuXi Biologics and WuXi Investment
Mr. Xiaomeng Tong	non-executive Director	director of NextCode Holdings and WuXi Investment
Mr. Yibing Wu	non-executive Director	non-executive director of WuXi Biologics, and director of NextCode Holdings and WuXi Investment
Mr. Harry Liang He	Supervisor	supervisor of various subsidiaries of WuXi Biologics and WuXi Investment
Mr. Jichao Wang	Supervisor	supervisor of a subsidiary of WuXi Investment

Save as disclosed above, none of the remaining members of our Board, the Supervisors and senior management holds any position in the close associates of the Founding Individuals as described above. Despite

the aforesaid overlapping personnel, our Directors believe that our Board and senior management will be able to function independently from the Founding Individuals for the following reasons:

(i) each Director is aware of his fiduciary duties as a Director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest;

(ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and the Founding Individuals or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in the quorum;

(iii) our Board comprises 12 Directors, and five of them are independent non-executive Directors, which represents over one-third of the members of the Board. Our independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements of the Hong Kong Listing Rules to ensure that the decisions of the Board are made after due consideration of independent and impartial opinions; and

(iv) the other members of the Board and senior management members are independent from the Founding Individuals. They have substantial experience in the industry which we are engaged in. Accordingly, they are able to discharge their duties independently from the Founding Individuals.

Financial Independence

During the Track Record Period, we had independently borrowed loans from banks without guarantees from the Founding Individuals and their close associates. Our Directors believe that we are capable of obtaining financing from third parties without reliance on the Founding Individuals after the Listing.

Our financial system is independent from that of our Founding Individuals and their close associates. Our Group makes financial decisions according to our own business needs. Our Group's major finance operations are handled by our financial management department, which operates independently from our Founding Individuals and their close associates. We do not share any other functions or resources with any of our Founding Individuals or their close associates.

Based on the above our Directors believe that our Group is able to operate with financial independence from our Founding Individuals and their close associates.

Operational Independence

We have our own staff to support our major operations and management. We have all the required assets, licenses, trademarks and other intellectual property for operation of our business.

We have conducted certain continuing connected transactions with the associates of the Founding Individuals to provide testing services, offer leases and license trademarks to them. For reasons and further details on such continuing connected transactions, please see the section headed "Connected Transactions".

Notwithstanding such continuing connected transactions, we have been operating and will continue to operate independently from the Founding Individuals and their associates. Such continuing connected transactions are entered into during our ordinary and usual course of business based on arm's length negotiations and on normal commercial terms, which are fair and reasonable, and the continuing connected transactions are in the interest of the Company and its Shareholders as a whole.

NON-COMPETITION ARRANGEMENTS

For the purpose of the listing of our A Shares on the Shanghai Stock Exchange in 2018, the Founding Individuals provided certain non-competition undertakings and our Company entered into certain non-competition agreements with WuXi Biologics Holdings Limited, NextCode Holdings, Shanghai HealthNet and WuXi HealthNet, the principal term of which are summarized as follows:

(i) each of the Founding Individuals, and any companies directly or indirectly Controlled (as defined below) by him/ her and his/her close relatives, confirms he/she/it has not engaged in any business within or outside the PRC territory that competes or may compete with our Group, including but not limited to any operation or participation in any of such businesses individually, or together with a third party, or on behalf of any person or entity;

(ii) each of the Founding Individuals, and any companies directly or indirectly Controlled (as defined below) by him/ her and his/her close relatives, undertakes not to: (1) engage directly or indirectly in business that competes or may compete with our Group in any form; (2) directly or indirectly control or acquire business that compete or may compete with our Company ("**Competing Entity**"); (3) provide any business, financial and other assistance to the Competing Entity;

(iii) each of the Founding Individuals confirms that the WuXi Biologics Group is currently engaged and will continue to engage in the core business of providing services related to the discovery, development and production of large molecular biological drugs. The WuXi Biologics Group and our Group shall not, directly or indirectly, operate any business which is the same as or similar to the principal business of each other. The WuXi Biologics Group and our Group will be operated separately and developed independently, and there has not been any competition between the two groups. WuXi Biologics Holdings Limited, as the controlling shareholder of WuXi Biologics, shall refer any new business opportunities which competes or may compete, directly or indirectly, with the Core Business of our Group ("**New Business Opportunities**") to us within 20 days upon identification of any such New Business Opportunities;

(iv) each of the Founding Individuals confirms that the Nextcode Group is currently engaged and will continue to engage in the core business of genetic data analysis and the related investment, consulting business, technology development services in the field of molecular diagnosis and treatment. The Nextcode Group and our Group shall not, directly or indirectly, operate any business which is the same as or similar to the principal business of each other. The Nextcode Group and our Group will be operated separately and developed independently, and there has not been any competition between the two groups. Nextcode holding shall refer any New Business Opportunities to us within 20 days upon identification of any such New Business Opportunities;

(v) each of the Founding Individuals confirms that the HealthNet Group is currently engaged and will continue to engage in the core business of the development of clinical testing products or services, technology development, technology transfer, technical services relating to healthcare technology, and clinical medical testing. The HealthNet Group and our Group shall not, directly or indirectly, operate any business which is the same as or similar to the principal business of each other. The HealthNet Group and our Group will be operated separately and developed independently, and there has not been any competition between the two groups. Shanghai HealthNet and WuXi HealthNet shall refer any New Business Opportunities to us within 20 days upon identification of any such New Business Opportunities; and

(vi) subject to the applicable laws and regulations, each of the Founding Individuals will exercise the rights and power as the De Facto Controller of each of the WuXi Biologics Group, the Nextcode Group and the HealthNet Group, to ensure that the business scope of each group will be aligned to its

business focus, so as to prevent (1) development, operation or assistance in operating, participating in or engaging in the Core Business of our Group, whether individually or together with a third party; (2) directly or indirectly controlling or participating in a Competing Entity; (3) providing substantial business or financial support to a Competing Entity. If any one of the aforesaid groups intend to engage in a new business that is the same as or similar to the Core Business of our Group, each of the Founding Individuals will exercise his/her rights as a shareholder to vote against such business plan;

(vii) the undertakings in respect of each Founding Individual shall be terminated until one of the following circumstances occurs: (1) such Founding Individual is no longer the De Facto Controller of our Company; (2) such Founding Individual ceases to be the De Facto Controller of WuXi Biologics (in respect of the undertaking in relation to the WuXi Biologics Group), NextCode Holdings (in respect of the undertaking in relation to the Nextcode Group) or the Shanghai HealthNet and WuXi HealthNet (in respect of the undertaking in relation to the HealthNet Group); (3) save for any suspension for trading, the cessation of trading of our Company's shares on any stock exchange; (4) if the PRC laws and regulations do not necessitate the making of a certain aforementioned undertaking, such undertaking shall be terminated automatically; and

(viii) each of the Founding Individuals agrees to bear all economic losses suffered by our Group or the public Shareholders arising from a breach of the aforementioned undertakings.

"**Controlled**" means any entities that the party (1) holds or controls 50% or more of the issued share capital or enjoys 50% or more of the voting rights or (2) has the right to a 50% or more after-tax profit, or (3) has control over the composition of the board, or any other kind of control and their subsidiaries.

Under the SSE Listing Rules, "**De Facto Controller**" means the person who, though not a direct shareholder of the company, has actual control over corporate actions through investment relationship, agreements or other arrangements. Upon the Listing, as advised by our PRC Legal Advisor, the Founding Individuals will remain to be the De Facto Controllers of our Company as they retain the power to exert decisive influence over our Company's operations, financial, staffing and technology matters, also taking into account their management roles, Board seats and the fact that they remain as the largest group of Shareholders upon completion of the Listing. Accordingly, the non-competition undertakings provided by the Founding Individuals in favor of the Company will not be terminated upon the Listing despite of the fact that the Founding Individuals shall not be considered as controlling shareholders under the Hong Kong Listing Rules by then.

CORPORATE GOVERNANCE

We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from the Founding Individuals and safeguard the interest of our Shareholders, including:

(i) if a Director has a material interest in a particular transaction, he shall abstain from voting in any matters relating to such transaction being considered at the Board meeting and he will not be counted as a quorum of the Board meeting;

(ii) if disinterested Directors (including the independent non-executive Directors) reasonably seek to obtain independent and professional advice, the costs incurred for obtaining such advice will be borne by our Company;

(iii) the Board will review the compliance with the undertakings under the non-competition agreements entered into by the Founding Individuals on an annual basis;

(iv) the Founding Individuals will provide or procure the provision of all necessary information required for the Board's annual review of compliance with the non-competition agreements;

(v) the Founding Individuals will make an annual declaration on their compliance with the non-competition agreements in our annual report; and

(vi) we have appointed Somerley Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Hong Kong Listing Rules including various requirements relating to directors' duties and corporate governance.

We have entered into a number of agreements with our connected persons, the details of which are set out below. The transactions disclosed in this section will constitute our continuing connected transactions under Chapter 14A of the Listing Rules upon Listing.

CONNECTED PERSONS

The following entities will be regarded as our connected persons under the Listing Rules which conduct or will conduct continuing connected transactions upon Listing:

Name of Connected Person	Connected Relationship
WuXi Biologics	An associate of the Founding Individuals
WuXi Biologics (Shanghai) Co., Ltd. (上海藥明生物技術有限公司) ("**Shanghai Biologics**")	An associate of the Founding Individuals
Nextcode Shanghai Biologic Technology Co., Ltd. (明碼（上海）生物科技有限公司) ("**Nextcode Shanghai**")	An associate of Mr. Xiaozhong Liu and Mr. Zhaohui Zhang, two of our Founding Individuals
Shanghai HealthNet	An associate of Mr. Xiaozhong Liu and Mr. Zhaohui Zhang, two of our Founding Individuals
WuXi HealthNet	An associate of Mr. Xiaozhong Liu and Mr. Zhaohui Zhang, two of our Founding Individuals
Chengdu Jiulian Investment Co., Ltd. (成都九聯投資有限公司) ("**Chengdu Jiulian**")	A substantial shareholder of one of our subsidiaries

WuXi Biologics was controlled by the Founding Individuals as to 59.20% of its voting rights as of June 30, 2018. WuXi Biologics is listed on the Main Board of the Stock Exchange (stock code: 2269) and is a global leading biologics services provider. Shanghai Biologics is a wholly-owned subsidiary of WuXi Biologics.

Nextcode Shanghai is wholly-owned by Mr. Xiaozhong Liu and Mr. Zhaohui Zhang. Nextcode Shanghai is primarily engaged in providing genomics services.

Shanghai HealthNet and WuXi HealthNet are wholly-owned by Mr. Xiaozhong Liu and Mr. Zhaohui Zhang. They are primarily engaged in health management consultation services.

See "Relationship with the Founding Individuals—Independence from the Founding Individuals" for details of business activities engaged by the aforesaid entities.

Chengdu Jiulian is a substantial shareholder which owns 35% equity interests in WuXi Clinical Development Services (Chengdu) Co., Ltd. (成都康德弘翼醫學臨床研究有限公司) ("**Chengdu Clinical**"), one of our subsidiaries.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Lease Agreement

We entered into a lease agreement in respect of certain premises with Shanghai Biologics on May 17, 2017 (the "**Lease Agreement**") which was renewed on November 23, 2018. Pursuant to the Lease Agreement, we would lease certain premises to Shanghai Biologics as its manufacturing base with reference to the market rate. The Lease Agreement will expire on December 31, 2020. For each of the three years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, the total rental fee under the Lease Agreement was nil, RMB1.6 million, RMB1.4 million and RMB0.7 million, respectively. Such amount is expected to be steady at RMB1.5 million for each of the years ending December 31, 2018, 2019 and 2020.

Trademark Licensing Framework Agreements

We entered into trademark licensing framework agreements with WuXi Biologics, Nextcode Shanghai, Shanghai HealthNet and WuXi HealthNet on May 17, 2017 ("**Trademark Licensing Framework Agreements**"), pursuant to which we would grant such entities a license to use certain of our trademarks at nil consideration in respect of WuXi Biologics and Nextcode Shanghai or 2% of its net profit per year in respect of Shanghai HealthNet and WuXi HealthNet. On December 26, 2017, we entered into supplemental agreements with each of WuXi Biologics, Nextcode Shanghai, Shanghai HealthNet and WuXi HealthNet, pursuant to which the original agreements were amended to the effect that WuXi Biologics, Nextcode Shanghai, Shanghai HealthNet and WuXi HealthNet shall limit the use of trademarks to business meetings, forums, seminars and other business promotional activities and shall not use the trademarks in business activities in relation to commercial contracts, products, reports and provision of services to customers. The Trademark Licensing Framework Agreements with WuXi Biologics and Nextcode Shanghai will expire on December 31, 2019 while the trademark arrangement with Shanghai HealthNet and WuXi HealthNet was renewed on November 23, 2018 and will expire on December 31, 2020. During the Track Record Period, Shanghai HealthNet and WuXi HealthNet did not generate any profit and no trademark licensing fee was paid. As Shanghai HealthNet and WuXi HealthNet are still in their initial development stage, it is expected that no licensing fee will be paid to us for each of the years ending December 31, 2018, 2019 and 2020.

The Trademark Licensing Framework Agreements with WuXi Biologics and Nextcode Shanghai were executed primarily for the reason to facilitate the transitions following the Delisting when the business of WuXi PharmaTech was restructured into three separate business units. See "History and Corporate Development — Reorganization" for details. As each business unit has been run separately since then, each of WuXi Biologics and Nextcode Shanghai currently carries out its business with its own trademarks and has limited use of our licensed trademarks. Thus, also considering that both WuXi Biologics and Nextcode Shanghai had contributed to the value of the licensed trademarks before such restructuring, our Directors are of the view that the Trademark Licensing Framework Agreements with WuXi Biologics and Nextcode Shanghai are on normal commercial terms. Our Directors also believe that the Trademark Licensing Framework Agreements with Shanghai HealthNet and WuXi HealthNet are on normal commercial terms as the terms are comparable to the licensing agreements entered into by other listed companies as licensors taking into account the restrictive clauses for usage as disclosed above and the limited contribution they have to the value of the licensed trademarks.

Joint Venture Agreement

We entered into a joint venture agreement with, among others, Chengdu Jiulian, on February 23, 2017 ("**JV Agreement**"), in respect of the establishment of Chengdu Clinical for the setup and operation of a research center. Pursuant to the JV Agreement, Chengdu Jiulian would advance an entrusted loan of RMB15.0 million to Chengdu Clinical to fund the working capital required for the operation of Chengdu Clinical, which shall be secured by the equity interests we would hold in Chengdu Clinical. The loan was drawn down on January 10, 2018 for a term of three years with an interest rate equivalent to 130% of the bank loan benchmark interest rate per annum. For each of the three years ended December 31, 2015, 2016 and 2017, and the six months ended June 30, 2018, the interest expense under the JV Agreement was nil, nil, nil and RMB0.5 million. It is expected that the interest expense we shall bear during the term of the loan will not be significant. The loan will expire in January 2021.

Listing Rule Implications

Since the highest applicable percentage (other than the profits ratio) of the transactions or the financial assistance under the Lease Agreement, the Trademark Licensing Framework Agreements and the JV Agreement calculated in accordance with Rule 14.07 of the Listing Rules is less than 0.1%, the transactions or the financial assistance under these agreements fall within the *de minimis* transactions threshold as stipulated under the Listing Rules, and the transactions or the financial assistance thereunder are fully exempt from the annual reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Testing Service Framework Agreement

Background

In providing biologics services by WuXi Biologics to its customers, certain steps in some of its projects require testing procedures. As the testing procedures are sophisticated, we are among a handful of laboratories which possess the technical skills to perform such testing service. We believe it is in our ordinary course of business to provide services to WuXi Biologics as if to our other customers.

We entered into a testing service framework agreement and a supplemental agreement with WuXi Biologics on May 17, 2017 and November 23, 2018, respectively (collectively, the "**Testing Service Framework Agreement**"), pursuant to which we would provide certain testing services, including but not limited to biosafety testing, to WuXi Biologics and its subsidiaries ("**WuXi Biologics Group**"). We enter into individual agreements separately with the WuXi Biologics Group with respect to different testing projects which provide for specific terms and conditions including service scope, service fee and other terms in accordance with the Testing Service Framework Agreement. The Testing Service Framework Agreement will expire on December 31, 2020.

Pricing

The testing service fee charged by us will be determined with reference to the nature and value of the relevant testing services as with our other customers. See "—Internal Control" below for our internal policies on pricing.

Historical amount

For each of the three years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, the total amount of the testing services provided to the WuXi Biologics Group was RMB107.0 million, RMB16.4 million, RMB18.3 million and nil, respectively. No testing service was provided in the six months ended June 30, 2018 as our existing testing service capacity was unable to address the demand of all of our customers. The testing services fee provided in 2015 was substantially higher primarily due to the fact that it included transactions incurred between members of the WuXi Biologics Group and certain entities and business units disposed by our Group in 2015 which amounted to a net sum of RMB86.7 million.

Annual caps

For each of the three years ending December 31, 2018, 2019 and 2020, the total amount payable by the WuXi Biologics Group to our Group is not expected to exceed RMB9.0 million, RMB34.1 million and RMB31.1 million, respectively.

The above proposed annual caps are set based on the following factors: (i) the expanded testing service capacity of our Group following the establishment of our new facilities in 2019; (ii) the historical transaction amounts paid by the WuXi Biologics Group to our Group for the testing services; and (iii) the expected need of the WuXi Biologics Group for testing services.

Internal Control

We have established the following internal policies to ensure that the terms for the non-exempt continuing connected transactions we have or may have in the future are on normal commercial terms and no more favorable to the counterparties than terms available to Independent Third Parties:

- We have promulgated the guidelines for establishing pricing for all our customers and our business development department will conduct market analysis on specific service, and make pricing proposal to our senior management after considering a number of factors, including service cost, profit margin, market pricing, capacity utilization and marketing perception.

- Our business development department will conduct arm's length negotiation with counterparties to ensure that the pricing guidelines are complied with and the terms available to such counterparties will not be more favorable than terms available to Independent Third Parties. A final report will be made to our senior management who will approve individual transactions.

- Our business development department will also review the reasonableness of pricing for relevant products or services on regular basis according to the latest market intelligence, and report to our senior management, if necessary, for their approval of any adjustment.

- Additional internal reviews and approvals in accordance with the SSE Listing Rules and the Hong Kong Listing Rules are required for transactions exceeding the proposed annual caps.

- Our independent non-executive Directors will also conduct annual review on non-exempt continuing connected transactions to ensure that such transactions have been entered into on normal commercial terms, are fair and reasonable, and conducted according to the terms of the relevant framework agreement. The auditor of our Company will also conduct annual review on the pricing and annual cap of the non-exempt continuing connected transactions.

Confirmation of Directors

Our Directors (including independent non-executive Directors) consider that the above non-exempt continuing connected transaction has been and will be entered into in our Group's ordinary and usual course of business and on normal commercial terms, are fair and reasonable and in the interest of our Company and Shareholders as a whole. The proposed annual caps in respect of the non-exempt continuing connected transaction were approved at the general meeting of Shareholders of A Shares on August 22, 2018, and are also fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Confirmation of Joint Sponsors

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by us in relation to the non-exempt continuing connected transaction as set out above, and have also discussed with us and obtained various representations from us. Based on the aforementioned due diligence work, the Joint Sponsors are of the view that (i) the non-exempt continuing connected transaction as set out above has been entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better, and is fair and reasonable and in the interests of our Group and our Shareholders as a whole; and (ii) the proposed annual caps for such transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Waiver from the Stock Exchange

In respect of the transactions under the Testing Service Framework Agreement, as the highest applicable percentage ratio is more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to the

announcement and annual reporting requirements under Rule 14A.35, Rule 14A.49 and 14A.71 of the Listing Rules.

We have applied for and the Stock Exchange has granted a waiver to us from strict compliance with the announcement requirement under the Listing Rules in respect of the transactions under the Testing Service Framework Agreement provided that the total transaction amount of the transactions under the respective agreement for each of the three years ending December 31, 2020 will not exceed the relevant proposed annual caps set forth above.

In addition, our Directors confirm that we will comply with the applicable requirements under Chapter 14A of the Listing Rules and will immediately inform the Stock Exchange if any of the proposed annual caps set out above are exceeded, or when there is a material change in the terms of the transactions.

If the Listing Rules impose more stringent requirements in respect of the non-exempt continuing connected transaction in the future, we will promptly adopt measures within a reasonable time to ensure compliance with such new requirements.

OVERVIEW

Our Board consists of 12 Directors, among which, five are executive Directors, two are non-executive Directors and five are independent non-executive Directors. The Board is responsible, and has general authority for, the management and operation of our Company. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

Our Supervisory Committee consists of three Supervisors, including the chairman of the Supervisory Committee and an employee representative Supervisor. Supervisors serve for a term of three years and shall be subject to re-election upon expiry of the term of office.

Our senior management is responsible for the day-to-day operations of our Company.

Directors, Supervisors and Senior Management

All of the Directors, Supervisors and senior management have met the qualification requirements under the relevant PRC laws and regulations and the Hong Kong Listing Rules for their respective positions.

The following table sets forth the key information of our Directors:

Name	Age	Position	Effective date of appointment/ election as Director	Date of joining our Group	Responsibilities	Relationship
Directors						
Dr. Ge Li (李革)	51	chairman, chief executive officer and executive Director	March 1, 2017	December 2000	Responsible for the overall management of the business, strategy and corporate development of our Group	Spouse of Dr. Zhao
Mr. Edward Hu (胡正國)	56	co-chief executive officer, executive Director and chief financial officer	March 1, 2017	August 2007	Responsible for the overall business and management of our Group	—
Mr. Xiaozhong Liu (劉曉鐘)	54	executive Director, vice president	March 1, 2017	2001	Responsible for the business development of our Group	—
Mr. Zhaohui Zhang (張朝暉)	49	executive Director, vice president	March 1, 2017	2000	Responsible for the business development of our Group	—
Dr. Ning Zhao (趙寧)	52	executive Director, vice president	March 1, 2017	March 2004	Responsible for our global human resources management and corporate strategy	Spouse of Dr. Li
Mr. Xiaomeng Tong (童小幪)	45	non-executive Director	March 1, 2017	March 2016	Responsible for providing guidance on corporate strategy and governance to our Group	—

Name	Age	Position	Effective date of appointment/ election as Director	Date of joining our Group	Responsibilities	Relationship
Dr. Yibing Wu (吳亦兵)	51	non-executive Director	March 1, 2017	March 2016	Responsible for providing guidance on corporate strategy and governance to our Group	—
Dr. Jiangnan Cai (蔡江南)	61	independent non-executive Director	March 1, 2017	March 2017	Supervising and providing independent judgment to our Board	—
Ms. Yan Liu (劉艷)	45	independent non-executive Director	March 17, 2017	March 2017	Supervising and providing independent judgment to our Board	—
Mr. Dai Feng (馮岱)	43	independent non-executive Director	August 22, 2018 *(Note)*	—	Supervising and providing independent judgment to our Board	—
Dr. Hetong Lou (婁賀統)	56	independent non-executive Director	March 1, 2017	March 2017	Supervising and providing independent judgment to our Board	—
Mr. Xiaotong Zhang (張曉彤)	50	independent non-executive Director	March 1, 2017	March 2017	Supervising and providing independent judgment to our Board	—

Note : Mr. Feng was elected as our independent non-executive Director in August 2018 and such appointment will be effective from the Listing Date.

Supervisors

The following table sets forth the key information of our Supervisors:

Name	Age	Position	Effective date of appointment as Supervisor	Date of joining our Group	Responsibilities
Mr. Harry Liang He (賀亮)	52	chairman of the Supervisory Committee	March 1, 2017	July 2005	Responsible for the overall operation of the Supervisory Committee and supervises the performance of Directors and senior management
Mr. Jichao Wang (王繼超)	45	Supervisor	March 1, 2017	February 2001	Supervision of operation and financial activities

Name	Age	Position	Effective date of appointment as Supervisor	Date of joining our Group	Responsibilities
Ms. Minfang Zhu (朱敏芳)	46	employee representative Supervisor	March 1, 2017	February 2001	Supervision of operation and human resources

Senior Management

The following table sets forth the key information of our senior management:

Name	Age	Position	Effective date of appointment as Senior Management	Date of joining our Group	Responsibilities
Dr. Ge Li (李革)	51	chairman, chief executive officer and executive Director	March 1, 2017	December 13, 2000	Responsible for the overall management of the business, strategy and corporate development of our Group
Mr. Edward Hu (胡正國)	56	co-chief executive officer, executive Director and chief financial officer	March 1, 2017	August 2007	Responsible for the overall management of our Group
Mr. Xiaozhong Liu (劉曉鐘)	54	executive Director, vice president	March 1, 2017	2001	Responsible for the business development of our Group
Mr. Zhaohui Zhang (張朝暉)	49	executive Director and vice president	March 1, 2017	2000	Responsible for the business development of our Group
Dr. Ning Zhao (趙寧)	52	executive Director and vice president	March 1, 2017	March 2004	Responsible for our global human resources management and corporate strategy
Dr. Steve Qing Yang (楊青)	49	vice president	March 1, 2017	April 2014	Responsible for our commercial operation and research services
Dr. Shuhui Chen (陳曙輝)	55	vice president	March 1, 2017	April 2004	Responsible for our research and scientific development
Mr. Chi Yao (姚馳)	34	secretary to the Board and joint company secretary	March 1, 2017	March 2016	Responsible for overseeing our legal compliance and corporate governance

Executive Directors

Dr. Ge Li (**李革**), aged 51, is the chairman, chief executive officer and an executive Director of our Company. Dr. Li is primarily responsible for the overall management of the business of our Group. Dr. Li founded our Group in December 2000 and he also serves as a director of most subsidiaries of our Company.

Dr. Li has the following work experience:

- Since February 2014, he has been serving as a non-executive director of WuXi Biologics, a company listed on the Main Board of the Stock Exchange (stock code: 2269) and primarily engaged in the discovery, research, development and manufacturing of biological services, and has been responsible for providing overall guidance on the business, strategy, and corporate development.

- From December 2011 to August 2015, he served as an independent non-executive director of Shanghai Hile Bio-pharmaceutical Co., Ltd.(上海海利生物技術股份有限公司), a company listed on the Shanghai Stock Exchange (上海證券交易所) (stock code: 603718) and primarily engaged in the development, production and sales of animal vaccine, and was responsible for providing independent advice to its board of directors.

- From August 2007 to December 2015, he served as the chairman and the chief executive officer of WuXi PharmaTech, a company previously listed on NYSE and was responsible for its overall management.

- From May 1993 to December 2000, Dr. Li was one of the founding scientists and later served as a research manager of Pharmacopeia Inc., a biopharmaceutical company listed on NASDAQ (stock code: PCOP) and primarily engaged in discovering and delivering of novel therapeutics, and was responsible for managing external research collaboration.

Dr. Li obtained a bachelor's degree in chemistry from Peking University in the PRC in July 1989. He also obtained a Ph.D. degree in organic chemistry from Columbia University in the United States in February 1994.

Save as disclosed above, Dr. Li has not held directorship in any other listed company in the three years immediately preceding the date of this prospectus.

Mr. Edward Hu (胡正國), aged 56, is the co-chief executive officer, chief financial officer and an executive Director of our Company. Mr. Hu is primarily responsible for the overall business and management of our Group. Mr. Hu joined our Group in August 2007 and was appointed as an executive Director and chief financial officer in March 2016. Mr. Hu was appointed as a co-chief executive officer in August 2018. He also serves as a director of most subsidiaries of our Company.

Mr. Hu has the following work experience:

- Since February 2014, he has been serving as a non-executive director of WuXi Biologics, a company listed on the Main Board of the Stock Exchange (stock code: 2269) and has been primarily responsible for providing guidance on the business strategy and financial management.

- From August 2007 to December 2015, he served as the chief financial officer and chief operating officer of WuXi PharmaTech, a company previously listed on NYSE and was responsible for the financial and operational management.

- From October 2000 to July 2007, he served on various roles to become a senior vice president and chief operating officer of Tanox Inc., a biopharmaceutical company previously listed on NASDAQ (stock code: TNOX, acquired by Genentech Inc. in August 2007) and primarily engaged in discovering and developing antibody therapeutic drugs, and was responsible for company operations, quality control, finance and information technology.

- From April 1998 to October 2000, he served as a business planning manager of Biogen Inc., a global biotechnology company listed on NASDAQ (stock code: BIIB) and primarily engaged in developing, marketing and sales of biopharmaceuticals for neurologic and immune diseases, and was responsible for business planning and budget management of its research and development division.

- From May 1996 to December 1998, he served as a senior financial analyst of Merck, and was responsible for financial planning and analysis.

Mr. Hu obtained a bachelor's degree in physics from Hangzhou University, currently known as Zhejiang University (浙江大學), in the PRC in July 1983. He also obtained a master's degree in chemistry and a master's degree of business administration from Carnegie Mellon University in the United States in May 1993 and May 1996, respectively.

Save as disclosed above, Mr. Hu has not held directorship in any other listed company in the three years immediately preceding the date of this prospectus.

Mr. Xiaozhong Liu (劉曉鐘), aged 54, is an executive Director and a vice president of our Company. Mr. Liu is primarily responsible for the business development of our Group. Mr. Liu founded our Group in December 2000.

Mr. Liu has the following work experience:

- Since December 2015, he has been serving as a director and executive vice president of operations of our Company.

- From August 2007 to December 2015, he served as a director and an executive vice president of operations of WuXi PharmaTech, a company previously listed on NYSE.

- From December 2000 to July 2007, he served as a director and an executive vice president of operations of our Company.

- In the 1990s, he served as the general manager of Zhuhai Ze Yu Trading Co. Ltd. (珠海澤宇工貿有限公司).

- He has previously served at the China Academy of Building Research (中國建築科學研究院).

Mr. Liu obtained a bachelor's degree in science from Peking University in the PRC in July 1987 and a master's degree in business administration from China Europe International Business School in the PRC in September 2008.

Save as disclosed above, Mr. Liu has not held a directorship in any other listed company in the three years immediately preceding the date of this prospectus.

Mr. Zhaohui Zhang (張朝暉), aged 49, is an executive Director and a vice president of our Company. Mr. Zhang is primarily responsible for the business development of our Group. Mr. Zhang founded our Group in December 2000.

Mr. Zhang has the following work experience:

- Since December 2015, he has been serving as a director and senior vice president of operation of our Company.

- From August 2007 to December 2015, he served as a director and senior vice president of operation of WuXi PharmaTech, a company previously listed on NYSE.

- From December 2000 to July 2007, he served as a director and vice president of domestic marketing of our Company.

- In around 2000, he served as the chief executive officer of Wuxi Qingye Investment Consultancy Limited (無錫青葉企業投資諮詢有限責任公司).

Mr. Zhang obtained a bachelor's degree in mechanical and electrical engineering from Jiangnan University (江南大學) in the PRC in 1990 and a master's degree in business administration from China Europe International Business School in the PRC in 2008.

Save as disclosed above, Mr. Zhang has not held a directorship in any other listed company in the three years immediately preceding the date of this prospectus.

Dr. Ning Zhao (趙寧), aged 52, is an executive Director and a vice president of our Company. Dr. Zhao is primarily responsible for the global human resources management and corporate strategy of our Group. Dr. Zhao joined our Group in March 2004.

Dr. Zhao has the following work experience:

- Since February 2011, she has been serving as a senior vice president of operations, global head of human resources of our Company.

- From February 2009 to December 2015, she served as a director of WuXi PharmaTech, a company previously listed on NYSE.

- From February 2008 to February 2011, she served as the lead advisor of analytical services operations of our Company.

- From March 2004 to February 2008, she served as a vice president of analytical services of our Company.

- Between the 1990s and the 2000s, Dr. Zhao worked as a research and development supervisor at Wyeth Pharmaceuticals, Inc., Pharmacopeia Inc. and Bristol-Myers Squibb Co. with various research papers published.

Dr. Zhao obtained a bachelor's degree in chemistry from Peking University in the PRC in July 1989. She also obtained a Ph.D. degree from Columbia University in the United States in the 1990s.

Save as disclosed above, Dr. Zhao has not held a directorship in any other listed company in the three years immediately preceding the date of this prospectus.

Non-Executive Directors

Mr. Xiaomeng Tong (童小幪), aged 45, is a non-executive Director of our Company. Mr. Tong is primarily responsible for providing guidance on corporate strategy and governance to our Group. Mr. Tong joined our Group in March 2016.

Mr. Tong has the following work experience:

- Since May 2011, he has been serving as a managing partner of Boyu Capital Advisory Co. Limited (博裕投資顧問).

- From October 2008 to April 2011, he served as a managing director and head of Greater China District of Providence Equity Partners, where he headed its Greater China District practice.

- From July 2000 to September 2008, he served as a managing director and joint head of Greater China District of General Atlantic, where he co-headed its Greater China practice.

Mr. Tong obtained a bachelor's degree in economics from Harvard University in the United States in June 1998.

Mr. Tong has not held a directorship in any other listed company in the three years immediately preceding the date of this prospectus.

Dr. Yibing Wu (吳亦兵), aged 51, is a non-executive Director of our Company. Dr. Wu is primarily responsible for providing guidance on corporate strategy and governance to our Group. Dr. Wu joined our Group in March 2016.

Dr. Wu has the following work experience:

- Since May 2016, he has been serving as a non-executive Director of WuXi Biologics, a company listed on the Main Board of the Stock Exchange (stock code: 2269) and has been responsible for providing guidance on corporate strategy and governance.

- Since November 2015, he has been serving as a director of Summer Bloom Investments Pte. Ltd.

- Since January 2014, he has been serving as a director and general manager of Temasek Holdings Advisors (Beijing) Co., Ltd.

- Since October 2013, he has been working with Temasek Holdings (Private) Limited and is currently senior executive general manager, the joint head of Global Portfolio Strategy and Risk Group and the joint head of China.

- From January 2012 to September 2013, he served as the president of CITIC Goldstone Investment Co. Ltd.

- From April 2011 to April 2014, he served as a director of Neptune Orient Lines Limited, a company listed on the Singapore Exchange Limited (stock code: RE2).

- From December 2009 to September 2013, he served as the president of CITIC Private Equity Funds Management Co., Ltd.

- From May 2009 to July 2013, he served as a non-executive director of Lenovo Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0992)

- From September 2008 to November 2009, he served as the standing vice president of Legend Holdings Co., Ltd.

- From August 2004 to August 2008, he was seconded from McKinsey & Company as the chief strategy officer, chief integration officer, chief transformation officer and chief information officer of Lenovo Group Ltd.

- From September 1996 to August 2008, he worked with McKinsey & Company, where he was a senior partner, senior director, and the head of Asia Pacific M&A practice and general manager of Beijing office.

Dr. Wu obtained a bachelor's degree in molecular biology from University of Science and Technology of China (中國科學技術大學) in the PRC in July 1989 and a Ph.D. degree in biochemistry and molecular biology from Harvard University in the United States in June 1996.

Save as disclosed above, Dr. Wu has not held directorship in any other listed company in the three years immediately preceding the date of this prospectus.

Independent Non-Executive Directors

Dr. Jiangnan Cai (蔡江南), aged 61, is an independent non-executive Director of our Company. He is primarily responsible for supervising and providing independent judgment to our Board. Dr. Cai was appointed as our independent non-executive Director in March 2017.

Dr. Cai has the following work experience:

- Since March 2015, he has been serving as a non-executive director of Harmonicare Medical Holdings Limited (和美醫療控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1509), and has been responsible for supervising and providing independent judgement to the board of the company.

- Since June 2016, he has been serving as an independent non-executive director of Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601607) and the Main Board of the Stock Exchange (stock code: 2607), and has been responsible for supervising and providing independent judgement to the board of the company.

- Since May 2014, he has been serving as an independent director of Zhejiang DIAN Diagnostics Co., Ltd. (浙江迪安診斷技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300244), and has been responsible for supervising and providing independent judgement to the board of the company.

- Since April 2012, he has been serving as a part-time professor in economics and the director of Center for Healthcare Management and Policy of the China Europe International Business School (中歐國際工商學院衛生管理與政策研究中心).

- From April 1999 to June 2012, he served as a human services program planner, reimbursement analyst and contracted program coordinator at the Center for Health Information and Analysis at Massachusetts.

- From July 1987 to December 1990, he served as a lecturer and the director of the Institute of Economic Development in East China University of Science and Technology (華東理工大學經濟研究所).

Dr. Cai obtained a master's degree in economics from Fudan University in February 1985 and a doctorate degree in health policy from Brandeis University in the United States in February 1997.

Save as disclosed above, Dr. Cai has not held directorship in any other listed company in the three years immediately preceding the date of this prospectus.

Ms. Yan Liu (劉艷), aged 45, is an independent non-executive Director of the Company. Ms. Liu is primarily responsible for supervising and providing independent judgment to our Board. Ms. Liu was appointed as our independent non-executive Director in March 2017.

Ms. Liu has the following work experience:

- Since December 2016, she has been serving as an independent director of Huatai Securities Co., Ltd (華泰證券股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601688) and the Main Board of the Stock Exchange (stock code: 6886) and primarily engaged in providing financial services in mainland China and internationally, and has been responsible for providing independent judgment to board of the company.

- Since September 2016, she has been serving as an independent director of Yantai Changyu Pioneer Wine Co., Ltd (煙臺張裕葡萄釀酒股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000869, 200869) and primarily engaged in the production and sale of wine and alcoholic beverages, and has been responsible for providing independent judgment to the board of the company.

- Since August 2014, she has been serving as an independent director of Huaxin Cement Co., Ltd (華新水泥股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 600801) and primarily engaged in production and sale of cements and concretes, and has been responsible for providing independent judgment to the board of the company.

- She joined Beijing Tian Yuan Law Firm (北京市天元律師務所) in October 1995 and is currently a partner of the firm.

Ms. Liu obtained a bachelor's and master's degree in law from Peking University Law School (北京大學法學院) in the PRC in July 1995 and July 1998, respectively. She also obtained a master's degree in law from New York University Law School in the United States in May 2000.

Save as disclosed above, Ms. Liu has not held directorship in any other listed company in the three years immediately preceding the date of this prospectus.

Mr. Dai Feng (馮岱), aged 43, is an independent non-executive Director of our Company and is ordinarily resident in Hong Kong. Mr. Feng is primarily responsible for supervising and providing independent judgment to our Board. Mr. Feng was elected as our independent non-executive Director in August 2018 and such appointment will be effective from the Listing Date.

Mr. Feng has the following work experience:

- Since March 2015, he has been serving as the managing director of CareCapital Advisors Limited (松柏投資管理(香港)有限公司), a company principally engaged in management advisory, and has been responsible for advising on business development and organizational management, with a focus on the dental industry.

- Mr. Feng is currently the chairman of Wuxi EA Medical Instruments Technologies Limited (無錫時代天使醫療器械科技有限公司), a provider of invisible dental orthodontic devices and the vice chairman of Carestream Dental LLC, a provider of dental digital product lines and services and a director of Szechuan New Huaguang Medical Technology Limited (四川新華光醫療科技有限公司), a leading distributor of dental products.

- Since February 2018, he has been serving as the director of The Forsyth Institute (Harvard Dental School Affiliate) (哈佛大學牙科學院附屬研究院).

- Since January 2018, he has been serving as an independent non-executive director of Sling Group Holdings Limited (stock code: 8285), a company listed on the GEM of the Stock Exchange and a women's handbag company.

- From December 2007 to December 2010 and from March 2012 to December 2013, he served as a director of Lepu Medical Technology (Beijing) Co., Ltd. (樂普（北京）醫療器械股份有限公司) a company listed on the Shenzhen Stock Exchange (stock code: 300003).

- From April 2004 to December 2014, he has served at various positions, including manager, principal and managing director at Warburg Pincus Asia LLC, a company principally engaged in investment advisory.

Mr. Feng obtained a bachelor's degree in engineering sciences from Harvard University in the United States in June 1997.

Save as disclosed above, Mr. Feng has not held a directorship in any other listed company in the three years immediately preceding the date of this prospectus.

Dr. Hetong Lou (婁賀統), aged 56, is an independent non-executive Director of our Company. Dr. Lou is primarily responsible for supervising and providing independent judgment to our Board. Dr. Lou was appointed as our independent non-executive Director in March 2017.

Dr. Lou has the following work experience:

- Since April 2018, he has been serving as a director of China Hengshi Foundation Company Limited (中國恒石基業有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1197), and was responsible for its general management.

- Since May 2018, he has been serving as a director of Shandong Hualu Hengsheng Chemical Co Ltd (山東華魯恒升化工股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600426), and was responsible for its general management.

- From April 2015 to August 2018, he has been serving as a director of Shanghai Lilong New Media Co., Ltd (上海利隆新媒體股份有新公司), a company which shares are quoted on the NEEQ (stock code: 833366), primarily engaged in providing international integrated road show service, and was responsible for its general management.

- Since December 2015, he has been serving as an independent director of Neway Valve (Suzhou) Co., Ltd (蘇州紐威閥門股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603699), and was responsible for its general management.

- Since December 2014, he has been serving as an independent director of Shanghai LongYun Advertising and Media Co., Ltd (上海龍韻廣告傳媒股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603729), and was responsible for its general management.

- He is currently serving as an associate professor of the Department of Accounting of Fudan University (復旦大學).

Dr. Lou obtained a bachelor's degree in accounting from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 1984. He has also obtained a Ph.D. degree in Accounting from Fudan University in the PRC in July 2007.

Save as disclosed above, Dr. Lou has not held directorship in any other listed company in the three years immediately preceding the date of this prospectus.

Mr. Xiaotong Zhang (張曉彤), aged 50, is an independent non-executive Director of our Company. Mr. Zhang is primarily responsible for supervising and providing independent judgment to our Board. Mr. Zhang was appointed as our independent non-executive Director in March 2017.

Mr. Zhang has the following work experience:

- Since May 2018, he has been serving as an independent director of Hubei Kailong Chemical Group Co., Ltd (湖北凱龍化工集團有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002783) and primarily engaged in manufacturing and sale of explosives in the PRC, and has been responsible for supervising and providing independent judgment to the board of the company.

- Since October 2015, he has been serving as an independent director of Limin Chemical Co., Ltd (利民化工股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002734) and primarily engaged in the research and development, production and sale of pesticide and preparations, and has been responsible for supervising and providing independent judgment to the board of the company.

- Since October 2014, he has been serving as an independent director of Shangdong Huapeng Glass Co., Ltd (山東華鵬玻璃股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603021) and primarily engaged in the research and development, manufacture and sale of glass products, and has been responsible for supervising and providing independent judgment to the board of the company.

- He is currently serving as an independent director of CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd (港中旅（登封）嵩山少林文化旅遊有限公司), a company primarily engaged in promoting the tourism of the Songshan Mountain scenic spot, improving the infrastructure and upgrading the services, and has been responsible for supervising and providing independent judgment to the board of the company.

- Since April 1994, he has been serving as a lawyer and a partner of Beijing Finance and Commercial Law Offices (北京市通商律師事務所).

Mr. Zhang obtained a bachelor's degree in law from Southwest University of Political Science and Law (西南政法大學)(formerly known as Southwest College of Political Science and Law (西南政法學院)) in the PRC in July 1990 and a master's degree in law from Peking University Law School (北京大學法學院) in the PRC in July 1999. Mr. Zhang also obtained a master's degree in business administration from Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2015.

Save as disclosed above, Mr. Zhang has not held directorship in any other listed company in the three years immediately preceding the date of this prospectus.

SUPERVISORS

Mr. Harry Liang He (賀亮), aged 52, is a Supervisor of our Company. He joined the Group in July 2005 and has been the chairman of the Supervisory Committee since March 2017.

Mr. He has the following work experience:

- Since April 2018, he has been serving as the deputy head of the Waigaoqiao site of the Company.
- From December 2015 to March 2018, he served as an assistant to the chief executive officer and an executive director of the chief executive officer's office of our Company.
- From July 2007 to December 2015, he served as an assistant to the chief executive officer, senior director and subsequently an executive director of the chief executive officer's office of WuXi PharmaTech, a company previously listed on NYSE.
- From July 2005 to June 2007, he served as an assistant to the chief executive officer of our Company.
- He previously served as a senior chemical testing engineer, data management manager and as an acting manager of the United States Navy public works environmental laboratory at Shaw Environmental & Infrastructure Inc. (肖恩環境和基礎建設公司).

Mr. He obtained a bachelor's degree in chemistry from Beijing University of Chemical Technology in the PRC in July 1989.

Mr. He has not held directorship in any other listed company in the three years immediately preceding the date of this prospectus.

Mr. Jichao Wang (王繼超), aged 45, is a Supervisor of our Company. He joined the Group in February 2001 and was appointed as a Supervisor in March 2017.

Mr. Wang has the following work experience:

- Since December 2015, he has been serving as a finance senior director, and subsequently a finance executive director of our Company.
- From August 2007 to December 2015, he served as a finance director, and subsequently a finance senior director of WuXi PharmaTech, a company previously listed on NYSE.
- From February 2001 to August 2007, he served as a finance director of our Company.

Mr. Wang pursued further education in economics at Peking University from February 2000 to July 2000. Mr. Wang obtained a master's degree in business administration from University of Shanghai for Science and Technology (上海理工大學) in the PRC in March 2007. Mr. Wang obtained a master's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in the PRC in June 2012.

Mr. Wang has not held directorship in any other listed company in the three years immediately preceding the date of this prospectus.

Ms. Minfang Zhu (朱敏芳), aged 46, is a Supervisor of our Company. She joined our Group in February 2001 and was appointed as a Supervisor in March 2017.

Ms. Zhu has the following work experience:

- Since December 2015, she has been serving as a human resources assistant director, then a human resources associate director and subsequently a human resources director of our Company.

- From August 2007 to December 2015, she served as a finance senior manager and a human resources assistant director of WuXi PharmaTech, a company previously listed on NYSE.

- From February 2001 to August 2007, she served as a finance senior manager and a human resources assistant director of our Company.

Ms. Zhu obtained an associate degree in financial management from Jiangsu Radio and Television University (江蘇廣播電視大學) in the PRC in July 2001.

Ms. Zhu has not held directorship in any other listed company in the three years immediately preceding the date of this prospectus.

SENIOR MANAGEMENT

Dr. Ge Li (李革), see "— Executive Directors" for details.

Mr. Edward Hu (胡正國), see "— Executive Directors" for details.

Mr. Xiaozhong Liu (劉曉鐘), see "— Executive Directors" for details.

Mr. Zhaohui Zhang (張朝暉), see "— Executive Directors" for details.

Dr. Ning Zhao (趙寧), see "— Executive Directors" for details.

Dr. Steve Qing Yang (楊青), aged 49, is a vice president of our Company. Dr. Yang is primarily responsible for our commercial operation and research services of our Group. Dr. Yang joined our Group in April 2014.

Dr. Yang has the following work experience:

- Since December 2015, he has been serving as an executive vice president and chief business officer at our Company.

- From April 2014 to December 2015, he served as a vice president, chief operating officer, chief business officer and chief strategy officer at WuXi PharmaTech, a company previously listed on NYSE.

- Prior to joining our Group, he served as a vice president and the head of Asia and Emerging Markets iMed of AstraZeneca (阿斯利康製藥公司) in the United Kingdom, a company listed on the NYSE (stock code: AZR).

- He joined Pfizer Inc. in the USA, a company listed on the NYSE (stock code: PFE) in November 2001. From November 2001 to August 2006, he served as the executive director and head of global research and development. From September 2006 to December 2010, he served as the head of Asia R&D and the vice president of global research and development.

Dr. Yang obtained a bachelor's degree from Michigan Technological University in the United States in June 1991 and a Ph.D. degree from University of California, San Francisco in the United States in 1997.

Dr. Yang has not held directorship in any other listed company in the three years immediately preceding the date of this prospectus.

Dr. Shuhui Chen (陳曙輝), aged 55, is a vice president of our Company. He joined our Group in April 2004.

Dr. Chen has the following work experience:

- Since December 2015, he has been serving as an executive vice president and chief scientific officer of our Company.

- From August 2007 to December 2015, he served as an executive vice president and chief scientific officer at WuXi PharmaTech, a company previously listed on NYSE.

- From April 2004 to August 2007, he served as the chief scientific officer of our Company.

- In around 2004, he served as a research advisor at Eli Lilly and Company, a company listed on the NYSE (stock code: LLY).

Dr. Chen obtained a Ph.D. degree in chemistry from Yale University in the United States in May 1991.

Mr. Chi Yao (姚馳), aged 34, is the board secretary of our Company. He joined our Group in March 2016.

Mr. Yao has the following work experience:

- Since March 2016, he served as a board secretary and the executive director of the corporate legal office of our Company.

- From December 2012 to March 2016, he served as a legal consultant at DLA Piper (歐華律師事務所).

- From July 2011 to November 2012, he served as a legal consultant at King & Wood Mallesons (金杜律師事務所) in Beijing, PRC.

Mr. Yao obtained a bachelor of law degree and a master's degree of law from China University of Political Science and Law (中國政法大學) in the PRC in June 2006 and June 2011, respectively.

Mr. Yao has not held directorship in any other listed company in the three years immediately preceding the date of this prospectus.

JOINT COMPANY SECRETARIES

Mr. Chi Yao (姚馳), is our joint company secretary. For details of his biography, see "— Senior Management".

Ms. Yuen Wing Yan Winnie (袁穎欣), is our joint company secretary and is currently a director of corporate services at Tricor Services Limited.

Ms. Yuen has the following work experience:

- She has been appointed as the company secretary of three companies listed on the Stock Exchange, namely China First Chemical Holdings Limited (一化控股(中國)有限公司) (stock code: 2121) since July 2012, Genes Tech Group Holdings Company Limited (靖洋集團控股有限公司) (stock code: 8257) since February 2018 and OneForce Holdings Limited (元力控股有限公司) (stock code: 1933) since March 2018.

- Since January 2004, she has been working at Tricor Services Limited and is currently a director of corporate services.

- From July 1992 to December 2003, she served as a manager of company secretarial department of Ernst & Young, Hong Kong.

Ms. Yuen graduated from Lingnan College (嶺南學院) (currently known as Lingnan University) in January 1993. She is also a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Yuen is a holder of the Practitioner's Endorsement from HKICS.

BOARD COMMITTEES

In accordance with relevant PRC laws, regulations, the Articles and the corporate governance practice prescribed in the Hong Kong Listing Rules, we have formed four board committees, namely, the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee.

Audit Committee

We have established the Audit Committee with terms of reference in compliance with the relevant PRC laws and regulations and Rule 3.21 of the Hong Kong Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules. The Audit Committee consists of Dr. Hetong Lou, Mr. Xiaotong Zhang, and Ms. Yan Liu, with Dr. Hetong Lou being the chairperson of the committee. The main duties of the Audit Committee include but are not limited to:

- monitoring and evaluating the work of the external auditor;

- supervising the implementation of the internal audit system of the Company;

- being responsible for the communications among the management level of the company, the internal and external audit;

- reviewing and commenting on the financial reports of the Company;

- examining the financial reporting system, risk management and internal control systems of the Company;
- making recommendations to the Company on the appointment, reappointment and removal of the external auditor;
- performing daily management duties and implementing control on connected transactions; and
- performing such other duties determined by the Board and stipulated in the listing rules or regulatory rules of the place where the shares of the Company are listed.

Remuneration and Appraisal Committee

We have established the Remuneration and Appraisal Committee with terms of reference in compliance with relevant laws and regulations of the PRC and paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules. The Remuneration and Appraisal Committee consists of Ms. Yan Liu, Dr. Hetong Lou, and Dr. Ning Zhao, with Ms. Liu being the chairperson of the committee. The main duties of the Remuneration and Appraisal Committee include but are not limited to:

- formulating remuneration policies for Directors and senior management in accordance with the respective scope, responsibilities and significance of Directors and senior management and remuneration levels of similar positions in other enterprises within the same industry;
- making recommendations to the Board on the establishment of a formal and transparent procedure for developing remuneration policies;
- monitoring the implementation of remuneration system of the Company for the Directors and senior management;
- assessing the fulfillment of duties of Directors and senior management of the Company and appraising their annual performance;
- determining or making recommendations to the Board, with delegated responsibility, the remuneration packages of individual Directors and senior management;
- reviewing and approving compensation payable to Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- reviewing and managing the share incentive scheme(s) of the Company, including determining the scope of the eligible participants and conditions of a grant and auditing the exercise conditions; and
- performing such other duties determined by the Board and stipulated in the listing rules or regulatory rules of the place where the shares of the Company are listed.

Nomination Committee

We have established the Nomination Committee with terms of reference in compliance with the relevant laws and regulations of the PRC and paragraph A.5 of the Corporate Governance Code as set out in Appendix 14

to the Hong Kong Listing Rules. The Nomination Committee consists of Dr. Jiangnan Cai, Ms. Yan Liu, Dr. Li, with Dr. Jiangnan Cai being the chairperson of the committee. The main duties of the Nomination Committee include but are not limited to:

- making recommendation to the Board on its size and composition to complement the Company's business operation and shareholding structure;
- reviewing and making recommendations to the selection standard and procedure of Directors and senior management;
- identifying individuals suitably qualified to become Directors and senior management and selecting or making recommendations to the board on the selection of individuals nominated for directorships or senior management positions;
- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- assessing the independence of independent non-executive Directors; and
- performing such other duties determined by the Board and stipulated in the listing rules or regulatory rules of the place where the shares of the Company are listed.

Strategy Committee

We have established the Strategy Committee, which consists of Dr. Li, Mr. Edward Hu, Mr. Xiaomeng Tong, Dr. Yibing Wu, Dr. Jiangnan Cai, with Dr. Li being the chairperson of the Strategy Committee according to the relevant laws and regulations of the PRC. The main duties of the Strategy Committee include but are not limited to:

- researching and recommending on long-term development strategy of the Company;
- researching and recommending on significant capital expenditure, investment and financing projects of the Company;
- researching and recommending on major capital operation (including but not limited to the increase or reduction of registered share capital, issuance of bonds, subsidiary merger, separation, dissolution or change of company form, profit distribution plan and make up for losses program), asset management project, and annual financial budget plan of the Company;
- researching and recommending on significant matters relating to the development of the Company;
- monitoring the above matters and assessing, examining and recommending on significant changes; and
- performing such other duties determined by the Board and stipulated in the listing rules or regulatory rules of the place where the shares of the Company are listed.

EMOLUMENT OF DIRECTORS AND SENIOR MANAGEMENT

We offer our executive Directors and senior management members, who are also employees of our Company, emolument in the form of salaries, remuneration, pension, discretionary bonus and other welfares. Our independent non-executive Directors receive emolument based on their responsibilities (including being members or chairman of Board committees). We adopt a market and incentive-based employee emolument structure and implement a multi-layered evaluation system which focuses on performance and management goals.

The aggregate amount of emolument (including salaries, remuneration, pension, discretionary bonus and other welfares) paid to our Directors for the three years ended December 31, 2017 and the six months ended June 30, 2018 were RMB16.8 million, RMB34.9 million, RMB29.3 million, and RMB15.8 million, respectively. It is estimated that under the arrangements currently in force, the aggregate emolument payable to the Directors for the year ending December 31, 2018, will be approximately RMB31.0 million.

For the three years ended December 31, 2017 and the six months ended June 30, 2018, the aggregate amount of emolument paid to the five highest paid individuals of our Group, including Directors, were RMB22.8 million, RMB37.5 million, RMB31.3 million and RMB16.8 million, respectively.

During the Track Record Period, no remuneration was paid to, or receivable by, our Directors or the five highest paid individuals of our Company as an inducement to join or upon joining our Company or as a compensation for loss of office in the Track Record Period. Further, none of our Directors had waived any emolument during the same period.

Except as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals of our Company during the Track Record Period.

Save as disclosed in this prospectus, none of our Directors, Supervisors and senior management holds any interest in the H Shares and A Shares as set out in Part XV of the Securities and Futures Ordinance, as of the Latest Practicable Date. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiry, save as disclosed herein, there is no additional matter with respect to the appointment of the Directors and Supervisors that needs to be brought to the attention of the Shareholders, and there is no additional information relating to the Directors and Supervisors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Hong Kong Listing Rules as of the Latest Practicable Date.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 of the Hong Kong Listing Rules, the compliance advisor will advise us in the following circumstances:

(a) before publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might constitute a notifiable or connected transaction under the Hong Kong Listing Rules, is contemplated, including share issues and share repurchases;

(c) where we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Hong Kong Listing Rules.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute the annual report of the first full financial year commencing after the Listing and such appointment may be subject to extension by mutual agreement.

CODE ON CORPORATE GOVERNANCE PRACTICES

We consider that having Dr. Li acting as both our chairman and our chief executive officer will provide a strong and consistent leadership to us and allow for more effective planning and management of our Group. Pursuant to A.2.1 of Appendix 14 of the Hong Kong Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, in view of Dr. Li's extensive experience in the industry, personal profile and critical role in our Group and its historical development, we consider that it is beneficial to the business prospects of our Group that Dr. Li continues to act as both our chairman and our chief executive officer upon Listing. Save as disclosed above, our Directors consider that, as of the Latest Practicable Date, our Company has fully complied with the applicable code provisions as set out in the Code of Corporate Governance Practices as contained in Appendix 14 to the Hong Kong Listing Rules from the Listing Date.

This section presents certain information regarding our share capital prior to and following the completion of the Global Offering.

BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, our registered and issued share capital was RMB1,048,266,886, all of which are listed on the Shanghai Stock Exchange.

	Number of Shares	Approximate percentage of issued share capital
		(%)
A Shares in issue	1,048,266,886	100.00

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised and no options or additional Restricted A Shares are granted under the 2018 WuXi AppTec A Share Incentive Scheme, our registered and issued share capital will be as follows:

	Number of Shares	Approximate percentage of issued share capital
		(%)
A Shares in issue	1,048,266,886	90.00
H Shares in issue	116,474,200	10.00
Total	1,164,741,086	100.00

Immediately following the completion of the Global Offering, assuming that the Over-allotment Option is exercised in full and no options or additional Restricted A Shares are granted under the 2018 WuXi AppTec A Share Incentive Scheme, our registered and issued share capital will be as follows:

	Number of Shares	Approximate percentage of issued share capital
		(%)
A Shares in issue	1,048,266,886	88.67
H Shares in issue	133,945,300	11.33
Total	1,182,212,186	100.00

CLASSES OF OUR SHARES

According to the Mandatory Provisions, domestic Shares and H Shares are regarded as different classes of Shares. Therefore, we have two classes of Shares, which include (i) domestic Shares, namely A Shares (PRC listed Shares issued and subscribed for in RMB within the PRC); and (ii) overseas listed Shares, namely H Shares (overseas listed foreign invested Shares listed in Hong Kong). A Shares and H Shares are all ordinary Shares in the share capital of our Company. The Shanghai-Hong Kong Stock Connect, which was launched on November 17, 2014, has established a stock connect mechanism between the PRC and Hong Kong. However, apart from certain qualified domestic institutional investors in the PRC and the qualified PRC investors under the Shanghai-Hong Kong Stock Connect, H Shares generally cannot be subscribed for by or traded between legal or

natural persons of the PRC. On the other hand, A Shares can only be subscribed for by and traded between legal or natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors or the Hong Kong and overseas investors under the Shanghai-Hong Kong Stock Connect and must be subscribed for and traded in RMB.

Under our Articles of Association, A Shares and H Shares are all ordinary shares and regarded as different classes of shares. The rights conferred on any class of Shareholders may not be varied or abrogated unless approved by a special resolution of the general meeting of Shareholders and by the holders of Shares of that class at a separate meeting. The circumstances which shall be deemed to be a variation or abrogation of the rights of a class are listed in "Appendix V — Summary of Articles of Association". However, the procedures for approval by separate classes of Shareholders shall not apply:

(i) where we issue, upon approval by a special resolution of the Shareholders in a general meeting, either separately or concurrently once every 12 months, not more than 20% of each of our existing issued A Shares and H Shares; and

(ii) where our plan to issue A Shares and H Shares at the time of our establishment is implemented within 15 months from the date of approval or the valid period of the approval of the relevant regulatory authorities of the PRC, including the CSRC.

The differences between the two classes of shares and provisions on class rights, the dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of Shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Articles of Association and summarized in "Appendix V — Summary of Articles of Association".

Except for the differences above, A Shares and H Shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date in this prospectus. All dividends in respect of the H Shares are to be calculated in RMB and paid by us in Hong Kong dollars whereas all dividends in respect of A Shares are to be paid by us in RMB. In addition to cash, dividends may be distributed in the form of Shares. For holders of H Shares, dividends in the form of Shares will be distributed in the form of additional H Shares. For holders of A Shares, dividends in the form of Shares will be distributed in the form of additional A Shares.

TRANSFER OF OUR A SHARES FOR LISTING AND TRADING ON THE HONG KONG STOCK EXCHANGE AS H SHARES

A Shares and H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and H Shares may be different after the Global Offering.

If any holder of our A Shares wishes to transfer its A Shares to overseas investors for listing and trading on the Hong Kong Stock Exchange, it must obtain the approval of the relevant competent PRC regulatory authorities, including the CSRC for the transfer and conversion of the A Shares and the approval of the Hong Kong Stock Exchange for the listing and trading of the converted H shares, as well as follow the procedures set forth below:

(a) The holder of A Shares is to obtain the requisite approval of the CSRC or the authorized securities approval authorities of the State Council for the transfer of all or part of its A Shares into H Shares. There is no assurance that the approval can be obtained.

(b) We may apply for the listing of all or any portion of our A Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion and we must obtain prior approval from the Hong Kong Stock Exchange before the converted H Shares can be listed and traded on the Hong Kong Stock Exchange.

(c) The holder of A Shares must request that we remove its A Shares from the A Share register, attaching the relevant documents of title together with the request.

(d) Subject to obtaining the approval of the Board and the Hong Kong Stock Exchange, we would then issue a notice to the H Share Registrar with instructions that, with effect from a specified date, our H Share Registrar is to issue the relevant holder with H Share certificates for such specified number of H Shares.

(e) The specified number of A Shares to be converted to H Shares are then re-registered on the H Share register maintained in Hong Kong on the conditions that:

(i) our H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificate; and

(ii) the admission of the H Shares (converted from A Shares) to trade in Hong Kong will comply with the Hong Kong Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time.

(f) Upon completion of the transfer and conversion, the shareholding of the relevant holder of A Shares in our A Share register will be reduced by such number of A Shares transferred and the number of H Shares in our H Share register will correspondingly be increased by the same number of H Shares.

(g) We will comply with the Hong Kong Listing Rules to inform our Shareholders and the public by way of an announcement of such fact not less than three days prior to the proposed effective date.

As of the Latest Practicable Date, the Directors were not aware of any intention of any holder of A Shares to convert all or part of its A Shares into H Shares.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE GLOBAL OFFERING

We have obtained approval from our holders of A Shares to issue H Shares and seek the listing of H Shares on the Hong Kong Stock Exchange. Such approval was obtained at the general meeting of our Company held on August 22, 2018 upon, among other things, the following major terms:

(1) Size of the offer

The proposed number of H Shares to be offered initially shall be 10% to 15% (inclusive) of the total issued number of shares as enlarged by the H Shares to be issued pursuant to the Global Offering and before the exercise of the Over-allotment Option. The number of H Shares to be issued pursuant to the exercise of the Over-allotment Option shall not exceed 15% of the total number of H Shares to be offered initially pursuant to the Global Offering.

(2) Method of offering

The method of offering shall be by way of a public offer for subscription in Hong Kong and an international offering to institutional and professional investors.

(3) Target investors

The H Shares shall be issued to overseas professional organizations, institutions individual investors, the public and other eligible investors.

(4) Price determination basis

The issue price of the H Shares will be determined after due consideration of the interests of existing Shareholders, the acceptance of investors and issuance risks and in accordance with international practices through the demands for orders and book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

(5) Validity period

The approval is valid for 12 months from the date of passing of the resolutions at the general meeting held on August 22, 2018.

As of the Latest Practicable Date, the following persons directly or indirectly control or are entitled to exercise the control of 5% or more of our A Shares:

Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding
Dr. Li[(1)(2)]	Interests held jointly with another person; interests of spouse; interests of controlled corporation	323,359,483	30.8471%
Dr. Zhao[(1)(2)]	Interests held jointly with another person; interests of spouse; interests of controlled corporation	323,359,483	30.8471%
Mr. Zhaohui Zhang[(1)(3)]	Interests held jointly with another person; interests of controlled corporation	323,359,483	30.8471%
Mr. Xiaozhong Liu[(1)(4)]	Interests held jointly with another person; interests of controlled corporation	323,359,483	30.8471%
Ms. Zhang Lei[(3)]	Interests of spouse	323,359,483	30.8471%
Ms. Zhang Guolian[(4)]	Interests of spouse	323,359,483	30.8471%
G&C VI Limited[(5)]	Beneficial owner	81,000,000	7.7270%
G&C I Limited[(5)]	Interests of controlled corporation	81,000,000	7.7270%
G&C Limited[(5)]	Interests of controlled corporation	81,000,000	7.7270%
WXAT BVI[(6)]	Beneficial owner	81,000,000	7.7270%
WuXi PharmaTech[(6)]	Interests of controlled corporation	81,000,000	7.7270%
Life Science Limited[(6)]	Interests of controlled corporation	81,000,000	7.7270%
Life Science Holdings[(6)]	Interests of controlled corporation	81,000,000	7.7270%
G&C IV Hong Kong Limited[(7)]	Beneficial owner	59,234,400	5.6507%
G&C VIII Limited[(7)]	Interests of controlled corporation	59,234,400	5.6507%
G&C IV Limited[(7)]	Interests of controlled corporation	59,234,400	5.6507%
Jiashi Kangheng (Tianjian) Investments Partnership (Limited Partnership) (嘉世康恒（天津）投資合夥企業（有限合夥）)[(8)]	Beneficial owner	71,892,000	6.8582%
Boyu Dongzhi (Shanghai) Equity Investment Management Co., Ltd.(博裕東直（上海）股權投資管理有限責任公司)[(8)]	Interests of controlled corporation	71,892,000	6.8582%

Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding
Xinyu Kangyi (Tianjin) Investment Partnership (Limited Partnership) (新裕康怡(天津)投資合夥企業(有限合夥))[8]	Interests of controlled corporation	71,892,000	6.8582%
Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司)[8]	Interests of controlled corporation	71,892,000	6.8582%
Xia Meiying (夏美英)[8]	Interests of controlled corporation	71,892,000	6.8582%
Huang Ailian (黃愛蓮)[8]	Interests of controlled corporation	71,892,000	6.8582%
Guokai Boyu II (Shanghai) Equity Investment Partnership (Limited Partnership) (國開博裕二期(上海)股權投資合夥企業(有限合夥))[8]	Interests of controlled corporation	71,892,000	6.8582%
Boyu Guangqu Taoran (Shanghai) Investment Management Partnership (Limited Partnership) (博裕廣渠陶然(上海)投資管理合夥企業(有限合夥))[8]	Interests of controlled corporation	71,892,000	6.8582%
Tao Rong (陶融)[8]	Interests of controlled corporation	71,892,000	6.8582%
Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司)[8]	Interests of controlled corporation	71,892,000	6.8582%
Glorious Moonlight Limited[9]	Beneficial owner	88,851,600	8.4760%
Endless Vigor Limited[9]	Interests of controlled corporation	88,851,600	8.4760%
Peaceful Pasture Limited[9]	Interests of controlled corporation	88,851,600	8.4760%
Boyu Capital Fund II, L.P.[9]	Interests of controlled corporation	88,851,600	8.4760%
Boyu Capital General Partner II, L.P.[9]	Interests of controlled corporation	88,851,600	8.4760%
Boyu Capital General Partner II, Ltd.[9]	Interests of controlled corporation	88,851,600	8.4760%
Boyu Capital Holdings Limited[9]	Interests of controlled corporation	88,851,600	8.4760%
ABG-WX Holding (HK) Limited[10]	Beneficial owner	74,043,000	7.0634%

Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding
ABG-WX Investment (HK) Limited(10)	Interests of controlled corporation	74,043,000	7.0634%
ABG–WX (HK) Limited(10)	Interests of controlled corporation	74,043,000	7.0634%
ABG II-WX Limited(10)	Interests of controlled corporation	74,043,000	7.0634%
ABG Management Ltd.(10)	Interests of controlled corporation	74,043,000	7.0634%
Yu Fan	Interests of controlled corporation	74,043,000	7.0634%
Summer Bloom Investments (I) Pte. Ltd.(11)	Beneficial owner	81,447,300	7.7697%
Summer Bloom Investments (II) Pte. Ltd.(11)	Interests of controlled corporation	81,447,300	7.7697%
Summer Bloom Investments Pte. Ltd.(11)	Interests of controlled corporation	81,447,300	7.7697%
Pavilion Capital International Pte. Ltd.(11)	Interests of controlled corporation	81,447,300	7.7697%
Pavilion Capital Holdings Pte. Ltd.(11)	Interests of controlled corporation	81,447,300	7.7697%
Linden Investments Pte. Ltd.(11)	Interests of controlled corporation	81,447,300	7.7697%
Fullerton Fund Investments Pte. Ltd.(11)	Interests of controlled corporation	81,447,300	7.7697%
Temasek Holdings (Private) Limited(11)	Interests of controlled corporation	81,447,300	7.7697%
HCFII WX (HK) Holdings Limited(12)	Beneficial owner	62,725,500	5.9837%
HCFII WX Holdings Limited(12)	Interests of controlled corporation	62,725,500	5.9837%
Hillhouse Capital Fund II, L.P.(12)	Interests of controlled corporation	62,725,500	5.9837%
Hillhouse Fund II Holdings GP, Ltd.(12)	Interests of controlled corporation	62,725,500	5.9837%
Colm John O'Connell(12)	Interests of controlled corporation	62,725,500	5.9837%

Notes:

(1) Dr. Li, Dr. Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang entered into an acting-in-concert agreement and a supplemental agreement on March 23, 2016 and March 17, 2017 to acknowledge and confirm their acting-in-concert relationship in our Company. For details, see "History and Corporate Development — Acting in Concert."

(2) Dr. Zhao is the spouse of Dr. Li and they are deemed to be interested in each other's interests in our Company.

(3) Ms. Zhang Lei is the spouse of Mr. Zhaohui Zhang and is deemed to be interested in Mr. Zhang's interests in our Company.

(4) Ms. Zhang Guolian is the spouse of Mr. Xiaozhong Liu and is deemed to be interested in Mr. Liu's interests in our Company.

(5) Dr. Li indirectly wholly owns G&C VI Limited through his wholly own interests in G&C I Limited and G&C Limited. Under the SFO, Dr. Li is deemed to be interested in our Shares held by G&C VI Limited.

(6) Life Science Holdings indirectly wholly owns WXAT BVI through its wholly own interests in WuXi PharmaTech and Life Science Limited. Under the SFO, Life Science Holdings is deemed to be interested in our Shares held by WXAT BVI.

(7) G&C IV Limited is funded by nine investors, who are Independent Third Parties and independent to each other, holding non-voting shares, and is controlled by Dr. Li by holding one voting share representing 100% of the voting power in G&C IV Limited. For details, please see the section headed "History and Corporate Development — Corporate Structure". Dr. Li indirectly wholly owns G&C IV Hong Kong Limited through his control in G&C IV Limited which wholly owns G&C VIII Limited. Under the SFO, Dr. Li is deemed to be interested in our Shares held by G&C IV Hong Kong Limited.

(8) Jiashi Kangheng (Tianjian) Investments Partnership (Limited Partnership) (嘉世康恒（天津）投資合夥企業（有限合夥）) is held as to 0.36% by its general partner, Boyu Dongzhi (Shanghai) Equity Investment Management Co., Ltd. (博裕東直（上海）股權投資管理有限責任公司), and held as to 99.64% by its limited partner, Xinyu Kangyi (Tianjin) Investment Partnership (Limited Partnership) (新裕康怡(天津)投資合夥企業(有限合夥)). Boyu Dongzhi (Shanghai) Equity Investment Management Co., Ltd. (博裕東直（上海）股權投資管理有限責任公司) is wholly-owned by Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司), which is held as to 50% by each of Xia Meiying and Huang Ailian. Xinyu Kangyi (Tianjin) Investment Partnership (Limited Partnership) (新裕康怡(天津)投資合夥企業(有限合夥)) is held as to 63.51% by its limited partner, Guokai Boyu II (Shanghai) Equity Investment Partnership (Limited Partnership) (國開博裕二期(上海)股權投資合夥企業(有限合夥)), the general partner of which is Boyu Guangqu Taoran (Shanghai) Investment Management Partnership (Limited Partnership) (博裕廣渠陶然(上海)投資管理合夥企業(有限合夥)), which in turn is held as to 46.22%, 52.19% and 1.59% by its limited partners, Huang Ailian and Tao Rong, and its general partner, Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司), respectively. Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司) is wholly-owned by Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限公司). The general partner of Xinyu Kangyi (Tianjin) Investment Partnership (Limited Partnership) (新裕康怡(天津)投資合夥企業(有限合夥)) is Boyu Dongzhi (Shanghai) Equity Investment Management Co., Ltd. (博裕東直(上海)股權投資管理有限責任公司).

(9) Peaceful Pasture Limited indirectly wholly owns Glorious Moonlight Limited through its wholly-owned interests in Endless Vigor Limited. Peaceful Pasture Limited is controlled by Boyu Capital Fund II, L.P., which is controlled by Boyu Capital General Partner II, L.P., which is in turn controlled by Boyu Capital General Partner II, Ltd., which is wholly-owned by Boyu Capital Holdings Limited.

(10) ABG-WX (HK) Limited indirectly wholly owns ABG-WX Holding (HK) Limited through its wholly-owned interests in ABG-WX Investment (HK) Limited. ABG-WX (HK) Limited is controlled by ABG II-WX Limited which is controlled by ABG Management Ltd., which in turn is wholly-owned by Yu Fan.

(11) Summer Bloom (I) Investments Pte. Ltd. is wholly-owned by Summer Bloom Investments (II) Pte. Ltd., which in turn is wholly-owned by Summer Bloom Investments Pte. Ltd.. Summer Bloom Investments Pte. Ltd. is solely controlled by Pavilion Capital International Pte. Ltd., which is wholly-owned by Pavilion Capital Holdings Pte. Ltd., which in turn, is wholly-owned by Linden Investments Pte. Ltd.. Linden Investments Pte. Ltd. is in turn wholly-owned by Fullerton Fund Investments Pte. Ltd., which in turn, is wholly-owned by Temasek Holdings (Private) Limited. Pavilion Capital Holdings Pte. Ltd. and its subsidiaries are independently managed portfolio companies. Temasek Holdings (Private) Limited is not involved in the management decisions of these companies.

(12) Hillhouse Capital Fund II, L.P. indirectly wholly owns HCFII WX (HK) Holdings Limited through its wholly-owned interests in HCFII WX Holdings Limited. Hillhouse Capital Fund II, L.P. is controlled by its general partner Hillhouse Fund II Holdings GP, Ltd., which is wholly-owned by Colm John O'Connell.

Immediately following the completion of the Global Offering, and assuming the Over-allotment Option is not exercised and no options or additional Restricted A Shares are granted under the 2018 WuXi AppTec A Share Incentive Scheme, and based on the Offer Price of HK$67.8 (being the mid-point of the Offer Price range set out in this prospectus), the following persons will, have interests or short positions in our Shares or underlying Shares of our Company which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Shareholder	Nature of interest	Number and class of Shares	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering
Dr. Li[(1)(2)]	Interests held jointly with another person; interests of spouse; interests of controlled corporation	323,359,483 A Shares	30.8471%	27.7623%
Dr. Zhao[(1)(2)]	Interests held jointly with another person; interests of spouse; interests of controlled corporation	323,359,483 A Shares	30.8471%	27.7623%
Mr. Zhaohui Zhang[(1)(3)]	Interests held jointly with another person; interests of controlled corporation	323,359,483 A Shares	30.8471%	27.7623%
Mr. Xiaozhong Liu[(1)(4)]	Interests held jointly with another person; interests of controlled corporation	323,359,483 A Shares	30.8471%	27.7623%
Ms. Zhang Lei[(3)]	Interests of spouse	323,359,483 A Shares	30.8471%	27.7623%
Ms. Zhang Guolian[(4)]	Interests of spouse	323,359,483 A Shares	30.8471%	27.7623%
G&C VI Limited[(5)]	Beneficial owner	81,000,000 A Shares	7.7270%	6.9543%
G&C I Limited[(5)]	Interests of controlled corporation	81,000,000 A Shares	7.7270%	6.9543%
G&C Limited[(5)]	Interests of controlled corporation	81,000,000 A Shares	7.7270%	6.9543%
WXAT BVI[(6)]	Beneficial owner	81,000,000 A Shares	7.7270%	6.9543%
WuXi PharmaTech[(6)]	Interests of controlled corporation	81,000,000 A Shares	7.7270%	6.9543%
Life Science Limited[(6)]	Interests of controlled corporation	81,000,000 A Shares	7.7270%	6.9543%
Life Science Holdings[(6)]	Interests of controlled corporation	81,000,000 A Shares	7.7270%	6.9543%
G&C IV Hong Kong Limited[(7)]	Beneficial owner	59,234,400 A Shares	5.6507%	5.0856%
G&C VIII Limited[(7)]	Interests of controlled corporation	59,234,400 A Shares	5.6507%	5.0856%
G&C IV Limited[(7)]	Interests of controlled corporation	59,234,400 A Shares	5.6507%	5.0856%

Shareholder	Nature of interest	Number and class of Shares	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering
Jiashi Kangheng (Tianjian) Investments Partnership (Limited Partnership) (嘉世康恒（天津）投資合夥企業（有限合夥）)[8]	Beneficial owner	71,892,000 A Shares	6.8582%	6.1724%
Boyu Dongzhi (Shanghai) Equity Investment Management Co., Ltd.(博裕東直（上海）股權投資管理有限責任公司)[8]	Interests of controlled corporation	71,892,000 A Shares	6.8582%	6.1724%
Xinyu Kangyi (Tianjin) Investment Partnership (Limited Partnership) (新裕康怡(天津)投資合夥企業(有限合夥))[8]	Interests of controlled corporation	71,892,000 A Shares	6.8582%	6.1724%
Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司)[8]	Interests of controlled corporation	71,892,000 A Shares	6.8582%	6.1724%
Xia Meiying (夏美英)[8]	Interests of controlled corporation	71,892,000 A Shares	6.8582%	6.1724%
Huang Ailian (黃愛蓮)[8]	Interests of controlled corporation	71,892,000 A Shares	6.8582%	6.1724%
Guokai Boyu II (Shanghai) Equity Investment Partnership (Limited Partnership) (國開博裕二期(上海)股權投資合夥企業(有限合夥))[8]	Interests of controlled corporation	71,892,000 A Shares	6.8582%	6.1724%
Boyu Guangqu Taoran (Shanghai) Investment Management Partnership (Limited Partnership) (博裕廣渠陶然(上海)投資管理合夥企業(有限合夥))[8]	Interests of controlled corporation	71,892,000 A Shares	6.8582%	6.1724%
Tao Rong (陶融)[8]	Interests of controlled corporation	71,892,000 A Shares	6.8582%	6.1724%
Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司)[8]	Interests of controlled corporation	71,892,000 A Shares	6.8582%	6.1724%
Glorious Moonlight Limited[9]	Beneficial owner	88,851,600 A Shares	8.4760%	7.6284%
Endless Vigor Limited[9]	Interests of controlled corporation	88,851,600 A Shares	8.4760%	7.6284%

Shareholder	Nature of interest	Number and class of Shares	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering
Peaceful Pasture Limited[9]	Interests of controlled corporation	88,851,600 A Shares	8.4760%	7.6284%
Boyu Capital Fund II, L.P.[9]	Interests of controlled corporation	88,851,600 A Shares	8.4760%	7.6284%
Boyu Capital General Partner II, L.P.[9]	Interests of controlled corporation	88,851,600 A Shares	8.4760%	7.6284%
Boyu Capital General Partner II, Ltd.[9]	Interests of controlled corporation	88,851,600 A Shares	8.4760%	7.6284%
Boyu Capital Holdings Limited[9]	Interests of controlled corporation	88,851,600 A Shares	8.4760%	7.6284%
ABG-WX Holding (HK) Limited[10]	Beneficial owner	74,043,000 A Shares	7.0634%	6.3570%
ABG-WX Investment (HK) Limited[10]	Interests of controlled corporation	74,043,000 A Shares	7.0634%	6.3570%
ABG–WX (HK) Limited[10]	Interests of controlled corporation	74,043,000 A Shares	7.0634%	6.3570%
ABG II-WX Limited[10]	Interests of controlled corporation	74,043,000 A Shares	7.0634%	6.3570%
ABG Management Ltd.[10]	Interests of controlled corporation	74,043,000 A Shares	7.0634%	6.3570%
Yu Fan	Interests of controlled corporation	74,043,000 A Shares	7.0634%	6.3570%
Summer Bloom Investments (I) Pte. Ltd.[11]	Beneficial owner	81,447,300 A Shares	7.7697%	6.9927%
Summer Bloom Investments (II) Pte. Ltd.[11]	Interests of controlled corporation	81,447,300 A Shares	7.7697%	6.9927%
Summer Bloom Investments Pte. Ltd.[11]	Interests of controlled corporation	81,447,300 A Shares	7.7697%	6.9927%
Pavilion Capital International Pte. Ltd.[11]	Interests of controlled corporation	81,447,300 A Shares	7.7697%	6.9927%
Pavilion Capital Holdings Pte. Ltd.[11]	Interests of controlled corporation	81,447,300 A Shares	7.7697%	6.9927%
Linden Investments Pte. Ltd.[11]	Interests of controlled corporation	81,447,300 A Shares	7.7697%	6.9927%
Fullerton Fund Investments Pte. Ltd.[11]	Interests of controlled corporation	81,447,300 A Shares	7.7697%	6.9927%
Temasek Holdings (Private) Limited[11]	Interests of controlled corporation	81,447,300 A Shares	7.7697%	6.9927%

Shareholder	Nature of interest	Number and class of Shares	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering
HCFII WX (HK) Holdings Limited(12)	Beneficial owner	62,725,500 A Shares	5.9837%	5.3854%
HCFII WX Holdings Limited(12)	Interests of controlled corporation	62,725,500 A Shares	5.9837%	5.3854%
Hillhouse Capital Fund II, L.P.(12)	Interests of controlled corporation	62,725,500 A Shares	5.9837%	5.3854%
Hillhouse Fund II Holdings GP, Ltd.(12)	Interests of controlled corporation	62,725,500 A Shares	5.9837%	5.3854%
Colm John O'Connell(12)	Interests of controlled corporation	62,725,500 A Shares	5.9837%	5.3854%

Notes:

(1) Dr. Li, Dr. Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang entered into an acting-in-concert agreement and a supplemental agreement on March 23, 2016 and March 17, 2017 to acknowledge and confirm their acting-in-concert relationship in our Company. For details, please see the section headed "History and Corporate Development — Acting in Concert".

(2) Dr. Zhao is the spouse of Dr. Li and they are deemed to be interested in each other's interests in our Company.

(3) Ms. Zhang Lei is the spouse of Mr. Zhaohui Zhang and is deemed to be interested in Mr. Zhang's interests in our Company.

(4) Ms. Zhang Guolian is the spouse of Mr. Xiaozhong Liu and is deemed to be interested in Mr. Liu's interests in our Company.

(5) Dr. Li indirectly wholly owns G&C VI Limited through his wholly own interests in G&C I Limited and G&C Limited. Under the SFO, Dr. Li is deemed to be interested in our Shares held by G&C VI Limited.

(6) Life Science Holdings indirectly wholly owns WXAT BVI through its wholly own interests in WuXi PharmaTech and Life Science Limited. Under the SFO, Life Science Holdings is deemed to be interested in our Shares held by WXAT BVI.

(7) G&C IV Limited is funded by nine investors, who are Independent Third Parties and independent to each other, holding non-voting shares, and is controlled by Dr. Li by holding one voting share representing 100% of the voting power in G&C IV Limited. For details, please see the section headed "History and Corporate Development — Corporate Structure". Dr. Li indirectly wholly owns G&C IV Hong Kong Limited through his control in G&C IV Limited which wholly owns G&C VIII Limited. Under the SFO, Dr. Li is deemed to be interested in our Shares held by G&C IV Hong Kong Limited.

(8) Jiashi Kangheng (Tianjian) Investments Partnership (Limited Partnership) (嘉世康恒（天津）投資合夥企業（有限合夥）) is held as to 0.36% by its general partner, Boyu Dongzhi (Shanghai) Equity Investment Management Co., Ltd. (博裕東直（上海）股權投資管理有限責任公司), and held as to 99.64% by its limited partner, Xinyu Kangyi (Tianjin) Investment Partnership (Limited Partnership) (新裕康怡(天津)投資合夥企業(有限合夥)). Boyu Dongzhi (Shanghai) Equity Investment Management Co., Ltd. (博裕東直（上海）股權投資管理有限責任公司) is wholly-owned by Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司), which is held as to 50% by each of Xia Meiying and Huang Ailian. Xinyu Kangyi (Tianjin) Investment Partnership (Limited Partnership) (新裕康怡(天津)投資合夥企業(有限合夥)) is held as to 63.51% by its limited partner, Guokai Boyu II (Shanghai) Equity Investment Partnership (Limited Partnership) (國開博裕二期(上海)股權投資合夥企業(有限合夥)), the general partner of which is Boyu Guangqu Taoran (Shanghai) Investment Management Partnership (Limited Partnership) (博裕廣渠陶然(上海)投資管理合夥企業(有限合夥)), which in turn is held as to 46.22%, 52.19% and 1.59% by its limited partners, Huang Ailian and Tao Rong, and its general partner, Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司), respectively. Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司) is wholly-owned by Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限公司). The general partner of Xinyu Kangyi (Tianjin) Investment Partnership (Limited Partnership) (新裕康怡(天津)投資合夥企業(有限合夥)) is Boyu Dongzhi (Shanghai) Equity Investment Management Co., Ltd. (博裕東直(上海)股權投資管理有限責任公司).

(9) Peaceful Pasture Limited indirectly wholly owns Glorious Moonlight Limited through its wholly-owned interests in Endless Vigor Limited. Peaceful Pasture Limited is controlled by Boyu Capital Fund II, L.P., which is controlled by Boyu Capital General Partner II, L.P., which is in turn controlled by Boyu Capital General Partner II, Ltd., which is wholly-owned by Boyu Capital Holdings Limited.

(10) ABG-WX (HK) Limited indirectly wholly owns ABG-WX Holding (HK) Limited through its wholly-owned interests in ABG-WX Investment (HK) Limited. ABG-WX (HK) Limited is controlled by ABG II-WX Limited which is controlled by ABG Management Ltd., which in turn is wholly-owned by Yu Fan.

(11) Summer Bloom (I) Investments Pte. Ltd. is wholly-owned by Summer Bloom Investments (II) Pte. Ltd., which in turn is wholly-owned by Summer Bloom Investments Pte. Ltd.. Summer Bloom Investments Pte. Ltd. is solely controlled by Pavilion Capital International Pte. Ltd., which is wholly-owned by Pavilion Capital Holdings Pte. Ltd., which in turn, is wholly-owned by Linden Investments Pte. Ltd.. Linden Investments Pte. Ltd. is in turn wholly-owned by Fullerton Fund Investments Pte. Ltd., which in turn, is wholly-owned by Temasek Holdings (Private) Limited. Pavilion Capital Holdings Pte. Ltd. and its subsidiaries are independently managed portfolio companies. Temasek Holdings (Private) Limited is not involved in the management decisions of these companies.

(12) Hillhouse Capital Fund II, L.P. indirectly wholly owns HCFII WX (HK) Holdings Limited through its wholly-owned interests in HCFII WX Holdings Limited. Hillhouse Capital Fund II, L.P. is controlled by its general partner Hillhouse Fund II Holdings GP, Ltd., which is wholly-owned by Colm John O'Connell.

Save as disclosed in this prospectus, our 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 general meetings of the Company.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 included in the accountants' report set out in Appendix I to this prospectus, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a leading global pharmaceutical R&D services platform and the largest in Asia by revenue in 2017, according to the F&S Report, transforming the business of discovery, development and manufacturing of innovative pharmaceuticals. We provide comprehensive and integrated research and manufacturing services throughout the discovery, development and manufacturing spectrum for small molecule drugs. We also provide development and manufacturing services for cell and gene therapies as well as testing services for medical devices.

We are one of the few comprehensive, end-to-end new drug R&D service platforms, with service capabilities covering the entire drug discovery, development and manufacturing value chain, according to the F&S Report. Our end-to-end platform seeks to enable discovery, development and manufacturing of drugs from concept to commercial manufacturing. Through our platform, we cater to the needs of our expanding, global and diverse customer base, ranging from multinational pharmaceutical and biotechnology companies to venture-backed start-up and virtual companies, as well as academics and non-profit research organizations. For the twelve months ended June 30, 2018, we provided services to 3,380 customers. We enjoy a high level of customer loyalty and have developed solid working relationships with many customers. During the Track Record Period, we achieved 100% retention of our top 10 customers.

We experienced robust growth in our revenue during the Track Record Period. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our revenue amounted to RMB4,883.3 million, RMB6,116.1 million, RMB7,765.3 million, RMB3,665.4 million and RMB4,409.2 million, respectively. We recorded net profit of RMB683.8 million, RMB1,121.0 million, RMB1,296.7 million, RMB781.7 million and RMB1,304.1 million for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively.

BASIS OF PRESENTATION

Our predecessor was established in the PRC in December 2000 and it was converted into a joint stock company with limited liability on March 1, 2017. We were the holding company of the companies now comprising the Group throughout the Track Record Period. We primarily operate our business through seven first-tier subsidiaries, namely, WXAT Shanghai, WXAT Wuhan, WXAT Tianjin, WXAT Suzhou, WXAT HK, WXAT International and WXAT Chengdu. We also operate through STA, the shares of which are quoted on the NEEQ. The financial information of the Group has been prepared in accordance with IFRS which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"). In addition, the Group has elected to early apply the complete version of IFRS 15 "Revenue from Contracts with Customers" which became effective for annual periods beginning on or after January 1, 2018, to our financial statements during the Track Record Period.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

Growth of Global Research and Development Spending For Pharmaceuticals, Cell and Gene Therapies and Medical Devices and Rate of Outsourcing

Our financial results are driven primarily by the significant growing demand for our integrated discovery, development and manufacturing services for pharmaceuticals, cell and gene therapies and medical devices, which in turn is substantially a result of growth in global research and development spending in these areas and increasing rate of outsourcing such work to external services providers like us. According to the F&S Report, the size of the global pharmaceutical R&D outsourcing services market, including the CRO and CMO/CDMO services markets, increased from US$70.3 billion in 2013 to US$104.1 billion in 2017, representing a CAGR of 10.3%, it is expected to grow to US$178.5 billion in 2022, representing a CAGR of 11.4% from 2022. In particular, China has shown a significant increase in pharmaceutical research and development spending in recent years. This trend is expected to lead to further increases in demand for outsourcing services like ours. Furthermore, policies in China are expected to continue to focus on encouraging the development of innovative patented drugs over the five years from 2017 to 2022, which in turn is expected to attract increased investment in small molecule pharmaceuticals, according to the F&S Report. We expect to continue to benefit from such positive policies and market trends. Please see the section headed "Industry Overview" for a detailed discussion on the growth drivers of the pharmaceuticals outsourcing services market.

Our Ability to Win New Projects from Existing and New Customers

Our ability to win new projects from existing and new customers is affected substantially by our service quality, price, range of services and capacity. Our integrated services and strong technical capability have enabled us to win contracts from existing customers and attract new customers during the Track Record Period. For the twelve months ended June 30, 2018, we provided services to 3,380 customers. See "Risk Factors — Risks Relating to Our Business and Industry — We are dependent on our customers' spending on and demand for outsourced discovery, testing, development and manufacturing of pharmaceuticals, cell and gene therapies and medical devices. A reduction in spending or demand could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects." for more information.

Our Service Mix

The services required for different projects may vary significantly depending on a number of factors, such as which and how many stages a project spans, whether our own proprietary technology is required, and whether patentable intellectual property will be generated during the course of the project. As a result, our revenue and gross profit margins vary between different projects. Any significant change in the mix of projects of different sizes and types of services may impact our results of operations and our overall profit margin in particular.

Our Ability to Manage Our Direct Labor Costs

Our direct labor costs, mainly comprising salaries, bonus, share-based compensation and social security costs for our employees in our business units, amounted to RMB1,217.0 million, RMB1,335.7 million, RMB1,715.5 million, RMB855.6 million and RMB1,092.3 million for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively. In recent years, our direct labor costs have increased as a result of our expanded operational scale, increase in our average salary and bonus, and employment of more scientists and research technicians. Most of our employees are employed in the PRC and in general, the average labor cost in the PRC steadily increased during the Track Record Period, particularly for highly trained employees such as ours. Fluctuation in direct labor costs may lead to fluctuation in our cost of services.

Our Ability to Finance Capital Expenditures

We operate in a capital intensive industry that requires substantial amounts of capital expenditure for discovery, research and development of pharmaceuticals, medical devices and cell and gene therapies. Our ability to continue to grow our business depends, to a certain extent, on our ability to make capital expenditures associated with the expansion and renovation of our property and plant, and replacing and upgrading our equipment and technology. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our capital expenditures totaled RMB931.6 million, RMB958.6 million, RMB1,363.0 million, RMB556.7 million and RMB797.1 million, respectively.

It is essential that we have adequate financing on commercially reasonable terms to support our expansion plans. Historically, we have funded our capital expenditures through cash flow from operations as well as through debt financing from bank loans, proceeds from the issuance of shares in 2016, and proceeds from our issue of ordinary shares on the Shanghai Stock Exchange (the "**A Share Listing**"). We aim to finance our capital expenditures through cash flow generated from operations, additional loan facilities, net proceeds we raised from the A Share Listing and proceeds from this Offering. Capital expenditure to support our expansion plans will result in higher depreciation expenses and any additional debt financing for such capital expenditure will result in higher interest expense. The level of our borrowings and the total amount raised through other financing methods, as well as any fluctuations in our borrowing costs, may affect our finance costs, results of operations and financial condition.

Fair Value of Our Investments

As part of our efforts to foster the ecosystem, we made selective investments in a wide variety of companies within the healthcare ecosystem, including investments in (a) targets that fit into and support our existing value chain, (b) cutting edge technologies that we believe will advance the healthcare industry, (c) strategic long-term investments, and (d) venture capital funds, all of which would allow us to further access a wider variety of participants in the healthcare ecosystem while maintaining our position at the forefront of science. We recorded these investments as available-for-sale investments ("**AFS**") measured at cost or fair value with changes accounted for in other comprehensive income under IAS 39 prior to January 1, 2018 and has elected to reclassify these investments as financial assets at fair value through profit or loss ("**financial assets at FVTPL**") since January 1, 2018 upon the application of IFRS 9. We recognized RMB9.4 million, RMB13.7 million and RMB39.1 million fair value gain on AFS in other comprehensive income for the three years ended December 31, 2017, and RMB226.1 million and RMB32.1 million gain on disposal of AFS in statements of profit or loss for the year ended December 31, 2015 and 2017, respectively. We recognized RMB432.3 million fair value gain on financial assets at FVTPL related to these investments in statements of profit or loss for the six months ended June 30, 2018, primarily including the fair value change from our venture capital investments in Unity Biotechnology Inc., Hua Medicine and Adagene Inc. See Note 3 to the accountant's report set forth in Appendix I to this prospectus for the detailed impact of application of IFRS 9 on these investments.

As a result, the business or financial performance of the companies we have invested in, such as the development progress of their technological capabilities or any financing activities undertaken by these companies, would impact our results or operations. See "Risk Factors — Risks Relating to Our Business and Industry — We may undertake acquisitions or joint ventures or make equity investments that may have a material adverse effect on our ability to manage our business. These acquisitions or joint ventures or equity investments may not be successful, and we may fail to integrate successful acquisitions." and " Risk Factors — Risks Relating to Our Business and Industry — We may not be able to realize our anticipated investment returns from our investments." for more information.

Share Incentive Schemes and Share-based Compensation

During the Track Record Period, we adopted several share incentive schemes to provide incentives to our employees, including WuXi PharmaTech Stock Units and Options Plan, New WuXi Incentive Plan, STA Share

Units and Options Incentive Scheme, STA Share Appreciation Incentive Scheme and 2018 WuXi AppTec A Share Incentive Scheme.

WuXi PharmaTech Stock Units and WuXi PharmaTech Options

Prior to February 2016, we were wholly owned by WuXi PharmaTech. See "History and Corporate Development" for more information. Our affiliation with WuXi PharmaTech and its subsidiaries had a significant impact on our business, financial conditions and results of operations and before completion of the Reorganization. In particular, we experienced an increase in our direct labor costs and administrative staff costs in part due to share-based compensation in relation to the WuXi PharmaTech Stock Units and WuXi PharmaTech Options granted to our employees before the Delisting, namely the WuXi PharmaTech Share-based Compensation.

WuXi PharmaTech adopted an employee share incentive plan in July 2007, pursuant to which the compensation committee of WuXi PharmaTech had the discretion to issue and grant WuXi PharmaTech Stock Units and WuXi PharmaTech Options to WuXi PharmaTech's employees and determine the type and timing of WuXi PharmaTech Stock Units and WuXi PharmaTech Options to be granted, the exercise price and vesting schedules and other terms and conditions of the WuXi PharmaTech Stock Units and WuXi PharmaTech Options. Many of our employees received WuXi PharmaTech Stock Units and WuXi PharmaTech Options before the Delisting. Given that the outstanding WuXi PharmaTech Stock Units and WuXi PharmaTech Options were settled in cash by the buyer group which took WuXi PharmaTech private upon the Delisting, for those employees (the "Designated Employees") for which their WuXi PharmaTech Stock Units and WuXi PharmaTech Options were deemed to have immediately vested, cash consideration was immediately paid out. For the remaining employees (the "Non-designated Employees"), WuXi PharmaTech set up an escrow account with cash that will be distributed to the holders of the WuXi PharmaTech Stock Units and WuXi PharmaTech Options according to their respective vesting schedules. See "History and Corporate Development" for more details about the Delisting.

WuXi PharmaTech Share-based Compensation is recorded as part of our employee costs and is allocated to cost of services and administrative expenses. For the Designated Employees, because their WuXi PharmaTech Stock Units and WuXi PharmaTech Options were deemed to be vested immediately, we recognized a share-based compensation expense related to this acceleration of vesting immediately in our profit and loss of the year ended December 31, 2015. For the Non-designated Employees, we would continue to recognize the corresponding share-based compensation expense of their outstanding WuXi PharmaTech Stock Units and WuXi PharmaTech Options in our profit and loss over the original vesting periods. Given that (i) we did not make any payments in relation to the WuXi PharmaTech Stock Units and WuXi PharmaTech Options to the Non-designated Employees and (ii) WuXi PharmaTech was our ultimate holding company at the time the WuXi PharmaTech Stock Units and WuXi PharmaTech Options were granted to our employees, WuXi PharmaTech Share-based Compensation is treated as deemed capital contribution by WuXi PharmaTech into our Group. Accordingly, we record an amount equal to that of WuXi PharmaTech Share-based Compensation as recognition of equity-settled share-based compensation in the equity-settled share-based compensation reserve in our consolidated statements of changes in equity. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 (unaudited) and 2018, we recognized share-based compensation expense of RMB122.4 million, RMB27.4 million, RMB16.6 million, RMB10.5 million and RMB0.4 million, respectively in relation to WuXi PharmaTech Share-based Compensation, respectively.

WuXi PharmaTech Share-based Compensation decreased during the Track Record Period, mainly because (i) there was no acceleration of vesting in 2016, 2017 and the six months ended June 30, 2018, and (ii) following the Delisting of WuXi PharmaTech in December 2015, no additional WuXi PharmaTech Stock Units and WuXi PharmaTech Options were granted. For more information about the accounting treatments in relation to the acceleration of the vesting of the WuXi PharmaTech Stock Units and WuXi PharmaTech Options, please see "— Critical Accounting Policies and Estimates — WuXi PharmaTech Stock Units and WuXi PharmaTech Options Granted by WuXi PharmaTech to our Employees — Acceleration of Vesting".

According to the vesting schedules of the WuXi PharmaTech Stock Units and WuXi PharmaTech Options, some of our employees are expected to continue to receive cash from the escrow account set up by the buyer group of WuXi PharmaTech until 2020, which will be included in our employee costs. We expect to record approximately US$246,329.4, US$263,171.3 and US$40,139.0 of WuXi PharmaTech Share-based Compensation in the second half of 2018 and the years 2019 and 2020, respectively.

New WuXi Incentive Plan

Upon Delisting on December 10, 2015, to recognize the contributions of certain of our employees in the completion of the privatization, Life Science Holdings issued new shares of Life Science Holdings to New WuXi ESOP L.P., an exempted limited partnership established in Cayman, and entered into subscription agreements with our qualified employees to subscribe 10,467,000 shares of Life Science Holdings hold by New WuXi ESOP L.P. without any considerations payable by those qualified employees.

As the subscription of the shares of New WuXi ESOP L.P. did not contain any service conditions, we recognized share-based compensation expense of RMB187,092,000 in its entirety in the year ended December 31, 2015.

STA Share Units and Options Incentive Scheme

On April 15, 2015 and May 16, 2016, the STA shareholders' meeting approved STA Share Option Incentive Scheme (2015), STA Overseas Employees Incentive Scheme and STA Share Option Incentive Scheme (2016) to eligible STA Chinese and foreign employees. On September 13, 2017, the STA shareholders' meeting approved to capitalize 20 STA Shares for every 10 STA Shares standing to the credit of the share premium account of STA ("**Conversion of Capital Reserve**"). As a result, the total number of STA Share Option Incentive Scheme (2015), STA Overseas Employees Incentive Scheme and STA Share Option Incentive Scheme (2016) were 16,200,000 shares, 6,330,000 shares and 1,525,000 shares, respectively. The STA Share Units and Options Incentive Scheme is settled by STA using the ordinary shares of STA.

We recognized RMB15.3 million, RMB26.0 million, RMB26.9 million, RMB13.2 million and RMB11.6 million of share-based expenses for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and June 30, 2018, respectively, in relation to STA Share Units and Options Incentive Scheme. Such share incentive scheme affected our results of operations during the Track Record Period and will affect our results of operations in the future, but our Directors do not expect a material impact on our results of operations from such scheme.

STA Share Appreciation Incentive Scheme

On May 16, 2016 and July 12, 2017, the STA shareholders' meeting approved STA Share Appreciation Incentive Scheme (2016) and STA Share Appreciation Incentive Scheme (2017). As a result of the Conversion of Capital Reserve, the total number of STA Share Appreciation Incentive Scheme (2016) and STA Share Option Incentive Scheme (2017) were 1,350,000 shares and 123,000 shares respectively.

For the years ended December 31, 2016 and 2017 and for six months ended June 30, 2017 and 2018, we recorded share-based expenses of RMB5,353,000, RMB8,827,000, RMB3,709,000 and RMB6,220,000 respectively. Such share incentive scheme affected our results of operations during the Track Record Period and will affect our results of operations in the future, but our Directors do not expect a material impact on our results of operations from such scheme.

2018 WuXi AppTec A Share Incentive Scheme

On August 22, 2018, our shareholders' meeting passed a resolution to issue up to 8,856,900 A Shares of the Company under the 2018 WuXi AppTec A Share Incentive Scheme. On August 28, 2018, 7,085,500 Restricted A Shares were approved for eligible employees to subscribe at the price of RMB45.53 per share (the "Initial Grant") and the remaining 1,771,400 A Shares will be reserved for future distribution. The Initial Grant of these Restricted A Shares has a contractual term of no more than four years and generally vest over a three year period, with 40%, 30% and 30% of the awards vesting on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions.

We plan to continue to grant employees share options under the share incentive schemes, and we may adopt other share-based compensation schemes in the future, which would result in an increase in our direct labor costs and administrative expenses. See "Risk Factors — Risks Relating to Our Business and Industry — Our success depends on our ability to attract, train, motivate and retain highly skilled scientists and research technicians." for more information. Such share incentive scheme will affect our results of operations in the future, but our Directors do not expect a material impact on our results of operations from such scheme.

Fluctuations in Foreign Exchange Rates

During the Track Record Period, a majority of our revenue was generated from sales denominated in U.S. dollar. 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. We are thus subject to foreign exchange risk. For example, if the U.S. dollar appreciates against Renminbi, our cost of services 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 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 and gross profit margin would be adversely affected. Starting from the first half of 2018, we have adopted a currency hedging policy and entered into hedges to mitigate the impacts brought by fluctuations in foreign exchange rates. However, large fluctuations in foreign exchange rates could still affect our financial condition and results of operations. For more information, please see "Risk Factors — Fluctuations in exchange rates may result in foreign exchange losses and adversely impact our profitability." in this prospectus.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial information in accordance with accounting policies which conform with IFRSs, which requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the consolidated financial information and the reported amounts of revenue and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. We will continuously assess our assumptions and estimates going forward. We consider the policies and estimates discussed below to be critical to an understanding of our consolidated financial information as their application places the most significant demands on our management's judgment. For details of our significant accounting policies and estimates, see Notes 4 and 5 in the accountants' report set out in Appendix I to this prospectus.

Revenue Recognition

Early adoption of IFRS 15

IFRS 15 "Revenue from Contracts with Customers" replaces IAS 18 "Revenue" to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. We have elected to early apply IFRS 15, which has been applied consistently in the Track Record Period.

Our revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those services. Specifically, we use a five-step approach method stipulated by IFRS 15 to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

We primarily earn revenue by providing research and manufacturing services for the discovery and development of small molecule drugs, medical devices and cell and gene therapies to our customers through fixed-fee per contracts. We also provide services to customers on a full-time-equivalent basis. Our contract duration ranges from a few months to several years. Details of the fee models are disclosed in "Business — Our Fee Models".

FFS Model

China-based and U.S.-based laboratory services segment

We derive the majority of our revenues in the China-based and U.S.-based laboratory services segment under FFS model from various service offerings including drug small molecules discovery, such as synthetic chemistry, medicinal chemistry, analytical chemistry, biology, Drug Metabolism and Pharmacokinetics ("DMPK")/ Absorption, Distribution, Metabolism, and Excretion ("ADME"), toxicology, bioanalytical services medical devices safety testing services and comprehensive manufacturing and testing for cell and gene therapies. These contracts typically have single obligation with terms from weeks to months, with a majority having terms of one year or less. Revenue is recognized upon delivery of technical laboratory reports or samples/products. For contracts that include various promised integrated services or milestones with terms from several weeks to certain years, we assess those outputs as a single performance obligation as such services are highly interdependent and highly interrelated. Those laboratory services offerings meet the over-time criterion because our performance does not create an asset with alternative future use since we cannot redirect the asset for use on another customer, and the contract terms specify we have an enforceable right to payments for performance completed up to date. For majority of the laboratory services, we generally measure the progress on the performance obligation by using output method including the number of samples tested up to date to the total estimated number of samples or the value of tasks completed up to date to the total value of tasks. For manufacturing services for cell and gene therapies, we recognizes revenue over time using a cost-based based input method since there is no single output measure that would fairly depict the transfer of control over the life of the performance obligation. Progress on the performance obligation is measured by the proportion of actual costs incurred to the total costs expected to complete the contract.

In addition to service fees, we sometimes are able to leverage our integrated end-to-end new drug R&D service platforms and proprietary technologies to receive additional income in the form of milestone fees, contingent upon certain milestone events including but not limited to the satisfactory completion of phase I or II of clinical trial, proving the safety or efficacy of the drug candidate and successful out-licensing of the drug, and royalty fee at certain percentage of the sales revenue of relevant drugs upon successful commercialization. Milestone fee and royalty income are a form of variable consideration. We do not include such milestone fee or sales-based royalty income in the transaction price as the receipt of such consideration is contingent upon the outcome of future events which may never occur. As of the Latest Practicable Date, we received milestone fee of RMB32.8 million and RMB16.8 million from CTTQ under the FFS model in 2016 and the six months ended June 30, 2018, respectively. We had not generated any revenue from the royalty fee structure as of the Latest Practicable Date.

Clinical Research and Other CRO services

The majority of our contracts under the FFS model within the clinical research and other CRO services segment are service contracts for clinical development services and site management organization services, providing integrated services resulting in a combined output, which is clinical trial data that meets the relevant regulatory standards for the customers to advance to the next phase of clinical trials or solicit approval of a treatment by the applicable regulatory body. Such output represents a single performance obligation. We recognize the revenue when the performance obligation is satisfied over time as the output is captured in data and documentation that is available for the customer to consume over the course of the arrangement and furthers progress of the clinical trial. We generally use the proportion of actual costs incurred to the total costs expected to complete the contract (a cost-based based input method) to measure the progress on the performance obligation for the contract.

FTE Model

For all our services provided under the FTE model, we provide our customers with a project team of scientists dedicated to the customers' studies for a specific period of time and charges the customers at a fixed rate per scientist. The customers therefore simultaneously receive and consume benefits provided by our performances. In addition the FTE billable amounts are calculated based on number of our employees assigned to the project and the time that our employees had worked under the project. The contract also specifies that we have an enforceable right to payment for the FTE billable amounts. Therefore, under the FTE model, we have a right to consideration from our customers in an amount that corresponds directly with the value to the customers of our performance completed to date (i.e. FTE billable amounts). Under such arrangement, IFRS 15 provides a practical expedient whereby we may recognize revenue based on the amount we have a right to invoice to the customers. We elected to use the practical expedient and therefore recognized the FTE services revenue when we have right to invoice the customer, usually in the form of a monthly statement, and the customers confirm the acceptance of the invoice or after the end of a confirmation period.

CMO/CDMO services

We derive a majority of revenue in the CMO/CDMO services by providing integrated CMO/CDMO services under the FFS model including process R&D, optimization, formula development and trial production services and manufacturing support for pre-clinical, clinical and commercialization operations for pharmaceutical companies. We consider the CMO/CDMO services as a single performance obligation because the deliverable services, which are usually in the form of technical laboratory reports, samples or products, are highly interdependent and highly interrelated. We recognize the revenue when the customers obtain control of our deliverables, which occur at a point in time, upon delivery or shipment based on the contractual delivery or shipping terms of the contracts.

Government Grants

Government grants are not recognized until there is reasonable assurance that we will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which we recognize as expense the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that we should purchase, construct or otherwise acquire plant and equipment are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to us with no future related costs are recognized in profit or loss in the period in which they become receivable.

Research and Development Expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) the ability to use or sell the intangible asset; (iv) how the intangible asset will generate probable future economic benefits; (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Borrowing Costs

All borrowing costs are recognized in profit or loss in the year/period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before tax" as reported in our consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. 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 and liabilities 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. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where we are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which we expects at the end of each reporting period, to recover or settle the carrying amount of our assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, Plant and Equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

We regularly review whether there are any indications of impairment and recognize an impairment loss if the carrying amount of an asset is lower than its recoverable amount. We test for impairment for plant and equipment whenever there is an indication that the asset may be impaired. The recoverable amounts have been determined based on the higher of the fair value less costs of disposal and value in use. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with our accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. We will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the contracted selling price less all estimated costs of completion and costs necessary to make the sale.

Contract Costs

We incur costs to fulfill a contract in its business. We first assess whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognizes an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- 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; and
- the costs are expected to be recovered.

Costs to fulfill a contract mainly consists of cost of materials consumed (determined on a weighted average method), cost of labor and other costs of personnel directly engaged in providing the chemical discovery, development and manufacturing service, including supervisory personnel, and attributable overheads. The asset recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Impairment of Inventories and Contract Cost

We assess periodically if cost of inventories and contract cost may not be recoverable based on an assessment of the net realizable value of inventories and contract cost. Allowances are applied to inventories and contract cost where events or changes in circumstances indicate that the net realizable value is lower than the cost of inventories or contract cost. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories and in the case of contract cost, the net realizable value is determined based on the contracted selling price to be recognized upon the completion of the contract cost less all estimated remaining costs to completion and costs necessary to provide the service. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and contract cost in the year/period in which such estimate changes.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated

amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The Directors of the Company make estimate on the useful life of intangible assets arising from acquisitions by taking into factors including the expected usage of the assets by the Group, technological obsolescence and the stability of the industry in which the assets operate and change in the market demand for the products or services output from the assets. The useful life of 10-20 years for trademarks is estimated based on the anticipated retirement period for the Group to gradually build its own recognition in the market and replace relevant trademark. The useful life of 10-15 years for customer relationships is estimated based on the anticipated number of years the existing customers of the acquired entities likely to contribute revenue to the Group. The useful life of 10 years for the patent is estimated based on the anticipated number of years the patent will retire due to more advanced technologies.

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, we review the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, we estimate the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

Impairment assessment on goodwill

The cash flows generated from each subsidiary acquired are independent from those of our other subsidiaries. Therefore, each of these acquired subsidiaries is a separate cash-generating unit. We consider that the synergies arising from each acquisition mainly benefited the corresponding acquired subsidiary. Therefore, for the purposes of impairment assessment, goodwill is allocated to corresponding subsidiaries acquired (six individual cash generating units (CGUs)), comprising Unit A - DMPK/ADME Services, Unit B - Lab CRO Services, Unit C - SMO Services, Unit D - Testing Services for Medical Devices, Unit E - Structure-based Drug Discovery Services and Unit F – Biology and Preclinical Services. The carrying amounts of goodwill allocated to these units are as follows:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
			(RMB'000)	
Unit A	126,994	126,994	81,757	81,757
Unit B	24,673	—	—	—
Unit C	932	932	932	932
Unit D	155,561	166,372	156,531	158,505
Unit E	—	31,988	30,096	30,475
Unit F	—	—	688,722	688,722
	308,160	326,286	958,038	960,391

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

	Unit A	Unit B	Unit C	Unit D	Unit E	Unit F
Growth rate	3%	3%	3%	3%-4%	3%	3%
Discount rate (pre-tax)	13%-15%	15%-19%	19%	15%	15%	13%

The recoverable amounts of these units have been determined based on a value in use ("VIU") calculation. Such calculation uses cash flow projections based on financial budgets approved by us covering a five-year period. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, and such estimation is based on the unit's past performance and our expectations for the market development.

The management assessed that any reasonably possible change in any of these assumptions may cause the carrying amount of Unit A as at December 31, 2016 and 2017 and June 30, 2018 and Unit B as at December 31, 2015 to exceed their respective recoverable amount but would not cause the carrying amount of Unit C, D, E and F to exceed their respective recoverable amounts as at each reporting date. The sensitivity analyses below have been determined based on reasonably possible changes of the relevant assumption occurring at the end of each reporting period, while holding all other assumptions constant:

The amount by which the unit's recoverable amount above (below) its carrying amount

	Base Case				1% decrease in growth rate				1% increase in discount rate (pre-tax)			
	At December 31,			At June 30,	At December 31,			At June 30,	At December 31,			At June 30,
	2015	2016	2017	2018	2015	2016	2017	2018	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unit A …	57,980	28,819	—	669	36,775	10,206	(8,542)	(7,973)*	25,296	(201)**	(15,066)	(14,603)**
Unit B….	—	N/A	N/A	N/A	(2,702)	N/A***	N/A***	N/A***	(4,266)	N/A***	N/A***	N/A***
Unit C….	109,238	317,833	545,029	537,999	104,738	304,335	519,935	512,538	100,961	294,440	506,712	499,432
Unit D …	498,715	528,810	558,979	813,067	399,342	411,520	452,062	672,033	396,435	403,046	443,064	668,824
Unit E….	N/A	38,555	16,565	43,516	N/A	31,648	10,889	36,396	N/A	28,960	9,053	33,706
Unit F….	N/A	N/A	145,589	214,124	N/A	N/A	61,803	123,176	N/A	N/A	29,333	91,006

Notes:

* For Unit A, the applied growth rate must be at or above 2.9% after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for its recoverable amount to be equal to its carrying amount as at June 30, 2018.

** For Unit A, the applied discount rate (pre-tax) must be at or below 16.0% and 15.0% after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for its recoverable amount to be equal to its carrying amount as at December 31, 2016 and June 30, 2018 respectively.

*** Sensitivity analysis is not applicable as the goodwill of Unit B has been fully impaired as at the reporting date.

The management also assessed that if the reasonable possible changes of both growth rate and discount rate occurred at the same time, the recoverable amounts of Unit C, D, E and F would still exceed their respective carrying amounts at the end of each reporting period except that the recoverable amount of Unit F would be below its carrying amount at December 31, 2017.

The management did not perform the goodwill impairment test as of September 30, 2018 for the recent business combination (WuXi Clinical Development, Inc.) completed on July 31, 2018 as, in Company management's view, there were no unfavorable indications pointing to the need for impairment.

Application of IFRS 9 and IFRS 15

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments" for recognition and measurement for financial assets and liabilities. The standard is effective for annual periods beginning on or after January 1, 2018. We have applied IAS 39 for the three years ended December 31, 2017 and have applied IFRS 9 on January 1, 2018 in accordance with the transition provisions.

We have assessed the effects of the adoption of IFRS 9 on the Group's financial statements and assessed the financial impact on the Group's financial position and financial performance as compared to the requirements of IAS 39. Specifically:

(1) The application of IFRS 9 would reclassify the equity and fund investments measured from available for sale financial assets under IAS 39 to financial assets at FVTPL and the fair value change of these assets would be recorded in profit or loss, rather than in other comprehensive income; and

(2) The application of expected credit loss model under IFRS 9 would not cause a material impact on the impairment loss allowance for the Group's financial assets measured at amortized cost as of January 1, 2018 and June 30, 2018 as compared with the incurred loss model under IAS 39.

Upon application of IFRS 9 at January 1, 2018, we immediately recognized RMB191.2 million increase in the fair value of our venture investments which we had previously measured at cost under IAS 39 and the corresponding fair value gain was recognized in the retained earnings. In addition, we recognized RMB2.6 million additional provision for our receivables and contract assets under the lifetime ECL model. We also reclassified RMB683.4 million venture investments previously categorized in available-for-sale investments and RMB297.7 million loans and receivables to financial assets at FVPTL. Other than the aforementioned effects, the application of IFRS 9 has no significant impact on our financial position and financial performance as compared to the requirements of IAS 39. For detailed financial impact of the adoption of IFRS 9 on our financial position and financial performance at the date of initial application on January 1, 2018, please refer to the Accountant's Report as set out in Appendix I to this prospectus.

IFRS 15 "Revenue from Contracts with Customers" has replaced IAS 18 "Revenue" to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. We have elected to early apply IFRS 15, which has been applied consistently throughout the Track Record Period.

We have assessed the effects of early adoption of IFRS 15 on the financial statements and concluded that there is no significant impact on the our financial position and financial performance as compared to the application of IAS 18, except that under IFRS 15, contract assets are recognized for the right to consideration for work completed and not billed, and contract liabilities are recognized for our obligations to transfer goods or provide services to customers for which we have received consideration from the customers under IFRS 15.

Estimated Impairment of Trade Receivables and Other Items within the Scope of ECL upon Application of IFRS 9

Before the adoption of IFRS 9, we make allowances for impairment of trade receivables based on an assessment of the recoverability of trade receivables. Allowances are applied to trade receivables where events or changes in circumstances indicated that the balances may not be collectible. The identification of impairment of trade receivables requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying amounts of trade receivables and doubtful debts expenses in the year/period in which such estimate is changed.

Upon the application of IFRS 9, our management estimate the amount of loss allowance for ECL on items subject to ECL (including contract assets, trade and other receivables, amounts due from related parties and loans to related parties) based on the credit risk of the respective items. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows after taking into consideration of expected future credit loss of the items subject to ECL. The assessment of the credit risk of the items subject to ECL involves high degree of estimation and uncertainty. When the actual future cash flows are different from expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly. As at June 30, 2018, the carrying amounts of trade receivables and contract assets were RMB1,625.9 million (net of allowance for ECL of RMB18.3 million) and RMB262.4 million (net of allowance for ECL of RMB79,000), respectively.

Share-based Payment Transactions

Equity-settled share-based payments to employees providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value of the equity-settled share-based payments determined

at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on our estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, we revise our estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised or when the restricted shares are vested, we issue new ordinary shares, and the amount previously recognized in the share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payment reserve will be transferred to retained earnings.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

WuXi PharmaTech Stock Units and WuXi PharmaTech Options Granted by WuXi PharmaTech to our Employees

The grant of WuXi PharmaTech Stock Units and WuXi PharmaTech Options by WuXi PharmaTech to our employees is treated as equity-settled share-based payments in our consolidated financial statements. An expense for the grant date fair value of such WuXi PharmaTech Stock Units and WuXi PharmaTech Options is recognized over their vesting period, with a corresponding increase in equity. The increase in equity is treated as a deemed capital contribution into our Group and is included in equity-settled share-based compensation reserve.

Acceleration of Vesting

WuXi PharmaTech was privatized and delisted from the New York Stock Exchange on December 10, 2015, and was taken control by Life Science Holdings. As part of the privatization process, the terms and conditions of the WuXi PharmaTech Stock Units and WuXi PharmaTech Options were modified. Pursuant to such modification, the total number of the outstanding WuXi PharmaTech Stock Units remained unchanged, but all the outstanding WuXi PharmaTech Stock Units as of December 10, 2015 were settled by a cash consideration based on the closing price of WuXi PharmaTech's shares on December 10, 2015 (being US$5.75 per share). Part of the cash consideration was paid out immediately to certain designated employees of ours who held outstanding WuXi PharmaTech Stock Units as their WuXi PharmaTech Stock Units were deemed to be immediately vested in accordance with the modification. Because the fair value of the outstanding WuXi PharmaTech Stock Units under both the original and the modified terms and conditions of the WuXi PharmaTech Stock Units and WuXi PharmaTech Options as measured at the date of the modification is determined to be the same, the outstanding WuXi PharmaTech Stock Units would continue to be measured at the original grant-date fair value. For those designated employees, because their outstanding WuXi PharmaTech Stock Units were deemed to be immediately vested, we recognized the share-based compensation expense related to such acceleration of vesting immediately in the profit and loss of the year of our Group ended December 31, 2015.

For the other remaining employees of ours who held outstanding WuXi PharmaTech Stock Units, an escrow arrangement was made by Life Science Holdings to put aside the remaining cash consideration in an escrow account and the cash consideration would be paid out to the those employees when the original vesting conditions of their WuXi PharmaTech Stock Units are met. For those employees, we continue to recognize the corresponding share-based compensation expense in relation to their outstanding WuXi PharmaTech Stock Units in the profit and loss of our Group in accordance with the original vesting schedules.

Our Group as Lessee

Assets held under finance leases are recognized as our assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss. Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Fair Value Measurements and Valuation Processes

Some of our assets and liabilities are measured at fair value for financial reporting purposes. We have authorized the financial department headed up by our Chief Financial Officer to determine the appropriate valuation techniques and inputs for fair value.

In estimating the fair value of an asset or a liability, we use market-observable date to the extent it is available. Where the Level 1 inputs are not available, we engage third party qualified valuation experts to perform the valuation. The valuation team works closely with the qualified external valuation experts to establish the appropriate valuation techniques and inputs to the model.

DESCRIPTION OF KEY STATEMENT OF PROFIT OR LOSS ITEMS

The following table sets forth our consolidated statements of profit or loss for the years/periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2015	2016	2017	2017	2018
				(Unaudited)	
			(RMB'000)		
Revenue	4,883,349	6,116,131	7,765,260	3,665,375	4,409,207
Cost of services	(3,204,718)	(3,633,640)	(4,525,340)	(2,081,180)	(2,653,098)
Gross profit	1,678,631	2,482,491	3,239,920	1,584,195	1,756,109
Other income	147,150	132,761	254,992	107,567	54,729
Other gains and losses	240,291	104,112	(81,213)	(6,637)	389,632
Impairment losses, net of reversal	(26,507)	(28,680)	(140,194)	(2,462)	5,648
Selling and marketing expenses	(185,807)	(200,439)	(291,510)	(132,907)	(152,680)
Administrative expenses	(851,769)	(834,862)	(986,540)	(434,904)	(435,261)
Research and development expenses	(143,122)	(214,365)	(305,648)	(115,462)	(177,525)
Operating profit	858,867	1,441,018	1,689,807	999,390	1,440,652
Share of (losses) profits of associates	(11,791)	(13,439)	(21,589)	(5,836)	38,652
Share of losses of joint ventures	(17,602)	(29,044)	(27,051)	(19,677)	(8,752)
Finance costs	(28,125)	(16,360)	(48,547)	(12,716)	(45,521)
Profit before tax	801,349	1,382,175	1,592,620	961,161	1,425,031
Income tax expense	(117,570)	(261,202)	(295,900)	(179,481)	(120,961)
Profit for the year/period	683,779	1,120,973	1,296,720	781,680	1,304,070

Revenue

We operate our integrated business through four main business segments, namely, China-based laboratory services, U.S.-based laboratory services, clinical research and other CRO services and CMO/CDMO services.

We primarily generate revenue from fee income for the services provided to our customers. See "Business — Our Fee Models" for more information. We recorded total revenue of RMB4,883.3 million, RMB6,116.1 million, RMB7,765.3 million, RMB3,665.4 million and RMB4,409.2 million for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively.

Revenue by segment

We divide our business into four main business segments, namely, China-based laboratory services, U.S.-based laboratory services, clinical research and other CRO services and CMO/CDMO services. We also provide other services. Below is a brief description of our four main segments and other services.

China-based laboratory services	China-based laboratory services include small molecules discovery, such as synthetic chemistry, medicinal chemistry, analytical chemistry, biology, Drug Metabolism and Pharmacokinetics ("DMPK") / Absorption, Distribution, Metabolism, and Excretion ("ADME"), toxicology and bioanalytical services.
U.S.-based laboratory services	U.S.-based laboratory services include medical devices safety testing services and comprehensive manufacturing and testing for cell and gene therapies. We offer consulting, testing and manufacturing services in connection with medical devices testing. Our cell and gene therapies services cover process and analytical development from early to late phase to commercialization of cell and gene therapies and other therapies, including oncolytic viruses.
Clinical research and other CRO services	Clinical research services include clinical development services and site management organization ("SMO") services. Clinical development services include project planning, clinical operation and monitoring and managements of phase I-IV clinical trials, outcomes research and medical device trials; embedded outsourcing; and clinical informatics, respectively. SMO services include project management, clinical site management services.
CMO/CDMO services	CMO/CDMO services stand as an integrated platform to support the development of manufacturing processes and the production of advanced intermediates and active pharmaceutical ingredients, or APIs, and formulation development and dosage drug product manufacturing, for preclinical, clinical trials, new drug application, and commercial supply of chemical drugs as well as wide spectrum development from early to late stage.
Others	Others mainly include the administrative service income, sales of raw material and sales of scrap materials.

During the Track Record Period, we derived a vast majority of our revenue from our China-based laboratory services and CMO/CDMO services. Over the same periods, our revenue generally increased, attributable to increased penetration of existing customers and business from new customers. In addition, we made efforts in expanding into new businesses, such as clinical services and cell and gene therapies. Over the same periods, we have also benefited from China's growing market size and favorable policies for the development of small molecule drugs. As a result, we had an increase in the number of customers and projects. The table below sets forth a breakdown of our revenue by segment and its respective percentage for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2015		2016		2017		2017		2018	
							(Unaudited)			
	(RMB'000, except for the percentages)									
Revenue										
— China-based laboratory services	2,553,871	52.3%	3,269,775	53.5%	4,120,576	53.1%	1,986,196	54.2%	2,416,292	54.8%
— U.S.-based laboratory services	703,588	14.4%	935,231	15.3%	1,134,881	14.6%	556,812	15.2%	546,081	12.4%
— Clinical research and other CRO services	350,467	7.2%	206,274	3.4%	356,109	4.6%	145,562	4.0%	231,154	5.2%
— CMO/CDMO services	1,266,735	25.9%	1,637,016	26.8%	2,108,554	27.2%	953,780	26.0%	1,209,385	27.4%
— Others	8,688	0.2%	67,835	1.0%	45,140	0.5%	23,025	0.6%	6,295	0.2%
Total	4,883,349	100.0%	6,116,131	100.0%	7,765,260	100.0%	3,665,375	100.0%	4,409,207	100.0%

Our revenue increased by 20.3% from RMB3,665.4 million for the six months ended June 30, 2017 to RMB4,409.2 million for the six months ended June 30, 2018, primarily due to revenue growth generated from our China-based laboratory services, clinical research and other CRO services and CMO/CDMO services, partially offset by a slight reduction in revenue generated from our U.S.-based laboratory services. We were adversely affected by the appreciation of the Renminbi against the U.S. dollar during the six months ended June 30, 2018. Applying a constant exchange rate, we would have achieved an increase in revenue by 27.2% in the six months ended June 30, 2018 as compared to the six months ended June 30, 2017.

Our revenue increased by 27.0% from RMB6,116.1 million for the year ended December 31, 2016 to RMB7,765.3 million for the year ended December 31, 2017, primarily due to the revenue growth generated from our China-based laboratory services, U.S.-based laboratory services, clinical research and other CRO services and CMO/CDMO services, attributable to increasing demand for our services, resulting from increased penetration of existing customers and business from new customers.

Our revenue increased by 25.2% from RMB4,883.3 million for the year ended December 31, 2015 to RMB6,116.1 million for the year ended December 31, 2016, primarily driven by the business growth of our China-based laboratory services, U.S.-based laboratory services and CMO/CDMO services, partially offset by a decrease in the revenue from our clinical research and other CRO services. The decrease in the revenue from our clinical research and other CRO services was primarily due to the deconsolidation of WuXi AppTec Biopharmaceuticals Co., Ltd., WuXi Biologics (Shanghai) Co., Ltd., WuXi Biologics (Hong Kong) Ltd. and WuXi AppTec (Suzhou) Testing Technology Co., Ltd. (collectively, "**WuXi Biologics Companies**") in 2015, partially offset by (i) the consolidation of WuXi PRA resulting from our purchase of the remaining shares and (ii) rapid growth of our SMO services. We also benefited from the U.S. dollar's appreciation against the Renminbi during the year ended December 31, 2016.

China-based laboratory services

Revenue generated from China-based laboratory services increased during the Track Record Period, primarily because (i) we benefited from the "long-tail" strategy, (ii) we expanded our business with existing customers and (iii) we experienced an increase in the number of projects from Chinese customers. The "long-tail" strategy attracts customers that utilize our comprehensive and customized capabilities, resulting in an increase in the number of small and venture-backed companies that use our services and an increase in revenue contribution from them. We also provided enhanced services from pre-clinical new drug R&D stage until IND filing, resulting in an increase in the number of projects from Chinese customers. In addition, we benefited from improvements in efficiency, evidenced by an increasing utilization rate of our China-based laboratory services. As of June 30, 2018, for our customers in China, we had submitted 36 IND filings and obtained 25 CTA approvals from NMPA, of which eight IND filings were submitted and eight CTA approvals were obtained. We recognized milestone payments of RMB32.8 million and RMB16.8 million from CTTQ for the year ended December 31, 2016 and for the six months ended June 30, 2018, respectively, attributable to our services provided to CTTQ to license the international development rights of an innovative drug for the treatment of HBV to internationally-renowned pharmaceutical company.

U.S.-based laboratory services

Revenue generated from U.S.-based laboratory services increased during the year ended December 31, 2015, 2016 and 2017, primarily due to a steady growth of our medical device testing business during the period and an increase in the capacity and sales of our cell and gene therapies services. Revenue generated from U.S.-based laboratory services decreased for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, primarily due to a decrease in sales of medical device testing services, mainly as a result of a one-off adjustment of outsourcing strategy made by one customer after it was acquired, partially offset by an increase in sales of cell and gene therapies business. As of June 30, 2018 and the Latest Practicable Date, we assisted our customers in 26 Phase I clinical trials and eight Phase II-III clinical trials.

Clinical research and other CRO services

Revenue generated from clinical research and other CRO services increased rapidly during the year ended December 31, 2017 as compared to the year ended December 31, 2016 and for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, primarily due to improved capability and capacity of our clinical development and SMO services. Revenue generated from clinical research and other CRO services decreased in 2016 as compared to 2015, primarily due to the deconsolidation of WuXi Biologics Companies in 2015, partially offset by (1) the consolidation of WuXi PRA resulting from our purchase of the remaining shares and (2) rapid growth of SMO services. During the Track Record Period, we were inspected 16 times by NMPA and passed all of the inspections, and our customers obtained approvals to market 14 new drugs for which we provided clinical research services in China.

CMO/CDMO services

Revenue generated from CMO/CDMO services increased during the Track Record Period, which was primarily due to an increase in scale of small molecule production as our existing projects moving from early stage to late stage and commercial manufacturing, as well as increased number of customers and projects. In addition, we increased our capacity by establishing new facilities in Changzhou and Wuxi to further meet our customers' needs. We also benefited from the MAH policy implemented in China, which encourages drug manufacturing outsourcing. For the six months ended June 30, 2018, we had ongoing projects working on more than 600 molecules in different R&D stages, including 484 in pre-clinical and Phase I clinical trial stage, 90 in Phase II clinical trial stage, 39 in Phase III clinical trial and new drug application stage, and 13 in commercial stage which have obtained approval and entered into market.

Revenue by geographic coverage

During the Track Record Period, we derived a vast majority of revenue from providing services to our customers based in the U.S. and China. For the six months ended June 30, 2018, we added 483 PRC customers and 257 U.S. customers, accounting for 91.2% of the 811 customers that we added for the six months ended June 30, 2018. The table below sets forth a breakdown of our revenue by geographic coverage[1] for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2015		2016		2017		2017		2018	
							(Unaudited)			
	(RMB'000, except for the percentages)									
Revenue										
— PRC	846,732	17.3%	1,158,517	18.9%	1,571,998	20.2%	744,178	20.3%	1,180,287	26.8%
— Asia — others	146,771	3.0%	150,929	2.5%	220,838	2.8%	101,125	2.8%	117,932	2.7%
— U.S.	3,150,737	64.5%	3,714,077	60.7%	4,437,550	57.2%	2,125,664	58.0%	2,331,089	52.9%
— Europe	685,845	14.0%	1,028,062	16.8%	1,419,578	18.3%	639,598	17.4%	719,105	16.3%
— Rest of the world	53,264	1.2%	64,546	1.1%	115,296	1.5%	54,810	1.5%	60,794	1.3%
Total	4,883,349	100.0%	6,116,131	100.0%	7,765,260	100.0%	3,665,375	100.0%	4,409,207	100.0%

Revenue by fee model

During the Track Record Period, we derived a majority of our revenue under FFS model. The table below sets forth a breakdown of our revenue by fee model for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2015	2016	2017	2017	2018
				(Unaudited)	
			(RMB'000)		
FFS	3,595,843	4,520,225	5,903,862	2,785,482	3,415,113
FTE	1,287,506	1,595,906	1,861,398	879,893	994,094
Total	**4,883,349**	**6,116,131**	**7,765,260**	**3,665,375**	**4,409,207**

Cost of Services

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our cost of services was RMB3,204.7 million, RMB3,633.6 million, RMB4,525.3 million, RMB2,081.2 million and RMB2,653.1 million, respectively.

[1] *Geographic coverage is based on by our customers' respective country/region of domicile.*

Cost of services by segment

The table below sets forth a breakdown of our cost of services by segment for the periods indicated, both in actual terms and as a percentage:

	Year Ended December 31,						Six Months Ended June 30,			
	2015		2016		2017		2017		2018	
							(Unaudited)			
	(RMB'000, except for the percentages)									
Cost of services										
— China-based laboratory services	1,691,591	52.8%	1,892,818	52.1%	2,278,375	50.3%	1,063,807	51.1%	1,331,801	50.2%
— U.S.-based laboratory services	428,770	13.4%	610,269	16.8%	772,984	17.1%	379,266	18.2%	420,888	15.9%
— Clinical research and other CRO services	292,836	9.1%	165,809	4.6%	253,620	5.6%	104,613	5.0%	175,792	6.6%
— CMO/CDMO services	790,330	24.7%	935,849	25.8%	1,190,100	26.3%	520,978	25.0%	720,155	27.1%
Others	1,191	0.0%	28,895	0.7%	30,261	0.7%	12,516	0.7%	4,462	0.2%
Total	**3,204,718**	**100.0%**	**3,633,640**	**100.0%**	**4,525,340**	**100.0%**	**2,081,180**	**100.0%**	**2,653,098**	**100.0%**

Our cost of services increased by 27.5% from RMB2,081.2 million for the six months ended June 30, 2017 to RMB2,653.1 million for the six months ended June 30, 2018, which was in line with our revenue growth.

Our cost of services increased by 24.5% from RMB3,633.6 million for the year ended December 31, 2016 to RMB4,525.3 million for the year ended December 31, 2017, which was in line with our revenue growth.

Our cost of services increased by 13.4% from RMB3,204.7 million for the year ended December 31, 2015 to RMB3,633.6 million for the year ended December 31, 2016, primarily due to an increase in the cost of services from our China-based laboratory services and CMO/CDMO services, partially offset by a decrease in the cost of services from our clinical research and other CRO services, which was primarily due to the deconsolidation of WuXi Biologics Companies in 2015. Cost of services from our China-based laboratory services and clinical research and other CRO services as a percentage of our revenue decreased in 2016 compared to 2015, primarily because we recognized the one-time acceleration vesting in relation to WuXi PharmaTech Stock Units and WuXi PharmaTech Options as cost of services in 2015. For more information, please see "— Factors Affecting Our Results of Operations and Financial Condition — Share Incentive Schemes and Share-based Compensation — WuXi PharmaTech Stock Units and WuXi PharmaTech Options." We also experienced an increase in cost of services from our U.S.-based laboratory services as a percentage of our revenue in 2016 compared to 2015, due to an increase in our direct labor costs arising from an increase in the headcount of employees.

Cost of services by category

Our cost of services consists of direct labor costs, cost of raw materials and overhead. Direct labor costs mainly consist of salaries, bonus, social security costs and share-based compensation for the employees. Overhead mainly consists of depreciation charges of the facilities and equipment used in the rendering of our services, rentals, labor costs of our supporting staff, maintenance expenses and other routine operating costs. The table below sets forth a breakdown of our cost of services for the periods indicated, both in actual terms and as a percentage of our revenue:

	Year Ended December 31,						Six Months Ended June 30,			
	2015		2016		2017		2017		2018	
							(Unaudited)			
	(RMB'000)	% of revenue	(RMB'000)	% of revenue	(RMB'000)	% of revenue	(RMB'000)	% of revenue	(RMB'000)	% of revenue
Direct labor costs	1,217,037	24.9%	1,335,675	21.8%	1,715,530	22.1%	855,645	23.3%	1,092,313	24.8%
Cost of raw materials	848,211	17.4%	903,328	14.8%	1,126,297	14.5%	524,775	14.4%	654,853	14.9%
Overhead	1,139,470	23.3%	1,394,637	22.8%	1,683,513	21.7%	700,760	19.1%	905,932	20.5%
Total	3,204,718	65.6%	3,633,640	59.4%	4,525,340	58.3%	2,081,180	56.8%	2,653,098	60.2%

Direct Labor Costs

Our direct labor costs increased during the Track Record Period, primarily due to an increase in our employee headcount and salary and bonuses of our employees as a result of an increase in demand for our services and our business growth. Our direct labor costs as a percentage of our revenue also increased from 23.3% for the six months ended June 30, 2017 to 24.8% for the six months ended June 30, 2018, primarily because the increase in our direct labor costs outpaced the increase in our revenue which was resulted from (i) most of our direct labor costs being denominated in Renminbi and a large portion of our revenue being denominated in U.S. dollar, and (ii) the relatively greater appreciation of Renminbi against the U.S. dollar in the six months ended June 30, 2018 compared to the six months ended June 30, 2017. Our direct labor costs as a percentage of our revenue increased slightly from 21.8% for the year ended December 31, 2016 to 22.1% for the year ended December 31, 2017. Our direct labor costs as a percentage of our revenue decreased from 24.9% for the year ended December 31, 2015 to 21.8% for the year ended December 31, 2016, primarily because we recognized the expenses arising from the one-time acceleration vesting with respect to WuXi PharmaTech Stock Units and WuXi PharmaTech Options as direct labor costs in 2015.

Cost of Raw Materials

Our cost of raw materials increased during the Track Record Period primarily as a result of an increase in the demand for our services. For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our cost of raw materials as a percentage of our revenue remained relatively stable at 14.8%, 14.5%, 14.4% and 14.9%, respectively. Our cost of raw materials as a percentage of our revenue decreased from 17.4% for the year ended December 31, 2015 to 14.8% for the year ended December 31, 2016, primarily due to the deconsolidation of WuXi Biologics Companies in 2015.

Overhead

Our overhead increased from RMB700.8 million for the six months ended June 30, 2017 to RMB905.9 million for the six months ended June 30, 2018, primarily because (i) our new facilities in China and U.S. began operations and (ii) we continued to invest in our cell and gene therapies business in the first half of 2018. Our overhead increased from RMB1,394.6 million for the year ended December 31, 2016 to RMB1,683.5 million for

the year ended December 31, 2017, primarily due to the investment in our cell and gene therapies business. Our overhead increased from RMB1,139.5 million for the year ended December 31, 2015 to RMB1,394.6 million for the year ended December 31, 2016, primarily due to the expansion of our facilities and the growth of our business. Our overhead as a percentage of our revenue decreased from 23.3% for the year ended December 31, 2015 to 22.8% for the year ended December 31, 2016 and further decreased to 21.7% for the year ended December 31, 2017, primarily because we improved the utilization of our manufacturing facilities and productivity of our laboratories during this period. Our overhead as a percentage of our revenue increased from 19.1% for the six months ended June 30, 2017 to 20.5% for the six months ended June 30, 2018, primarily because we continued to invest in our cell and gene therapies business.

Gross Profit and Gross Profit Margin

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our gross profit was RMB1,678.6 million, RMB2,482.5 million, RMB3,239.9 million, RMB1,584.2 million and RMB1,756.1 million, respectively. For the same periods, our gross profit margin was 34.4%, 40.6%, 41.7%, 43.2% and 39.8%, respectively.

Our gross profit margin decreased from 43.2% for the six months ended June 30, 2017 to 39.8% for the six months ended June 30, 2018, primarily due to the appreciation of the Renminbi against the U.S. dollar in the six months ended June 30, 2018 compared to the six months ended June 30, 2017 to a greater extent. Applying a constant exchange rate, we would have achieved gross profit margin of 42.4% for the six months ended June 30, 2018, which mainly remained stable compared to 43.2% for the six months ended June 30, 2017. Our gross profit margin increased from 40.6% for the year ended December 31, 2016 to 41.7% for the year ended December 31, 2017, primarily due to increased efficiency and productivity of our business segments. Our gross profit margin increased from 34.4% for the year ended December 31, 2015 to 40.6% for the year ended December 31, 2016, primarily because we recognized share-based compensation expenses, as part of the expenses in relation to the one-time acceleration of vesting of the WuXi PharmaTech Stock Units and WuXi PharmaTech Options in our cost of services for the year ended December 31, 2015.

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

	Year Ended December 31,						Six Months Ended June 30,			
	2015		2016		2017		2017		2018	
							(Unaudited)			
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000, except for the percentages)									
— China-based laboratory services	862,280	33.8%	1,376,957	42.1%	1,842,201	44.7%	922,389	46.4%	1,084,491	44.9%
— U.S.-based laboratory services	274,818	39.1%	324,962	34.7%	361,897	31.9%	177,546	31.9%	125,193	22.9%
— Clinical research and other CRO services	57,631	16.4%	40,465	19.6%	102,489	28.8%	40,949	28.1%	55,362	24.0%
— CMO/CDMO services	476,405	37.6%	701,167	42.8%	918,454	43.6%	432,802	45.4%	489,230	40.5%
Others	7,497	86.3%	38,940	57.4%	14,879	33.0%	10,509	45.6%	1,833	29.1%
Total	**1,678,631**	**34.4%**	**2,482,491**	**40.6%**	**3,239,920**	**41.7%**	**1,584,195**	**43.2%**	**1,756,109**	**39.8%**

China-based laboratory services

Gross profit margin of China-based laboratory services decreased from 46.4% for the six months ended June 30, 2017 to 44.9% for the six months ended June 30, 2018, primarily due to the appreciation of the Renminbi against the U.S. dollar in the six months ended June 30, 2018 to a greater extent compared with the six months ended June 30, 2017. As 65% of the revenue generated from our China-based laboratory services were denominated in U.S. dollar during the six months ended June 30, 2018, applying a constant exchange rate, we would have achieved an increase in the gross profit margin of China-based laboratory services to 47.6% in the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. During 2015, 2016 and 2017, both the gross profit and gross profit margin of our China-based laboratory services increased, primarily because (i) we benefited from the "long-tail" strategy, (ii) we experienced an increase in the number of projects provided to Chinese customers, and (iii) the optimization of our resources was increased during this period.

U.S.-based laboratory services

Gross profit margin decreased from 31.9% for the six months ended June 30, 2017 to 22.9% for the six months ended June 30, 2018, primarily because (i) we experienced a decrease in sales of medical device testing services as a result of an adjustment of outsourcing strategy made by one customer after it was acquired, and (ii) we continued to invest in our cell and gene therapies business. Gross profit margin of U.S.-based laboratory services decreased from 39.1% for the year ended December 31, 2015 to 34.7% for the year ended December 31, 2016 and further decreased to 31.9% for the year ended December 31, 2017, primarily because we began expanding our cell and gene therapies business in 2016, which led to an increase in cost of services in U.S.-based laboratory services.

Clinical research and other CRO services

Gross profit margin of clinical research and other CRO services decreased from 28.1% for the six months ended June 30, 2017 to 24.0% for the six months ended June 30, 2018, primarily due to the growth of senior clinical research staff. Gross profit margin of clinical research and other CRO services increased from 19.6% for the year ended December 31, 2016 to 28.8% for the year ended December 31, 2017, which was in line with our business growth. Gross profit margin of clinical research and other CRO services increased from 16.4% for the year ended December 31, 2015 to 19.6% for the year ended December 31, 2016, primarily due to (i) the consolidation of WuXi PRA resulting from our purchase of the remaining shares and (ii) the deconsolidation of WuXi Biologics Companies in 2015, which had a relatively low gross profit margin.

CMO/CDMO services

Gross profit margin of CMO/CDMO services decreased from 45.4% for the six months ended June 30, 2017 to 40.5% for the six months ended June 30, 2018, primarily due to the appreciation of the Renminbi against the U.S. dollar in the six months ended June 30, 2018 compared with the six months ended June 30, 2017. Gross profit margin of CMO/CDMO services also decreased as a result of an increase in cost of services associated with our CMO/CDMO services due to an increase in direct labor costs and overhead, resulting from start-up of our newly established U.S. site, which began providing manufacturing services in the first quarter of 2018. Gross profit margin of CMO/CDMO services increased from 2015 to 2017, primarily due to an increase in scale of small molecule production as our existing projects moving from early stage to late stage and commercial manufacturing, as well as increased number of customers and projects.

Other Income

Other income primarily consists of interest income from related parties and financial institutions, government grants and subsidies related to assets and income, and dividend income arising from available-for-sale investments and financial assets at fair value through profit and loss ("**FVTPL**").

Government grants and subsidies mainly represent financial support funds provided by PRC local governments. The conditions for government grants and subsidies include exclusive use for intended purposes and independent bookkeeping for the funds, approval from experts and science and technology commission, acceptance of special audits by the third party agencies engaged by the government, acceptance by government or experts from government departments, or completion of assessment indicators required by government. During the Track Record Period, we received various grants and subsidies from PRC local government authorities, primarily as an incentive for our business development in high-tech innovation.

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our other income was RMB147.2 million, RMB132.8 million, RMB255.0 million, RMB107.6 million and RMB54.7 million, respectively. The following table sets forth a breakdown of our other income for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2015	2016	2017	2017	2018
			(RMB'000)	(Unaudited)	
Interest income from					
— related parties	3,522	4,449	—	—	—
— financial institutions	74,543	16,958	24,393	22,828	5,697
Government grants and subsidies related to					
— asset[(i)]	55,097	24,568	32,292	14,311	18,282
— income[(ii)]	13,988	76,057	197,977	70,428	27,445
Dividend income arising from					
— available-for-sale investments	—	10,604	330	—	—
— financial assets at FVTPL	—	—	—	—	3,305
Others	—	125	—	—	—
Total	147,150	132,761	254,992	107,567	54,729

Notes:

(i) We have received certain government grants and subsidies to invest in laboratory equipment. The grants and subsidies were recognized in profit or loss over the useful lives of the relevant assets.

(ii) The government grants and subsidies related to income have been received to compensate for our research and development expenditure. Some of the grants related to income have future related costs expected to be incurred and require us to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to incomes were recognized in profit or loss when related costs are subsequently incurred and we received government acknowledge of compliance. Other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Other Gains and Losses

Other gains and losses primarily consist of net foreign exchange gain or loss, gain on disposal of available-for-sale investments, loss on disposal of property, plant and equipment, fair value gain on financial assets at FVTPL, loss on forward contracts and others. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, we recorded net other gains of RMB240.3 million, net other gains of RMB104.1 million, net other losses of RMB81.2 million, net other losses of RMB6.6 million and net other gains of RMB389.6 million, respectively. The following table sets forth a breakdown of our other gains and losses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net foreign exchange gain (loss)	32,833	93,173	(138,887)	(43,850)	(19,062)
Gain on disposal of available-for-sale investments	226,064	—	32,093	19,227	—
Gain on disposal of an associate	454	—	—	—	—
Gain on disposal of subsidiaries	7,726	301	—	—	—
Loss on disposal of properties, plant and equipment	(5,782)	(5,393)	(8,565)	(4,595)	(2,593)
Loss on disposal of other intangible assets	—	—	(9,158)	—	—
Fair value gain on financial assets at FVTPL	34,860	19,091	40,181	22,265	461,423
Loss on forward contracts	(16,448)	—	—	—	(51,991)
Waive of loans to a joint venture	(23,573)	—	—	—	—
Others	(15,843)	(3,060)	3,123	316	1,855
	240,291	104,112	(81,213)	(6,637)	389,632

We recorded net other gains of RMB389.6 million for the six months ended June 30, 2018, because we recorded RMB461.4 million of fair value gain on financial assets at FVTPL primarily due to (i) the adoption of IFRS 9 starting on January 1, 2018 and (ii) an increase in the fair value of our investments (primarily including, Unity Biotechnology Inc., Hua Medicine and Adagene Inc.), partially offset by a RMB52.0 million of loss on forward contracts and a RMB19.1 million of net foreign exchange loss. We recorded net other gains for the year ended December 31, 2016 and net other losses for the year ended December 31, 2017, primarily due to the net foreign exchange gain/loss we experienced. We recorded net other gains for the year ended December 31, 2015, primarily due to a RMB226.1 million gain on disposal of available-for-sale investments as a result of the disposal of our investment in Novira Therapeutics Inc., a RMB34.9 million of fair value gain on financial assets at FVTPL and a RMB32.8 million of net foreign exchange gain.

We recorded net foreign exchange gain of RMB32.8 million and RMB93.2 million for the years ended December 31, 2015 and 2016, respectively, mainly as a result of foreign currency translation due to the depreciation of the RMB against the U.S. dollar in 2015 and 2016. We recorded net foreign exchange losses of RMB138.9 million and RMB19.1 million for the year ended December 31, 2017 and the six months ended June 30, 2018, respectively, because of the appreciation of the RMB against the U.S. dollar.

Impairment Losses, Net of Reversal

Our impairment losses, net of reversal include impairment losses, net of reversal on trade receivables, other receivables, amounts due from related parties and intangible assets and goodwill. We record impairment because the carrying value exceeds the fair value, which is based on financial models and Directors' estimates. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017, our impairment losses were RMB26.5 million, RMB28.7 million, RMB140.2 million and RMB2.5 million, respectively. For the six months ended June 30, 2018, we recorded net of reversal of impairment losses of RMB5.6 million.

The table below sets forth a breakdown of our impairment losses, net of reversal for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2015	2016	2017	2017	2018
			(RMB'000)	(Unaudited)	
Impairment losses, net of reversal, on					
— trade receivables	4,879	4,171	8,153	2,462	59
— other receivables	1,712	(1,803)	20	—	—
— amounts due from related parties	—	—	5,707	—	(5,707)
— intangible assets	4,402	—	81,077	—	—
— goodwill	15,514	26,312	45,237	—	—
Total	26,507	28,680	140,194	2,462	(5,648)

Our impairment losses increased significantly in the year ended December 31, 2017, primarily due to the significant increases of impairment losses on intangible assets and impairment losses on goodwill. We acquired XBL and its subsidiaries in 2015, and we determined impairment in intangible assets and goodwill based on our financial models, and recognized such impairment losses for the year ended December 31, 2017. For the six months ended June 30, 2018, we recorded net reversal of impairment losses of RMB5.6 million due to the reversal of impairment losses on amounts due from related parties as we had collected such payments during this period.

Selling and Marketing Expenses

Our selling and marketing expenses mainly consist of staff costs, traveling expenses, marketing expenses, consulting and service fees and others. Staff costs mainly include salaries, bonus and social security costs for our sales and marketing staff. Others mainly consist of office costs and rentals. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our selling and marketing expenses were RMB185.8 million, RMB200.4 million, RMB291.5 million, RMB132.9 million and RMB152.7 million, respectively. The table below sets forth a breakdown of our selling and marketing expenses for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2015	2016	2017	2017	2018
			(RMB'000)	(Unaudited)	
Staff costs	130,285	137,435	199,696	96,419	112,540
Traveling expenses	15,167	21,046	23,659	11,336	12,637
Marketing expenses	8,569	12,823	12,826	4,732	10,483
Consulting and service fees	6,425	6,442	12,711	5,530	2,802
Others	25,361	22,693	42,618	14,890	14,218
Total	185,807	200,439	291,510	132,907	152,680

Our selling and marketing expenses increased by 14.9% from RMB132.9 million for the six months ended June 30, 2017 to RMB152.7 million for the six months ended June 30, 2018, primarily due to the increase of staff costs from an increase in the number of employees we hired with selling and marketing functions globally, which was in line with our business growth. We experienced a faster growth of revenue than selling and marketing expenses for the six months ended June 30, 2018, due to an increase in the efficiency of our sales activities.

Our selling and marketing expenses increased greatly by 45.5% from RMB200.4 million for the year ended December 31, 2016 to RMB291.5 million for the year ended December 31, 2017, primarily due to (i) an increase of staff costs from an increase in the number of employees we hired with selling and marketing functions

globally, which was in line with our business growth, and (ii) an increase in others related to selling and marketing activities, particularly in expenses incurred with respect to conferences and amortization of property, plant and equipment in the selling and marketing department.

Our selling and marketing expenses increased by 7.9% from RMB185.8 million for the year ended December 31, 2015 to RMB200.4 million for the year ended December 31, 2016, due to the increase in staff costs from an increase in the number of employees we hired with selling and marketing functions globally, which was in line with our business growth.

Administrative Expenses

Our administrative expenses mainly consist of staff costs, depreciation and amortization expenses, consulting and service fees, facilities and vehicle expenses, travel and business related expenses and others. Staff costs mainly include salary, bonus and social welfare expenses of our administration staff. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our administrative expenses were RMB851.8 million, RMB834.9 million, RMB986.5 million, RMB434.9 million and RMB435.3 million, respectively. The table below sets forth a breakdown of our administrative expenses for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2015	2016	2017	2017	2018
				(Unaudited)	
			(RMB'000)		
Staff costs	562,392	436,756	547,824	234,927	227,169
Depreciation and amortization expenses	64,242	71,419	98,663	50,286	63,094
Consulting and service fees	54,870	119,452	121,979	42,083	51,058
Facilities and vehicle expenses	58,701	81,489	91,082	40,944	44,137
Travel and business related expenses	52,379	59,092	55,278	24,202	27,047
Office supply expenses	15,047	19,607	22,465	14,297	8,070
Bank charge	3,234	4,883	4,916	2,276	2,491
Others	40,904	42,164	44,333	25,889	12,195
Total	851,769	834,862	986,540	434,904	435,261

Our administrative expenses increased by 0.1% from RMB434.9 million for the six months ended June 30, 2017 to RMB435.3 million for the six months ended June 30, 2018, primarily due to (i) an increase in depreciation and amortization expenses along with the growth of the Company's scale of business, and (ii) an increase in consulting and service fees due to a higher demand for our services.

Our administrative expenses increased by 18.2% from RMB834.9 million for the year ended December 31, 2016 to RMB986.5 million for the year ended December 31, 2017, primarily due to an increase in our staff costs and consulting and service fees, due to an increase in the size of our customers which led to a higher demand for our services.

Our administrative expenses decreased by 2.0% from RMB851.8 million for the year ended December 31, 2015 to RMB834.9 million for the year ended December 31, 2016, primarily due to a decrease in staff costs, partially offset by an increase in consulting and service fees. The decrease in staff costs was because of acceleration of vesting with respect to the WuXi PharmaTech Stock Units and WuXi PharmaTech Options in 2015, which was one-off in nature and did not happen in 2016. The increase in consulting and service fees was due to an increase in expenses of professional institutions in relation to our financing and investment activities.

Research and Development Expenses

Our research and development expenses mainly consist of staff costs, material costs and depreciation charges in relation to our research and development activities. For the years ended December 31, 2015, 2016 and

2017 and the six months ended June 30, 2017 and 2018, our research and development expenses were RMB143.1 million, RMB214.4 million, RMB305.6 million, RMB115.5 million and RMB177.5 million, respectively. Our research and development expenses increased over the Track Record Period due to our research and development activities in related to developing new technology capabilities and increasing service offerings. See "Business — Research and Development" for more details.

Share of (Losses) Profits of Associates

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017, we recorded share of losses of associates of RMB11.8 million, RMB13.4 million, RMB21.6 million and RMB5.8 million, respectively. For the six months ended June 30, 2018, we recorded share of profits of associates of RMB38.7 million. Such changes reflected our investments in associates and our share of these associates' results of operations using the equity method of accounting. None of our associates were individually material to our Group for the years ended December 31, 2015, 2016 and 2017 or the six months ended June 30, 2017 and 2018.

Share of Losses of Joint Ventures

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, we recorded share of losses of joint ventures of RMB17.6 million, RMB29.0 million, RMB27.1 million, RMB19.7 million and RMB8.8 million, respectively. Such changes reflected our investments in joint ventures and our share of these joint ventures' results of operations using the equity method of accounting. None of our joint ventures were individually material to our Group for the years ended December 31, 2015, 2016 and 2017 or the six months ended June 30, 2017 and 2018.

Finance Costs

Our finance costs primarily consist of interest expense on bank loans, interest expense on loans from related parties and imputed interest expense on payable for acquisition of a property. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our finance costs were RMB28.1 million, RMB16.4 million, RMB48.5 million, RMB12.7 million and RMB45.5 million, respectively. Our finance costs increased significantly in the year ended December 31, 2017 and the six months ended June 30, 2018, primarily due to the increase in bank loans.

Income Tax Expense

Our income tax expense primarily consists of the current tax at the statutory rates applicable to our assessable profit before taxation as determined under relevant laws and regulations. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our income tax expense was RMB117.6 million, RMB261.2 million, RMB295.9 million, RMB179.5 million and RMB121.0 million, respectively. The following table sets forth a breakdown of our income tax expenses for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2015	2016	2017	2017	2018
			(RMB'000)	(Unaudited)	
Current tax:					
— PRC	122,799	177,956	265,252	159,315	157,185
— Hong Kong	8,898	5,988	19,459	9,615	3,341
— USA	44,453	40,999	12,332	6,983	1,637
— Rest of world	226	484	12,355	9,304	1,227
	176,376	225,427	309,398	185,217	163,390
(Over) under provision in respect of prior years					
— PRC	(9,637)	(10,173)	382	648	(18,771)
— Hong Kong	(7)	70	2,046	261	—
— USA	(454)	(453)	(706)	—	—
	(10,098)	(10,556)	1,722	909	(18,771)
Deferred tax:					
— Current year/period	(48,708)	46,331	(15,220)	(6,645)	(23,658)
Total	117,570	261,202	295,900	179,481	120,961

During the Track Record Period, our income tax expense primarily consists of income tax payable by our subsidiaries in the PRC, Hong Kong and the U.S. We were not subject to income or capital gains tax under the law of Cayman Islands or the law of BVI during the Track Record Period. In addition, dividends payments were not subject to withholding tax in the Cayman Islands.

PRC Enterprise Income Tax

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% during the Track Record Period unless subject to tax exemption set out below.

Certain subsidiaries operating in the PRC were accredited as "High and New Technology Enterprise" or "Advanced Technology Enterprise" for a period of three or four years, and therefore are entitled to a preferential EIT rate of 15% for the Track Record Period. The qualification as a High and New Technology Enterprise will be subject to review by the relevant tax authority in the PRC for every three years.

Hong Kong Income Tax

Our Hong Kong subsidiaries are subject to income tax at a rate of 16.5% on the estimated assessable profits arising in Hong Kong for the years ended December 31, 2015, 2016 and 2017.

On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group's Hong Kong subsidiaries with estimated assessable profits for its annual reporting periods ending on or after April 1, 2018.

U.S. Income Tax

The group entities incorporated in the U.S. are subject to the federal tax rate at 35% for the years ended December 31, 2015, 2016 and 2017, and the state income tax rate at a range from 4% to 10% for the years ended December 31, 2015, 2016 and 2017. On December 22, 2017, the 2017 Tax Cuts and Jobs Act was enacted, which reduced the federal corporate tax rate to 21% from 35% and became effective on January 1, 2018. The state income tax rate remained at a range from 4% to 10% and the federal corporate tax rate remained at 21% as of June 30, 2018.

Tax in Other Jurisdictions

The group entities incorporated in Korea, Netherlands, Germany and United Kingdom were subject to the tax rates at 24%, 25%, 30% and 21%, respectively, during the Track Record Period.

Effective Tax Rate

Our effective tax rate, representing income tax expense divided by profit before tax, was 14.7%, 18.9%, 18.6%, 18.7% and 8.5% for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively. The significant decrease in our effective tax rate for the six months ended June 30, 2018 was primarily due to (i) the reduction in U.S. federal corporate tax rate from 35% to 21% which was effective on January 1, 2018, (ii) a decrease in profit before tax in our U.S.-based laboratories services, and (iii) effect of different tax rates applicable to subsidiaries operating in different jurisdictions, such as the U.S., Cayman Islands and BVI. Our effective tax rate remained stable in 2016 and 2017. Our effective income tax rate increased from 14.7% for the year ended December 31, 2015 to 18.9% for the year ended December 31, 2016, primarily due to effect of different tax rates applicable to subsidiaries operating in different jurisdictions, such as the U.S., Cayman Islands and BVI.

NON-IFRS MEASURE

To supplement our consolidated statements of profit or loss which are presented in accordance with IFRS, we also use Adjusted EBITDA as a non-IFRS measure, which is not required by, or presented in accordance with, IFRS. We believe that this non-IFRS measure facilitates comparison of operating performance from period to period by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance.

We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated statements of profit or loss in the same manner as they help our management. However, our presentation of Adjusted EBITDA may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our combined statements of profit or loss or financial condition as reported under IFRS.

There are two components to the Adjusted EBITDA metric: (1) EBITDA, which we define as profit before tax plus interest expense and depreciation and amortization, and (2) adjustments to EBITDA, which includes items which are non-recurring or extraordinary, including share-based compensation expense and expense related to the A Share Listing and other financing activities.

The following table shows our Adjusted EBITDA for the year/period:

	Year Ended December 31,			Six Months Ended June 30,	
	2015	2016	2017	2017	2018
				(Unaudited)	
			(RMB'000)		
Profit before tax	801,349	1,382,175	1,592,620	961,161	1,425,031
Add:					
Interest expense	28,125	16,360	48,547	12,716	45,521
Depreciation and amortization	387,583	399,593	477,680	229,820	298,967
Share-based compensation expense	324,810	58,745	52,326	27,396	18,221
Expense related to the A Share Listing and other financing activities	—	25,582	7,970	7,710	7,248
Adjusted EBITDA	1,541,867	1,882,455	2,179,143	1,238,803	1,794,988

DISCUSSION OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Revenue

Our revenue increased by 20.3% from RMB3,665.4 million for the six months ended June 30, 2017 to RMB4,409.2 million for the six months ended June 30, 2018, primarily due to the increase of revenue generated from our China-based laboratory services, clinical research and other CRO services and CMO/CDMO services, partially offset by a decrease in revenue from our U.S.-based laboratory services. We were adversely affected by the appreciation of Renminbi against the U.S. dollar during the six months ended June 30, 2018. Applying a constant exchange rate , we would have achieved an increase in revenue by 27.2% in the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. Geographically speaking, our revenue increased for the six months ended June 30, 2018 primarily due to an increase in revenue generated from the customers located in the PRC and the U.S.. In the six months ended June 30, 2018, we added 811 new customers.

Revenue generated from our China-based laboratory services increased by 21.7% from RMB1,986.2 million for the six months ended June 30, 2017 to RMB2,416.3 million for the six months ended June 30, 2018, primarily because (i) we benefited from the "long-tail" strategy, (ii) we expanded our business with existing customers and (iii) we experienced an increase in the number of projects provided to Chinese customers. We provided enhanced services from the pre-clinical new drug R&D stage until IND filing, resulting in an increase in the number of projects from Chinese customers. We also benefited from improvements in efficiency, evidenced by an increasing utilization rate of our China-based laboratory services.

Revenue generated from our U.S.-based laboratory services decreased by 1.9% from RMB556.8 million for the six months ended June 30, 2017 to RMB546.1 million for the six months ended June 30, 2018, primarily due to a decrease in sales of medical device testing services as a result of a one-off adjustment of outsourcing strategy made by one customer after it was acquired, partially offset by an increase in sales of cell and gene therapies business.

Revenue generated from our clinical research and other CRO services increased significantly by 58.8% from RMB145.6 million for the six months ended June 30, 2017 to RMB231.2 million for the six months ended June 30, 2018, primarily due to improved capability and capacity of our clinical development and SMO services.

Revenue generated from our CMO/CDMO services increased by 26.8% from RMB953.8 million for the six months ended June 30, 2017 to RMB1,209.4 million for the six months ended June 30, 2018, which was

primarily due to an increase in scale of small molecule production as our existing projects moving from early stage to late stage and commercial manufacturing, as well as increased number of customers and projects. We also benefited from an increase in our capacity by establishing new facilities in Changzhou and Wuxi to further meet our customers' needs. In addition, we benefited from the MAH policy implemented in China, which encourages drug manufacturing outsourcing.

Cost of Services

Our cost of services increased by 27.5% from RMB2,081.2 million for the six months ended June 30, 2017 to RMB2,653.1 million for the six months ended June 30, 2018.

Our direct labor costs increased by 27.7% from RMB855.6 million for the six months ended June 30, 2017 to RMB1,092.3 million for the six months ended June 30, 2018, primarily due to an increase in our employee headcount and salary and bonuses of our employees as a result of an increase in demand for our services and our business growth. Our direct labor costs as a percentage of our revenue also increased from 23.3% for the six months ended June 30, 2017 to 24.8% for the six months ended June 30, 2018, primarily because the increase in our direct labor costs outpaced the increase in our revenue, which was resulted from (i) most of our direct labor costs being denominated in Renminbi and a large portion of our revenue being denominated in U.S. dollar, and (ii) the relatively greater appreciation of Renminbi against the U.S. dollar in the six months ended June 30, 2018 compared to the six months ended June 30, 2017. Our direct labor costs as a percentage of our revenue increased slightly from 23.3% for the six months ended June 30, 2017 to 24.8% for the six months ended June 30, 2018.

Our cost of raw materials increased by 24.8% from RMB524.8 million for the six months ended June 30, 2017 to RMB654.9 million for the six months ended June 30, 2018, as a result of an increase in the demand for our services.

Our overhead increased by 29.3% from RMB700.8 million for the six months ended June 30, 2017 to RMB905.9 million for the six months ended June 30, 2018, primarily because (i) our new facilities in China and U.S. began operations and (ii) we continued to invest in our cell and gene therapies in the first half of 2018.

Gross Profit and Gross Profit Margin

Our gross profit increased by 10.9% from RMB1,584.2 million for the six months ended June 30, 2017 to RMB1,756.1 million for the six months ended June 30, 2018. Our gross profit margin decreased from 43.2% for the six months ended June 30, 2017 to 39.8% for the six months ended June 30, 2018, primarily due to the greater appreciation of the Renminbi against the U.S. dollar in the six months ended June 30, 2018 compared to the six months ended June 30, 2017. Applying a constant exchange rate, we would have achieved gross profit margin of 42.4% for the six months ended June 30, 2018, which mainly remained stable compared to 43.2% for the six months ended June 30, 2017.

China-based laboratory services

Gross profit of our China-based laboratory services increased from RMB922.4 million for the six months ended June 30, 2017 to RMB1,084.5 million for the six months ended June 30, 2018. Gross profit margin of China-based laboratory services decreased from 46.4% for the six months ended June 30, 2017 to 44.9% for the six months ended June 30, 2018, primarily due to the appreciation of the Renminbi against the U.S. dollar in the six months ended June 30, 2018 to a greater extent compared with the six months ended June 30, 2017. As 65% of the revenue generated from our China-based laboratory services were denominated in U.S. dollar during the six months ended June 30, 2018, applying a constant exchange rate, we would have achieved an increase in the gross profit margin of China-based laboratory services to 47.6% in the six months ended June 30, 2018 as compared to the six months ended June 30, 2017.

U.S.-based laboratory services

Gross profit of our U.S.-based laboratory services decreased from RMB177.5 million for the six months ended June 30, 2017 to RMB125.2 million for the six months ended June 30, 2018. Gross profit margin decreased from 31.9% for the six months ended June 30, 2017 to 22.9% for the six months ended June 30, 2018, primarily because (i) we experienced a decrease in sales of medical device testing services as a result of an adjustment of outsourcing strategy made by one customer after it was acquired, and (ii) we continued to invest in our cell and gene therapies business.

Clinical research and other CRO services

Gross profit of our clinical research and other CRO services increased from RMB40.9 million for the six months ended June 30, 2017 to RMB55.4 million for the six months ended June 30, 2018. Gross profit margin of clinical research and other CRO services decreased from 28.1% for the six months ended June 30, 2017 to 24.0% for the six months ended June 30, 2018, primarily due to the growth of senior research staff.

CMO/CDMO services

Gross profit of our CMO/CDMO services increased from RMB432.8 million for the six months ended June 30, 2017 to RMB489.2 million for the six months ended June 30, 2018. Gross profit margin of CMO/CDMO services decreased from 45.4% for the six months ended June 30, 2017 to 40.5% for the six months ended June 30, 2018, primarily due to the appreciation of the Renminbi against the U.S. dollar in the six months ended June 30, 2018 compared with the six months ended June 30, 2017. Gross profit margin of CMO/CDMO services also decreased as a result of an increase in cost of services associated with our CMO/CDMO services due to an increase in direct labor costs and overhead, resulting from start-up of our newly established U.S. site, which began providing manufacturing services in the first quarter of 2018.

Other Income

Our other income decreased by 49.2% from RMB107.6 million for the six months ended June 30, 2017 to RMB54.7 million for the six months ended June 30, 2018, primarily due to the decrease in the government grants and subsidies in the six months ended June 30, 2018, because we received RMB44.7 million grants from the Wuxi government in the first half of 2017 as support for our Company's future listing application and daily operations.

Other Gains and Losses

We recorded net other losses of RMB6.6 million for the six months ended June 30, 2017, compared with net other gains of RMB389.6 million for the six months ended June 30, 2018, primarily because we recorded RMB461.4 million of fair value gain on financial assets at FVTPL for the six months ended June 30, 2018 as compared to June 30, 2017, partially offset by a loss on forward contracts of RMB52.0 million and a net foreign exchange loss of RMB19.1 million. The RMB461.4 million of fair value gain on financial assets at FVTPL for the six months ended June 30, 2018 was primarily due to (i) the adoption of IFRS 9 since January 1, 2018, and (ii) an increase in the fair value of the portfolio of our invested companies, primarily Unity Biotechnology Inc., Hua Medicine and Adagene Inc.

Impairment Losses, Net of Reversal

We recorded net impairment losses of RMB2.5 million for the six months ended June 30, 2017, compared with RMB5.6 million of net reversal of impairment losses for the six months ended June 30, 2018, primarily because of the reversal of impairment losses on amounts due from related parties as we had collected such payments in the six months ended June 30, 2018.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 14.9% from RMB132.9 million for the six months ended June 30, 2017 to RMB152.7 million for the six months ended June 30, 2018, primarily due to the increase of staff costs from an increase in the number of employees we hired with selling and marketing functions globally, which was in line with our business growth. We experienced a faster growth of revenue than selling and marketing expenses for the six months ended June 30, 2018, due to an increase in the efficiency of our sales activities.

Administrative Expenses

Our administrative expenses slightly increased by 0.1% from RMB434.9 million for the six months ended June 30, 2017 to RMB435.3 million for the six months ended June 30, 2018, primarily due to (i) an increase in depreciation and amortization expenses along with the growth of the Company's scale of business, and (ii) an increase in consulting and service fees due to a higher demand for our services.

Research and Development Expenses

Our research and development expenses increased by 53.8% from RMB115.5 million for the six months ended June 30, 2017 to RMB177.5 million for the six months ended June 30, 2018, due to our research and development activities related to developing new technology capabilities and increasing service offerings.

Share of (Losses) Profits of Associates

We recorded share of losses of associates of RMB5.8 million for the six months ended June 30, 2017, compared to share of profits of associates of RMB38.7 million for the six months ended June 30, 2018, due to an improvement in results of operations of WuXi Healthcare Ventures II L.P. during the same period.

Share of Losses of Joint Ventures

We recorded RMB19.7 million of share of losses of joint ventures for the six months ended June 30, 2017, compared with RMB8.8 million of share of losses of joint ventures for the six months ended June 30, 2018, due to the loss in results of operations of WuXi MedImmune Biopharmaceutical Co., Limited and WuXi Clinical Development, Inc.

Finance Costs

Our finance costs increased significantly by 258.3% from RMB12.7 million for the six months ended June 30, 2017 to RMB45.5 million for the six months ended June 30, 2018, primarily due to an increase in bank loan interest as a result of additional bank loans.

Income Tax Expense

Our income tax expense decreased by 32.6% from RMB179.5 million for the six months ended June 30, 2017 to RMB121.0 million for the six months ended June 30, 2018, primarily due to a reduction in the U.S. federal corporate tax rate from 35% to 21% which was effective from January 1, 2018. Our effective income tax rate decreased from 18.7% for the six months ended June 30, 2017 to 8.5% for the six months ended June 30, 2018, primarily due to (i) the reduction in U.S. federal corporate tax rate from 35% to 21% which was effective on January 1, 2018, and (ii) effect of different tax rates applicable to subsidiaries operating in jurisdictions, such as the U.S., Cayman Islands and BVI.

Profit for the Period and Net Profit Margin

As a result of the foregoing, our profit for the period increased greatly from RMB781.7 million for the six months ended June 30, 2017 to RMB1,304.1 million for the six months ended June 30, 2018. Our net profit margin increased from 21.3% for the six months ended June 30, 2017 to 29.6% for the six months ended June 30, 2018, primarily due to (i) the growth of our business, which enabled us to achieve greater economies of scale, (ii) an increase in the utilization rate of our capacity, and (iii) an increase in fair value of the portfolio of our invested companies, primarily Unity Biotechnology Inc., Hua Medicine and Adagene Inc.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenue increased by 27.0% from RMB6,116.1 million for the year ended December 31, 2016 to RMB7,765.3 million for the year ended December 31, 2017, primarily due to the revenue growth generated from our China-based laboratory services, U.S.-based laboratory services, clinical research and other CRO services and CMO/CDMO services, attributable to increasing demand for our services, resulting from increased penetration of existing customers and business from new customers. Geographically speaking, our revenue increased for the year ended December 31, 2017 primarily because of the increase of our revenue generated from the U.S..

Revenue generated from our China-based laboratory services increased by 26.0% from RMB3,269.8 million for the year ended December 31, 2016 to RMB4,120.6 million for the year ended December 31, 2017, mainly due to an increase in the capacity of R&D of small molecule after we acquired Shanghai HD Biosciences in May 2017. We also benefited from our "long-tail" strategy. In addition, we expanded our business with existing customers and also experienced an increase in the number of projects provided to Chinese customers.

Revenue generated from our U.S.-based laboratory services increased by 21.4% from RMB935.2 million for the year ended December 31, 2016 to RMB1,134.9 million for the year ended December 31, 2017, primarily due to a steady growth of our medical device testing business during this period and an increase in the capacity and sales of our cell and gene therapies services in 2016.

Revenue generated from our clinical research and other CRO services increased by 72.6% from RMB206.3 million for the year ended December 31, 2016 to RMB356.1 million for the year ended December 31, 2017, primarily due to significant improvement in capability and capacity of our clinical development and SMO services.

Revenue generated from our CMO/CDMO services increased by 28.8% from RMB1,637.0 million for the year ended December 31, 2016 to RMB2,108.6 million for the year ended December 31, 2017, which was due to an increase in scale of small molecule production as our existing projects moving from early stage to late stage and commercial manufacturing, as well as increased number of customers and projects. We also benefited from an increase in our capacity by establishing new facilities in Changzhou and Wuxi to further meet our customers' needs. In addition, we benefited from the MAH policy implemented in China, which encourages drug manufacturing outsourcing.

Cost of Services

Our cost of services increased by 24.5% from RMB3,633.6 million for the year ended December 31, 2016 to RMB4,525.3 million for the year ended December 31, 2017.

Our direct labor costs increased by 28.4% from RMB1,335.7 million for the year ended December 31, 2016 to RMB1,715.5 million for the year ended December 31, 2017, primarily due to an increase in direct labor costs from U.S.-based laboratory services because we recruited more employees in our cell and gene therapies business since 2016.

Our cost of raw materials increased by 24.7% from RMB903.3 million for the year ended December 31, 2016 to RMB1,126.3 million for the year ended December 31, 2017, primarily as a result of an increase in the demand for our services.

Our overhead increased by 20.7% from RMB1,394.6 million for the year ended December 31, 2016 to RMB1,683.5 million for the year ended December 31, 2017, primarily due to the investment in our cell and gene therapies.

Gross Profit and Gross Profit Margin

Our gross profit increased by 30.5% from RMB2,482.5 million for the year ended December 31, 2016 to RMB3,239.9 million for the year ended December 31, 2017. Our gross profit margin slightly increased from 40.6% for the year ended December 31, 2016 to 41.7% for the year ended December 31, 2017, primarily due to increased efficiency and productivity of our business segments.

China-based laboratory services

Gross profit of our China-based laboratory services increased from RMB1,377.0 million for the year ended December 31, 2016 to RMB1,842.2 million for the year ended December 31, 2017. Gross profit margin of our China-based laboratory services increased from 42.1% for the year ended December 31, 2016 to 44.7% for the year ended December 31, 2017, primarily because (i) we benefited from the "long-tail" strategy, (ii) we experienced an increase in the number of projects provided to Chinese customers, and (iii) the optimization of our resources was increased during this period.

U.S.-based laboratory services

Gross profit of our U.S.-based laboratory services increased from RMB325.0 million for the year ended December 31, 2016 to RMB361.9 million for the year ended December 31, 2017. Gross profit margin of U.S.-based laboratory services decreased from 34.7% for the year ended December 31, 2016 to 31.9% for the year ended December 31, 2017, primarily because we began expanding our cell and gene therapies business since 2016, which led to an increase in cost of services in U.S.-based laboratory services.

Clinical research and other CRO services

Gross profit of our clinical research and other CRO services increased from RMB40.5 million for the year ended December 31, 2016 to RMB102.5 million for the year ended December 31, 2017. Gross profit margin of clinical research and other CRO services increased from 19.6% for the year ended December 31, 2016 to 28.8% for the year ended December 31, 2017, which was in line with our business growth.

CMO/CDMO services

Gross profit of our CMO/CDMO services increased from RMB701.2 million for the year ended December 31, 2016 to RMB918.5 million for the year ended December 31, 2017. Gross profit margin of CMO/CDMO services slightly increased from 42.8% for the year ended December 31, 2016 to 43.6% for the year ended December 31, 2017, primarily due to an increase in scale of small molecule production as our existing projects moving from early stage to late stage and commercial manufacturing, as well as increased number of customers and projects.

Other Income

Our other income increased greatly by 92.0% from RMB132.8 million for the year ended December 31, 2016 to RMB255.0 million for the year ended December 31, 2017, primarily due to the increase in the government grants and subsidies because we received RMB110.0 million grants from the Wuxi government in 2017 as support for our Company's future listing application and daily operations.

Other Gains and Losses

We recorded net other gains of RMB104.1 million for the year ended December 31, 2016, compared with net other losses of RMB81.2 million for the year ended December 31, 2017, primarily because of a RMB138.9 million of net foreign exchange loss we recorded in 2017, as a result of the appreciation of the Renminbi against the U.S. dollar in 2017 compared to 2016, partially offset by an increase in fair value gain on financial assets at FVTPL in 2017.

Impairment Losses, Net of Reversal

The impairment losses, net of reversal significantly increased by 388.5% from RMB28.7 million for the year ended December 31, 2016 to RMB140.2 million for the year ended December 31, 2017. This was because of (i) an increase in the impairment losses on trade and other receivables, (ii) an increase in the impairment losses on intangible assets such as customer relationship of XBL, and (iii) an increase in the impairment losses on goodwill of XBL, which was attributable to a decrease in results of operations of XBL, resulting from a decrease of demand for the services provided by XBL.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 45.5% from RMB200.4 million for the year ended December 31, 2016 to RMB291.5 million for the year ended December 31, 2017, primarily due to the increase of staff costs as a result of an increase in the number of employees with selling and marketing functions, which was driven by an expansion of our China-based laboratory services sales team and global business development team.

Administrative Expenses

Our administrative expenses increased by 18.2% from RMB834.9 million for the year ended December 31, 2016 to RMB986.5 million for the year ended December 31, 2017, primarily due to an increase in staff costs and consulting and service fees resulting from an increase in the size of our customers which led to a higher demand for our services.

Research and Development Expenses

Our research and development expenses increased by 42.5% from RMB214.4 million for the year ended December 31, 2016 to RMB305.6 million for the year ended December 31, 2017, due to our research and development activities in related to developing new technology capabilities and increasing service offerings.

Share of (Losses) Profits of Associates

We recorded share of losses of associates which increased from RMB13.4 million for the year ended December 31, 2016 to RMB21.6 million for the year ended December 31, 2017, because of the losses in results of operations of PhageLux Inc. and WuXi Healthcare Ventures II L.P.

Share of Losses of Joint Ventures

We recorded RMB29.0 million of share of losses of joint ventures for the year ended December 31, 2016 and RMB27.1 million for the year ended December 31, 2017, due to the decrease in losses of operations of WuXi MedImmune Biopharmaceutical Co., Limited and JW Therapeutics (Shanghai) Co., Ltd.

Finance Costs

Our finance costs increased significantly by 195.7% from RMB16.4 million for the year ended December 31, 2016 to RMB48.5 million for the year ended December 31, 2017, primarily attributable to (i) an increase in interest relating to our bank borrowings, and (ii) an increase in interest incurred in relation to the financing of the purchase of a property in Wuhan.

Income Tax Expense

Our income tax expense increased by 13.3% from RMB261.2 million for the year ended December 31, 2016 to RMB295.9 million for the year ended December 31, 2017, primarily due to an increase in our income tax expense incurred in the PRC and Hong Kong, which was in line with our business growth. Our effective income tax rate remained stable in 2016 and 2017.

Profit for the Period and Net Profit Margin

As a result of the foregoing, our profit for the period increased from RMB1,121.0 million for the year ended December 31, 2016 to RMB1,296.7 million for the year ended December 31, 2017. Our net profit margin decreased from 18.3% for the year ended December 31, 2016 to 16.7% for the year ended December 31, 2017, primarily due to (i) a RMB138.9 million of net foreign exchange loss we recorded in 2017, and (ii) an increase in impairment losses on intangible assets and goodwill in 2017, partially offset by an increase in our revenue.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Our revenue increased by 25.2% from RMB4,883.3 million for the year ended December 31, 2015 to RMB6,116.1 million for the year ended December 31, 2016, primarily driven by the business growth of our China-based laboratory services, U.S.-based laboratory services and CMO/CDMO services, partially offset by a decrease in the revenue from our clinical research and other CRO services, primarily due to the deconsolidation of WuXi Biologics Companies in 2015, partially offset by (i) the consolidation of WuXi PRA resulting from our purchase of the remaining shares and (ii) rapid growth of our SMO services. Geographically speaking, our revenue increased for the year ended December 31, 2016, primarily because of the increase of our revenue generated from the PRC and Europe.

Revenue generated from our China-based laboratory services increased by 28.0% from RMB2,553.9 million for the year ended December 31, 2015 to RMB3,269.8 million for the year ended December 31, 2016, mainly due to (i) we benefited from the "long-tail" strategy, (ii) we expanded our business with existing customers and (iii) we experienced an increase in the number of projects from Chinese customers. We also recognized a milestone revenue of RMB32.8 million in 2016 from CTTQ.

Revenue generated from our U.S.-based laboratory services increased by 32.9% from RMB703.6 million for the year ended December 31, 2015 to RMB935.2 million for the year ended December 31, 2016, primarily due to a steady growth of our medical device testing business during this period and an increase in the capacity and sales of our cell and gene therapies services in 2016.

Revenue generated from our clinical research and other CRO services decreased by 41.1% from RMB350.5 million for the year ended December 31, 2015 to RMB206.3 million for the year ended December 31, 2016, primarily due to the deconsolidation of WuXi Biologics Companies in 2015, partially offset by (i) the consolidation of WuXi PRA resulting from our purchase of the remaining shares and (ii) rapid growth of SMO services.

Revenue generated from our CMO/CDMO services increased by 29.2% from RMB1,266.7 million for the year ended December 31, 2015 to RMB1,637.0 million for the year ended December 31, 2016, which was due to an increase in scale of small molecule production as our existing projects moving from early stage to late stage and commercial manufacturing, as well as increased number of customers and projects. We also benefited from an increase in our capacity by establishing new facilities in Changzhou and Wuxi to further meet our customers' needs. In addition, we benefited from the MAH policy implemented in China, which encourages drug manufacturing outsourcing.

Cost of Services

Our cost of services increased by 13.4% from RMB3,204.7 million for the year ended December 31, 2015 to RMB3,633.6 million for the year ended December 31, 2016.

Our direct labor costs as a percentage of our revenue decreased from 24.9% for the year ended December 31, 2015 to 21.8% for the year ended December 31, 2016, primarily because we recognized the expenses arising from the one-time acceleration vesting with respect to WuXi PharmaTech Stock Units and WuXi PharmaTech Options as direct labor costs in 2015.

Our cost of raw materials and overhead as a percentage of our revenue decreased from 2015 to 2016, primarily due to the deconsolidation of WuXi Biologics Companies.

Our overhead increased from RMB1,139.5 million for the year ended December 31, 2015 to RMB1,394.6 million for the year ended December 31, 2016, primarily due to the expansion of our facilities and the growth of our business.

Gross Profit and Gross Profit Margin

Our gross profit increased by 47.9% from RMB1,678.6 million for the year ended December 31, 2015 to RMB2,482.5 million for the year ended December 31, 2016. Our gross profit margin increased from 34.4% for the year ended December 31, 2015 to 40.6% for the year ended December 31, 2016, primarily because we recognized part of the one-time acceleration of vesting with respect to the WuXi PharmaTech Stock Units and WuXi PharmaTech Options in our cost of services for the year ended December 31, 2015.

China-based laboratory services

Gross profit of our China-based laboratory services increased from RMB862.3 million for the year ended December 31, 2015 to RMB1,377.0 million for the year ended December 31, 2016. Gross profit margin increased greatly from 33.8% for the year ended December 31, 2015 to 42.1% for the year ended December 31, 2016, primarily because the increase of our revenue generated from China-based laboratory services outpaced the increase of the cost of services. We experienced a decrease in direct labor costs in 2016, primarily because we recognized share-based compensation expenses, part of the expenses in relation to the one-time acceleration vesting with respect to WuXi PharmaTech Stock Units and WuXi PharmaTech Options in 2015.

U.S.-based laboratory services

Gross profit of our U.S.-based laboratory services increased from RMB274.8 million for the year ended December 31, 2015 to RMB325.0 million for the year ended December 31, 2016. Gross profit margin of

U.S.-based laboratory services decreased from 39.1% for the year ended December 31, 2015 to 34.7% for the year ended December 31, 2016, primarily because we began expanding our cell and gene therapies business in 2016, which led to an increase in cost of services in U.S.-based laboratory services.

Clinical research and other CRO services

Gross profit decreased from RMB57.6 million for the year ended December 31, 2015 to RMB40.5 million for the year ended December 31, 2016, due to the deconsolidation of WuXi Biologics Companies in 2015, partially offset by (i) acquisition of WuXi PRA and (ii) rapid growth of SMO services. Gross profit margin of clinical research and other CRO services increased from 16.4% for the year ended December 31, 2015 to 19.6% for the year ended December 31, 2016, which was due to (i) the consolidation of WuXi PRA resulting from our purchase of the remaining shares and (ii) the deconsolidation of WuXi Biologics Companies, which had a relatively low gross profit margin.

CMO/CDMO services

Gross profit of our CMO/CDMO services increased from RMB476.4 million for the year ended December 31, 2015 to RMB701.2 million for the year ended December 31, 2016. Gross profit margin of CMO/CDMO services increased from 37.6% for the year ended December 31, 2015 to 42.8% for the year ended December 31, 2016, primarily due to an increase in scale of small molecule production as our existing projects moving from early stage to late stage and commercial manufacturing, as well as increased number of customers and projects.

Other Income

Our other income decreased by 9.8% from RMB147.2 million for the year ended December 31, 2015 to RMB132.8 million for the year ended December 31, 2016, primarily due to a decrease in the interest income from financial institutions, partially offset by an increase in government grants and subsidies.

Other Gains and Losses

We recorded net other gains of RMB240.3 million for the year ended December 31, 2015 and RMB104.1 million for the year ended December 31, 2016, primarily (i) because of an increase in the net foreign exchange gain we recorded in 2016, as a result of the appreciation of the U.S. dollar against Renminbi beginning from the second half of 2015, and (ii) because we recorded gain on disposal of available-for-sale investments in 2015 mainly due to the disposal of our equity investment in Novira Therapeutics Inc.

Impairment Losses, Net of Reversal

The impairment losses, net of reversal were slightly increased by 8.3% from RMB26.5 million for the year ended December 31, 2015 to RMB28.7 million for the year ended December 31, 2016. This was because we recorded an increase in impairment losses on goodwill in 2016, resulting from the underperformance of Abgent acquired in 2011, partially offset by (i) reversal of impairment losses on the collection of other receivables, and (ii) a decrease of impairment losses on intangible assets.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 7.9% from RMB185.8 million for the year ended December 31, 2015 to RMB200.4 million for the year ended December 31, 2016, primarily due to an increase in the number of sales and marketing employees which was in line with our business growth.

Administrative Expenses

Our administrative expenses slightly decreased by 2.0% from RMB851.8 million for the year ended December 31, 2015 to RMB834.9 million for the year ended December 31, 2016, primarily due to a decrease in staff costs, partially offset by an increase in consulting and service fees. The decrease in staff costs was because of the one-off acceleration of vesting with respect to the WuXi PharmaTech Stock Units and WuXi PharmaTech Options in 2015. The increase in consulting and service fees was due to an increase in expenses from professional institutions in relation to our financing and investment activities.

Research and Development Expenses

Our research and development expenses increased by 49.8% from RMB143.1 million for the year ended December 31, 2015 to RMB214.4 million for the year ended December 31, 2016, primarily due to an increase in our research and development activities from our China-based laboratory services and CMO/CDMO services.

Share of (Losses) Profits of Associates

We recorded share of losses of associates which increased from RMB11.8 million for the year ended December 31, 2015 to RMB13.4 million for the year ended December 31, 2016, because of the losses in results of operations of PhageLux Inc. and WuXi Healthcare Ventures II L.P.

Share of Losses of Joint Ventures

We recorded RMB17.6 million of share of losses of joint ventures for the year ended December 31, 2015 and RMB29.0 million for the year ended December 31, 2016, due to the losses in results of operations of WuXi MedImmune Biopharmaceutical Co., Limited and JW Therapeutics (Shanghai) Co., Ltd.

Finance Costs

Our finance costs decreased by 41.6% from RMB28.1 million for the year ended December 31, 2015 to RMB16.4 million for the year ended December 31, 2016, primarily attributable to a decrease of interest expense in 2016 due to the repayment of bank loans in the fourth quarter of 2015.

Income Tax Expense

Our income tax expense increased greatly by 122.1% from RMB117.6 million for the year ended December 31, 2015 to RMB261.2 million for the year ended December 31, 2016, primarily because (i) we incurred more current tax in the PRC, which was in line with our business growth, and (ii) we wrote off deferred tax assets previously recognized for tax losses of our subsidiaries. Our effective income tax rate increased from 14.7% for the year ended December 31, 2015 to 18.9% for the year ended December 31, 2016, primarily due to effect of different tax rates applicable to subsidiaries operating in different jurisdictions, such as the U.S., Cayman Islands and BVI.

Profit for the Period and Net Profit Margin

As a result of the foregoing, our profit for the period increased from RMB683.8 million for the year ended December 31, 2015 to RMB1,121.0 million for the year ended December 31, 2016. Our net profit margin increased from 14.0% for the year ended December 31, 2015 to 18.3% for the year ended December 31, 2016, primarily due to (i) the increase of revenue outpaced the increase of cost of services in 2016 than in 2015, attributable to our ability to control costs and growing business, and (ii) that we recorded acceleration of vesting

of WuXi PharmaTech Stock Units and WuXi PharmaTech Options in 2015. For more information, please see "— Factors Affecting Our Results of Operations and Financial Condition — Share Incentive Schemes and Share-based Compensation — WuXi PharmaTech Stock Units and WuXi PharmaTech Options."

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth our current assets, current liabilities and net current assets for the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2015	2016	2017	2018	2018
					(Unaudited)
			(RMB'000)		
Current Assets					
Inventories	208,411	444,587	649,815	772,105	850,472
Contract costs	43,737	66,684	77,123	68,603	110,551
Amounts due from related parties	2,666,004	107,361	16,563	13,414	22,498
Trade and other receivables	1,240,612	1,336,901	1,752,807	2,026,861	2,296,853
Contract assets	112,171	136,291	185,676	262,447	263,170
Prepaid lease payments	1,943	3,400	3,400	4,509	4,650
Financial assets at FVTPL	290,843	754,603	14,739	2,871,199	2,385,428
Structured deposits	779,494	686,034	297,687	—	—
Pledged bank deposits	186	550	6,247	2,473	5,521
Bank balances and cash	1,002,065	2,507,299	2,466,144	1,380,355	1,370,899
	6,345,466	6,043,710	5,470,201	7,401,966	7,310,042
Assets classified as held for sales	13,247	—	—	—	—
	6,358,713	6,043,710	5,470,201	7,401,966	7,310,042
Current Liabilities					
Trade and other payables	957,882	1,653,436	1,664,433	1,670,240	2,064,879
Amounts due to related parties	1,529,627	1,565,332	839,562	837,351	274,128
Derivative financial instruments	—	—	—	122,474	313,376
Contract liabilities	232,687	395,721	604,132	610,309	606,033
Borrowings	172,000	489,385	1,318,189	1,291,660	1,765,752
Income tax payables	99,981	97,471	193,107	162,818	127,135
	2,992,177	4,201,345	4,619,423	4,694,852	5,151,303
Net Current Assets	3,366,536	1,842,365	850,778	2,707,114	2,158,739

We recorded net current assets of RMB2,707.1 million as of June 30, 2018, compared with net current assets of RMB850.8 million as of December 31, 2017, primarily due to (i) a RMB2,856.5 million increase in financial assets at FVTPL and (ii) a RMB274.1 million increase in trade and other receivables, and partially offset by (i) a RMB1,085.8 million decrease in bank balances and cash, and (ii) a RMB297.7 million decrease in structured deposits. The increase in financial assets at FVTPL was primarily due to (i) the increase in our investments in monetary fund, and (ii) the reclassification of structured deposits to financial assets at FVTPL resulting from the adoption of IFRS 9 starting on January 1, 2018. The increase in trade and other receivables was in line with our business growth. The decrease in bank balances and cash was due to (i) our investing activities, (ii) changes in working capital, and (iii) purchase of wealth management products. The decrease in structure deposits was due to the reclassification of structured deposits resulting from the adoption of IFRS 9 starting on January 1, 2018.

We recorded net current assets of RMB850.8 million as of December 31, 2017, compared with net current assets of RMB1,842.4 million as of December 31, 2016, primarily due to (i) a RMB828.8 million increase in bank borrowings, (ii) a RMB739.9 million decrease in financial assets at FVTPL, (iii) a RMB388.3 million decrease structured deposits, and partially offset by a RMB725.8 million decrease in amount due to related parties. The decrease in financial assets at FVTPL was due to the realization of our investments in financial products, and monetary fund and listed equities in the U.S.. The decrease in structured deposits was primarily due to the realization of principal-guaranteed wealth management products that we purchased. The decrease in amount due to related parties was because we had made repayments to WuXi PharmaTech and WXAT BVI.

We recorded net current assets of RMB1,842.4 million as of December 31, 2016, compared with net current assets of RMB3,366.5 million as of December 31, 2015, primarily due to a RMB2,558.6 million decrease in amounts due from related parties, partially offset by a RMB1,505.2 million increase in bank balances and cash. The decrease in amounts due from related parties was because we collected payments from WuXi PharmaTech and WXAT BVI. The increase in bank balances and cash was mainly because we received approximately RMB1,488.2 million of proceeds from our issuance of shares.

We recorded net current assets of RMB2,158.7 million as of October 31, 2018, compared with net current assets of RMB2,707.1 million as of June 30, 2018, primarily due to (i) a RMB485.8 million decrease in financial assets at FVTPL, (ii) a RMB474.1 million increase in borrowings, and (iii) a RMB394.6 million increase in trade and other payables, partially offset by (i) a RMB563.2 million decrease in amounts due to related parties, and (ii) a RMB270.0 million increase in trade and other receivables. The decrease in financial assets at FVTPL was primarily due to collection of structure deposit and monetary fund. The increase in trade and other payables was primarily due to addition in property and equipment constructions and material purchase, which was in line with operation expansion. The decrease in amounts due to related parties was primarily due to settlement with WuXi PharmaTech and WXAT BVI for purchasing their equity interests in certain of our subsidiaries and investments. The increase in trade and other receivables was in line with the growth of revenue.

Inventories

Our inventories include raw materials and consumables, work in progress and finished goods related to CMO/CDMO services. Our inventories increased from RMB208.4 million as of December 31, 2015 to RMB444.6 million as of December 31, 2016, primarily due to accumulation of inventories as a result of increased capacity from our newly established factory in Changzhou, and the rapid growth of our CMO/CDMO services. Our inventories increased from RMB444.6 million as of December 31, 2016 to RMB649.8 million as of December 31, 2017 and further increased to RMB772.1 million as of June 30, 2018, primarily due to accumulation of inventories as a result of increased capacity from our U.S. sites and our factory in Changzhou, and the rapid growth of our CMO/CDMO services.

As of October 31, 2018, approximately RMB457.1 million, or 59.2%, of our inventory as of June 30, 2018 had been subsequently consumed.

Contract Costs

Our contract costs mainly comprise service in progress related to laboratory services. Our contract costs increased from RMB43.7 million as of December 31, 2015 to RMB66.7 million as of December 31, 2016, and further increased to RMB77.1 million as of December 31, 2017, primarily due to the rapid growth of our laboratory services. Our contract costs slightly decreased to RMB68.6 million as of June 30, 2018.

As of October 31, 2018, approximately RMB49.3 million, or 71.9%, of our contract costs as of June 30, 2018 had been subsequently recognized as cost of services upon revenue recognition.

Trade and Other Receivables

The following table shows a breakdown of our trade and other receivables by category as of the dates indicated:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
— third parties	1,084,064	1,182,206	1,423,194	1,644,197
Allowance for impairment	(15,917)	(20,910)	(18,890)	(18,342)
	1,068,147	1,161,296	1,404,304	1,625,855
Other receivables				
— disposal of available-for-sale investment	24,576	26,284	—	—
Allowance for impairment	(1,716)	(7)	—	—
	22,860	26,277	—	—
Note receivable	8,829	5,796	325	—
Prepayments	22,735	39,033	51,923	62,163
Interest receivable	4,133	1,109	—	—
Prepaid expense	35,083	23,198	22,015	28,224
Value added tax recoverable	70,775	75,119	265,662	293,968
Rental deposit	8,050	5,073	8,578	16,651
	149,605	149,328	348,503	401,006
Total trade and other receivables	1,240,612	1,336,901	1,752,807	2,026,861

Trade receivables from third parties primarily represent the outstanding amounts receivable by us from our customers for our services. Our project-based service contract or work order typically comprises a number of tasks, each including several discovery, development and/or manufacturing steps. We bill our customers by task and typically give our customers a credit term between 30 to 90 days. We bill our customers according to different fee models. See "Business — Customers — Payment Terms" for more information. Disposal of available-for-sale investment primarily represents consideration of our disposal of equity in Novira Therapeutics Inc. Rent deposit primarily consists of rentals paid to our landlords.

Our trade and other receivables increased by 15.6% from RMB1,752.8 million as of December 31, 2017 to RMB2,026.9 million as of June 30, 2018, primarily due to (i) a RMB221.6 million increase in trade receivables, which was in line with our business growth, and (ii) a RMB10.2 million increase in prepayments due to the increase of prepayments for raw materials which was in line with our business growth.

Our trade and other receivables increased by 31.1% from RMB1,336.9 million as of December 31, 2016 to RMB1,752.8 million as of December 31, 2017, primarily due to (i) a RMB243.0 million increase in trade receivables, (ii) a RMB190.5 million increase in value added tax recoverable, and (iii) a RMB12.9 million increase in prepayments. The increase in trade receivables was in line with our business growth. The increase in value added tax recoverable was because we recognized the value added tax recoverable because of the disposal of the assets of pharmaceutical development service ("PDS") to STA by WXAT Shanghai. The increase in prepayments was due to the increase of prepayments for raw materials which was in line with our business growth.

Our trade and other receivables increased by 7.8% from RMB1,240.6 million as of December 31, 2015 to RMB1,336.9 million as of December 31, 2016, primarily due to (i) a RMB93.1 million increase in trade receivables, which was in line with our business growth, and (ii) a RMB16.3 million increase in prepayments due to the increase of prepayments for raw materials which was in line with our business growth.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute or disagreement with our customers in relation to the timing, amounts of billing or the collection of our trade receivables. Our trade receivables (including allowance for doubtful debts) increased by 8.7% from RMB1,068.1 million as of December 31, 2015 to RMB1,161.3 million as of December 31, 2016, and increased by 20.9% to RMB1,404.3 million as of December 31, 2017, and further increased by 15.8% to RMB1,625.9 million as of June 30, 2018, which was primarily due to the increase in our sales, which was in line with our business growth.

We typically grant our customers credit periods ranging from 30 days to 90 days. The following table sets forth an aging analysis of our trade receivables net of allowance for doubtful debts presented based on invoice dates as of the dates indicated:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
		(RMB'000)		
Within 180 days	1,058,695	1,151,482	1,389,408	1,604,118
180 days to 1 year	6,132	6,129	10,648	18,892
1 year to 2 years	3,320	3,685	4,067	2,845
More than 2 years	—	—	181	—
Total	1,068,147	1,161,296	1,404,304	1,625,855

In determining the recoverability of the trade receivables, we consider any change in the credit quality of the trade receivable from the date on which the credit was initially granted up to the reporting date. The credit quality of trade receivables that were neither past due nor impaired had not changed during the Track Record Period.

We determine the allowance for bad debts based on the evaluation of collectability and aging analysis of the receivables and on our management's judgment including the assessment of change in credit quality and the past collection history of each customer. The following tables set forth the movement of allowance for doubtful debts as of the dates indicated:

	As of December 31,		
	2015	2016	2017
		(RMB'000)	
Opening balance	(10,781)	(15,917)	(20,910)
Provided	(7,114)	(7,595)	(14,123)
Reversed	2,235	3,424	5,970
Write off	212	—	9,375
Exchange adjustment	(469)	(822)	798
Closing balance	(15,917)	(20,910)	(18,890)

The table below reflects changes in our lifetime ECL that have been recognized in our trade receivables for the six months ended June 30, 2018 in accordance with the simplified approach set out in IFRS 9.

	Total
	RMB'000
At December 31, 2017 under IAS 39	(18,890)
Adjustment upon application of IFRS 9	(2,503)
At January 1, 2018 - restated	(21,393)
Provided	(35)
Write off	3,238
Exchange adjustment	(152)
At June 30, 2018	(18,342)

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, our trade receivables turnover days were 92.3 days, 84.6 days, 69.8 days and 72.1 days, respectively. We calculate the trade receivables turnover days using the average of the opening and closing balances of trade receivables for the relevant year (including contract assets and before adjustment of allowance for impairment), divided by the corresponding revenue for the year, and then multiplied by 360 days.

Our trade receivables turnover days increased from 69.8 days for the year ended December 31, 2017 to 72.1 days for the six months ended June 30, 2018, which basically remained steady. Our trade receivables turnover days decreased from 92.3 days for the year ended December 31, 2015 to 84.6 days for the year ended December 31, 2016 and further decreased to 69.8 days for the year ended December 31, 2017, primarily because we enhanced the management of trade receivables and internal assessment of customers' credit, and thus leading to a growing efficiency of collecting trade receivables.

As of October 31, 2018, approximately RMB1,295.4 million, or 78.8%, of our trade receivables as of June 30, 2018 had been subsequently settled.

Contract Assets

Our contract assets mainly consist of our accrued revenue recognized based on percentage of completion. Our contract assets increased from RMB112.2 million as of December 31, 2015 to RMB136.3 million as of December 31, 2016, and then further increased to RMB185.7 million as of December 31, 2017 and further increased to RMB262.4 million as of June 30, 2018, primarily attributable to the increase in our revenue recognized based on percentage of completion.

As of October 31, 2018, approximately RMB200.0 million, or 76.2%, of our contract assets as of June 30, 2018 had been subsequently settled.

Financial Assets at FVTPL

Our financial assets at fair value through profit or loss mainly consist of monetary fund investment, financial products and equity securities. Our financial assets at FVTPL increased by 159.5% from RMB290.8 million as of December 31, 2015 to RMB754.6 million as of December 31, 2016, then decreased by 98.1% to RMB14.7 million as of December 31, 2017, and then increased significantly by 19,432.0% to RMB2,871.2 million as of June 30, 2018. The movements in financial assets at FVTPL from 2015 to 2017 were in line with our cash management policies. The significant increase in financial assets at FVTPL as of June 30, 2018 was (i) due to the reclassification of structured deposits to financial assets at FVTPL resulting from the adoption of IFRS 9 starting on January 1, 2018, and (ii) in line with our cash management policies.

Structured Deposits

Our structured deposits consist of wealth management products. Our structured deposits decreased from RMB779.5 million as of December 31, 2015 to RMB686.0 million as of December 31, 2016, and then further decreased to RMB297.7 million as of December 31, 2017 and further decrease to nil as of June 30, 2018. The movements in structured deposits from 2015 to 2017 were due to changes in our investments in wealth management products. The change in structured deposits as of June 30, 2018 was due to the reclassification to financial assets at FVTPL resulting from the adoption of IFRS9 starting on January 1, 2018.

Amounts due to Related Parties

Our amounts due to related parties consist of trade payables, other payables, loans from related parties, advances from customers and dividend payable. Our amounts due to related parties slightly increased from RMB1,529.6 million as of December 31, 2015 to RMB1,565.3 million as of December 31, 2016, then decreased to RMB839.6 million as of December 31, 2017, and further decreased to RMB837.4 million as of June 30, 2018. The movements of our amount due to related parties during the Track Record Period were primarily due to (i) an increase in other payables in 2016; and (ii) payment to WXAT BVI in 2017 in relation to the purchase of the equity interests in certain of our subsidiaries which had been owned by WXAT BVI and WuXi PharmaTech.

Trade and Other Payables

The following table sets forth a breakdown of our trade and other payables by category as of the dates indicated:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
			(RMB'000)	
Trade payables	215,816	307,198	333,238	374,374
Salary and bonus payables	228,359	361,467	442,391	264,802
Payables for acquisition of plant and equipment	237,979	281,633	388,689	551,080
Payables for acquisition of a property	—	—	16,977	229,361
Payable for acquisition of subsidiaries and joint venture	—	20,000	177,129	20,000
Accrued expenses	106,049	151,902	141,209	144,918
Other taxes payable	111,576	472,011	88,301	25,034
Interest payable	—	—	2,395	4,513
Note payable	3,250	3,453	—	8,967
Others	54,853	55,772	74,104	47,191
Total trade and other payables	957,882	1,653,436	1,664,433	1,670,240

Our trade and other payables mainly include trade payables, salary and bonus payables, payables for acquisition of plant and equipment, payables for acquisition of a property, payable for acquisition of subsidiaries and joint venture, accrued expenses, other taxes payable, interest payable and note payable.

Our trade and other payables increased by 0.3% from RMB1,664.4 million as of December 31, 2017 to RMB1,670.2 million as of June 30, 2018, primarily due to (i) a RMB162.4 million increase in payables for acquisition of plant and equipment, due to construction of facilities, and (ii) a RMB212.4 million increase in payables for acquisition of a property, because we reclassified the portion of installments due within one year, incurred from the purchase of a property in Wuhan, as of June 30, 2018 from non-current liabilities to current liabilities, partially offset by (i) a RMB157.1 million decrease in payable for acquisition of subsidiaries and joint venture, due to the remaining payment we made for purchasing Shanghai HD Biosciences in the six months ended June 30, 2018, and (ii) a RMB177.6 million decrease in salary and bonus payables due to payments made for bonuses for the year 2017.

Our trade and other payables slightly increased by 0.7% from RMB1,653.4 million as of December 31, 2016 to RMB1,664.4 million as of December 31, 2017, primarily due to (i) a RMB157.1 million increase in payable for acquisition of subsidiaries, arising from payment for purchasing Shanghai HD Biosciences in 2017, (ii) a RMB107.1 million increase in payables for acquisition of plant and equipment, due to the construction of facilities, (iii) a RMB80.9 million increase of salary and bonus payables because we accrued more bonuses to our employees in 2017 due to our business growth, and (iv) a RMB17.0 million increase in payables for acquisition of a building, because we recognized the portion of installments due within one year incurred from the purchase of a property in Wuhan in 2017 partially offset by a RMB383.7 million decrease in other taxes payable, because we paid off withholding taxes incurred in 2016.

Our trade and other payables increased greatly by 72.6% from RMB957.9 million as of December 31, 2015 to RMB1,653.4 million as of December 31, 2016, primarily due to (i) a RMB133.1 million increase in salary and bonus payables because we accrued more bonuses to our employees in 2016 due to our business growth, and (ii) RMB360.4 million increase in other taxes payable due to the increase in withholding tax in connection with the purchase of the equity interests in certain of our subsidiaries which had been owned by WXAT BVI and WuXi PharmaTech.

The following table sets forth an aging analysis of our trade payables based on invoice dates as of the dates indicated:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
		(RMB'000)		
Within 1 year	213,473	302,810	328,715	368,535
1 year to 2 years	1,296	2,543	2,082	2,435
2 years to 3 years	500	1,140	1,879	1,994
More than 3 years	547	705	562	1,410
Total	215,816	307,198	333,238	374,374

Our third party suppliers typically grant us credit terms within 90 days from the time when the goods are received from the suppliers. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, our trade payables turnover days were 22.7 days, 25.9 days, 25.5 days and 24.0 days, respectively. We calculate the trade payables turnover days using the average of the opening and closing balances of trade payables for the relevant year divided by the corresponding cost of services for the year, and then multiplied by 360 days.

Our trade payables turnover days remained stable during the Track Record Period.

As of October 31, 2018, approximately RMB315.2 million, or 84.2%, of our trade payables as of June 30, 2018 had been subsequently settled. Our Directors confirm that we had no material defaults in our trade and other payables during the Track Record Period and up to the Latest Practicable Date.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Our primary uses of cash include operating expenses, purchase of raw materials, labor costs, manufacturing expenses, sales and marketing expenses, available-for-sale investments, administrative expenses, investment in non-current assets and so on.

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
Net cash from operating activities	738,596	1,761,308	1,795,648	634,845	420,733
Net cash (used in) from investing activities	(933,281)	383,995	(1,132,344)	(599,270)	(3,682,834)
Net cash from (used in) financing activities	428,512	(721,489)	(668,177)	(1,233,786)	2,201,402
Net increase (decrease) in cash and cash equivalents	233,827	1,423,814	(4,873)	(1,198,211)	(1,060,699)
Cash and cash equivalents at beginning of year/ period	738,309	1,002,065	2,507,299	2,507,299	2,466,144
Effects of exchange rate changes	29,929	81,420	(36,282)	(7,800)	(25,090)
Cash and cash equivalents at end of year/ period	1,002,065	2,507,299	2,466,144	1,301,288	1,380,355

Operating Activities

Net cash from operating activities was RMB420.7 million in the six months ended June 30, 2018. In the six months ended June 30, 2018, the difference between our net cash from operating activities and our profit before tax of RMB1,425.0 million resulted primarily from fair value gain on financial assets at FVTPL of RMB461.4 million, income tax paid of RMB221.5 million and changes in certain working capital accounts, partially offset by depreciation of property, plant and equipment of RMB275.9 million. Change in the working capital accounts mainly included an increase in trade and other receivables of RMB286.1 million, a decrease in trade and other payables of RMB226.1 million, an increase in inventories of RMB123.7 million and an increase in contract assets of RMB76.8 million. The increase in trade and other receivables was primarily due to an increase in trade receivables, which was in line with our business growth. The decrease in trade and other payables was primarily due to (i) the payment of value added tax of PDS, and (ii) a decrease in salary and bonus payables due to payments made for bonuses for 2017. The increase in inventories was primarily due to accumulation of inventories as a result of increased capacity from our U.S. sites and our factory in Changzhou and the rapid growth of our CMO/CDMO services. The increase in contract assets was primarily due to the increase in our revenue recognized based on percentage of completion.

Net cash from operating activities was RMB1,795.6 million in 2017. In 2017, the difference between our net cash from operating activities and our profit before tax of RMB1,592.6 million resulted primarily from depreciation of property, plant and equipment of RMB439.9 million, net foreign exchange loss of RMB138.9 million, impairment losses on intangible assets of RMB81.1 million, finance costs of RMB48.5 million and impairment losses on goodwill of RMB45.2 million, partially offset by income tax paid of RMB259.7 million and a fair value gain on financial assets at FVTPL of RMB40.2 million and changes in certain working capital accounts. Change in the working capital accounts mainly included an increase in contract liabilities of RMB208.4 million and an increase in trade and other payables of RMB98.4 million, partially offset by an increase in trade and other receivables of RMB413.8 million and an increase in inventories of RMB200.2 million. The increase in contract liabilities was primarily attributable to the growth of our business scale, which was driven by the increase in number of customers and projects. The increase in trade and other payables was primarily due to an increase of salary and bonus payables because we declared more employee bonuses in 2017, which was in line with our business growth. The increase in trade and other receivables was primarily attributable to an increase in trade receivables in line with our business growth and value added tax recoverable we recognized in connection with the intragroup asset transfer in connection with the reorganization of PDS. The increase in inventories was primarily due to accumulation of inventories as a result of increased capacity from our U.S. sites and our factory in Changzhou and the rapid growth of our CMO/CDMO services.

Net cash from operating activities was RMB1,761.3 million in 2016. In 2016, the difference between our net cash from operating activities and our profit before tax of RMB1,382.2 million resulted primarily from (i) depreciation of property, plant and equipment of RMB364.5 million, and (ii) share-based payment expense of RMB50.7 million and changes in certain working capital accounts, partially offset by income tax paid of RMB217.4 million and net foreign exchange gain of RMB93.2 million. Change in the working capital accounts mainly included a decrease in amounts due from related parties of RMB243.8 million, an increase in trade and other payables of RMB190.6 million and an increase in contract liabilities of RMB181.2 million, partially offset by an increase in inventories of RMB238.4 million and an increase in trade and other receivables of RMB82.0 million. The decrease in amount due from related parties was mainly because of the collection of large trade receivables due from WuXi Biologics in 2016. The increase in trade and other payables was primarily attributable to an increase in salary and bonus payables because we accrued more bonuses to our employees in 2016 due to our business growth. The increase in inventories was primarily due to accumulation of inventories as a result of increased capacity from our U.S. sites and our factory in Changzhou and the rapid growth of our CMO/CDMO services. The increase in trade and other receivables was primarily attributable to an increase in trade receivables, which was in line with our business growth.

Net cash from operating activities was RMB738.6 million in 2015. In 2015, the difference between our net cash from operating activities and our profit before tax of RMB801.3 million resulted primarily from depreciation of property, plant and equipment of RMB359.5 million and share-based payment expense of RMB320.3 million, partially offset by gain on disposal of available-for-sale investments of RMB226.1 million, income taxes paid of RMB129.3 million and a fair value gain on financial assets at FVTPL of RMB34.9 million and changes in certain working capital accounts. Change in the working capital accounts mainly included an increase in trade and other receivables of RMB309.5 million and an increase in amounts due from related parties of RMB209.4 million, partially offset by an increase in trade and other payables of RMB104.6 million. The increase in trade and other receivables was in line with our business growth. The increase in amount due from related parties was primarily attributable to the increase of trade receivables generated from WuXi Biologics Companies deconsolidated from the Group in 2015. The increase in trade and other payables was primarily attributable to an increase in salary and bonus payables accrued due to our business growth, and the increase in personal income tax payables accrued for execution of WuXi PharmaTech Stock Units and Options Plan.

Investing Activities

Net cash used in investing activities was RMB3,682.8 million for the six months ended June 30, 2018, which was primarily attributable to purchase of financial assets at FVTPL of RMB2,687.3 million as a result of the changes in our cash management policies and investment strategy and purchase of property, plant and equipment of RMB739.5 million, offset by proceeds from disposal of financial assets at FVTPL of RMB109.0 million.

Net cash used in investing activities was RMB1,132.3 million for 2017, which was primarily attributable to the purchase of property, plant and equipment of RMB1,352.5 million, net cash outflow on acquisition of subsidiaries of RMB851.2 million as a result of acquisition of Shanghai HD Biosciences, partially offset by proceeds from disposal of financial assets at FVTPL of RMB780.0 million.

Net cash from investing activities was RMB384.0 million for 2016, which was primarily attributable to repayment from related parties of RMB3,629.5 million, partially offset by advance to related parties of RMB1,526.2 million and purchase of property, plant and equipment of RMB933.9 million.

Net cash used in investing activities was RMB933.3 million for 2015, which was primarily attributable to advance to related parties of RMB1,956.7 million and the purchase of property, plant and equipment of RMB896.8 million, partially offset by repayment from related parties of RMB724.4 million and proceeds from withdraw of structured deposits of RMB600.3 million.

Financing Activities

Net cash provided by financing activities was RMB2,201.4 million for the six months ended June 30, 2018, which was primarily attributable to proceeds from issue of ordinary shares of RMB2,160.7 million from A share Listing and new bank loans raised of RMB833.7 million, partially offset by repayment of borrowings of RMB700.5 million.

Net cash used by financing activities was RMB668.2 million for 2017, which was primarily attributable to acquisition of partial interest of subsidiaries from non-controlling shareholders of RMB1,627.2 million in connection with the purchase of the equity interests in certain of our subsidiaries which had been owned by WXAT BVI and WuXi PharmaTech in 2016 and repayment of bank borrowings of RMB481.0 million, partially offset by new borrowings raised of RMB1,622.2 million.

Net cash used by financing activities was RMB721.5 million for 2016, which was primarily attributable to payment of dividends of RMB1,167.4 million, and repayment to related parties of RMB1,079.9 million, partially offset by the proceeds of RMB1,488.2 million we received from the issue of ordinary shares in 2016.

Net cash provided by financing activities was RMB428.5 million for 2015, which was primarily attributable to advance from related parties of RMB1,000.3 million and new borrowings raised of RMB440.9 million, partially offset by repayment of borrowings of RMB1,408.9 million.

Working Capital

As of December 31, 2015, 2016 and 2017 and June 30, 2018, we had cash and cash equivalents of RMB1,002.1 million, RMB2,507.3 million, RMB2,466.1 million and RMB1,380.4 million, respectively. Our cash and cash equivalents increased significantly in 2016, primarily because we received approximately RMB1.5 billion proceeds from our issuance of equities. Taking into account the financial resources available to us, including the estimated net proceeds of the Global Offering, cash flow generated from our operations, facilities available to us and cash and cash equivalents on hand, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next twelve months from the date of this prospectus. See "— Discussion of Selected Items from the Consolidated Statements of Financial Position" for more information.

CAPITAL EXPENDITURES

Our principal capital expenditures (cash payment) relate primarily to purchase of property, construction and decoration of plants and purchase of new equipment. The following table sets forth a breakdown of our historical capital expenditures for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2015	2016	2017	2017	2018
			(RMB'000)		
Property, plant and equipment	896,771	933,899	1,352,467	551,811	739,505
Other intangible assets	32,807	24,718	10,502	4,856	2,128
Prepaid lease payments	2,000	—	—	—	55,484
Total	931,578	958,617	1,362,969	556,667	797,117

We expect to incur approximately RMB2,196.0 million in capital expenditures in 2018, which we expect to fund primarily through cash generated from operations, bank facilities and net proceeds we received from the issuance of equities in 2016. 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, the market conditions and various other factors we believe to be appropriate.

INDEBTEDNESS

The outstanding balance of our borrowing was RMB1,756.7 million and RMB2,130.8 million as of June 30 and October 31, 2018, respectively. The following table sets out our loans as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2015	2016	2017	2018	2018
	(RMB'000)				
Borrowings					
Secured and unguaranteed	72,000	80,617	300,000	495,000	395,000
Unsecured and unguaranteed	100,000	408,768	1,318,189	1,261,660	1,735,752
The carrying amounts of the above borrowings are repayable:					
Within one year	172,000	489,385	1,318,189	1,291,660	1,765,752
Within a period of more than one year, but not exceeding two years	—	—	60,000	60,000	60,000
Within a period of more than two years but not exceeding five years	—	—	240,000	345,000	305,000
Within a period of more than five years	—	—	—	60,000	—
	172,000	489,385	1,618,189	1,756,660	2,130,752
Amounts shown under non-current liabilities	—	—	300,000	465,000	365,000
Amounts shown under current liabilities	172,000	489,385	1,318,189	1,291,660	1,765,752

Our borrowings as of June 30, 2018, consist of:

1. A revolving loan with a principal amount of US$50.0 million granted by The Hongkong and Shanghai Banking Corporation Limited Hong Kong Branch, which bears a floating interest rate as determined by an agreed base rate plus 1.3/1.4% per annum. The maximum rollover period was up to 12 months. As of June 30, 2018, only US$30.0 million was drawn down under this loan (the "HSBC Loan").

2. A one-year term loan with a principal amount of RMB100.0 million granted by Agricultural Bank of China Shanghai Jinshan Branch, which bears a fixed interest rate as determined by the one-year loan base rate plus 0.05% and will mature in July 2018 (the "ABC Loan").

3. A one-year term loan with a principal amount of RMB200.0 million granted by Agricultural Bank of China Shanghai Jinshan Branch, which bears a floating interest rate determined according to an agreed base rate minus 0.16% and will mature in January 2019.

4. A one-year term loan with a principal amount of RMB200.0 million granted by Agricultural Bank of China Shanghai Jinshan Branch, which bears a floating interest rate determined according to an agreed base rate plus 0.14% and will mature in March 2019.

5. A one-year term loan with a principal amount of RMB1,000.0 million granted by China Merchants Bank Shanghai Waigaoqiao Free Trade Zone Branch, which bears a fixed interest rate as determined by the relevant 12-month financial institution RMB base rate published by the People's Bank of China and will mature in June 2019. As of June 30, 2018, only RMB100.0 million was drawn down under this term loan (the "CMB Loan").

6. A seven-year term loan with a principal amount of RMB600.0 million granted by Shanghai Pudong Development Bank Baoshan Branch. The interest rate for each drawdown is determined by the

relevant RMB base rate published by the People's Bank of China having the same term as the loan drawdown. The loan will mature in December 2024 and is secured by a pledge of our equity interest in WuXi AppTec HDB LLC and Shanghai HD Biosciences. As of June 30, 2018, only RMB480.0 million was drawn down under this term loan.

7. A revolving loan with a principal amount of US$40.0 million granted by J.P. Morgan Chase Bank, N.A., which bears an interest rate as determined by the LIBOR plus margin 2.25% and will mature in April 2019.

8. A one-year term loan with a principal amount of US$30.0 million granted by Citibank, N.A., which will mature in September 2018. The interest rate is determined based on the LIBOR rate which shall be given no later than 2pm (New York City time) three business days prior to each of draw-down request.

9. An entrusted loan agreement with Chengdu Jiulian Investment Co., Ltd. with a principal amount of RMB15.0 million, which was extended to WuXi Clinical Development Services (Chengdu) Co., Ltd. for a term of three years with an interest rate equivalent to 130% of the bank loan benchmark interest rate per annum. 65% equity interests in WuXi Clinical Development Services (Chengdu) Co., Ltd. held by the Group were pledged to secure such borrowing.

As of October 31, 2018, we repaid US$10.0 million and a further US$30.0 million was drawn down under the HSBC Loan. A further RMB300.0 million was drawn down under the CMB Loan. In addition, we have further repaid RMB100.0 million under the ABC Loan, and entered into a new facility agreement with a principal amount of RMB100.0 million which bears a floating interest rate determined accordingly to an agreed base rate minus 0.17% and will mature in July 2019, with Agricultural Bank of China Shanghai Jinshan Branch. We repaid RMB100.0 million under Shanghai Pudong Development Bank loan as well.

As of October 31, 2018, 100% equity interests in WuXi AppTec HDB LLC and Shanghai HD Biosciences and 65% equity interests in WuXi Clinical Development Services (Chengdu) Co., Ltd. held by the Group were pledged to secure borrowings of RMB380.0 million and RMB15.0 million, respectively.

Amounts due to related parties of non-trade nature

The loans from WX (BVI) Limited were unsecured, repayable on demand and carried at the rate of 2.5% plus six months' LIBOR per annum as at December 31, 2015 and 2016. As of December 31, 2017, we have repaid all of the loans from related parties. Except otherwise stated, all the non-trade balances due from related parties were unsecured and unguaranteed, interest free and repayable on demand. As of December 31, 2015, 2016 and 2017, June 30, 2018 and October 31, 2018, the carrying amount of amounts due to related parties of non-trade nature were RMB1,452.2 million, RMB1,563.2 million, RMB839.6 million, RMB837.4 million and RMB274.1 million, respectively.

Subscription fee received for restricted shares

In October, 2018, 6,281,330 number of Restricted A Shares were subscribed by eligible employees for RMB45.53 per A Share and RMB286.0 million consideration were received by the Company under the 2018 WuXi AppTec A Share Incentive Scheme. The grant of these Restricted A Shares have a contractual term of no more than four years and vest over a three year period, with 40%, 30% and 30% of the awards vesting on the first, second and third anniversary date of the Restricted A Shares registration date upon meeting certain annual performance conditions. If the employees leave the Company before the end of the vesting period, the Company is obligated to repay the original purchase price to the employees. Therefore the unsecured and unguaranteed subscription fee of RMB286.0 million received by the Company is recorded as financial liabilities as at October 31, 2018.

Obligations under payable on purchase of a property under installment payment plan

On June 16, 2017, the Group acquired a property at a consideration of RMB282.7 million which will be paid in two years after the signing of contract. The payables are measured at amortized cost with imputed interest of 4.75% per annum. As of December 31, 2017, June 30, 2018 and October 31, 2018, the carrying amount of unsecured and unguaranteed payable on purchase of a property was RMB251.8 million, RMB229.4 million and RMB233.0 million respectively.

Our Directors confirm that as of the Latest Practicable Date, the agreements under our borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no material defaults in bank and other borrowings, nor did we breach any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up the Latest Practicable Date, we did not experience any material difficult in obtaining credit facilities, or withdrawal of facilities or request for early repayment.

As of October 31, 2018, we had utilized RMB2,139.9 million under our credit facility our term loans, and approximately RMB2,300.1 million remain undrawn under our credit facility.

Save as otherwise disclosed under "— Indebtedness" and apart from intra-group liabilities, we did not have any other loan issued and outstanding or any loan agreed to be issued, mortgages, charges, debentures, bank overdrafts or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments or other material contingent liabilities as of October 31, 2018. As of the same date, we had not guaranteed the indebtedness of any independent third parties.

CONTRACTUAL OBLIGATIONS

Capital Commitments

Our capital commitments are related to purchase of equipment and building construction. We expect to satisfy our capital commitments using net proceeds to be received from the Global Offering, cash from operations and bank facilities available to us. The following table sets forth our capital commitments as of the date indicated:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	(RMB'000)			
Commitments for the acquisition of Property, plant and equipment	169,346	176,625	221,281	467,534
Commitments for the investments in the funds or companies	12,913	76,934	157,500	111,599
Committed for the investments in the associate or joint venture	103,899	119,801	243,399	160,452
	286,158	373,360	622,180	739,585

Operating Lease Commitments

We are the lessee in respect of land and buildings on our Wuxi, Shanghai, Suzhou, Tianjin, Changzhou, Chengdu, Wuhan and U.S. sites. The following table sets forth our commitments for future minimum lease payments under our non-cancellable operating leases which fall due as indicated:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	(RMB'000)			
Within one year	68,503	128,627	121,013	136,079
In the second to fifth years inclusive	157,647	395,711	371,657	311,569
Over five years	8,931	266,631	158,904	319,891
Total	235,081	790,969	651,574	767,539

Our operating lease commitments increased from RMB235.1 million as of December 31, 2015 to RMB791.0 million as of December 31, 2016, and increased from RMB651.6 million as of December 31, 2017 to RMB767.5 million as of June 30, 2018, primarily because we rented more properties as a result of our business expansion. Our operating lease commitments decreased from RMB791.0 million as of December 31, 2016 to RMB651.6 million as of December 31, 2017, because we have purchased the property in Wuhan in 2017 that we used to rent.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Save for the contractual obligations disclosed under "— Indebtedness" and "— Contractual Obligations" we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our equity interests and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

RELATED PARTY TRANSACTIONS

We had the following transactions with related parties during the Track Record Period:

1. Related party transactions:

(a) *Provision of research and development service*

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
			(RMB'000)	(unaudited)	
Associates	—	29,076	30	11	2,874
Joint ventures	10,172	6,273	7,152	4,321	134
Entities significantly influenced by a Controlling Shareholder	11,511	18,339	25,402	4,483	22,163
Fellow subsidiaries	106,963	16,440	18,256	10,846	—
Entities controlled by close family members of a Controlling Shareholder	1,198	3,698	2,057	2,057	—
	129,844	73,826	52,897	21,718	25,171

(b) *Sales of products*

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
A fellow subsidiary	2,560	—	—	—	—
Entities significantly influenced by a Controlling Shareholder	2,549	435	9,911	6,775	—
	5,109	435	9,911	6,775	—

(c) *Provision of labour secondment services*

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
Fellow subsidiaries	—	14,395	1,334	1,330	—

(d) *Provision of administrative service*

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
Joint ventures	4,926	7,305	4,837	2,313	—
Fellow subsidiaries	475	28,666	6,271	3,160	259
An associate	—	—	—	—	2,412
	5,401	35,971	11,108	5,473	2,671

(e) *Sales of raw materials*

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
A joint venture	—	2,279	349	286	—
Fellow subsidiaries	—	10,562	16,037	7,209	—
An associate	—	—	—	—	88
	—	12,841	16,386	7,495	88

(f) *Provision of premises sub-leasing services*

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
A fellow subsidiary	—	1,588	1,431	715	715

(g) *Provision of purchase agency service*

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
Fellow subsidiaries	—	6,658	3,670	3,399	—

(h) *Labour secondment service received*

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
A joint venture	800	—	—	—	—
Fellow subsidiaries	1,667	21,989	4,932	3,231	—
	2,467	21,989	4,932	3,231	—

(i) *Genic testing services received*

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
Fellow subsidiaries	—	—	3,962	—	—

(j) *Provision of sales agency service*

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
Fellow subsidiaries	9,891	4,156	—	—	—

(k) *Sales agency service received*

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
Entities controlled by close family members of a Controlling Shareholder	450	492	340	62	—

(l) *Interest income*

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
A joint venture	513	—	—	—	—
A fellow subsidiary	2,657	3,153	—	—	—
An investor	352	1,296	—	—	—
	3,522	4,449	—	—	—

(m) *Interest expense*

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
A fellow subsidiary	714	586	744	723	—
An investor	—	—	1,375	943	—
	714	586	2,119	1,666	—

(n) *Sales of property and equipment*

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
Fellow subsidiaries	210,283	8,866	1,333	1,330	—
A joint venture	—	289	—	—	—
	210,283	9,155	1,333	1,330	—

(o) *Sales of other intangible assets*

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
Fellow subsidiaries	2,673	—	—	—	80

(p) *Sales of other long-term assets*

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
A fellow subsidiary	—	278	—	—	—

(q) *Finance lease income*

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
A fellow subsidiary	—	748	530	307	—

On January 1, 2016, the Group entered into a finance lease arrangement with Biologics Shanghai in respect of machinery, equipment and leasehold improvement with lease term of four years. The finance lease charges under the arrangements are 5% of the depreciation of the assets.

On December 26, 2017, the Group terminated the finance lease agreement and entered into an agreement with Biologics Shanghai to sell above-mentioned machinery, equipment and leasehold improvement. And the total consideration has been received before December 31, 2017.

(r) *Rental expenses*

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
A fellow subsidiary	—	874	830	437	—
A joint venture	—	—	—	—	250
	—	874	830	437	250

(s) *Purchase of property and equipment*

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(RMB'000)		
Fellow subsidiaries	—	3	10	10	—

2. Related party balances:

AMOUNTS DUE FROM RELATED PARTIES

	At December 31,			At June 30,
	2015	2016	2017	2018
	(RMB'000)			
Trade related				
Trade receivables	282,324	76,579	6,852	10,863
Non-trade related				
Other receivables	277,527	18,530	15,418	2,551
Allowance for doubtful debts of other receivables	—	—	(5,707)	—
Loans to related parties	2,106,153	369	—	—
	2,383,680	18,899	9,711	2,551
Finance lease receivables	—	45,079	—	—
Total amount due from related parties	2,666,004	140,557	16,563	13,414

	At December 31,			At June 30,
	2015	2016	2017	2018
	(RMB'000)			
Analyzed as:				
— Current	2,666,004	107,361	16,563	13,414
— Non-current	—	33,196	—	—
	2,666,004	140,557	16,563	13,414

We allow a credit period ranging from 30 to 90 days to our customers. The following is an aging analysis of trade related amounts due from related parties (net of allowance for doubtful debts) presented based on the invoice dates, at the end of each year in the Track Record Period:

	At December 31,			At June 30,
	2015	2016	2017	2018
	(RMB'000)			
Within 90 days	282,324	76,579	6,852	10,863

In determining the recoverability of the trade related amounts due from related parties, we consider any changes in the credit quality of the trade related amounts due from related parties from the date on which the credit was initially granted up to the reporting date. The credit quality of the trade related amounts due from related parties that are neither past due nor impaired had not changed during the Track Record Period.

	At December 31,			At June 30,
Trade related	**2015**	**2016**	**2017**	**2018**
		(RMB'000)		
Trade receivables				
Associates	—	—	25	1,119
Joint ventures	1,579	2,989	3,127	2,278
Fellow subsidiaries	275,719	62,489	—	—
Entities significantly influenced by a Controlling Shareholder	3,828	11,101	3,700	7,466
Entities controlled by close family members of a Controlling Shareholder	1,198	—	—	—
	282,324	76,579	6,852	10,863

	At December 31,			At June 30,
Non-trade related	**2015**	**2016**	**2017**	**2018**
		(RMB'000)		
Other receivable				
A joint venture	—	9,597	15,418	—
An associate	—	—	—	2,551
Fellow subsidiaries	277,176	8,933	—	—
An investor	351	—	—	—
Allowance for doubtful debts	—	—	(5,707)	—
	277,527	18,530	9,711	2,551

Other receivables from related parties are all unsecured, repayable on demand and interest free.

		At December 31,			At June 30,
	Interest Rate	**2015**	**2016**	**2017**	**2018**
			(RMB'000)		
Loans to related parties					
Fellow subsidiaries	0%-4.28%	402,235	59	—	—
An investor	1%	70,000	—	—	—
Investors	interest free	1,628,704	310	—	—
Joint ventures	interest free	3,349	—	—	—
Fellow subsidiaries	interest free	1,865	—	—	—
		2,106,153	369	—	—
		2,383,680	18,899	9,711	2,551

The loans to WuXi AppTec Biopharmaceuticals Co., Ltd were unsecured, repayable on demand and carried at the floating rate from 0% to 4.28% at the year ended December 31, 2015 and the loans to WuXi PharmaTech were unsecured, repayable on demand and carried at the rate 1% at the year ended December 31, 2015. Excepted

otherwise stated, all the non-trade balances due to related parties were unsecured, interest free and repayable on demand.

	At December 31,			At June 30,
	2015	2016	2017	2018
			(RMB'000)	
Finance lease receivables				
Fellow subsidiaries	—	45,079	—	—

The Group leases to WuXi Biologics (Shanghai) Co., Ltd certain of its machinery, equipment and leasehold improvement on January 1, 2016 under a finance lease with lease term of four years, which is renewable indefinitely at the discretion of WuXi Biologics (Shanghai) Co., Ltd. Interest imputed in the finance lease at the lease inception date is at the rate of 1.44% per annum. On December 26, 2017, the Group terminated the finance lease agreement and entered into a purchase agreement with WuXi Biologics to purchase the above-mentioned machinery, equipment and leasehold improvement. The carrying amount of RMB39,976,000 has been fully settled in December 2017.

The Company

	At December 31,			At June 30,
	2015	2016	2017	2018
			(RMB'000)	
Other receivables	90,810	—	—	—
Loans to related parties	1,999	301	—	—
Total amount due from related parties	92,809	301	—	—

Details of amount due from related parties are set out in below:

Non-trade related		At December 31,			At June 30,
		2015	2016	2017	2018
				(RMB'000)	
Other receivables					
A fellow subsidiary		90,810	—	—	—
Loans to related parties	Interest Rate				
Investors	interest-free	1,999	301	—	—
		92,809	301	—	—

AMOUNTS DUE TO RELATED PARTIES

	At December 31,			At June 30,
	2015	2016	2017	2018
			(RMB'000)	
Trade payables, all aged within 1 year	47,820	2,142	—	—
Other payables	271,963	1,433,834	839,562	837,351
Loans from related parties	1,180,197	129,356	—	—
Dividend payable	29,647	—	—	—
	1,529,627	1,565,332	839,562	837,351

Details of amounts due to related parties are set out in below:

Trade related	At December 31, 2015	2016	2017	At June 30, 2018
	(RMB'000)			
Trade payables				
A joint venture	661	—	—	—
Fellow subsidiaries	47,159	2,142	—	—
	47,820	2,142	—	—

Non-trade related	At December 31, 2015	2016	2017	At June 30, 2018
	(RMB'000)			
Other payables				
A joint venture	—	—	—	275
A fellow subsidiary	—	586	—	—
Investors	271,963	1,433,248	839,562	837,076
	271,963	1,433,834	839,562	837,351

Loans from related parties	Interest Rate	At December 31, 2015	2016	2017	At June 30, 2018
		(RMB'000)			
Investors	interest-free	1,110,719	97,464	—	—
Fellow subsidiaries	interest-free	43,658	4,252	—	—
A fellow subsidiary (Note)	2.5%+6 months LIBOR	25,820	27,640	—	—
		1,180,197	129,356	—	—

Note:

The loans from BVI Limited were unsecured, repayable on demand and carried at the rate of 2.5% plus six months' LIBOR per annum as of December 31, 2015 and 2016. Except otherwise stated, all the non-trade balances due from related parties were unsecured, interest free and repayable on demand.

Non-trade related	At December 31, 2015	2016	2017	At June 30, 2018
	(RMB'000)			
Dividends payable				
An investor	29,647	—	—	—

The Company

	At December 31, 2015	2016	2017	At June 30, 2018
	(RMB'000)			
Other payables to an investor	—	549,904	574,030	578,622
Interest-free loans from related parties	42	—	—	—
	42	549,904	574,030	578,622

It is the view of our Directors that each of the related party transactions set out in Note 54 to the Accountants' Report set forth in Appendix I to this prospectus were conducted in the ordinary course of business on an arm's length basis between the relevant parties and were entered into on normal commercial terms. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of market risks, including currency risk, interest rate risk, credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details, including relevant sensitivity analysis, see Note 46 to the accountant's report set out in Appendix I to this prospectus.

Currency Risk

Certain entities in our Group have foreign currency sales and purchases, which exposes us to foreign currency risk. In addition, certain entities in our Group also have other payables and other receivables which are denominated in currencies other than their respective functional currencies. We are mainly exposed to the foreign currency of U.S. dollars and we used derivative contracts to hedge against our exposure to currency risk during the Track Record Period and up to the Latest Practicable Date. We have conducted a sensitivity analysis to determine our exposure to changes in foreign currency exchange rate.

Derivative Financial Instruments and Hedging Activities

We hedge our foreign exchange rate risk through the use of derivative financial instruments. We primarily enter into foreign currency forward contracts and forward options to reduce the effects of fluctuating foreign currency exchange rates, in particular, the exchange rate between U.S. dollar and Renminbi. We categorize these instruments as measures entered into for hedging purposes. The accounting treatment of derivative contracts is set out in Note 37 to the Accountant's Report set out in Appendix I to this prospectus.

Derivatives under hedge accounting

We have entered into contracts with customers and suppliers for sales and purchases. We have entered into foreign currency forward contracts to hedge the exchange rate risk arising from these anticipated future sales and purchases up to 18 months, which are designated into cash flow hedges.

As of June 30, 2018, the aggregate amount of losses after tax under foreign currency forward contracts recognized in other comprehensive income and accumulated in the cash flow hedging reserve relating to the exposure on these anticipated sales is RMB42.6 million. It is anticipated that sales will take place within next 18 months at which time the amount deferred in equity will be reclassified to profit or loss.

As of June 30, 2018, the aggregate amount of losses after tax under foreign currency forward contracts recognized in other comprehensive income and accumulated in the cash flow hedging reserve relating to these anticipated future purchase transactions is RMB23.2 million. It is anticipated that the purchases will take place in next 12 months at which time the amount deferred in equity will be included in the carrying amount of the raw materials. It is anticipated that the raw materials will be converted into inventories and sold soon after purchase, at which time the amount deferred in equity will be reclassified to profit or loss.

As of June 30, 2018, no ineffectiveness has been recognized in profit or loss.

Other derivatives (not under hedge accounting)

The Group entered into several foreign exchange forward contracts with banks in order to manage the Group's foreign currency exposure in relation to the US dollar against the Renminbi and didn't elect to adopt hedging accounting for those contracts.

For six months ended June 30, 2018, losses under forward foreign exchange contracts of RMB52.0 million was recognized in other gains and losses.

The table below sets forth a summary list of the terms of the hedging contracts which were still outstanding as of June 30, 2018:

Bank	Contract date	Last settlement date	Outstanding notional amount	Specific rate/Strike rate
			(US$)	
Bank A	2/22/2018	7/31/2018	12,000,000	6.4100
Bank A	2/22/2018	8/31/2018	12,000,000	6.4100
Bank A	2/22/2018	9/28/2018	12,000,000	6.4100
Bank A	2/8/2018	10/31/2018	10,000,000	6.4550
Bank A	2/8/2018	11/30/2018	10,000,000	6.4550
Bank A	2/8/2018	12/31/2018	10,000,000	6.4550
Bank B	3/1/2018	10/31/2018	10,000,000	6.4392
Bank B	3/1/2018	11/30/2018	10,000,000	6.4481
Bank B	3/1/2018	12/28/2018	10,000,000	6.4556
Bank C	2/8/2018	10/31/2018	15,000,000	6.4600
Bank C	2/8/2018	11/30/2018	15,000,000	6.4600
Bank C	2/8/2018	12/31/2018	15,000,000	6.4600
Bank A	5/3/2018	1/31/2019	12,000,000	6.4500
Bank A	5/3/2018	2/28/2019	12,000,000	6.4500
Bank A	5/3/2018	3/29/2019	12,000,000	6.4500
Bank B	5/21/2018	1/31/2019	10,000,000	6.4425
Bank B	5/21/2018	2/28/2019	10,000,000	6.4490
Bank B	5/21/2018	3/29/2019	20,000,000	6.4558
Bank B	5/21/2018	4/30/2019	10,000,000	6.4632
Bank B	5/21/2018	5/31/2019	10,000,000	6.4701
Bank A	5/29/2018	1/31/2019	9,000,000	6.4700
Bank A	5/29/2018	2/28/2019	9,000,000	6.4700
Bank A	5/29/2018	3/29/2019	9,000,000	6.4700
Bank A	5/29/2018	4/30/2019	9,000,000	6.4955
Bank A	5/29/2018	5/31/2019	9,000,000	6.4955
Bank A	5/29/2018	6/28/2019	9,000,000	6.4955
Bank B	5/29/2018	3/29/2019	5,000,000	6.4781
Bank B	5/29/2018	4/30/2019	5,000,000	6.4862
Bank B	5/29/2018	5/31/2019	5,000,000	6.4941
Bank B	5/29/2018	6/28/2019	10,000,000	6.4990
Bank B	5/29/2018	7/31/2019	5,000,000	6.5059
Bank B	5/29/2018	8/30/2019	5,000,000	6.5123
Bank B	5/29/2018	9/30/2019	5,000,000	6.5192
Bank B	5/29/2018	10/31/2019	5,000,000	6.5256
Bank B	5/29/2018	11/29/2019	5,000,000	6.5320
Bank D	6/18/2018	4/26/2019	7,500,000	6.5500
Bank D	6/18/2018	5/31/2019	7,500,000	6.5500
Bank D	6/18/2018	6/28/2019	7,500,000	6.5500
Bank D	6/18/2018	7/31/2019	7,500,000	6.5500
Bank D	6/18/2018	8/30/2019	7,500,000	6.5500
Bank D	6/18/2018	9/30/2019	7,500,000	6.5500

Foreign exchange hedge policies adopted by our Group during the Track Record Period

Our foreign exchange hedging activities were managed and overseen by our Directors and the corporate treasury controller of our Group (the "Head of Corporate Treasury"). During the Track Record Period, our Directors and the Head of Corporate Treasury assessed our hedge needs regularly, taking into account factors such as (i) the prevailing foreign exchange market condition and trends of the exchange rate of the currency to be hedged, (ii) the need for currency conversion of our daily operation (including foreign currency receipts and settlement of accounts payables, and (iii) the recommendations from financial institutions.

Our Head of Corporate Treasury, together with the assistant of the staff in our finance division, would obtain the relevant market information, analyze the pros and cons of various types of hedge instruments and determine the type, number, amount and stop-loss limit of the hedge instruments that we could consider to enter into. Our Head of Corporate Treasury and our Directors would consider the terms and conditions of the quotations obtained from the financial institution and make a decision as to whether to enter into the relevant financial instruments.

Our Head of Corporate Treasury would negotiate with the relevant financial institutions and we would execute the hedge agreements if we consider them to be beneficial to our business operations. Our finance division would prepare a summary report setting out the hedge agreements we had entered into, the expiry date of each of such agreements, the realized income or loss in that particular month and other relevant information. Our Directors would, based on the summary report and taking into consideration the abovementioned factors, discuss and determine whether to engage in further hedge activities in the following month.

We believe that members of our finance division and our Directors have sufficient experience in conducting foreign exchange hedging activities. Our Directors are mainly responsible for assessing the prevailing foreign exchange market conditions and the needs of our Company to enter into foreign exchange hedge instruments. Our Head of Corporate Treasury is mainly responsible for assessing the prevailing foreign exchange market conditions and the needs of our Company to enter into foreign exchange hedge contracts, reviewing hedge agreements, and analyzing the outcome of the hedging activities.

Our Directors confirm that the foreign exchange hedging activities conducted by us during the Track Record Period were for hedge purposes and not for speculation. We will continuously monitor our risk exposure and take appropriate actions to mitigate such risk as and when necessary. As of the Latest Practicable Date, we currently do not intend to enter into any hedge transaction upon Listing.

Sensitivity analysis

The following table demonstrates our sensitivity to a 5% change in the RMB against the U.S. dollar, the foreign currency with which we may have a material exposure. The sensitivity rate of 5% represents our management's assessment of the reasonably possible change in foreign currency rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at each period end for a 5% change in foreign currency rate.

	Year Ended December 31,			Six Months Ended June 30,
	2015	2016	2017	2018
	(RMB'000)			
Impact on profit (loss) before tax				
USD	70,610	43,641	72,191	66,255

Interest Rate Risk

We are exposed to fair value interest rate risk in relation to fixed rate pledged bank deposits, borrowings, finance lease and interest-bearing loans from a related party. We are also exposed to cash flow interest rate risk in relation to variable-rate borrowings. We currently do not have an interest rate hedging policy to mitigate the interest rate risk. Our management monitors our interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Our cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates. If the interest rate had been 50 basis points higher/lower and all other variables were held constant, our profit before tax would decrease/increase by RMB117,000, RMB1,100,000, RMB3,256,000 and RMB2,661,000 for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively.

Credit Risk

We are exposed to credit risk primarily arising from trade and other receivables. Our maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as of the end of each reporting period in relation to each class of recognized financial assets was the carrying amounts of those assets as stated in the consolidated statements of financial position. In order to minimize the credit risk, our management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, our Directors review the recoverability of each trade debt at the end of each of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors are of the view that our credit risk is significantly reduced.

We have concentration of credit risk with respect to trade receivables as the amount due from our largest customer accounted for 7.1%, 9.1%, 8.2% and 6.1% of our total gross trade receivables and contract assets as of December 31, 2015, 2016 and 2017 and June 30, 2018, respectively, and the aggregated amount due from our top five customers accounted for 23.7%, 26.7%, 25.4% and 23.0% of our total trade receivables and contract assets as of December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively.

We also have concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on bank balances is limited because a majority of our counterparties are state-owned banks with good reputation or banks with good credit rating.

Liquidity Risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents and unused banking facilities deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows.

The following table details our remaining contractual maturity for the non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which we can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	On demand or less than one year	One to five years	Over five years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2015						
Trade and other payables	N/A	457,045	—	—	457,045	457,045
Amounts due to related parties	N/A	1,529,627	—	—	1,529,627	1,529,627
Borrowings						
- Fixed interest rate	4.14	101,236	—	—	101,236	100,000
- Variable interest rate	3.78	72,888	—	—	72,888	72,000
Total		2,160,796	—	—	2,160,796	2,158,672
As at December 31, 2016						
Trade and other payables	N/A	612,284	—	—	612,284	612,284
Amounts due to related parties	N/A	1,565,332	—	—	1,565,332	1,565,332
Borrowings						
- Fixed interest rate	4.13	201,199	—	—	201,199	200,000
- Variable interest rate	3.61	297,466	—	—	297,466	289,385
Total		2,676,281	—	—	2,676,281	2,667,001
As at December 31, 2017						
Trade and other payables	N/A	884,474	—	—	884,474	884,474
Amounts due to related parties	N/A	839,562	—	—	839,562	839,562
Consideration payable on purchase of a property	4.75	17,376	251,735	—	269,111	251,785
Borrowings						
- Fixed interest rate	3.99	916,569	—	—	916,569	900,000
- Variable interest rate	4.45	432,656	348,510	—	781,166	718,189
Total		3,090,637	600,245	—	3,690,882	3,594,010
As at June 30, 2018						
Trade and other payables	N/A	1,006,125	—	—	1,006,125	1,006,125
Amounts due to related parties	N/A	837,351	—	—	837,351	837,351
Consideration payable on purchase of a property	4.75	240,256	—	—	240,256	229,361
Borrowings						
- Fixed interest rate	4.21	200,655	—	—	200,655	200,000
- Variable interest rate	4.36	1,114,695	474,938	76,170	1,665,803	1,556,660
Total		3,399,082	474,938	76,170	3,950,190	3,829,497

KEY FINANCIAL RATIOS

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

	Year Ended December 31,			Six Months Ended June 30,
	2015	2016	2017	2018
Profitability ratios				
Gross profit margin[1]	34.37%	40.59%	41.72%	39.83%
Net profit margin[2]	14.00%	18.33%	16.70%	29.58%
Return on equity[3]	12.07%	17.95%	20.26%	30.55%

	As of December 31,			As of June 30,
	2015	2016	2017	2018
Liquidity ratio				
Current ratio[4]	2.13	1.44	1.18	1.58
Leverage ratio				
Net gearing ratio[5]	0.03	0.09	0.24	0.17

Notes:

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

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

(3) Return on equity is calculated using profit for the year/period divided by the average of the opening and closing balances of total equity in the relevant year and multiplied by 100%. Such ratio has been annualized to be comparable to those of prior years but are not indicative of the actual result.

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

(5) Net gearing ratio is calculated using interest-bearing borrowings from banks and other entities and loans from a fellow subsidiary divided by total equity.

See "— Discussion of Results of Operations" for a discussion of the factors affecting our gross profit margin and net profit margin during the respective periods.

Our return on equity increased from 12.07% for the year ended December 31, 2015 to 17.95% for the year ended December 31, 2016, and increased to 20.26% for the year ended December 31, 2017, and further increased to 30.55% for the six months ended June 30, 2018, primarily due to an increase in the net profit attributable to shareholders.

Our current ratio decreased from 2.13 as of December 31, 2015 to 1.44 as of December 31, 2016, primarily attributable to an increase in our current liabilities in 2016, including short-term borrowings and other payables. Our current ratio decreased from 1.44 as of December 31, 2016 to 1.18 as of December 31, 2017, primarily because of an increase in our non-current assets and intangible assets in 2017, because we made payment with respect to equity purchase, construction in progress, purchase of subsidiaries arising from reorganization and bonus to our employees for the year 2016. Our current ratio increased to 1.58 as of June 30, 2018, due to an increase in current assets which was resulted from our receipt of proceeds from the A Share Listing.

Our net gearing ratio increased from 0.03 as of December 31, 2015 to 0.09 as of December 31, 2016 and further increased to 0.24 as of December 31, 2017, primarily due to the increase in our interest-bearing borrowings for the purpose of corporate development. Our net gearing ratio decreased to 0.17 as of June 30, 2018, primarily due to (i) the issue of new shares, and (ii) an increase in our profit, both of which resulted in an increase in our total equity.

DIVIDENDS

Certain subsidiaries of the Company declared and paid a cash dividend to their shareholders or non-controlling shareholders of RMB326.6 million, RMB1,137.7 million, RMB18.8 million, RMB18.8 million and RMB 19.2 million, respectively, for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018. Other than the foregoing, no dividend was paid or declared by the Company during the Track Record Period.

Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. We may distribute dividends by way of cash, shares or a combination of cash and shares. Pursuant to the Articles of Association, except for special circumstances, when the Company makes profits in the current year and the accumulated undistributed profit is positive, the Company shall give priority to the distribution of cash dividends. The total amount of the cash dividend distributed in the latest three years shall be at least 30% of our average annual distributable profits in the same period, and the amount of the cash dividend distributed in a year generally shall be at least 10% of our annual distributable profit in the same year. We may distribute the cash dividend provided that there are no expected significant investment plans or significant cash expenditures in the following twelve months. Upon satisfaction of the cash dividend payout ratios, we may distribute stock dividends if our Directors consider that our stock price and equity scale do not match and that distribution of stock dividends is beneficial to all Shareholders' interest. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law. Any proposed distribution of dividends shall be determined by our Board and must be approved by our shareholders at a general meeting. In addition, we may declare interim dividends as our Board considers to be justified by our profits and overall financial requirements. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board and subject to the approval of Shareholders' meeting.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of distributable profits, which refer to after-tax profits calculated according to PRC GAAP, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. In addition, as stipulated by our Articles, distributable profits are recognized as our net profit determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we and our PRC operating subsidiaries may not be able to pay a dividend in a given year if we or our PRC operating subsidiaries do not have distributable profits as determined under PRC GAAP even if they have profits as determined under IFRS. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of June 30, 2018, we had distributable reserves of RMB3,765.6 million, which were available for distribution to our equity shareholders.

LISTING EXPENSES

Our listing expenses mainly include underwriting fees and commissions and professional fees paid to legal advisers and the Reporting Accountants for their services rendered in relation to the Listing and 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, the estimated total 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 are approximately RMB324.0 million, of which an estimated amount of RMB2.6 million is expected to be recognized as other expenses and the remaining amount of RMB321.4 million is expected to be

recognized directly as a deduction from equity upon the Listing. Our Directors do not expect such expenses would have a material adverse impact on our results of operations for the year ending December 31, 2018.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as of September 30, 2018 as if the Global Offering had taken place on such date.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company 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 as of September 30, 2018 following the Global Offering or as at any subsequent dates. It is prepared based on the consolidated net tangible assets of the Group attributable to owners of the Company as of September 30, 2018 as derived from the condensed consolidated financial statements for the nine months ended September 30, 2018 (the "Condensed Consolidated Financial Statements") set out in Appendix IA to this prospectus and adjusted as described below.

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as of September 30, 2018[1]	**Estimated net proceeds from the Global Offering[2]**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of September 30, 2018[3]**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of September 30, 2018 per Share[4]**	
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB)**	**(HK$)**
Based on an Offer Price of HK$64.10 per Offer Share.....	9,075,488	6,299,041	15,374,529	13.27	14.99
Based on an Offer Price of HK$71.50 per Offer Share.....	9,075,488	7,035,323	16,110,811	13.91	15.71

Notes:

(1) The unaudited consolidated net tangible assets of the Group attributable to owners of the Company at September 30, 2018 have been calculated based on the unaudited consolidated net assets of the Group attributable to owners of the Company of RMB10,569,987,000 at September 30, 2018 as set out in Appendix IA to this prospectus with an adjustment for intangible assets attributable to owners of the Company at September 30, 2018.

(2) The estimated net proceeds from the Global Offering are based on 116,474,200 Offer Shares at the indicative Offer Price of HK$64.10 (equivalent to RMB56.75) and HK$71.50 (equivalent to RMB63.30) per Offer Share, respectively, after deduction of underwriting fees and commissions and other listing related expenses paid/payable by the Company not yet recognized in profit or loss up to September 30, 2018, and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under 2018 WuXi AppTec A Share Incentive Scheme. For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in Hong Kong dollars has been converted into Renminbi at the rate of HK$1 to RMB0.8853, which was the exchange rate prevailing on November 23, 2018 with reference to the rate published by the People's Bank of China. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that 1,158,459,756 Shares were in issue assuming that the Global Offering had been completed on September 30, 2018 and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under 2018 WuXi AppTec A Share Incentive Scheme.

(4) For the purpose of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share, the amount stated in RMB is converted into Hong Kong dollar at the rate of RMB0.8853 to HK$1, which was the exchange rate prevailing on November 23, 2018 with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of September 30, 2018 to reflect any trading result or other transaction of the Group entered into subsequent to September 30, 2018.

NO MATERIAL ADVERSE CHANGE

We confirm that there has been no material adverse change in our financial or trading position since June 30, 2018 (being the date of the latest audited consolidated statements of financial position of our Group as set out in the Accountant's Report in Appendix I to this prospectus) and up to the date of this prospectus, except as otherwise disclosed in this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See "*Business — Our Strategies*" for a detailed description of our future plans and strategies.

USE OF PROCEEDS

The net proceeds from the Global Offering which the Company will receive, after deducting the underwriting commissions, the discretionary incentive fee (assuming the full payment of the discretionary incentive fee of 1% of the aggregate Offer Price of all the Offer Shares under the Global Offering) and the estimated expenses in relation to the Global Offering (assuming the Over-allotment is not exercised), will be:

- approximately HK$7,115.0 million, assuming an Offer Price of HK$64.10 (being the Minimum Offer Price);
- approximately HK$7,530.9 million, assuming an Offer Price of HK$67.80 (being the mid-point of the Offer Price Range); or
- approximately HK$7,946.7 million, assuming an Offer Price of HK$71.50 (being the Maximum Offer Price).

The Company intends to use the net proceeds of HK$7,530.9 million, assuming an Offer Price of HK$67.80 (being the mid-point of the Offer Price Range), from the Global Offering (assuming the Over-allotment is not exercised) for the following purposes:

- approximately 36.9%, or HK$2,777.8 million will be used to expand our capacity and capabilities across all business units globally, including in the PRC, the U.S. and Hong Kong. We intend to use (i) RMB1,472.3 million to invest in seven PRC projects, which include establishment of the Chengdu R&D campus, a manufacturing facility for viral vectors and plasmid DNA used in cell and gene therapy products in Wuxi, and a chemistry and biology labs in Qidong, Jiangsu Province, as well as development of nation-wide clinical trial sites and expansion of our SMO clinical research platform; (ii) RMB486.9 million to set up a bioanalytical laboratory in San Diego, California and a cGMP manufacturing facility for commercialized cell and gene therapy products in the U.S.; and (iii) RMB500.0 million to establish a Hong Kong-based R&D Innovation Center. For more details, see "Business — Future Expansion";
- approximately 26.5%, or HK$2,000.0 million will be used to fund the acquisition of CRO and CMO/CDMO companies;
- approximately 4.0%, or HK$300.0 million will be used to invest in our ecosystem by investing and incubating companies with innovative business models of growth potential in the healthcare sector, including biotechnology companies, healthcare IT companies, hospitals, diagnostic companies, and life science tools and instruments companies;
- approximately 2.7%, or HK$200.0 million will be used to develop cutting-edge technology such as AI-empowered drug discovery platform and lab automation, healthcare data platform and robotic chemistry capability;
- approximately 19.9%, or HK$1,500 million will be used to repay selected bank loans outstanding at the Latest Practicable Date; and
- approximately 10.0%, or HK$753.1 million will be used for working capital and general corporate purposes.

Consistent with our investment focus described in "Business — Our Investments," we select acquisition/investment targets which could potentially provide effective synergy with our platform and support for the growth of the healthcare ecosystem. For example, we have invested in PICA Health Technologies Limited, a mobile application education platform company reaching more than 1 million community doctors. PICA connects community doctors working in China's rural areas with the latest accurate medical information and provides online training to them to better diagnose and treat their patients. Through this application, PICA intends to catalyze healthcare advances and enhance healthcare awareness in rural areas, and empowers community doctors that are part of the healthcare ecosystem with knowledge. PICA has access to feedback from these doctors, including market information, patient preferences, and therapeutic methods used by these doctors, which are valuable for participants in the healthcare ecosystem, including our customers, which can ultimately support the growth and stimulate activity within the healthcare ecosystem, which in turn could potentially provide effective synergy with our platform.

For acquisition of CRO and CMO/CDMO companies, we would primarily consider the target's ability to further our healthcare ecosystem growth strategy and achieve synergies with our platform. To that end, we would consider the size of the targets, their operating history, their technology and expertise, and financial performance. We would also consider the location, operational capacity and scale, reputation, quality of the existing management and scientists and research technicians, corporate culture, and proximity to our customers. In particular, we believe our geographic footprint, projected demand from our customers, and our current capacity and scale are primary considerations for us to effectively capture growth opportunities. As of June 30, 2018, we employed 1,236 employees in the U.S. and, as of the Latest Practicable Date, had six operation sites in the United States. In anticipation of unmet demands from global customers, including those located in North America, we intend to focus on targets located in North America which come with scientific talents who can expand our capabilities and would increase our technical staff members in North America by approximately 50% based on our current estimates which are subject to change. We will continue to assess opportunities based on the above factors, the focus of which will vary depending on customer demand, market conditions and industry trends. Following the acquisition, we would take certain integration measures to implement our own standards on the management system as well as best practice to ensure that the CRO and/or CMO/CDMO companies that we have acquired will be operated under our same standards and can share in our resources and information across our platform, to seek to achieve the desired synergies with our existing platform.

In the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the Offer Price Range, we will adjust our allocation of the net proceeds for the above purposes accordingly on a pro-rata basis. Any additional proceeds received from the exercise of the Over-allotment Option will be allocated to satisfy our additional capital expenditure needs as appropriate.

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the proceeds in interest-bearing accounts with licensed commercial banks or financial institutions in the PRC or Hong Kong, or money-market instruments or other forms of banking deposits as permitted by the relevant laws and regulations. We will comply with the PRC laws relating to foreign exchange registration and proceeds remittance.

The additional net proceeds will be allotted to the above purposes on a pro rata basis in the event that the Over-allotment Option is exercised.

HONG KONG UNDERWRITERS

Hong Kong Underwriters

Morgan Stanley Asia Limited
Huatai Financial Holdings (Hong Kong) Limited
Goldman Sachs (Asia) L.L.C.
UBS AG Hong Kong Branch
China Merchants Securities (HK) Co., Limited
China Renaissance Securities (Hong Kong) Limited
BOCI Asia Limited
CLSA 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 on the terms and conditions set out in this prospectus, the Application Forms relating thereto and the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed upon between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 11,647,600 Hong Kong Offer Shares and the International Offering of initially 104,826,600 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

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, the H Shares to be offered as mentioned in this prospectus pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, amongst others, the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, amongst others, the execution and delivery of the International Underwriting Agreement and the obligations of the International Underwriters thereunder having become unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Sponsors and Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice (orally or in writing) to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting the Cayman Islands, Hong Kong, the PRC, the United States (including but not limited to California, Georgia, Pennsylvania, Massachusetts, Minnesota, New Jersey and Delaware) , the United Kingdom or the European Union (including Germany and Netherlands), Switzerland, Japan, Canada or Singapore (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change (whether or not permanent), or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, investment markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions, or elsewhere; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the SEHK, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NYSE MKT, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange or the Singapore Stock Exchange; or

(iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of the Company; or

(v) any general moratorium on commercial banking activities in the Cayman Islands, Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), the PRC, New York (imposed at Federal or New York State level or other competent Authority), the United States, the United Kingdom, the European Union (or any member thereof), Japan or Singapore, or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(vi) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(vii) the imposition of sanctions, or withdrawal of trading privileges, in whatever form, directly or indirectly, under any sanction Laws, or regulations in, Hong Kong, the PRC or any other Relevant Jurisdiction; or

(viii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(ix) any proceedings of any third party being threatened or instigated against any member of the Group; or

(x) any change or development or event involving a prospective change, or materialization of, any of the risks set out in the section "Risk Factors" in this prospectus; or

(xi) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;

which, individually or in the aggregate, in the sole opinion of the Joint Sponsors and the Joint Global Coordinators:

(1) has or will have or is likely to have any material adverse effect, or any development involving a prospective material adverse effect, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise or performance of our Group taken as a whole ("**Material Adverse Effect**"); or

(2) has or will have or may have a Material Adverse Effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or anticipated dealings in the H Shares in the secondary market; or

(3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or

(4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying 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 the Joint Sponsors and the Joint Global Coordinators:

(i) that any statement contained in any of this prospectus or the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (the "**Hong Kong Public Offering Documents**") was,

when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement or omission from any of the Hong Kong Public Offering Documents; or

(iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreements (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the clause 12 under the Hong Kong Underwriting Agreement; or

(v) any Material Adverse Effect; or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties; or

(vii) that approval by the Listing Committee of the SEHK of the listing of, and permission to deal in, the H Shares to be issued or sold (including any additional H Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option, the Pre-IPO Share Incentive Plans) under the Global Offering 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

(viii) that our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering); or

(ix) a Director 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

(x) the chairman or chief executive officer of our Company vacating his or her office; or

(xi) an authority or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xii) a contravention by any member of the Group of the Listing Rules or applicable laws; or

(xiii) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the H Shares (including the Optional Shares) pursuant to the terms of the Global Offering; or

(xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the H Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xv) the issue or requirement to issue by our Company of any supplement or amendment to the prospectus (or to any other documents used in connection with the contemplated offer and sale of the H Shares) pursuant to 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

(xvi) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(xvii) that any person (other than the Joint Sponsors, Joint Global Coordinators, the Joint Bookrunners or any of the Underwriters) has withdrawn or is subject to withdraw its consent to being named in any of the Hong Kong Public Offering Documents or to the issue of any of the Hong Kong Public Offering Documents; or

(xviii) that a material portion of the orders placed or confirmed in the bookbuilding process have been withdrawn, terminated or cancelled.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further H Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which our securities first commence dealings on the Stock Exchange (whether or not such issue of H Shares or securities will be completed within six months from the commencement of dealings), except pursuant to the Global Offering, the Over-allotment Option or any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to us that, except pursuant to the Global Offering (including the Over-allotment Option), it will not, and shall procure that none of its close associates will, without the prior written consent of the Stock Exchange or unless otherwise permitted under the Listing Rules:

(a) at any time in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner,

provided that the above shall not prevent each of the Controlling Shareholders using securities of the Company beneficially owned by each of them as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance) for a bona fide commercial loan.

Further, pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, our controlling shareholder has undertaken to the Stock Exchange and to us that, within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 6 months from the Listing Date:

(a) when it pledges or charges any Shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide

commercial loan, immediately inform us and the Stock Exchange of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us and the Stock Exchange of such indications;

we will inform the Stock Exchange as soon as we have been informed of the above matters, if any, by our Controlling Shareholders and disclose such matters as soon as possible after being so informed.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters that 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**"), except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option and such shares or securities to be issued pursuant to the Share Incentive Schemes or any other employee incentive schemes and otherwise pursuant to the Listing Rules), we will not without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (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, mortgage, charge, pledge, 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 an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other securities of the Company 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 H Shares or other securities of the Company or any interest in any of the foregoing as applicable), or deposit any H Shares or other securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any H Shares or other securities of the 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 H Shares or other securities of the Company or any interest in any of the foregoing, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of any H Shares or other securities of the Company, as applicable, or in cash or otherwise (whether or not the issue of such H Shares or other shares or securities by the Company will be completed

within the First Six-Month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), we will take all steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Indemnity

We have agreed to indemnify the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in our Company

Except for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

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 obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set out therein, it is expected that the International Underwriters would, severally and not jointly, agree to procure purchasers for, or to purchase, Offer Shares being offered pursuant to the International Offering (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 17,471,100 H Shares, representing no more than 15.0% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, cover over-allocations in the International Offering, if any.

Commissions and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated

to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters. In addition we may, at our sole and absolute discretion, pay additional discretionary incentive fee to the Hong Kong Underwriters.

The aggregate commissions and fees (including the maximum discretionary incentive fee of 1% of the aggregate Offer Price of all the Offer Shares under the Global Offering), together with Stock Exchange listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK$366.1 million (assuming (i) an Offer Price of HK$67.80 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), and (ii) the Over-allotment Option is not exercised at all), are payable and borne by our Company.

Joint Sponsors' Fee

An amount of US$500,000 is payable by our Company as sponsor fees to each of the Joint Sponsors, totaling an amount of US$1,500,000.

Other Services Provided by the Underwriters

The Joint Global Coordinators and the Underwriters may in their ordinary course of business provide financing to investors subscribing for the Offer Shares offered by this prospectus. Such Joint Global Coordinators and Underwriters may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of the H Shares.

INDEPENDENCE OF THE JOINT SPONSORS

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

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, fund management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities 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, proprietary trading in the H Shares, and entering into over-the-counter or listed derivative transactions or listed and 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. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activity 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 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 Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, derivative and other services to us, our affiliates or our shareholders including cornerstone investors for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of 11,647,600 H Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the section headed "— The Hong Kong Public Offering" below; and

(b) the International Offering of an aggregate of 104,826,600 H Shares (subject to adjustment and the Over-allotment Option as mentioned below) to persons outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and to persons within the United States who are QIBs in reliance on Rule 144A or any other available exemption from, or in transaction not subject to, registration under the U.S. Securities Act.

Furthermore, up to 17,471,100 additional H Shares may be offered pursuant to the exercise of the Over-allotment Option as set out further in "— Over-allotment Option" below.

Morgan Stanley Asia Limited, Huatai Financial Holdings (Hong Kong) Limited, Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited are the Joint Global Coordinators of the Global Offering.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares initially available under the Global Offering represents approximately 10.0% of the enlarged share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

THE HONG KONG PUBLIC OFFERING

Number of H Shares Initially Offered

We are initially offering 11,647,600 H Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 1.0% of the enlarged share capital of our Company 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 which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the section headed "— Conditions of the Global Offering" below.

Allocation

Allocation of the Hong Kong 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 would 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.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation referred to below) is to be divided into two pools for allocation purposes: Pool A and Pool B with any odd board lots being allocated to Pool A. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 5,823,800 and 5,823,800, respectively. 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$5.0 million (excluding the brokerage, 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$5.0 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus 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 this 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 but not from both pools. Multiple or suspected multiple applications and any application for more than 5,823,800 Hong Kong Offer Shares (being 50% of the 11,647,600 Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation and Clawback

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. In accordance with paragraph 4.2 of Practice Note of the Listing Rules, if the number of H Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Hong Kong Public Offering, the total number of Shares available under the Hong Kong Public Offering will be increased to 34,942,400 Shares, 46,589,800 Shares and 58,237,200 Shares, respectively, representing approximately 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of H Shares initially available under the Global Offering. In such cases, the number of H Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinator deem appropriate.

In addition to the reallocation above, the Joint Global Coordinators reserve their rights to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications in pool A and Pool B under the Hong Kong Public Offering. However, according to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange if (a) the International Offering is undersubscribed and the Hong Kong Public Offering are fully subscribed or oversubscribed irrespective of the number of times or (b) when the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is oversubscribed by less than 15 times the total number of Offer Shares initially available under the Hong Kong Public Offering, then in any of these circumstances, the Joint Global Coordinators may only reallocate Offer Shares from the International

Offering to the Hong Kong Public Offering other than pursuant to Practice Note 18 of the Listing Rules on the following conditions (the "**Allocation Cap**"):

(i) the total number of Offer Shares that may be reallocated from the International Offering to the Hong Kong Public Offering shall be not more than the number of Offer Shares initial allocated to the Hong Kong Public Offering i.e. 11,647,600 Offer Shares, representing approximately 10.0% of the number of the Offer Shares being offered under the Global Offering, so that the total number of Offer Shares for subscription under the Hong Kong Public Offering will increase up to 23,295,200 Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20.0% of the number of Offer Shares initially available under the Global Offering; and

(ii) the final Offer Price must be fixed at the bottom end of the indicative offer price range stated in this prospectus (i.e. HK$64.1 per Offer Share).

If the Hong Kong Public Offering is not fully subscribed and the International Offering is not undersubscribed, the Joint Global Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate. Allocation Cap will not be triggered.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application 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 under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$71.50 per Offer Share plus brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "— Pricing and Allocation" below, is less than the maximum price of HK$71.50 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to reallocation as described above, the International Offering will consist of an initial offering of 104,826,600 Offer Shares, representing approximately 90.0% of the total number of Offer Shares initially available under the Global Offering and approximately 9.0% of our Company's enlarged share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section headed "— Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares, and/or hold or sell its H Shares, after the listing of our H Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its 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 application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of International Offer Shares to be transferred pursuant to the International Offering may change as a result of the clawback arrangement described in "— the Hong Kong Public Offering — Reallocation and Clawback", exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Offering.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 17,471,100 H Shares, representing no more than 15.0% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any. In the event that the Over-allotment Option is exercised, we will make an announcement.

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 newly issued securities in the secondary market,

during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, or 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 Stabilizing Manager, its affiliates or any person acting for it, to conduct any such stabilizing action. Such stabilizing action, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end after a limited period.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (ii) 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, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Offer Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares, (v) selling or agreeing to sell any Offer Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the H Shares;
- there is no certainty regarding the extent to which or the time or period for which the Stabilizing Manager, its affiliates or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, 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;
- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilization period which will begin on the Listing Date, and is expected to expire on Saturday, January 5, 2019, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares and therefore the price of the H Shares, could fall;
- 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
- 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 the applicants for, or investors in, acquiring the Offer Shares.

In effecting stabilization actions, the Stabilizing Manager will arrange cover up to an aggregate of 17,471,100 H Shares, representing up to 15% of the initial Offer Shares, through delayed delivery or deferred settlement arrangements with investors who have been offered Offer Shares under the International Offering. Both the size of such cover and the extent to which the Over-allotment Option can be exercised will depend on whether sufficient number of H Shares will be made available under delayed settlement or deferred settlement arrangements. There will be no stabilization actions and no exercise of the Over-allotment Option should no investors be willing to enter into such delayed delivery or deferred settlement arrangements.

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.

PRICING AND ALLOCATION

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 Offer Price is expected to be fixed by agreement between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on the Price Determination Date, which is expected to be on or around Thursday, December 6, 2018 and in any event no later than Friday, December 7, 2018. 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$71.50 per Offer Share and is expected to be not less than HK$64.10 per Offer Share unless otherwise announced, as further explained below, no later than the morning of the last day for lodging applications under the Hong Kong Public Offering. 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 indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative 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, we 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 there to be published on the website of our Company (www.wuxiapptec.com.cn) and the website of the Stock Exchange (www.hkexnews.hk) an announcement/a supplemental prospectus (as appropriate) in connection with the reduction. Upon the issue of such announcement/supplemental prospectus (as appropriate), the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), will be fixed within such revised Offer Price range. Applicants should note 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 announcement/supplemental prospectus (as appropriate) will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such announcement/supplemental prospectus (as appropriate) so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus. However, 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.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10.0% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions and other expenses in relation to the Global Offering, assuming the Over-allotment Option is not

exercised) are estimated to be approximately HK$7,115.0 million, assuming an Offer Price per Offer Share of HK$64.10, or approximately HK$7,946.7 million, assuming an Offer Price per Offer Share of HK$71.50 (or if the Over-allotment Option is exercised in full, approximately HK$8,195.6 million, assuming an Offer Price per Offer Share of HK$64.10, or approximately HK$9,152.1 million, assuming an Offer Price per Offer Share of HK$71.50).

The final 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 and results of allocations of Hong Kong Offer Shares under the Hong Kong Public Offering are expected to be announced on Wednesday, December 12, 2018 on the website of our Company (www.wuxiapptec.com.cn) and the website of the Stock Exchange (www.hkexnews.hk).

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting 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) and and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(b) the Offer Price having been duly agreed between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on or before Friday, December 7, 2018, 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 times and dates 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 website of our Company (www.wuxiapptec.com.cn) and the website of the Stock Exchange (www.hkexnews.hk) on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Hong Kong Offer Shares — 14. Dispatch/ Collection of H Share Certificates and Refund Monies" in this prospectus. In the meantime, all application monies will be held in (a) 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 issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional (including the Underwriting Agreements not having been terminated in accordance with their terms at any time prior to 8:00 a.m. on the Listing Date).

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, 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).

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, December 13, 2018 it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, December 13, 2018. The H Shares will be traded in board lots of 100 H Shares each. The stock code of the H Shares is 2359.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the HK eIPO White Form Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the 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 or are a person described in paragraph (h)(3) of Rule 902 of Regulation S, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- are an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for or indicated an interest in any Offer Shares under the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, December 3, 2018 until 12:00 noon on Thursday, December 6, 2018 from:

(i) the following addresses of the following Hong Kong Underwriters:

Morgan Stanley Asia Limited	46/F, International Commerce Center 1 Austin Road West Kowloon Hong Kong
Huatai Financial Holdings (Hong Kong) Limited	Unit 5808-12, 58/F, The Center 99 Queen's Road Central Hong Kong
Goldman Sachs (Asia) L.L.C.	59/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
UBS AG Hong Kong Branch	52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

China Merchants Securities (HK) Co., Limited	48/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong
China Renaissance Securities (Hong Kong) Limited	Units 8107-08, Level 81, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
BOCI Asia Limited	26/F Bank of China Tower, 1 Garden Road, Central, Hong Kong
CLSA Limited	18/F, One Pacific Place, 88 Queensway, Hong Kong

(ii) any of the following branches of the receiving banks:

(a) **Bank of China (Hong Kong) Limited**

District	Branch Name	Address
Hong Kong Island.....	Des Voeux Road West Branch	111-119 Des Voeux Road West, Hong Kong
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai, Hong Kong
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan, Hong Kong
Kowloon	Telford Plaza Branch	Shop Unit P2-P7, Telford Plaza, No.33 Wai Yip Street, Kowloon Bay, Kowloon
	194 Cheung Sha Wan Road Branch	194-196 Cheung Sha Wan Road, Sham Shui Po, Kowloon
New Territories	Sheung Shui Branch Securities Services Centre	136 San Fung Avenue, Sheung Shui, New Territories
	Kwai Cheong Road Branch	40 Kwai Cheong Road, Kwai Chung, New Territories
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II, Tuen Mun, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, December 3, 2018 until 12:00 noon on Thursday, December 6, 2018 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to BANK OF CHINA (HONG KONG) NOMINEES LIMITED — WUXI APPTEC PUBLIC OFFER for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Monday, December 3, 2018 — 9:00 a.m. to 5:00 p.m.
- Tuesday, December 4, 2018 — 9:00 a.m. to 5:00 p.m.
- Wednesday, December 5, 2018 — 9:00 a.m. to 5:00 p.m.
- Thursday, December 6, 2018 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, December 6, 2018, the last application day or such later time as described in "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) 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;

(ii) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) 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 Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) 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 our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisors 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 and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) 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 or any state securities law in the United States, or any securities regulatory authority of any other jurisdiction; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are (a) outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S and (b) not a U.S. person (as defined in Regulation S);

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your names or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any H Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the section headed "How to Apply for the Hong Kong Offer Shares — 14. Dispatch/ Collection of H Share Certificates and Refund Monies — Personal Collection" in this prospectus to collect the H Share certificate(s) and/or refund check(s) in person;

(xvi) 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;

(xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic**

application instructions to HKSCC or to the HK eIPO White Form Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Forms

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "— 2. Who Can Apply" in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, you application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the HK eIPO White Form Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the HK eIPO White Form Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, December 3, 2018 until 11:30 a.m. on Thursday, December 6, 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, December 6, 2018 or such later time under "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under HK eIPO White Form 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 **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a

person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the monies 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 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued 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, will not apply for or take up, or indicate an interest for, any Offer Shares under 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 their agent;
- Confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Underwriters and/ or its respective advisors and agents;
- 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 before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us 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 before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening

of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with 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 itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders;

- authorize the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if

you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall 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 the 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 per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 100 Hong Kong Offer Shares. Instructions for more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions(1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Monday, December 3, 2018 — 9:00 a.m. to 8:30 p.m.

- Tuesday, December 4, 2018 — 8:00 a.m. to 8:30 p.m.

- Wednesday, December 5, 2018 — 8:00 a.m. to 8:30 p.m.

- Thursday, December 6, 2018 — 8:00 a.m. to 12:00 noon.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, December 3, 2018 until 12:00 noon on Thursday, December 6, 2018 (24 hours daily, except on Thursday, December 6, 2018, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, December 6, 2018, the last application day or such later time as described in "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

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 Cleaning/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall 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 this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the H Share Registrar, the receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

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 **HK eIPO White Form** service is also only a facility provided by the HK eIPO White Form Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Global Coordinators, the Joint Sponsors, 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 **HK eIPO White Form** 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 either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, December 6, 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being 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 **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for H Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 100 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are 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 "Structure of the Global Offering — Pricing and Allocation."

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 6, 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, December 6, 2018 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final 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 allocation of the Hong Kong Offer Shares on Wednesday, December 12, 2018 on our Company's website at www.wuxiapptec.com.cn and the website of 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 date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.wuxiapptec.com.cn and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, December 12, 2018;

- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, December 12, 2018 to 12:00 midnight on Tuesday, December 18, 2018;

- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, December 12, 2018 to Monday, December 17, 2018; and

- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, December 12, 2018 to Friday, December 14, 2018 at all the receiving banks' designated branches.

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 contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider, 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 such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, 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.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the HK eIPO White Form Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application 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.

(iv) If:

- you make multiple applications or suspected multiple applications;

- you or the person for whose benefit you are applying 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 Application Form is not completed in accordance with the stated instructions;

- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.hkeipo.hk**;

- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;

- our Company or the Joint Global Coordinators believes or believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

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 of HK$71.50 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the 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 Wednesday, December 12, 2018.

14. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and

- refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong

Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund checks and H Share certificates are expected to be posted on or before Wednesday, December 12, 2018. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Thursday, December 13, 2018 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund check(s) and/or H Share certificate(s) from the H Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Center, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, December 12, 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund check(s) and/or H Share certificate(s) personally within the time specified for collection, it/they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) and/ or H Share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, December 12, 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Wednesday, December 12, 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, December 12, 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)**

  For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- **If you are applying as a CCASS Investor Participant**

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, December 12, 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your H Share certificate(s) from the H Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Center, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, December 12, 2018, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of H Share certificates/e-Auto Refund payment instructions/refund checks.

If you do not collect your H Share certificate(s) personally within the time specified for collection, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, December 12, 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) on or before Wednesday, December 12, 2018 by ordinary post at your own risk,

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on, Wednesday, December 12, 2018 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 number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "— 11. Publication of Results" above on Wednesday, December 12, 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, December 12, 2018 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 allotted 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 allotted 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 Wednesday, December 12, 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of 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 the 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 Wednesday, December 12, 2018.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 無錫藥明康德新藥開發股份有限公司 WUXI APPTEC CO., LTD.*, MORGAN STANLEY ASIA LIMITED, HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED, AND GOLDMAN SACHS (ASIA) L.L.C.

Introduction

We report on the historical financial information of 無錫藥明康德新藥開發股份有限公司 WuXi AppTec Co., Ltd. * (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages I-1 to I-137, which comprise the consolidated statements of financial position of the Group at December 31, 2015, 2016 and 2017 and June 30, 2018, the statements of financial position of the Company at December 31, 2015, 2016 and 2017 and June 30, 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2017 and the six months ended June 30, 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 3, 2018 (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 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 to the Historical Financial Information, and for such internal control as the directors of the Company 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' judgment, 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 the preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

* *For identification purpose only*

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's and the Company's financial position at December 31, 2015, 2016 and 2017 and June 30, 2018, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparation of the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 16 to the Historical Financial Information which contains information about the dividends declared and paid by the Company's subsidiaries and states that no dividends have been declared by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
December 3, 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTE	Year ended December 31, 2015 RMB'000	2016 RMB'000	2017 RMB'000	Six months ended June 30, 2017 RMB'000 (unaudited)	2018 RMB'000
Revenue	6	4,883,349	6,116,131	7,765,260	3,665,375	4,409,207
Cost of services		(3,204,718)	(3,633,640)	(4,525,340)	(2,081,180)	(2,653,098)
Gross profit		1,678,631	2,482,491	3,239,920	1,584,195	1,756,109
Other income	8	147,150	132,761	254,992	107,567	54,729
Other gains and losses	9	240,291	104,112	(81,213)	(6,637)	389,632
Impairment losses, net of reversal	10	(26,507)	(28,680)	(140,194)	(2,462)	5,648
Selling and marketing expenses		(185,807)	(200,439)	(291,510)	(132,907)	(152,680)
Administrative expenses		(851,769)	(834,862)	(986,540)	(434,904)	(435,261)
Research and development expenses		(143,122)	(214,365)	(305,648)	(115,462)	(177,525)
Operating profit		858,867	1,441,018	1,689,807	999,390	1,440,652
Share of (losses) profits of associates		(11,791)	(13,439)	(21,589)	(5,836)	38,652
Share of losses of joint ventures		(17,602)	(29,044)	(27,051)	(19,677)	(8,752)
Finance costs	11	(28,125)	(16,360)	(48,547)	(12,716)	(45,521)
Profit before tax		801,349	1,382,175	1,592,620	961,161	1,425,031
Income tax expense	12	(117,570)	(261,202)	(295,900)	(179,481)	(120,961)
Profit for the year/period	13	683,779	1,120,973	1,296,720	781,680	1,304,070
Other comprehensive income (expense) for the year/period						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of foreign operations		9,530	51,706	(9,436)	(37,790)	43,255
Fair value gain (losses) on						
- available-for-sale ("AFS") investments		9,373	13,701	39,127	34,052	—
- hedging instrument designated in cash flow hedges		—	—	—	—	(65,884)
Reclassification adjustment relating to:						
- AFS investments disposed of		(23,244)	—	(32,093)	(19,227)	—
- hedging instrument designated in cash flow hedges		9,306	—	—	—	—
Share of other comprehensive income of an associate		—	28,211	13,634	27,518	—
Other comprehensive income (expense) for the year/period (net of income tax)		4,965	93,618	11,232	4,553	(22,629)
Total comprehensive income for the year/period		688,744	1,214,591	1,307,952	786,233	1,281,441

	NOTE	Year ended December 31, 2015 RMB'000	2016 RMB'000	2017 RMB'000	Six months ended June 30, 2017 RMB'000 (unaudited)	2018 RMB'000
Profit for the year/period attributable to:						
Owners of the Company		348,968	974,980	1,227,093	742,444	1,271,898
Non-controlling interests		334,811	145,993	69,627	39,236	32,172
		683,779	1,120,973	1,296,720	781,680	1,304,070
Total comprehensive income for the year/ period attributable to:						
Owners of the Company		346,892	1,068,312	1,236,592	746,408	1,244,780
Non-controlling interests		341,852	146,279	71,360	39,825	36,661
		688,744	1,214,591	1,307,952	786,233	1,281,441
		RMB	RMB	RMB	RMB	RMB
Earnings per share						
- Basic	15	0.39	1.08	1.31	0.79	1.31
- Diluted	15	0.39	1.07	1.30	0.79	1.30

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At December 31, 2015 RMB'000	At December 31, 2016 RMB'000	At December 31, 2017 RMB'000	At June 30, 2018 RMB'000
Non-current Assets					
Property, plant and equipment	18	2,349,949	2,950,402	4,255,468	4,873,398
Goodwill	19	308,160	326,286	958,038	960,391
Other intangible assets	20	171,735	179,232	296,514	288,440
Prepaid lease payments	22	82,443	129,537	126,138	178,848
Interests in associates	23	23,788	218,072	251,084	491,140
Interests in joint ventures	24	16,862	13,558	131,997	131,640
Deferred tax assets	25	64,758	45,572	244,158	262,036
Amounts due from related parties	54	—	33,196	—	—
Available-for-sale investments	26	278,039	614,786	683,405	—
Financial assets at fair value through profit or loss ("FVTPL")	33	—	—	—	1,396,125
Other non-current assets	27	31,984	36,332	50,874	42,690
Deposits for acquisition	28	—	—	112,570	113,990
		3,327,718	4,546,973	7,110,246	8,738,698
Current Assets					
Inventories	29	208,411	444,587	649,815	772,105
Contract costs	30	43,737	66,684	77,123	68,603
Amounts due from related parties	54	2,666,004	107,361	16,563	13,414
Trade and other receivables	32	1,240,612	1,336,901	1,752,807	2,026,861
Contract assets	32	112,171	136,291	185,676	262,447
Prepaid lease payments	22	1,943	3,400	3,400	4,509
Financial assets at FVTPL	33	290,843	754,603	14,739	2,871,199
Structured deposits	34	779,494	686,034	297,687	—
Pledged bank deposits	35	186	550	6,247	2,473
Bank balances and cash	35	1,002,065	2,507,299	2,466,144	1,380,355
		6,345,466	6,043,710	5,470,201	7,401,966
Assets classified as held for sale	36	13,247	—	—	—
		6,358,713	6,043,710	5,470,201	7,401,966
Current Liabilities					
Trade and other payables	38	957,882	1,653,436	1,664,433	1,670,240
Amounts due to related parties	54	1,529,627	1,565,332	839,562	837,351
Derivative financial instruments	37	—	—	—	122,474
Contract liabilities	40	232,687	395,721	604,132	610,309
Borrowings	39	172,000	489,385	1,318,189	1,291,660
Income tax payables		99,981	97,471	193,107	162,818
		2,992,177	4,201,345	4,619,423	4,694,852
Net Current Assets		3,366,536	1,842,365	850,778	2,707,114
Total Assets Less Current Liabilities		6,694,254	6,389,338	7,961,024	11,445,812
Non-current Liabilities					
Borrowings	39	—	—	300,000	465,000
Deferred tax liabilities	25	35,102	63,285	103,281	76,862
Deferred income	41	196,789	210,717	377,556	366,879
Other long-term liabilities	42	32,240	52,931	442,176	193,883
Derivative financial instruments	37	—	—	—	8,552
		264,131	326,933	1,223,013	1,111,176
Net Assets		6,430,123	6,062,405	6,738,011	10,334,636
Capital and Reserves					
Share capital	43	155,029	937,787	937,787	1,041,986
Reserves		3,212,638	4,631,386	5,404,593	8,880,015
Equity attributable to owners of the Company		3,367,667	5,569,173	6,342,380	9,922,001
Non-controlling interests		3,062,456	493,232	395,631	412,635
Total Equity		6,430,123	6,062,405	6,738,011	10,334,636

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	At December 31, 2015 RMB'000	2016 RMB'000	2017 RMB'000	At June 30, 2018 RMB'000
Non-current Assets					
Investments in subsidiaries	17	479,966	2,007,774	2,803,424	4,073,263
Other non-current assets	27	—	—	10,926	—
		479,966	2,007,774	2,814,350	4,073,263
Current Assets					
Amounts due from subsidiaries	56	14,262	787,721	1,136,136	1,172,585
Amounts due from related parties	54	92,809	301	—	—
Prepayments and other receivables		2,445	228	511	8,712
Financial assets at FVTPL	33	—	—	—	873,042
Bank balances and cash	35	4,665	1,442,057	120,215	63,287
		114,181	2,230,307	1,256,862	2,117,626
Current Liabilities					
Amounts due to subsidiaries	57	65,366	20,080	18,804	19,041
Amounts due to related parties	54	42	549,904	574,030	578,622
Trade and other payables	38	3,294	432,865	15,957	14,220
Income tax payables		—	—	14,226	100
Total Current Liabilities		68,702	1,002,849	623,017	611,983
Total Assets Less Current Liabilities		525,445	3,235,232	3,448,195	5,578,906
Non-current Liabilities					
Deferred income	41	1,200	—	—	—
Net Assets		524,245	3,235,232	3,448,195	5,578,906
Capital and Reserves					
Share capital	43	155,029	937,787	937,787	1,041,986
Reserves	44	369,216	2,297,445	2,510,408	4,536,920
Total Equity		524,245	3,235,232	3,448,195	5,578,906

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company												
	Share capital	Share premium	Capital reserve	Share-based payment reserve	Cash flow hedging reserve	Foreign currency translation reserve	Statutory reserve	Investment revaluation reserve	Other reserve	Retained earnings	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2015	155,029	—	23,122	123,679	(4,809)	(3,822)	77,784	42,603	655,844	1,533,415	2,602,845	2,299,840	4,902,685
Profit for the year	—	—	—	—	—	—	—	—	—	348,968	348,968	334,811	683,779
Other comprehensive income (expense) for the year	—	—	—	—	4,809	10,544	—	(17,429)	—	—	(2,076)	7,041	4,965
Total comprehensive income (expense) for the year	—	—	—	—	4,809	10,544	—	(17,429)	—	348,968	346,892	341,852	688,744
Shareholders' contribution to combining entities under common control before group reorganization (Note a)	—	—	—	—	—	—	—	—	285,736	—	285,736	—	285,736
Recognition of share-based payments (Note f)	—	—	—	188,467	—	—	—	—	—	—	188,467	131,852	320,319
Settlement of share option plan of the subsidiary (Note g)	—	—	—	(3,973)	—	—	—	—	—	—	(3,973)	(7,658)	(11,631)
Changes in ownership interests in subsidiaries without change of control (Note 55.3)	—	—	266,151	—	—	—	—	—	—	—	266,151	369,600	635,751
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(64,903)	(64,903)
Dividends declared by entities under common control	—	—	—	—	—	—	—	—	—	(318,451)	(318,451)	—	(318,451)
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(8,127)	(8,127)
Balance at December 31, 2015	155,029	—	289,273	308,173	—	6,722	77,784	25,174	941,580	1,563,932	3,367,667	3,062,456	6,430,123
Profit for the year	—	—	—	—	—	—	—	—	—	974,980	974,980	145,993	1,120,973
Other comprehensive income for the year	—	—	—	—	—	51,420	—	41,912	—	—	93,332	286	93,618
Total comprehensive income for the year	—	—	—	—	—	51,420	—	41,912	—	974,980	1,068,312	146,279	1,214,591
Issue of ordinary shares	37,787	1,450,393	—	—	—	—	—	—	—	—	1,488,180	—	1,488,180
Statutory reserve and retained earnings transferred to share capital and share premium (Note b)	744,971	861,321	—	—	—	—	(77,784)	—	—	(1,528,508)	—	—	—
Acquisition of subsidiaries under common control (Note c)	—	—	—	—	—	—	—	—	(764,078)	—	(764,078)	—	(764,078)
Shareholders' contribution to combining entities under common control before group reorganization (Note d)	—	—	—	—	—	—	—	—	220,714	—	220,714	—	220,714
Recognition of share-based payments (Note f)	—	—	—	38,498	—	—	—	—	—	—	38,498	12,189	50,687
Change in ownership interests in subsidiaries without change of control (Note 55.3)	—	—	146,322	—	—	—	—	3,558	—	—	149,880	(1,589,960)	(1,440,080)
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(1,137,732)	(1,137,732)
Balance at December 31, 2016	937,787	2,311,714	435,595	346,671	—	58,142	—	70,644	398,216	1,010,404	5,569,173	493,232	6,062,405

	Attributable to owners of the Company												
	Share capital	Share premium	Capital reserve	Share-based payment reserve	Cash flow hedging reserve	Foreign currency translation reserve	Statutory reserve	Investment revaluation reserve	Other reserve	Retained earnings	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2017	937,787	2,311,714	435,595	346,671	—	58,142	—	70,644	398,216	1,010,404	5,569,173	493,232	6,062,405
Profit for the year	—	—	—	—	—	—	—	—	—	1,227,093	1,227,093	69,627	1,296,720
Other comprehensive (expense) income for the year	—	—	—	—	—	(9,053)	—	18,552	—	—	9,499	1,733	11,232
Total comprehensive (expense) income for the year	—	—	—	—	—	(9,053)	—	18,552	—	1,227,093	1,236,592	71,360	1,307,952
Transferred to statutory reserve (Note e).	—	—	—	—	—	—	21,296	—	—	(21,296)	—	—	—
Retained earnings transferred to share premium in relation to conversion into a joint stock limited company (Note h)	—	282	—	—	—	—	—	—	—	(282)	—	—	—
Contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	5,250	5,250
Recognition of share-based payments (Note f)	—	—	—	37,845	—	—	—	—	—	—	37,845	3,888	41,733
Issue of ordinary shares of subsidiary under employee share option plan	—	—	17,714	(12,672)	—	—	—	—	—	—	5,042	21,125	26,167
Change in ownership interests in subsidiaries without change of control (Note 55.3).	—	—	(506,272)	—	—	—	—	—	—	—	(506,272)	(180,390)	(686,662)
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(18,834)	(18,834)
Balance at December 31, 2017	937,787	2,311,996	(52,963)	371,844	—	49,089	21,296	89,196	398,216	2,215,919	6,342,380	395,631	6,738,011
Adoption of IFRS 9	—	—	—	—	—	—	—	(89,196)	—	277,817	188,621	—	188,621
Adjusted balance at January 1, 2018	937,787	2,311,996	(52,963)	371,844	—	49,089	21,296	—	398,216	2,493,736	6,531,001	395,631	6,926,632
Profit for the period	—	—	—	—	—	—	—	—	—	1,271,898	1,271,898	32,172	1,304,070
Other comprehensive (expense) income for the period, net of income tax	—	—	—	—	(65,884)	38,766	—	—	—	—	(27,118)	4,489	(22,629)
Total comprehensive (expense) income for the period	—	—	—	—	(65,884)	38,766	—	—	—	1,271,898	1,244,780	36,661	1,281,441
Issue of ordinary shares upon listing on Shanghai Stock Exchange	104,199	2,146,490	—	—	—	—	—	—	—	—	2,250,689	—	2,250,689
Transaction costs attributable to issue of new shares	—	(120,403)	—	—	—	—	—	—	—	—	(120,403)	—	(120,403)
Recognition of share-based payments (Note f)	—	—	—	10,531	—	—	—	—	—	—	10,531	1,470	12,001
Change in ownership interests in subsidiaries without change of control (Note 55.3).	—	—	5,403	—	—	—	—	—	—	—	5,403	(1,922)	3,481
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(19,205)	(19,205)
Balance at June 30, 2018	1,041,986	4,338,083	(47,560)	382,375	(65,884)	87,855	21,296	—	398,216	3,765,634	9,922,001	412,635	10,334,636

	Attributable to owners of the Company												
	Share capital	Share premium	Capital reserve	Share-based payment reserve	Cash flow hedging reserve	Foreign currency translation reserve	Statutory reserve	Investment revaluation reserve	Other reserve	Retained earnings	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)													
Balance at January 1, 2017	937,787	2,311,714	435,595	346,671	—	58,142	—	70,644	398,216	1,010,404	5,569,173	493,232	6,062,405
Profit for the period	—	—	—	—	—	—	—	—	—	742,444	742,444	39,236	781,680
Other comprehensive (expense) income for the period	—	—	—	—	—	(38,379)	—	42,343	—	—	3,964	589	4,553
Total comprehensive (expense) income for the period	—	—	—	—	—	(38,379)	—	42,343	—	742,444	746,408	39,825	786,233
Retained earnings transferred to share premium due to conversion into a joint stock company (Note h)	—	282	—	—	—	—	—	—	—	(282)	—	—	—
Recognition of share-based payments (Note f)	—	—	—	21,778	—	—	—	—	—	—	21,778	1,909	23,687
Change in ownership interests in subsidiaries without change of control (Note 55.3)	—	—	(462,102)	—	—	—	—	—	—	—	(462,102)	(186,128)	(648,230)
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(18,834)	(18,834)
Balance at June 30, 2017	937,787	2,311,996	(26,507)	368,449	—	19,763	—	112,987	398,216	1,752,566	5,875,257	330,004	6,205,261

Notes:

a. It represents shareholder's contribution of USD44,000,000 (equivalent to RMB285,736,000) to WuXi PharmaTech Healthcare Fund I L.P. from WuXi PharmaTech (Cayman) Inc. ("WuXi PharmaTech") in January 2015. The WuXi PharmaTech Healthcare Fund I L.P. was acquired by the Group in February 2016 under common control as detailed in Note 47b to the Historical Financial Information.

b. Pursuant to the resolution of board of directors and the revised Articles of Association of the Company dated February 23, 2016, the statutory reserve and retained earnings were transferred to share capital and share premium (the "Capitalization Issue").

c. It represents the consideration of the Group to acquire subsidiaries under common control as detailed in Note 47b to the Historical Financial Information.

d. It represents shareholder's contribution of USD33,500,000 (equivalent to RMB220,714,000) to WuXi AppTec, Inc. from WuXi PharmaTech . WuXi AppTec, Inc. was a subsidiary of WuXi AppTec Holding Co., Inc. which was acquired by the Group in 2016 under common control as detailed in Note 47b to the Historical Financial Information.

e. In accordance with the Articles of Association of the Company, it is required to transfer 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the Company.

f. The amount represents share-based payment reserve arising from the WuXi PharmaTech Stock Units and Options Plan, New Wuxi Incentive Plan and STA Share Units and Options Incentive Scheme as disclosed in Note 48.

g. Shanghai SynTheAll Pharmaceutical Co., Ltd. ("STA"), a subsidiary of the Company was listed on the National Equities Exchange and Quotation ("NEEQ") on April 3, 2015. The options held by management and employees of STA under the WuXi PharmaTech Stock Units and Options Plan as set out in Note 48 are modified to be settled by STA as opposed to WuXi PharmaTech by cash, the amount of which is equivalent to the fair value of the WuXi PharmaTech Stock Units and Option Plan on the modification date, as opposed to the ordinary shares of WuXi PharmaTech. The vesting condition remained the same as the original WuXi PharmaTech Stock Units and Options Plan. The financial liabilities amounted to RMB11,631,000 were recognized to the extent that services have been rendered up to the modification date under the WuXi PharmaTech Stock Units and Options Plan by reclassing from reserve in equity at the same amount.

h. Pursuant to the resolution of shareholders and the revised Articles of Association of the Company dated February 17, 2017, the Company converted into a joint stock limited liability company under the People's Republic of China (the "PRC") Laws and the balance of retained earnings of RMB282,000 of the Company at February 17, 2017 was transferred to share premium.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
OPERATING ACTIVITIES					
Profit before tax	801,349	1,382,175	1,592,620	961,161	1,425,031
Adjustments for:					
Interest income	(78,065)	(21,407)	(24,393)	(22,828)	(5,697)
Income from government grants and subsidies related to assets	(55,097)	(24,568)	(32,292)	(14,311)	(18,282)
Finance costs	28,125	16,360	48,547	12,716	45,521
Dividend income arising from AFS investments	—	(10,604)	(330)	—	—
Dividends received from financial assets at FVTPL	—	—	—	—	(3,305)
Depreciation of property, plant and equipment	359,492	364,482	439,896	209,549	275,920
Amortization of prepaid lease payments	2,205	1,943	3,400	2,281	1,665
Amortization of other intangible assets	25,886	33,168	34,384	17,990	21,382
Impairment losses, net of reversal					
- goodwill	15,514	26,312	45,237	—	—
- intangible assets	4,402	—	81,077	—	—
- inventories	4,835	2,241	762	6,263	1,372
- receivables	6,591	2,368	13,880	2,462	(5,648)
Share of loss of joint ventures	17,602	29,044	27,051	19,677	8,752
Share of loss (profit) of associates	11,791	13,439	21,589	5,836	(38,652)
Share-based payment expenses	320,319	50,687	41,733	23,687	12,001
Net foreign exchange (gain) loss	(32,833)	(93,173)	138,887	43,850	19,062
Gain on disposal of AFS investments	(226,064)	—	(32,093)	(19,227)	—
Gain on disposal of an associate	(454)	—	—	—	—
Gain on disposal of subsidiaries	(7,726)	(301)	—	—	—
Loss on disposal of					
- property, plant and equipment	5,782	5,393	8,565	4,595	2,593
- other intangible assets	—	—	9,158	—	—
Fair value gain on financial assets at FVTPL	(34,860)	(19,091)	(40,181)	(22,265)	(461,423)
Loss on forward contracts	16,448	—	—	—	51,991
Loss related to acquisition of a subsidiary	18,142	—	—	—	—
Operating cash flows before movements in working capital	1,203,384	1,758,468	2,377,497	1,231,436	1,332,283
Movements in working capital elements:					
Increase in inventories	(44,573)	(238,354)	(200,167)	(142,011)	(123,662)
Decrease (increase) in contract costs	20,065	(22,947)	(10,439)	(12,646)	8,520
Increase in trade and other receivables	(309,516)	(82,031)	(413,821)	(133,529)	(286,146)
Increase in contract assets	(23,588)	(24,120)	(49,385)	(54,359)	(76,771)
(Increase) decrease in other non-current assets	(8,291)	(1,617)	(3,616)	1,324	(2,742)
(Increase) decrease in amounts due from related parties	(209,406)	243,797	78,546	14,395	3,149
Increase (decrease) in amounts due to related parties	50,235	(46,090)	(15,021)	21,245	(2,211)
Increase (decrease) in trade and other payables	104,628	190,600	98,362	(127,538)	(226,091)
Increase in contract liabilities	69,425	181,176	208,411	12,854	6,177
Increase (decrease) in other long-term liabilities	11,469	20,691	(14,112)	1,689	28,637
Increase (decrease) in deferred income	4,065	(884)	(900)	(1,497)	(18,907)
Cash generated from operations	867,897	1,978,689	2,055,355	811,363	642,236
Income taxes paid	(129,301)	(217,381)	(259,707)	(176,518)	(221,503)
NET CASH FROM OPERATING ACTIVITIES	738,596	1,761,308	1,795,648	634,845	420,733

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
INVESTING ACTIVITIES					
Interests received	78,065	24,432	25,501	21,720	5,697
Proceeds from disposal of					
- financial assets at FVTPL	216,604	—	780,045	282,131	109,003
- AFS investments	278,206	351	57,966	39,265	—
Purchase of					
- financial assets at FVTPL	—	(444,669)	—	—	(2,687,255)
- AFS investments	(118,459)	(153,110)	(148,662)	(63,957)	—
Proceeds from disposal of interests in associates	15,788	—	—	—	—
Proceeds from disposal of other intangible assets	2,672	7,121	600	3	131
Proceeds from disposal of property, plant and equipment	91,981	116,942	38,702	2,220	3,188
Withdraw of structured deposits	600,292	91,676	388,347	576,937	—
Acquisition of interests in associates	(28,866)	(195,617)	(53,922)	(45,585)	(185,942)
Acquisition of interests in joint ventures	(39,122)	(33,656)	(100,645)	(10,162)	(55,408)
Purchase of property, plant and equipment	(896,771)	(933,899)	(1,352,467)	(551,811)	(739,505)
Purchase of other intangible assets	(32,807)	(24,718)	(10,502)	(4,856)	(2,128)
Repayment of obligation under a finance lease from a related party	—	12,697	11,441	5,915	—
Payments for prepaid lease payments	(2,000)	—	—	—	(55,484)
Withdraw of pledged bank deposits	23,670	—	—	—	3,774
Placement of pledged bank deposits	—	(364)	(5,697)	(24,714)	—
Net cash (outflow) inflow on disposal of subsidiaries	(33,581)	144,620	—	—	—
Net cash inflow (outflow) on acquisition of subsidiaries	22,889	(383,390)	(851,211)	(851,211)	(108,722)
Deposit for acquisition of a subsidiary	—	—	(112,570)	—	—
Repayment from related parties	724,377	3,629,499	369	369	—
Advance to related parties	(1,956,664)	(1,526,230)	—	—	—
Dividends received from associates	—	2,326	—	—	—
Dividends received from AFS investments	—	10,604	330	—	—
Dividends received from financial assets at FVTPL	—	—	—	—	3,305
Government grants and subsidies received related to assets	120,445	39,380	200,031	24,466	26,512
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(933,281)	383,995	(1,132,344)	(599,270)	(3,682,834)

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
FINANCING ACTIVITIES					
Payment of dividends	(14,775)	(1,167,379)	(18,834)	(18,834)	(19,205)
New borrowings raised	440,876	909,929	1,622,163	547,245	833,745
Repayment of borrowings	(1,408,862)	(622,544)	(481,011)	(280,617)	(700,547)
Proceeds from contribution from non-controlling shareholders	486,242	368,792	5,250	—	—
Disposal of equity interest to non-controlling shareholders	149,511	—	—	—	—
Proceeds from issue of ordinary shares of a subsidiary under employee share option plan	—	—	26,167	—	—
Contribution from shareholders before acquisition under common control	—	220,714	—	—	—
Acquisition of partial interest of subsidiaries from non-controlling shareholders	—	(258,165)	(1,627,186)	(1,430,825)	—
Net proceeds from issue of ordinary shares	—	1,488,180	—	—	2,160,662
Advance from related parties	1,000,310	29,069	14,784	14,783	—
Repayment to related parties	(196,665)	(1,079,910)	(144,140)	(52,822)	—
Interests paid	(28,125)	(16,360)	(40,311)	(12,716)	(37,562)
Payments for acquisition of equity interest under common control	—	(593,815)	—	—	—
Repayments of consideration payable on Purchase of a property under installment payment plan	—	—	(14,133)	—	(28,265)
Issue cost paid	—	—	(10,926)	—	(7,426)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	428,512	(721,489)	(668,177)	(1,233,786)	2,201,402
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	233,827	1,423,814	(4,873)	(1,198,211)	(1,060,699)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR/PERIOD	738,309	1,002,065	2,507,299	2,507,299	2,466,144
Effects of exchange rate changes	29,929	81,420	(36,282)	(7,800)	(25,090)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD	1,002,065	2,507,299	2,466,144	1,301,288	1,380,355

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the PRC on March 1, 2017 as a joint stock limited liability company under the PRC laws upon the conversion of 無錫藥明康德新藥開發有限公司 WuXi AppTec Ltd. (formerly known as 無錫藥明康德組合化學有限公司 WuXi PharmaTechs Co., Ltd.), a company with limited liability incorporated in the PRC in December 2000. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and was listed on the Shanghai Stock Exchange (stock code: 603259.SH) on May 8, 2018. The address of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" of the Prospectus. The Company is ultimately controlled by Dr. Ge Li, Dr. Ning Zhao, the spouse of Dr. Ge Li, Mr. Liu Xiaozhong and Mr. Zhang Zhaohui who are all acting in concert (collectively known as "ultimate Controlling Shareholders").

The Company is an investment holding company. The principal activity of the Group is to provide a portfolio of research and manufacturing services throughout the discovery, development and manufacturing spectrum for small molecule drugs, cell therapies and gene therapies as well as providing testing services for medical devices.

The functional currency of the Company is Renminbi ("RMB"), which is the same as the presentation currency of the Historical Financial Information.

2. GROUP REORGANIZATION AND BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

Immediately before the completion of a reorganization as explained on the section "History and Corporate Development" of the Prospectus (the "Reorganization"), all the entities now comprising the Group have been held by WuXi PharmaTech, whose shares were listed on the New York Stock Exchange ("NYSE") on August 9, 2007 and subsequently delisted from the NYSE on December 10, 2015.

Following the delisting, a reorganization was carried out as part of the strategic restructuring to realign WuXi PharmaTech's businesses through three primary business units, namely the Group, biologics units and medical health technology services. As a result, the Group disposed entities, assets, employees and contractual obligations in relation to such other business throughout 2015 (details set out in Note 47.c) and acquired entities directly or indirectly controlled by WuXi PharmaTech (details set out in Note 47.b) from January to February 2016. Both the Group and those acquired entities were under the common control of ultimate Controlling Shareholders before and after the Reorganization. Therefore, the acquisition is accounted for as business combination under common control by applying the principles of merger accounting.

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs issued by the IASB.

The statutory financial statements of the Company for the years ended December 31, 2015, 2016 and 2017 were prepared in accordance with PRC generally accepted accounting practice and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥)), Certified Public Accountants registered in the PRC.

3. APPLICATION OF NEW AND REVISED IFRSs

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently applied International Accounting Standards ("IASs"), IFRSs, amendments and the related

Interpretations ("IFRICs") (herein collectively referred to as the "IFRSs") (including IFRS 15 "Revenue from Contracts with Customers"), which are effective for the accounting period beginning on January 1, 2018 throughout the Track Record Period except that the Group adopted IFRS 9 "Financial Instruments" on January 1, 2018. The accounting policies for financial instruments which conform with IFRS 9 that are applicable from January 1, 2018 onwards and IAS39 "Financial Instruments" which are applicable for each of the three years ended December 31, 2017, are set out in Note 4 below.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized on January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized on January 1, 2018. The difference between carrying amounts on December 31, 2017 and the carrying amounts on January 1, 2018 are recognized in the opening retained earnings, without restating comparative information. In addition, the Group has applied the hedge accounting prospectively. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39.

The table below illustrates the classification and measurement of financial assets, financial liabilities and other assets under IFRS 9 and IAS 39 at the date of initial application on January 1, 2018.

Financial assets and financial liabilities

Items	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39	Fair value remeasurement under IFRS 9	Additional loss allowance recognized under IFRS 9	New carrying amount under IFRS 9
			RMB'000	RMB'000	RMB'000	RMB'000
Investments in listed equity securities (Note 26)	AFS investments	Financial assets at FVTPL	29,080	—	—	29,080
Investments in unlisted equity securities (Note 26)	AFS investments	Financial assets at FVTPL	456,144	191,180	—	647,324
Investment in unlisted funds (Note 26)	AFS investments	Financial assets at FVTPL	198,181	—	—	198,181
Monetary fund investment (Note 33)	Financial assets at FVTPL	Financial assets at FVTPL	14,739	—	—	14,739
Trade and other receivables (Note 32)	Loans and receivables	Financial assets at amortized cost	1,404,629	—	(2,503)	1,402,126
Amounts due from related parties (Note 54)	Loans and receivables	Financial assets at amortized cost	16,563	—	—	16,563
Structured deposits (Note 34)	Loans and receivables	Financial assets at FVTPL	297,687	—	—	297,687
Bank balances and cash and pledged bank deposits (Note 35)	Loans and receivables	Financial assets at amortized cost	2,472,391	—	—	2,472,391
Trade and other payables (Note 38)	Financial liabilities at amortized cost	Financial liabilities at amortized cost	901,451	—	—	901,451
Amounts due to related parties (Note 54)	Financial liabilities at amortized cost	Financial liabilities at amortized cost	839,562	—	—	839,562
Borrowings (Note 39)	Financial liabilities at amortized cost	Financial liabilities at amortized cost	1,618,189	—	—	1,618,189
Payable for acquisition of a property (Note 42)	Financial liabilities at amortized cost	Financial liabilities at amortized cost	251,785	—	—	251,785

Other assets

Items	Original carrying amount under IAS 39	Fair value remeasurement under IFRS 9	Additional loss allowance recognized under IFRS 9	New carrying amount under IFRS 9
	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets (Note 32)	185,676	—	(56)	185,620

The additional impairment loss allowance upon the initial application of IFRS 9 as disclosed above resulted entirely from a change in the measurement attribute of the loss allowance relating to each financial asset.

There were no financial liabilities which the Group had previously designated as at FVTPL or measured at amortized cost under IAS 39 that were subject to reclassification, or which the Group has elected to reclassify upon the application of IFRS 9.

AFS investments which the Group had previously measured at cost or fair value with changes accounted for in other comprehensive income under IAS 39 has been classified as FVTPL at the date of initial application of IFRS 9.

The tables below show information relating to financial assets and other items that are measured differently (including change in impairment calculation) as a result of transition to IFRS 9:

	IAS 39 carrying amount December 31, 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount January 1, 2018	Retained earnings effect January 1, 2018	Investment revaluation reserve effect January 1, 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
AFS investments....	683,405	(683,405)	—	—	49,466	(49,466)
Financial assets at FVTPL	14,739	981,092	191,180	1,187,011	191,180	—
Loans and receivables	4,191,270	(297,687)	(2,503)	3,891,080	(2,503)	—
Contract assets	185,676	—	(56)	185,620	(56)	—
Interests in associates.....	—	—	—	—	39,730	(39,730)

From AFS investments to FVTPL

At the date of initial application of IFRS 9, the Group's equity and fund investments of RMB683,405,000 were reclassified from AFS investments to financial assets at FVTPL. The fair value gains of RMB191,180,000 relating to those equity investments previously carried at cost less impairment were adjusted to financial assets at FVTPL and retained profits as at January 1, 2018. The fair value gains of RMB49,466,000 relating to those investments previously carried at fair value were transferred from investment revaluation reserve to retained profits.

From loans and receivables to FVTPL

At the date of initial application of IFRS 9, the Group's structured deposits of RMB297,687,000 were reclassified from loans and receivables to financial assets at FVTPL.

The adoption of IFRS 9 has no impact on the interests on joint ventures and associates except that the investment revaluation reserve of RMB39,730,000 attributable by associates was reclassified to retained earnings following the reclassification from AFS investments at fair value to financial assets at FVTPL as at January 1, 2018.

Impact on assets and equity as at January 1, 2018:

	As previously reported	IFRS 9 adjustment	After adjustment
	RMB'000	RMB'000	RMB'000
Trade and other receivables	1,404,629	(2,503)	1,402,126
Contract assets	185,676	(56)	185,620
AFS investments	683,405	(683,405)	—
Structured deposits	297,687	(297,687)	—
Financial assets at FVTPL	14,739	1,172,272	1,187,011
Total effect on net assets		188,621	
Reserves	5,404,593	188,621	5,593,214
Total effect on equity		188,621	

New and amendments to IFRSs in issue but not yet effective

At the date of this report, the following new and amendments to IFRSs and interpretation have been issued but not yet effective:

IFRS 16	Lease[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over income tax treatments[1]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual improvements to IFRS standards 2015-2017 Cycles[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IAS 1 and IAS 8	Definition of Material[5]

1 Effective for annual periods beginning on or after January 1, 2019

2 Effective for annual periods beginning on or after a date to be determined

3 Effective for annual periods beginning on or after January 1, 2021

4 Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020

5 Effective for annual periods beginning on or after January 1, 2020.

Except as disclosed below, the directors of the Company anticipate that application of other new and amendments to IFRSs will have no material impact to the Group's financial performance and consolidated financial positions and/or on the disclosures in future consolidated financial statements.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use while other operating lease payments as presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under IAS 17, the Group has already recognized prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at June 30, 2018, the Group has non-cancellable operating lease commitments of RMB767,539,000 as disclosed in Note 50. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16. Upon application of IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB45,909,000 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortized cost and such adjustments are considered as additional lease payments. Adjustment to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The directors of the Company assessed that such changes would increase the consolidated assets and consolidated liabilities of the Group, but would not result in a significant impact on the financial performance of the Group upon adoption of IFRS 16.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and complied with the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial information of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 before January 1, 2018 and IFRS 9 on or after January 1, 2018 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the

acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been consolidated from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the Historical Financial Information are presented as if the businesses had been consolidated at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these Historical Financial Information using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

When there is objective evidence that the investment in an associate or a joint venture is impaired, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value

less costs of disposal) with its carrying amount, Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39 or IFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's Historical Financial Information only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is recognized to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue is recognized when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring products or services to a customer ("transaction price").

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The transaction price also includes reimbursable expenses (i.e. out-of-pocket expenses, outside consultants and other reimbursable expenses). Reimbursable expenses which do not represent a transfer of goods or services to the customer are not distinct. Such reimbursable expenses are included in total transaction price for the contract and allocated to individual performance obligations which are satisfied over time.

Contracts with customers may contain multiple performance obligations. For such arrangements, the transaction price is allocated to each performance obligation based on the estimated relative standalone selling prices of the promised products or services underlying each performance obligation, inclusive of reimbursable expenses.

When the sum of the stand-alone transaction prices of those products or services exceeds the promised consideration in a contract, the Group recognizes a discount on that particular contract. If the entity does not have observable evidence that the entire discount relates to one or more, but not all performance obligations under the specific contract, the discount is proportionately applied to all performance obligations under a contract.

For the services delivered to the customer based on the extent of progress towards completion of the performance obligation, the Group's performance does not create an asset with an alternative future use and the contract terms specify the Group has an enforceable right to payment for performance completed to date, revenue generated from such performance is recognized over time.

The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, the Group generally measures its progress using either cost-to-cost (input method) or units produced/ services transferred to the customer to date (output method). The Group uses the known cost measure of progress

when it best depicts the transfer of value to the customer which occurs as the Group incurs costs on its contract, generally related to fixed fee service contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue is recorded proportionally as costs are incurred. The units produced/services transferred to the customer to date measure of progress is generally related to rate per unit contracts or contracts for the delivery of services, as the extent of progress towards completion is measured based on discrete service or time-based increments, such as samples tested or services transferred.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued for each period, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Contract Costs

The Group incurs costs to fulfill a contract in its business. The Group first assess whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognizes an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify
- 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; and
- the costs are expected to be recovered.

Costs to fulfill a contract of the Group mainly consists of cost of materials consumed (determined on a weighted average method), cost of labor and other costs of personnel directly engaged in providing the chemical discovery, development and manufacturing service, including supervisory personnel, and attributable overheads.

The asset recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchanges prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

Borrowing costs

All borrowing costs are recognized in profit or loss in the year/period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expense the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire plant and equipment are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

The Group participates in two defined contribution schemes:

a) A state-managed retirement benefit scheme in the PRC, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the schemes.

b) A defined contribution plan in the USA, pursuant to which the Group makes a matching contribution of participants' elective deferral contribution of 100% of the first 1% and 50% for the next 5% of eligible participant contributions. The maximum match is 3.5% of eligible participant compensation.

Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. 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 and liabilities 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. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible assets;

- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally- generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash- generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not

exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the contracted selling price less all estimated costs of completion and costs necessary to make the sale.

Financial instruments (before the adoption of IFRS 9 at January 1, 2018)

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables, financial assets at FVTPL, and available-for-sale financial assets based on the nature, purpose of the financial assets and are determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivable (including trade and other receivables, term deposits with original maturity over three months, cash and cash equivalents, and pledged bank deposits) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instrument that the Group manages together and has a recent pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognized inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or liabilities or both, which is management and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "investment income" line item. Fair value is determined in the manner described in Note 46.

AFS financial assets

AFS financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated equity investments as AFS financial assets on initial recognition of those investments.

Equity securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payment.

For financial assets at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When an account or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost including trade and other payables, amounts due to related parties and borrowings are subsequently measured at amortized cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Hedge accounting

The Group designates certain derivatives as hedging instruments.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking

various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the "other gains or losses" line item.

Amounts previously recognized in other comprehensive income and accumulated in equity (cash flow hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income/statement of profit or loss as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

The Group derecognizes a financial liability, when, and only when, the Group's obligations are discharged, canceled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Financial instruments (under IFRS 9)

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying

the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognized in profit or loss and is included in the "other income" line item.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or fair value through other comprehensive income ("FVTOCI") are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item. Fair value is determined in the manner described in Note 46.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortized cost, exchange differences are recognized in profit or loss and are included in the "other gains and losses" line item. For financial assets measured at FVTPL, the foreign exchange component forms part of the fair value gain or losses and is recognized in profit or loss in "other gains and losses" line item.

Impairment of financial assets

The Group recognizes a loss allowance for ECL on investments in debt instruments that are measured at amortized cost. No impairment loss is recognized for investments in equity instruments. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has

not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL ("12m ECL"). The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the

reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are assessed as a separate group. Loans to related parties are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the amortized cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the "other gains and losses" line item in profit or loss.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivative Financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortized cost or FVTPL as appropriate.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk in cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-

financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Share-based payment transactions

Equity-settled share-based transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised or when the restricted shares are vested, the Company issues new ordinary shares, and the amount previously recognized in the share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payment reserve will be transferred to retained earnings.

Cash-settled share-based payment transactions

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Historical Financial Information.

Judgments in determining the performance obligations and timing of satisfaction of performance obligations

The Group has different contractual arrangements with different customers. In determining the performance obligations and timing of satisfaction of perform obligations, the management review the contract term of each individual contract. In making their judgments, the directors of the Company consider the detailed criteria for recognition of revenue set out in IFRS 15.

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 fulfill 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 highly interdependent and interrelated as the Group would not be able to fulfill its promise by transferring each of the goods and/or services independently, the directors of the Company concluded those goods and/or services as a single performance obligation.

Satisfaction of Performance Obligations:

For certain types of revenue under FFS model, the directors of the Company have determined that performance obligations are satisfied over time. The key judgement is that the Group's performance does not create an asset with alternative future use since the Group cannot redirect the asset for use on another customer, and the contract terms specify the Company have an enforceable right to payments for performance completed up to date.

Depending on which better depicts the transfer of value to the customer, the directors of the Company make judgement to measure the progress of the projects using either cost-to-cost (input method) or units produced/services transferred to the customer to date (output method).

For certain services under FFS method, the directors of the Company have assessed that the Group has a present right to payment from the customers for the services performed at a point in time upon finalization, delivery and acceptance of the deliverable units. Therefore, the directors of the Company have satisfied that the performance obligation of FFS is satisfied at a point in time and recognized FFS revenue at a point in time.

For the services under FTE method, the directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performances and the Group has an enforceable right to payment for performances completed to date. Therefore, the management of the Group have satisfied that the performance obligation on FTE services is satisfied over time and recognized FTE revenue over the service period.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each 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 disclosed below.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the directors of the Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of goodwill as at December 31, 2015, 2016 and 2017 and June 30, 2018 was RMB308,160,000, RMB326,286,000, RMB958,038,000 and RMB960,391,000, respectively and impairment losses of RMB15,514,000 , RMB26,312,000, RMB45,237,000 were recognized for the year ended December 31, 2015, 2016 and 2017, respectively. Details of the impairment loss calculation are set out in Note 21.

Useful lives and estimated impairment on property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The Group regularly reviews whether there are any indications of impairment and recognizes an impairment loss if the carrying amount of an asset is lower than its recoverable amount. The Group tests for impairment for property, plant and equipment whenever there is an indication that the asset may be impaired. The recoverable amounts have been determined based on the higher of the fair value less costs of disposal and value in use. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the carrying amount of property, plant and equipment was RMB2,349,949,000, RMB2,950,402,000, RMB4,255,468,000 and RMB4,873,398,000, respectively.

Fair value measurements for equity investments

The Group made venture investments in a wide variety of companies during the Track Record Period as set out in Note 26 and Note 33. The Group accounted for these financial instruments as AFS measured at cost or fair value with changes accounted for in other comprehensive income under IAS 39 prior to 2017 and has elected to reclassify these investments as financial assets at FVTPL since January 1, 2018 upon the application of IFRS 9. For those investments with no quoted market prices in an active market, their fair value are estimated by using valuation techniques. These techniques include backsolve method which take into account the most recent transaction price of these financial assets. Valuation techniques are certified by independent and recognized business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as possibilities under different scenarios such as initial public offering, liquidation and redemption, require management estimates and assumptions, which are reviewed periodically and adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial assets. The carrying amounts of AFS at December 31, 2015, 2016 and 2017 are RMB278,039,000, RMB614,786,000 and RMB683,405,000, respectively and the fair value of such investments at June 30, 2018 is RMB1,396,125,000.

Estimated impairment of trade receivables and other items within the scope of ECL upon application of IFRS 9

Before the adoption of IFRS 9, the Group makes allowances for impairment of trade receivables based on an assessment of the recoverability of trade receivables. Allowances are applied to trade receivables where events or changes in circumstances indicated that the balances may not be collectible. The identification of impairment of trade receivables requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying amounts of trade receivables and doubtful debts expenses in the year/period in which such estimate is changed.

As at December 31, 2015, 2016 and 2017, the carrying amount of trade receivables amounted to RMB1,068,147,000 (net of loss allowance of RMB15,917,000), RMB1,161,296,000 (net of loss allowance of RMB20,910,000) and RMB1,404,304,000 (net of loss allowance of RMB18,890,000), respectively.

Upon the application of IFRS 9, management of the Group estimates the amount of loss allowance for ECL on items subject to ECL (including contract assets, trade and other receivables, amounts due from related parties and loans to related parties) based on the credit risk of the respective items. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows after taking into consideration of expected future credit loss of the items subject to ECL. The assessment of the credit risk of the items subject to ECL involves high degree of estimation and uncertainty. When the actual future cash flows are different from expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly. As at June 30, 2018, the carrying amounts of trade receivables and contract assets were RMB1,625,855,000 (net of allowance for ECL of RMB18,342,000) and RMB262,447,000 (net of allowance for ECL of RMB79,000), respectively.

Inventories and contract cost

The Group assesses periodically if cost of inventories and contract cost may not be recoverable based on an assessment of the net realizable value of inventories and contract cost. Allowances are applied to inventories and contract cost where events or changes in circumstances indicate that the net realizable value is lower than the cost of inventories or contract cost. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories and in the case of contract cost, the net realizable value has been determined based on the contracted selling price to be recognized upon the completion of the contract cost less all estimated remaining costs to completion and costs necessary to provide the service. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and contract cost in the year/period in which such estimate changes.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the carrying amounts of inventories were approximately RMB208,411,000, RMB444,587,000, RMB649,815,000 and RMB772,105,000, respectively (net of write down of inventories of approximately RMB12,511,000, RMB11,909,000, RMB11,002,000 and RMB9,528,000, respectively); the carrying amounts of contract cost were approximately RMB43,737,000, RMB66,684,000, RMB77,123,000 and RMB68,603,000, respectively.

6. REVENUE

The Group's revenue streams are categorized as follows:

China-based laboratory services	Services include small molecules discovery, such as synthetic chemistry, medicinal chemistry, analytical chemistry, biology, drug metabolism and pharmacokinetics ("DMPK")/ absorption, distribution, metabolism and excretion ("ADME"), toxicology and bioanalytical services.
U.S.-based laboratory services	Services include expert solution for medical devices safety testing services and comprehensive manufacturing and testing for cell and gene therapies.
Clinical research and other CRO services	Clinical research services includes clinical development services and site management organization (SMO) services. Clinical development services include project planning, clinical operation and monitoring and managements of phase I-IV clinical trials, outcomes research and medical device trials; embedded outsourcing; and clinical informatics, respectively. SMO services include project management and clinical site management services.
Manufacturing services ("CMO/ CDMO services")	CMO/CDMO services stands as an integrated platform to support the development of manufacturing processes and the production of advanced intermediates and active pharmaceutical ingredients and formulation development and dosage drug product manufacturing, for preclinical, clinical trials, new drug application, and commercial supply of chemical drugs as well as wide spectrum development from early to late stage.
Others	Others mainly include the administrative service income, sales of raw material and sales of scrap materials.

Disaggregation of revenue

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major service lines. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 below.

An analysis of the Group's revenue is as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue					
- China-based laboratory services.....	2,553,871	3,269,775	4,120,576	1,986,196	2,416,292
- U.S.-based laboratory services.....	703,588	935,231	1,134,881	556,812	546,081
- Clinical research and other CRO services	350,467	206,274	356,109	145,562	231,154
- CMO/CDMO services	1,266,735	1,637,016	2,108,554	953,780	1,209,385
- Others.....	8,688	67,835	45,140	23,025	6,295
	4,883,349	6,116,131	7,765,260	3,665,375	4,409,207

Timing of revenue recognition

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Over time					
- China-based laboratory services	2,109,521	2,740,560	3,519,997	1,664,859	2,053,153
- U.S.-based laboratory services	703,588	935,231	1,134,881	556,812	546,081
- Clinical research and other CRO services	350,467	206,274	356,109	145,562	231,154
- CMO/CDMO services	177,698	177,702	190,545	90,016	86,639
- Others	3,579	54,559	18,843	8,755	6,207
At a point in time					
- China-based laboratory services	444,350	529,215	600,579	321,337	363,139
- CMO/CDMO services	1,089,037	1,459,314	1,918,009	863,764	1,122,746
- Others	5,109	13,276	26,297	14,270	88

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) are RMB5,027 million, RMB5,246 million, RMB7,596 million and RMB7,840 million as at December 31, 2015, 2016 and 2017 and June 30, 2018, respectively. The management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as of each reporting date during the Track Record Period will be recognized as revenue within two years from the reporting date.

7. SEGMENT INFORMATION

Operating segments are determined based on the Group's internal reports which are submitted to Chief Executive Officer, being the chief operating decision maker ("CODM") of the Group for the purpose of performance assessment and resources allocation. This is also the basis upon which the Group is organized and managed. As a result of this evaluation, the Group determined that it has operating segments as follows, the description of each segment is mentioned in Note 6 above.

— China-based laboratory services

— U.S.-based laboratory services

— Clinical research and other CRO services

— CMO/CDMO services

— Others

Segment revenue and results

The following is an analysis of the Group's revenue by reportable segments.

	Year ended December 31, 2015,					
	China-based laboratory services	U.S.-based laboratory services	Clinical research and other CRO services	CMO/CDMO services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	2,553,871	703,588	350,467	1,266,735	8,688	4,883,349
Segment results	862,280	274,818	57,631	476,405	7,497	1,678,631
Unallocated amount:						
Other income						147,150
Other gains and losses						240,291
Impairment loss, net of reversal						(26,507)
Selling and marketing expenses						(185,807)
Administrative expenses						(851,769)
Research and development expenses						(143,122)
Share of losses of associates						(11,791)
Share of losses of joint ventures						(17,602)
Finance costs						(28,125)
Group's profit before tax						801,349

	Year ended December 31, 2016,					
	China-based laboratory services	U.S.-based laboratory services	Clinical research and other CRO services	CMO/CDMO services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	3,269,775	935,231	206,274	1,637,016	67,835	6,116,131
Segment results	1,376,957	324,962	40,465	701,167	38,940	2,482,491
Unallocated amount:						
Other income						132,761
Other gains and losses						104,112
Impairment loss, net of reversal						(28,680)
Selling and marketing expenses						(200,439)
Administrative expenses						(834,862)
Research and development expenses						(214,365)
Share of losses of associates						(13,439)
Share of losses of joint ventures						(29,044)
Finance costs						(16,360)
Group's profit before tax						1,382,175

	Year ended December 31, 2017,					
	China-based laboratory services	U.S.-based laboratory services	Clinical research and other CRO services	CMO/CDMO services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	4,120,576	1,134,881	356,109	2,108,554	45,140	7,765,260
Segment results	1,842,201	361,897	102,489	918,454	14,879	3,239,920
Unallocated amount:						
Other income						254,992
Other gains and losses						(81,213)
Impairment loss, net of reversal						(140,194)
Selling and marketing expenses						(291,510)
Administrative expenses						(986,540)
Research and development expenses						(305,648)
Share of losses of associates						(21,589)
Share of losses of joint ventures						(27,051)
Finance costs						(48,547)
Group's profit before tax						1,592,620

	Six months ended June 30, 2017 (unaudited),					
	China-based laboratory services	U.S.-based laboratory services	Clinical research and other CRO services	CMO/CDMO services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	1,986,196	556,812	145,562	953,780	23,025	3,665,375
Segment results	922,389	177,546	40,949	432,802	10,509	1,584,195
Unallocated amount:						
Other income						107,567
Other gains and losses						(6,637)
Impairment loss, net of reversal						(2,462)
Selling and marketing expenses						(132,907)
Administrative expenses						(434,904)
Research and development expenses						(115,462)
Share of losses of associates						(5,836)
Share of losses of joint ventures						(19,677)
Finance costs						(12,716)
Group's profit before tax						961,161

	Six months ended June 30, 2018,					
	China-based laboratory services	U.S.-based laboratory services	Clinical research and other CRO services	CMO/CDMO services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	2,416,292	546,081	231,154	1,209,385	6,295	4,409,207
Segment results	1,084,491	125,193	55,362	489,230	1,833	1,756,109
Unallocated amount:						
Other income						54,729
Other gains and losses						389,632
Impairment loss, net of reversal						5,648
Selling and marketing expenses						(152,680)
Administrative expenses						(435,261)
Research and development expenses						(177,525)
Share of profits of associates						38,652
Share of losses of joint ventures						(8,752)
Finance costs						(45,521)
Group's profit before tax						1,425,031

Entity-wide disclosure

Geographical information

An analysis of the Group's revenue from external customers, analyzed by their respective country/region of domicile, is detailed below:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue					
- PRC	846,732	1,158,517	1,571,998	744,178	1,180,287
- Asia-others	146,771	150,929	220,838	101,125	117,932
- United States of America ("USA")	3,150,737	3,714,077	4,437,550	2,125,664	2,331,089
- Europe	685,845	1,028,062	1,419,578	639,598	719,105
- Rest of the world	53,264	64,546	115,296	54,810	60,794
	4,883,349	6,116,131	7,765,260	3,665,375	4,409,207

Information about the Group's non-current assets by geographical location of the assets is presented below:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
- PRC	2,197,422	2,617,252	4,638,148	5,223,671
- Rest of the world	787,499	1,236,167	1,431,965	1,856,866
	2,984,921	3,853,419	6,070,113	7,080,537

Non-current assets excluding amounts due from related parties, deferred tax assets, available-for-sale investments, financial assets at FVTPL and deposit for acquisition.

8. OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income from					
- related parties (Note 54(2)(*l*))	3,522	4,449	—	—	—
- financial institutions	74,543	16,958	24,393	22,828	5,697
Government grants and subsidies related to					
- asset (i)	55,097	24,568	32,292	14,311	18,282
- income (ii)	13,988	76,057	197,977	70,428	27,445
Dividend income arising from					
- available-for-sale investments	—	10,604	330	—	—
- financial assets at FVTPL	—	—	—	—	3,305
Others	—	125	—	—	—
	147,150	132,761	254,992	107,567	54,729

Notes:

(i) The Group has received certain government grants and subsidies to invest in laboratory equipment. The grants and subsidies were recognized in profit or loss over the useful lives of the relevant assets. Details of the grants and subsidies are set out in Note 41.

(ii) The government grants and subsidies related to income have been received to compensate for the Group's research and development expenditures. Some of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income are recognized in profit or loss when related costs are subsequently incurred and the Group receives government acknowledge of compliance. Other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

9. OTHER GAINS AND LOSSES

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net foreign exchange gain (loss)	32,833	93,173	(138,887)	(43,850)	(19,062)
Gain on disposal of available-for-sale investments	226,064	—	32,093	19,227	—
Gain on disposal of an associate	454	—	—	—	—
Gain on disposal of subsidiaries	7,726	301	—	—	—
Loss on disposal of plant and equipment	(5,782)	(5,393)	(8,565)	(4,595)	(2,593)
Loss on disposal of other intangible assets	—	—	(9,158)	—	—
Fair value gain on financial assets at FVTPL	34,860	19,091	40,181	22,265	461,423
Loss on forward contracts	(16,448)	—	—	—	(51,991)
Waive of loans to a joint venture	(23,573)	—	—	—	—
Others	(15,843)	(3,060)	3,123	316	1,855
	240,291	104,112	(81,213)	(6,637)	389,632

10. IMPAIRMENT LOSSES, NET OF REVERSAL

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Impairment losses, net of reversal, on					
- trade receivables	4,879	4,171	8,153	2,462	59
- other receivables	1,712	(1,803)	20	—	—
- amounts due from related parties	—	—	5,707	—	(5,707)
- intangible assets	4,402	—	81,077	—	—
- goodwill	15,514	26,312	45,237	—	—
	26,507	28,680	140,194	2,462	(5,648)

11. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest expense on bank loans	27,411	15,774	40,587	11,049	39,680
Interest expense on loans from related parties	714	586	2,119	1,667	—
Imputed interest expense on payable for acquisition of a property	—	—	5,841	—	5,841
	28,125	16,360	48,547	12,716	45,521

12. INCOME TAX EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax:					
- PRC	122,799	177,956	265,252	159,315	157,185
- Hong Kong	8,898	5,988	19,459	9,615	3,341
- USA	44,453	40,999	12,332	6,983	1,637
- Rest of world	226	484	12,355	9,304	1,227
	176,376	225,427	309,398	185,217	163,390
(Over) under provision in respect of prior years					
- PRC	(9,637)	(10,173)	382	648	(18,771)
- Hong Kong	(7)	70	2,046	261	—
- USA	(454)	(453)	(706)	—	—
	(10,098)	(10,556)	1,722	909	(18,771)
Deferred tax:					
- Current year/period	(48,708)	46,331	(15,220)	(6,645)	(23,658)
	117,570	261,202	295,900	179,481	120,961

The group entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits for the years ended December 31, 2015, 2016 and 2017.

On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group's Hong Kong subsidiaries with estimated assessable profits for its annual reporting periods ending on or after April 1, 2018.

The group entities incorporated in USA are subject to the federal corporate tax rate at 35% for the years ended December 31, 2015, 2016 and 2017, and state income tax rate at a range from 4% to 10 % for the years ended December 31, 2015, 2016 and 2017. On December 22, 2017, the 2017 Tax Cuts and Jobs Act was enacted, which reduces the federal corporate tax rate to 21% from 35% and is effective on January 1, 2018. The state income tax rate and federal corporate tax rate remains at a range from 4% to 10 % and 21% as at June 30, 2018, respectively.

The Company and other group entities incorporated in Cayman Islands are not subject to income or capital gains tax under the law of Cayman Islands. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

The group entities established in British Virgin Islands ("BVI") are not subject to income tax or capital gains tax under the law of BVI.

The group entities incorporated in Korea, Netherlands, Germany and United Kingdom are subject to the tax rate at 24%, 25%, 30 % and 21%, respectively during the Track Record Period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% during the Track Record Period unless subject to tax exemption set out below.

Certain subsidiaries operating in the PRC were accredited as "High and New Technology Enterprise" or "Advanced Technology Enterprise" for a period of three or four years, and therefore are entitled to a preferential EIT rate of 15% for the Track Record Period. The qualification as a High and New Technology Enterprise will be subject to review by the relevant tax authority in the PRC for every three years.

The tax charge for the Track Record Period can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax	801,349	1,382,175	1,592,620	961,161	1,425,031
Tax at the applicable tax rate of 25%	200,337	345,544	398,155	240,290	356,258
Tax effect of expenses not deductible for tax purpose	75,516	24,936	76,308	6,156	8,919
Tax effect of income that is exempt from taxation	(6,636)	(4,954)	(9,056)	(12)	(12,750)
(Over) under provision in respect of prior years	(10,098)	(10,556)	1,722	909	(18,771)
Effect of unused tax losses and other deductible temporary differences not recognized as deferred tax assets	14,457	33,840	18,125	1,096	6,852
Utilization of tax losses and other deductible temporary differences previously not recognized as deferred tax assets	(43)	(2,414)	(17,597)	(10,509)	(1,284)
Effect on opening deferred tax assets or liabilities resulting from change in applicable tax rate	(459)	(3,541)	3,528	17,732	—
Effect of different tax rate of subsidiaries operating in other jurisdictions and tax concession	(155,549)	(121,772)	(183,603)	(82,841)	(203,550)
Others	45	119	8,318	6,660	(14,713)
Income tax expenses	117,570	261,202	295,900	179,481	120,961

13. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period has been arrived at after charging:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation for plant and equipment	359,492	364,482	439,896	209,549	275,920
Amortization of other intangible assets	25,886	33,168	34,384	17,990	21,382
Amortization of prepaid lease payments	2,205	1,943	3,400	2,281	1,665
Staff cost (including directors' emoluments):					
- Salaries and other benefits	1,160,000	1,568,755	1,920,725	857,805	1,103,187
- Retirement benefit scheme contributions	160,902	195,175	233,627	105,725	141,364
- Equity-settled share-based payments	320,319	50,687	41,733	23,687	12,001
- Cash-settled share-based payments	4,491	8,058	10,593	3,709	6,220
Less: capitalized in inventories and contract costs	(72,192)	(167,363)	(242,826)	(195,546)	(280,835)
	1,961,103	2,054,905	2,441,532	1,025,200	1,280,904
Auditor's remuneration	2,300	6,680	1,590	1,350	3,070
Minimum operating lease payment in respect of rented premises	121,454	138,885	182,663	85,999	106,090

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the directors and the Chief Executive of the Company for the service provided to the Group during the Track Record Period are as follows:

	Fees	Salaries	Performance related bonuses	Retirement benefit scheme contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31,2015					
Chief Executive and executive director					
Dr. Ge LI	—	2,768	8,499	—	11,267
Executive directors					
Mr. Xiaozhong LIU	—	1,321	1,080	55	2,456
Mr. Zhaohui ZHANG	—	1,189	980	55	2,224
Dr. Ning ZHAO	—	540	274	—	814
Total	**—**	**5,818**	**10,833**	**110**	**16,761**
For the year ended December 31,2016					
Chief Executive and executive director					
Dr. Ge LI	—	17,045	9,869	37	26,951
Executive directors					
Mr. Edward HU (i)	—	1,322	1,155	37	2,514
Mr. Xiaozhong LIU	—	1,323	1,100	77	2,500
Mr. Zhaohui ZHANG	—	1,191	792	77	2,060
Dr. Ning ZHAO	—	540	360	—	900

	Fees	Salaries	Performance related bonuses	Retirement benefit scheme contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-executive directors					
Mr. Xiaomeng TONG (i)	—	—	—	—	—
Dr. Yibing WU (i)	—	—	—	—	—
Mr. Yanling CAO (ii)	—	—	—	—	—
Mr. Bin LI (ii)	—	—	—	—	—
Total	—	21,421	13,276	228	34,925
For the year ended December 31,2017					
Chief Executive and executive director					
Dr. Ge LI	—	7,242	9,869	57	17,168
Executive directors					
Mr. Edward HU (i)	—	2,307	1,155	57	3,519
Mr. Xiaozhong LIU	—	1,983	1,100	84	3,167
Mr. Zhaohui ZHANG	—	1,785	792	84	2,661
Dr. Ning ZHAO	—	1,343	644	—	1,987
Non-executive directors					
Mr. Xiaomeng TONG (i)	—	—	—	—	—
Dr. Yibing WU (i)	—	—	—	—	—
Independent non-executive directors					
Dr. Jiangnan CAI (iii)	200	—	—	—	200
Dr. Hetong LOU (iii)	200	—	—	—	200
Mr. Xiaotong ZHANG (iii)	200	—	—	—	200
Ms. Yan LIU (iv)	200	—	—	—	200
Total	800	14,660	13,560	282	29,302
Six months ended June 30, 2017 (Unaudited)					
Chief Executive and executive director					
Dr. Ge LI	—	3,385	4,934	28	8,347
Executive directors					
Mr. Edward HU (i)	—	989	578	28	1,595
Mr. Xiaozhong LIU	—	881	550	20	1,451
Mr. Zhaohui ZHANG	—	793	396	20	1,209
Dr. Ning ZHAO	—	538	287	—	825
Non-executive directors					
Mr. Xiaomeng TONG (i)	—	—	—	—	—
Dr. Yibing WU (i)	—	—	—	—	—
Independent non-executive directors					
Dr. Jiangnan CAI (iii)	67	—	—	—	67
Dr. Hetong LOU (iii)	67	—	—	—	67
Mr. Xiaotong ZHANG (iii)	67	—	—	—	67
Ms. Yan LIU (iv)	67	—	—	—	67
Total	268	6,586	6,745	96	13,695
Six months ended June 30, 2018					
Chief Executive and executive director					
Dr. Ge LI	—	3,858	4,934	31	8,823
Executive directors					
Mr. Edward HU (i)	—	1,593	664	31	2,288
Mr. Xiaozhong LIU	—	1,103	550	45	1,698
Mr. Zhaohui ZHANG	—	992	396	45	1,433
Dr. Ning ZHAO	—	805	322	—	1,127

	Fees	Salaries	Performance related bonuses	Retirement benefit scheme contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-executive directors					
Mr. Xiaomeng TONG (i)	—	—	—	—	—
Dr. Yibing WU (i)	—	—	—	—	—
Independent non-executive directors					
Dr. Jiangnan CAI (iii)	100	—	—	—	100
Dr. Hetong LOU (iii)	100	—	—	—	100
Mr. Xiaotong ZHANG (iii)	100	—	—	—	100
Ms. Yan LIU (iv)	100	—	—	—	100
Total	400	8,351	6,866	152	15,769

Notes:

(i) Mr. Edward HU, Mr. Xiaomeng TONG and Dr. Yibing WU were appointed as directors of the Company on March 23, 2016.

(ii) Mr. Yanling CAO and Mr. Bin LI were appointed as directors of the Company on March 14, 2016 and were removed from the list of the directors of the Company on February 28, 2017.

(iii) Dr. Jiangnan CAI, Dr. Hetong LOU and Mr. Xiaotong ZHANG were appointed as directors of the Company on March 1, 2017.

(iv) Ms. Yan LIU was appointed as a director of the Company on March 17, 2017.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as the directors of the Company.

Five highest paid individuals' emoluments

The five individuals with the highest emoluments in the Group for the years ended December 31, 2015, 2016, 2017 and six months ended June 30, 2017 (unaudited) and 2018 include three directors disclosed above, details of whose remuneration are set out as above. The emoluments of the remaining two highest paid individuals for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2017 (unaudited) and 2018 respectively were as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits	4,258	2,885	4,716	2,045	2,654
Performance-based bonus	4,841	2,690	2,690	1,345	1,345
Total	9,099	5,575	7,406	3,390	3,999

The emoluments of the five highest paid individuals were within the following bands:

	Number of individuals				
	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
HK$1,500,001 to HK$2,000,000	—	—	—	3	—
HK$2,000,001 to HK$2,500,000	—	—	—	1	2
HK$2,500,001 to HK$3,000,000	—	3	—	—	2
HK$3,000,001 to HK$3,500,000	2	—	—	—	—
HK$3,500,001 to HK$4,000,000	1	1	1	—	—
HK$4,000,001 to HK$4,500,000	1	—	3	—	—
HK$9,000,001 to HK$9,500,000	—	—	—	1	—
HK$10,500,001 to HK$11,000,000	—	—	—	—	1
HK$14,000,001 to HK$14,500,000	1	—	—	—	—
HK$19,500,001 to HK$20,000,000	—	—	1	—	—
HK$31,000,001 to HK$31,500,000	—	1	—	—	—
Total	5	5	5	5	5

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any emoluments during the Track Record Period.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Earnings:					
Earnings for the purpose of calculating basic earnings per share	348,968	974,980	1,227,093	742,444	1,271,898
Effect of share options issued by a subsidiary	(1,460)	(8,025)	(9,539)	(4,894)	(3,828)
Earnings for the purpose of calculating diluted earnings per share	347,508	966,955	1,217,554	737,550	1,268,070
Number of Shares ('000):					
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	900,000	900,525	937,787	937,787	972,328

The computation of basic and diluted earnings per share for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 (unaudited) and 2018 is based on weighted average number of shares assumed to be in issue after taking into account the retrospective adjustment of the Capitalization Issue.

16. DIVIDENDS

During the Track Record Period, certain subsidiaries of the Company, declared and paid cash dividends to their then shareholders or non-controlling shareholders as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Dividends declared and paid by the Company's subsidiaries	326,578	1,137,732	18,834	18,834	19,205

No dividend was paid or declared by the Company during the Track Record Period.

17. INVESTMENTS IN SUBSIDIARIES

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost				
WXAT Shanghai	101,171	1,108,345	1,698,345	1,898,345
WXAT Tianjin	118,928	118,928	324,578	708,699
WXAT Suzhou	141,071	141,071	141,071	479,300
WXAT Wuhan	115,635	115,635	115,635	115,635
MedIShine Discovery, Inc.	3,000	3,000	3,000	3,000
WuXi AppTec Biomedical Investment Management L.P.	161	161	161	161
WuXi AppTec International Holdings Limited ("WXAT International")	—	520,634	520,634	868,123
	479,966	2,007,774	2,803,424	4,073,263

18. PROPERTY, PLANT AND EQUIPMENT

	Building	Machinery	Furniture, fixtures and equipment	Transportation equipment	Others	Leasehold improvement	Construction in progress ("CIP")	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
At January 1, 2015	930,792	738,871	1,063,613	17,801	2,153	278,191	490,245	3,521,666
Additions	28,494	39,980	131,184	1,885	1,274	20,125	742,732	965,674
Transfers	72,082	80,706	100,536	—	56	3,466	(256,846)	—
Transfer to intangible assets	—	—	—	—	—	—	(5,889)	(5,889)
Acquisition of subsidiaries	—	96,067	12,268	804	—	108	—	109,247
Disposal of subsidiaries	—	(107,850)	(31,998)	(218)	—	(112,464)	(34,229)	(286,759)
Disposals	(65,085)	(115,618)	(209,291)	(2,548)	(1,108)	—	—	(393,650)
Effect of foreign currency exchange difference	29	7,838	—	—	—	—	—	7,867
At December 31, 2015	966,312	739,994	1,066,312	17,724	2,375	189,426	936,013	3,918,156

	Building	Machinery	Furniture, fixtures and equipment	Transportation equipment	Others	Leasehold improvement	Construction in progress ("CIP")	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Additions	7	20,451	35,757	849	1,759	28,103	890,627	977,553
Transfers	303,002	97,802	540,731	2,111	114	211,126	(1,154,886)	—
Transfer to intangible assets	—	—	—	—	—	—	(1,957)	(1,957)
Acquisition of subsidiaries	—	2,586	3,574	—	—	6,388	42,423	54,971
Disposals	(37,125)	(14,618)	(84,770)	(601)	(1,241)	—	—	(138,355)
Effect of foreign currency exchange difference	43	20,542	827	—	—	—	—	21,412
At December 31, 2016	1,232,239	866,757	1,562,431	20,083	3,007	435,043	712,220	4,831,780
Additions	246,861	41,042	98,539	1,097	1,891	22,823	1,307,347	1,719,600
Transfers	305,996	75,970	397,815	569	1,342	388,055	(1,169,747)	—
Transfer to intangible assets	—	—	—	—	—	—	(7,825)	(7,825)
Acquisition of a subsidiary	—	39,867	378	785	—	13,253	1,670	55,953
Other additions	50,817	—	—	—	—	—	—	50,817
Other decreases	—	—	—	—	—	(50,817)	—	(50,817)
Disposals	—	(43,169)	(47,339)	(638)	(2,723)	—	—	(93,869)
Effect of foreign currency exchange difference	(29)	(21,812)	(797)	—	(45)	—	—	(22,683)
At December 31, 2017	1,835,884	958,655	2,011,027	21,896	3,472	808,357	843,665	6,482,956
Additions	85	29,835	51,395	469	583	39,071	780,569	902,007
Transfer	110,331	104,966	220,237	600	851	250,000	(686,985)	—
Transfer to intangible assets	—	—	—	—	—	—	(7,462)	(7,462)
Disposals	(28,927)	(874)	(19,147)	(288)	(1,939)	—	—	(51,175)
Effect of foreign currency exchange difference	6	6,031	145	—	881	—	—	7,063
At June 30, 2018	1,917,379	1,098,613	2,263,657	22,677	3,848	1,097,428	929,787	7,333,389
DEPRECIATION								
At January 1, 2015	393,480	292,292	580,722	10,310	938	52,638	—	1,330,380
Provided for the year	97,143	77,704	120,840	2,415	736	60,654	—	359,492
Acquisition of subsidiaries	—	56,060	8,333	345	—	—	—	64,738
Disposal of subsidiaries	—	(13,114)	(8,383)	(111)	—	—	—	(21,608)
Eliminated on disposals	(63,916)	(28,507)	(74,015)	(2,238)	(799)	—	—	(169,475)
Effect of foreign currency exchange difference	11	4,669	—	—	—	—	—	4,680
At December 31, 2015	426,718	389,104	627,497	10,721	875	113,292	—	1,568,207
Provided for the year	78,590	76,391	151,709	2,230	951	54,611	—	364,482
Acquisition of subsidiaries	—	57	1,955	—	—	—	—	2,012
Eliminated on disposals	(19,806)	(9,423)	(35,515)	(541)	(658)	—	—	(65,943)
Effect of foreign currency exchange difference	23	12,041	556	—	—	—	—	12,620
At December 31, 2016	485,525	468,170	746,202	12,410	1,168	167,903	—	1,881,378

	Building	Machinery	Furniture, fixtures and equipment	Transportation equipment	Others	Leasehold improvement	Construction in progress ("CIP")	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provided for the year	98,974	89,291	173,329	2,127	1,278	74,897	—	439,896
Other additions	12,688	—	—	—	—	—	—	12,688
Other decreases	—	—	—	—	—	(12,688)	—	(12,688)
Eliminated on disposals	—	(39,508)	(39,388)	(573)	(771)	—	—	(80,240)
Effect of foreign currency exchange difference	(28)	(12,943)	(547)	—	(28)	—	—	(13,546)
At December 31, 2017	597,159	505,010	879,596	13,964	1,647	230,112	—	2,227,488
Provided for the period.....	46,304	57,474	126,273	1,320	547	44,002	—	275,920
Eliminated on disposals	(27,945)	(752)	(15,691)	(259)	(747)	—	—	(45,394)
Effect of foreign currency exchange difference	6	1,790	179	—	2	—	—	1,977
At June 30, 2018.....	615,524	563,522	990,357	15,025	1,449	274,114	—	2,459,991
Carrying Value								
At December 31, 2015	539,594	350,890	438,815	7,003	1,500	76,134	936,013	2,349,949
At December 31, 2016	746,714	398,587	816,229	7,673	1,839	267,140	712,220	2,950,402
At December 31, 2017	1,238,725	453,645	1,131,431	7,932	1,825	578,245	843,665	4,255,468
At June 30, 2018.....	1,301,855	535,091	1,273,300	7,652	2,399	823,314	929,787	4,873,398

The above items of plant and equipment except for construction in progress are depreciated on a straight-line basis after taking into account of the residual value as follows:

Building	4.5% - 20% per annum
Machinery	9% - 20% per annum
Furniture, fixtures and equipment	14.29% - 20% per annum
Transportation equipment	9% - 20% per annum
Others	40% per annum
Leasehold improvement	over the shorter of the lease term or five years

19. GOODWILL

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At the beginning of year/period	203,200	334,962	381,338	1,055,071
Effect of foreign currency exchange difference.....	9,188	16,873	(14,989)	3,006
Acquisition of subsidiaries (Note 47).....	126,994	29,503	688,722	—
Disposal of a subsidiary (Note 47)	(4,420)	—	—	—
At the end of year/period.....	334,962	381,338	1,055,071	1,058,077
IMPAIRMENT				
At the beginning of year/period	10,308	26,802	55,052	97,033
Effect of foreign currency exchange difference.....	980	1,938	(3,256)	653
Impairment loss recognized in the year or period	15,514	26,312	45,237	—
At the end of year/period.....	26,802	55,052	97,033	97,686
CARRYING VALUES				
At the end of year/period.....	308,160	326,286	958,038	960,391

Particulars regarding impairment assessment on goodwill are disclosed in Note 21.

20. OTHER INTANGIBLE ASSETS

	Trademark	Software	Customer relationship	Patent	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At January 1, 2015	24,303	77,854	—	—	102,157
Additions	—	32,807	—	—	32,807
Acquisition of a subsidiary	—	—	110,431	—	110,431
Transfer from CIP	—	5,889	—	—	5,889
Disposals	—	(2,960)	—	—	(2,960)
Disposal of a subsidiary	—	(2,387)	—	—	(2,387)
Effect of foreign currency exchange difference	889	669	—	—	1,558
At December 31, 2015	25,192	111,872	110,431	—	247,495
Additions	—	24,720	—	—	24,720
Acquisition of subsidiaries	3,146	884	8,450	—	12,480
Transfer from CIP	—	1,957	—	—	1,957
Disposals	—	(8,589)	—	—	(8,589)
Effect of foreign currency exchange difference	1,391	1,559	7,675	—	10,625
At December 31, 2016	29,729	132,403	126,556	—	288,688
Additions	—	10,502	—	—	10,502
Acquisition of a subsidiary	—	—	176,000	61,000	237,000
Transfer from CIP	—	7,825	—	—	7,825
Disposals	—	(17,705)	—	—	(17,705)
Effect of foreign currency exchange difference	(1,746)	(1,911)	(12,360)	—	(16,017)
At December 31, 2017	27,983	131,114	290,196	61,000	510,293
COST					
At January 1, 2018	27,983	131,114	290,196	61,000	510,293
Additions	—	2,128	—	—	2,128
Transfer from CIP	—	7,462	—	—	7,462
Disposals	—	(666)	—	—	(666)
Effect of foreign currency exchange difference	159	514	3,875	—	4,548
At June 30, 2018	28,142	140,552	294,071	61,000	523,765
AMORTIZATION					
At January 1, 2015	2,841	35,922	—	—	38,763
Charge for the year	868	14,895	10,123	—	25,886
Eliminated on disposals	—	(288)	—	—	(288)
Eliminated on disposals of a subsidiary	—	(503)	—	—	(503)
Effect of foreign currency exchange difference	67	90	—	—	157
At December 31, 2015	3,776	50,116	10,123	—	64,015
Charge for the year	465	14,633	18,070	—	33,168
Eliminated on disposals	—	(1,468)	—	—	(1,468)
Effect of foreign currency exchange difference	134	342	704	—	1,180
At December 31, 2016	4,375	63,623	28,897	—	96,895
Charge for the year	897	17,303	11,499	4,685	34,384
Eliminated on disposals	—	(7,947)	—	—	(7,947)
Effect of foreign currency exchange difference	(449)	(593)	(1,406)	—	(2,448)
At December 31, 2017	4,823	72,386	38,990	4,685	120,884

	Trademark	Software	Customer relationship	Patent	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Charge for the year	554	9,778	7,464	3,586	21,382
Eliminated on disposals	—	(535)	—	—	(535)
Effect of foreign currency exchange difference	24	143	383	—	550
At June 30, 2018	5,401	81,772	46,837	8,271	142,281
IMPAIRMENT					
At January 1, 2015	6,881	—	—	—	6,881
Provided for the year	4,402	—	—	—	4,402
Effect of foreign currency exchange difference	462	—	—	—	462
At December 31, 2015	11,745	—	—	—	11,745
Effect of foreign currency exchange difference	816	—	—	—	816
At December 31, 2016	12,561	—	—	—	12,561
Provided for the year	5,969	—	75,108	—	81,077
Effect of foreign currency exchange difference	(743)	—	—	—	(743)
At December 31, 2017	17,787	—	75,108	—	92,895
Effect of foreign currency exchange difference	149	—	—	—	149
At June 30, 2018	17,936	—	75,108	—	93,044
CARRYING VALUES					
At December 31, 2015	9,671	61,756	100,308	—	171,735
At December 31, 2016	12,793	68,780	97,659	—	179,232
At December 31, 2017	5,373	58,728	176,098	56,315	296,514
At June 30, 2018	4,805	58,780	172,126	52,729	288,440

The above intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Items	Periods
Trademark	10-20 years
Software	5 years
Customer relationship	10-15 years
Patent	10 years

21. IMPAIRMENT ASSESSMENT ON GOODWILL

The cash flows generated from each subsidiary acquired are independent from those of the other subsidiaries of the Group. Therefore, each of these acquired subsidiaries is a separate cash-generating unit. Management considered that the synergies arising from each acquisition mainly benefited the corresponding acquired subsidiary. Therefore, for the purposes of impairment assessment, goodwill set out in Note 19 have been allocated to corresponding subsidiaries acquired (six individual cash generating units (CGUs)), comprising Unit A- DMPK/ADME Services (XenoBiotic Laboratories, Inc), Unit B-Lab CRO Services (Abgent Inc), Unit C-SMO Services (Shanghai MedKey Med-Tech Development Co., Ltd), Unit D-Testing Services for Medical Devices (WuXi AppTec, Inc), Unit E- Structure-based Drug Discovery Services (Crelux GmbH) and Unit F-Biology and Preclinical Services (HD Biosciences Co., Ltd.). The carrying amounts of goodwill allocated to these units are as follows:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Unit A	126,994	126,994	81,757	81,757
Unit B	24,673	—	—	—
Unit C	932	932	932	932
Unit D	155,561	166,372	156,531	158,505
Unit E	—	31,988	30,096	30,475
Unit F	—	—	688,722	688,722
	308,160	326,286	958,038	960,391

During the Track Record Period, the Group has recognized impairment loss of RMB15,514,000 and RMB26,312,000 in relation to goodwill in Unit B for the year ended December 31, 2015 and 2016, respectively and impairment loss of RMB45,237,000 in relation to goodwill in Unit A for the year ended December 31, 2017 as the carrying amount of these CGUs were higher than their recoverable amounts at end of respective years.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

	Unit A	Unit B	Unit C	Unit D	Unit E	Unit F
Growth rate	3%	3%	3%	3%-4%	3%	3%
Discount rate (pre-tax)	13%-15%	15%-19%	19%	15%	15%	13%

The recoverable amounts of these units have been determined based on a value in use ("VIU") calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

The management assessed that any reasonably possible change in any of these assumptions may cause the carrying amount of Unit A as at December 31, 2016 and 2017 and June 30, 2018 and carrying amount of Unit B as at December 31, 2015 to exceed their respective recoverable amount but would not cause the carrying amounts of Unit C, D, E and F to exceed their respective recoverable amounts as at each reporting date. The sensitivity

analyses below have been determined based on reasonably possible changes of the relevant assumption occurring at the end of each reporting period, while holding all other assumptions constant:

The amount by which the unit's recoverable amount above (below) its carrying amount

	Base Case				1% decrease in growth rate				1% increase in discount rate (pre-tax)			
	At December 31,			At June 30,	At December 31,			At June 30,	At December 31,			At June 30,
	2015	2016	2017	2018	2015	2016	2017	2018	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unit A.....	57,980	28,819	—	669	36,775	10,206	(8,542)	(7,973)*	25,296	(201)**	(15,066)	(14,603)**
Unit B.....	—	N/A	N/A	N/A	(2,702)	N/A***	N/A***	N/A***	(4,266)	N/A***	N/A***	N/A***
Unit C.....	109,238	317,833	545,029	537,999	104,738	304,335	519,935	512,538	100,961	294,440	506,712	499,432
Unit D.....	498,715	528,810	558,979	813,067	399,342	411,520	452,062	672,033	396,435	403,046	443,064	668,824
Unit E.....	N/A	38,555	16,565	43,516	N/A	31,648	10,889	36,396	N/A	28,960	9,053	33,706
Unit F.....	N/A	N/A	145,589	214,124	N/A	N/A	61,803	123,176	N/A	N/A	29,333	91,006

Notes:

* For Unit A, the applied growth rate must be at or above 2.9% after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for its recoverable amount to be equal to its carrying amount as at June 30, 2018.

** For Unit A, the applied discount rate (pre-tax) must be at or below 16.0% and 15.0% after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for its recoverable amount to be equal to its carrying amount as at December 31, 2016 and June 30, 2018 respectively.

*** Sensitivity analysis is not applicable as the goodwill of Unit B has been fully impaired as at the reporting date.

The management also assessed that if the reasonable possible changes of both growth rate and discount rate occurred at the same time, the recoverable amounts of Unit C, D, E and F would still exceed their respective carrying amounts at the end of each reporting period except that the recoverable amount of Unit F would be below its carrying amount at December 31, 2017.

22. PREPAID LEASE PAYMENTS

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed for reporting purposes as:				
Current assets	1,943	3,400	3,400	4,509
Non-current assets	82,443	129,537	126,138	178,848
	84,386	132,937	129,538	183,357

23. INTERESTS IN ASSOCIATES

	Year ended December 31,			Six months ended June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	11,054	23,788	218,072	251,084
Addition (Note i & Note ii)	39,122	195,617	53,922	185,942
Disposal and transfer	(15,334)	—	—	—
Share of post-acquisition (losses) gains	(11,791)	(13,439)	(21,589)	38,652
Share of post-acquisition other comprehensive income	—	28,211	13,634	—
Transferred to AFS investments (Note iii)	—	(14,196)	—	—
Dividends received	—	(2,326)	—	—
Exchange effect	737	417	(12,955)	15,462
At the end of the year/period	23,788	218,072	251,084	491,140

Notes:

(i) In February 2016, the Group entered into a transfer agreement with WuXi PharmaTech, pursuant to which, WuXi PharmaTech transferred its limited partnership interest in WuXi Healthcare Ventures II L.P. ("Fund II") to the Group at a consideration of USD24,000,000 (equivalent to RMB166,680,000). Fund II is a Cayman Islands Exempted Limited Partnership. The primary purpose of Fund II is to make capital investments, primarily in privately-owned life sciences companies.

According to the limited partnership agreement, the capital contribution by the Group was made in installments. The Group injected USD4,904,000 (equivalent to RMB32,048,000) and USD10,000,000 (equivalent to RMB64,130,000) to the Fund II during the year ended December 31, 2017 and six months ended June 30, 2018, respectively.

(ii) In January 2018, the Group acquired 20% equity interest in Clarity Medical Group Limited at a cash consideration of USD10,000,000 (equivalent to RMB63,294,000). Clarity Medical Group Limited is a limited liability company incorporated under the laws of the Cayman Islands.

(iii) In January 2016, following the capital injection by other shareholders of Adagene Inc ("Adagene "), the equity interest in Adagene held by the Group decreased from 21.57% to 14.90% and the Group lost its significant influence over Adagene, accordingly, the Group reclassified it from interests in associates to AFS investments.

Details of each of the Group's associates at the end of the reporting period are as follow:

Name of entity	Country of incorporation /registration	Proportion of ownership interest held by the Group				Proportion of voting rights held by the Group				Principal activity
		December 31, 2015	December 31, 2016	December 31, 2017	June 30, 2018	December 31, 2015	December 31, 2016	December 31, 2017	June 30, 2018	
Jing Medicine Technology (Shanghai), Ltd.	PRC	—	—	33.33%	33.33%	—	—	33.33%	33.33%	Consulting services in pharmaceutical science and technology
PhageLux Inc.	Cayman	39.46%	35.72%	35.72%	35.07%	39.46%	35.72%	35.72%	35.07%	Research on new antibacterial agents
Fund II (Note i)	Cayman	—	17.31%	17.31%	17.31%	—	17.31%	17.31%	17.31%	Investment platform
PICA Health Technologies Limited	Cayman	—	29.69%	29.69%	34.66%	—	29.69%	29.69%	34.66%	Investment holding company
Adagene	Cayman	21.57%	14.90%	14.90%	11.79%	21.57%	14.90%	14.90%	11.79%	Pharmaceutical R&D
JW Cayman	Cayman	—	—	50%	29.42%	—	—	50%	29.42%	CAR-T cell therapy R&D
Clarity Medical Group Limited	Cayman	—	—	—	20%	—	—	—	20%	Professional ophthalmic services

Note:

(i) The Group is able to exercise significant influence over Fund II because two of five general partners of Fund II are appointed by the Group who manage the funds' day to day investment and disposition activities on behalf of the fund under the Article of Association of Fund II.

No additional disclosure of financial information of associates as there is no individually material associate.

24. INTERESTS IN JOINT VENTURES

	Year ended December 31,			Six months ended June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	5,572	16,862	13,558	131,997
Addition (Note i)	28,866	33,656	150,190	7,000
Transferred to subsidiary (Note 47a)	—	(7,986)	—	—
Share of post-acquisition losses	(17,602)	(29,044)	(27,051)	(8,752)
Exchange effect	26	70	(4,700)	1,395
At the end of the year/period	16,862	13,558	131,997	131,640

Note:

(i) In October 2017, the Group acquired 50% equity interest in Cycle Solutions, Inc. from a third party at a cash consideration of USD17,227,000 (equivalent to RMB113,990,000). Cycle Solutions Inc. is a Texas corporation incorporated under the laws of the USA.

These interests in joint ventures are assessed for impairment loss at the end of each reporting period. No impairment loss was recognized during the Track Record Period for these interests in joint ventures as their present value of the estimated future cash flows discounted at the current market rate of return for similar assets exceed their carrying values.

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Country of incorporation /registration	Proportion of ownership interest held by the Group				Proportion of voting rights held by the Group				Principle activity
		Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Jun 30, 2018	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Jun 30, 2018	
JW Therapeutics (Shanghai) Co, Ltd. (Note ii)	PRC	N/A	50%	50%	N/A	N/A	50%	50%	N/A	CAR-T cell therapy R&D
Cycle Solutions, Inc.	USA	N/A	N/A	50%	50%	N/A	N/A	50%	50%	Medical consulting and monitor service, clinical operation
WuXi MedImmune Biopharmaceutical Co. Limited	Hong Kong	50%	50%	50%	50%	50%	50%	50%	50%	Investment holding company
WuXi Clinical Development Services (Shanghai) Co., Ltd. (Note i)	PRC	51%	100%	100%	100%	50%	100%	100%	100%	Clinical development service
Shanghai Waigaoqiao WuXi AppTec Incubator Management Co., Ltd.	PRC	N/A	N/A	70%	70%	N/A	N/A	50%	50%	Property leasing
JW Cayman	Cayman	N/A	N/A	50%	29.42%	N/A	N/A	50%	29.42%	Investment holding company

Notes:

(i) Details set out in Note 47.

(ii) After a series of restructuring accomplished in April 2018, JW Therapeutics (Shanghai) Co, Ltd ("JW Shanghai") became the subsidiary of JW Cayman and no longer a joint venture of the Group.

No additional disclosure of financial information of joint ventures as there is no individually material joint venture.

25. DEFERRED TAXATION

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is a summary of the deferred tax balances for financial reporting purposes:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	64,758	45,572	244,158	262,036
Deferred tax liabilities	(35,102)	(63,285)	(103,281)	(76,862)
	29,656	(17,713)	140,877	185,174

The following are the major deferred tax assets and liabilities recognized and movements thereon before offsetting during the Track Record Period.

	Deferred tax assets									Deferred tax liabilities			
	Tax losses	Provisions	Share-based payment	Accrual expense	Deferred revenue	Deferred rent	Depreciation difference	Financial liability	Others	Intangible assets arising from acquisition of subsidiaries	Depreciation difference	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015	4,124	4,683	3,429	23,757	5,369	2,968	—	—	11,520	(940)	(23,829)	(5,326)	25,755
Credit (charge) to profit or loss	14,632	(690)	14,252	(9,586)	13,067	880	—	—	5,684	5,194	339	4,936	48,708
Charge to OCI	—	—	—	—	—	—	—	—	(1,642)	—	—	—	(1,642)
Acquisitions/disposals of subsidiaries	2,466	(44)	125	259	(447)	—	—	—	—	(38,797)	(5,611)	—	(42,049)
Exchange differences	513	53	560	315	—	152	—	—	493	(1,526)	(1,588)	(88)	(1,116)
At December 31, 2015	21,735	4,002	18,366	14,745	17,989	4,000	—	—	16,055	(36,069)	(30,689)	(478)	29,656
(Charge) credit to profit or loss	(11,239)	2,499	5,717	(2,342)	5,140	2,502	—	—	11	4,526	(53,394)	249	(46,331)
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	—	(3,015)	—	—	(3,015)
Exchange differences	621	97	1,241	555	—	375	—	—	1,467	736	(3,097)	(18)	1,977
At December 31, 2016	11,117	6,598	25,324	12,958	23,129	6,877	—	—	17,533	(33,822)	(87,180)	(247)	(17,713)
Credit (charge) to profit or loss	17,217	(1,037)	(16,292)	4,703	961	750	—	—	(6,027)	30,914	(15,925)	(44)	15,220
Effect of intragroup transaction	—	—	—	—	—	—	173,531	—	—	—	—	—	173,531
Acquisitions of subsidiaries	—	440	1,912	681	—	—	—	—	—	(35,550)	—	—	(32,517)
Exchange differences	(1,071)	(144)	(868)	(642)	—	(389)	—	—	(705)	1,434	4,726	15	2,356
At December 31, 2017	27,263	5,857	10,076	17,700	24,090	7,238	173,531	—	10,801	(37,024)	(98,379)	(276)	140,877
Credit (charge) to profit or loss	22,133	(1,207)	(822)	(3,715)	(236)	1,936	23	8,255	(1,732)	1,447	(2,145)	(279)	23,658
Credit to OCI	—	—	—	—	—	—	—	12,100	—	—	—	—	12,100
Effect of intragroup transaction	—	—	—	—	—	—	7,956	—	—	—	—	—	7,956
Exchange differences	1,053	13	95	82	—	143	—	497	67	—	(1,354)	(13)	583
At June 30, 2018	50,449	4,663	9,349	14,067	23,854	9,317	181,510	20,852	9,136	(35,577)	(101,878)	(568)	185,174

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the Group had unused tax losses of RMB145,050,000, RMB276,961,000, RMB342,684,000 and RMB464,172,000, respectively, available to offset against future profits. As at December 31, 2015, 2016 and 2017 and June 30, 2018, unused tax loss of RMB81,343,000, RMB33,401,000, RMB116,434,000 and RMB217,480,000 had been recognized in deferred tax assets, while RMB63,707,000, RMB243,560,000, RMB226,250,000 and RMB246,692,000 had not been recognized due to the unpredictability of future profit streams.

Apart from unused tax losses as mentioned above, on December 31, 2015, 2016 and 2017 and June 30, 2018, the Group had other deductible temporary differences of RMB305,460,000, RMB331,927,000, RMB1,088,681,000 and RMB1,210,948,000 relation to provisions, accrued liabilities, depreciation or amortization differences. As at December 31, 2015, 2016 and 2017 and June 30, 2018, deductible temporary differences of RMB296,635,000, RMB331,193,000, RMB1,087,964,000 and RMB1,210,231,000 had been recognized in deferred tax assets, while RMB8,825,000, RMB734,000, RMB717,000 and RMB717,000 had not been recognized as it not probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Balances of deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized due to the unpredictability of future profits stream are as follows:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Provisions	6,752	34	47	47
Accrual expense	—	—	188	188
Deferred revenue	700	700	482	482
Inventory	1,373	—	—	—
Tax losses	63,707	243,560	226,250	246,692
	72,532	244,294	226,967	247,409

The Group had unrecognized tax losses of RMB63,707,000, RMB243,560,000, RMB226,250,000 and RMB246,692,000 as at December 31, 2015, 2016 and 2017 and June 30, 2018, respectively. These tax losses will be carried forward and expire in years as follows:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
2016	2,345	—	—	—
2017	8,212	15,669	—	—
2018	11,005	39,024	31,982	31,982
2019	15,089	40,757	40,663	40,663
2020	27,056	21,487	20,223	20,223
2021	—	78,957	9,625	13,404
2022	—	—	42,954	40,310
2023 and later	—	39,038	66,201	83,693
No expiry date	—	8,628	14,602	16,417
	63,707	243,560	226,250	246,692

At the end of each of the reporting period, no deferred tax liability has been recognized in respect of the temporary differences associated with undistributed earnings of oversea subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as at December 31, 2015 as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

26. AVAILABLE-FOR-SALE INVESTMENTS

	At December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Equity Securities listed in USA, at fair value	26,221	75,829	29,080
Unlisted equity securities, at cost	185,359	431,751	456,144
Unlisted fund investment, at fair value	66,459	107,206	198,181
	278,039	614,786	683,405

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC, USA, Cayman and others, comprising private pharmaceutical industry investment fund and pharmaceutical R&D corporations. The Group does not have significant influence on the equity investees.

On January 1, 2018, the Group adopted IFRS 9 "Financial Instruments", thus the above investments held by the Group were subsequently measured at FVTPL which are included in Note 33. The fair value of above equity investments on January 1, 2018 amounted to RMB874, 585,000.

27. OTHER NON-CURRENT ASSETS

Group

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Rental deposits	22,307	26,754	28,203	29,258
Prepaid expenses (non-current)	84	532	579	610
Issue cost	—	—	10,926	—
Others	9,593	9,046	11,166	12,822
	31,984	36,332	50,874	42,690

Company

Issue cost	—	—	10,926	—

28. DEPOSITS FOR ACQUISITION

On October 17, 2017, WuXi AppTec UK Ltd., a subsidiary of the Company and First Shanghai Company, LLC entered into an agreement to acquire 50% equity interest of WuXi Clinical Development, Inc. (formally known as Cycle Solutions, Inc.) for a cash consideration of USD17,227,000 (equivalent to RMB113,990,000) as set out in Note 24 and placed a deposit of USD17,227,000 (equivalent to RMB113,990,000).

29. INVENTORIES

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Raw material and consumables	94,894	179,520	194,103	205,224
Work in progress	66,320	171,399	234,250	246,797
Finished goods	47,197	93,668	221,462	320,084
	208,411	444,587	649,815	772,105

The inventories are net of a write-down of approximately RMB12,511,000, RMB11,909,000, RMB11,002,000 and RMB9,528,000 on December 31, 2015, 2016, 2017 and June 30, 2018, respectively.

30. CONTRACT COSTS

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Costs to fulfill contracts	43,737	66,684	77,123	68,603

31. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At each of the end of the reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of the financial position.

In order to minimize credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The aggregate gross carrying amounts of the Group's trade receivables, contract assets and amounts due from related parties of trade nature as at December 31, 2015, 2016, 2017 and June 30, 2018 are RMB1,478,555,000, RMB1,395,077,000, RMB1,615,722,000 and RMB1,917,587,000 respectively.

For trade receivables, contract assets and amounts due from related parties of trade nature, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix and categorizes its customers into three types: strategic type customers, normal risk type customers, and high risk type customers, based on the reputation, external credit rating, financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The following table details the risk profile of trade receivables, contract assets and amounts due from related parties of trade nature:

High risk type customers

At January 1, 2018	Within 180 days	181 days- 1 year	1-2 years	Over 2 years	Total
Expected credit loss rate	N/A	100.00%	N/A	100.00%	100.00%
Gross carrying amount (RMB'000)	—	1	—	497	498
Lifetime ECL (RMB'000)	—	(1)	—	(497)	(498)
	—	—	—	—	—

At June 30, 2018	Within 180 days	181 days- 1 year	1-2 years	Over 2 years	Total
Expected credit loss rate	N/A	N/A	N/A	N/A	N/A
Gross carrying amount (RMB'000)	—	—	—	—	—
Lifetime ECL (RMB'000)	—	—	—	—	—
	—	—	—	—	—

Strategic type customers

At January 1, 2018	Within 180 days	181 days- 1 year	1-2 years	Over 2 years	Total
Expected credit loss rate	0.25%	0.53%	1.22%	1.22%	0.27%
Gross carrying amount (RMB'000)	1,024,749	8,883	5,320	5,962	1,044,914
Lifetime ECL (RMB'000)	(2,610)	(47)	(65)	(73)	(2,795)
	1,022,139	8,836	5,255	5,889	1,042,119

At June 30, 2018	Within 180 days	181 days- 1 year	1-2 years	Over 2 years	Total
Expected credit loss rate	0.31%	0.81%	0.87%	1.49%	0.31%
Gross carrying amount (RMB'000)	1,493,742	10,526	459	3,079	1,507,806
Lifetime ECL (RMB'000)	(4,581)	(85)	(4)	(46)	(4,716)
	1,489,161	10,441	455	3,033	1,503,090

Normal risk type customers

At January 1, 2018	Within 180 days	181 days- 1 year	1-2 years	Over 2 years	Total
Expected credit loss rate	3.17%	3.77%	4.81%	4.81%	3.18%
Gross carrying amount (RMB'000)	563,793	1,563	2,847	2,163	570,366
Lifetime ECL (RMB'000)	(17,856)	(59)	(137)	(104)	(18,156)
	545,937	1,504	2,710	2,059	552,210

At June 30, 2018	Within 180 days	181 days-1 year	1-2 years	Over 2 years	Total
Expected credit loss rate	3.32%	3.16%	4.13%	4.12%	3.34%
Gross carrying amount (RMB'000).....	383,007	13,406	5,717	7,650	409,780
Lifetime ECL (RMB'000).....	(12,730)	(424)	(236)	(315)	(13,705)
	370,277	12,982	5,481	7,335	396,075

The Group's current credit risk grading framework in respect of financial assets at amortized cost other than trade receivables and amounts due from related parties of trade nature comprises the following categories:

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-months ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL-not credit-impaired
In default	Amount is >90 days past due or there is evidence including the asset is credit-impaired	Lifetime ECL-credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

For the purposes of impairment assessment, other receivables and amounts due from related parties of non-trade nature are considered to have low credit risk as the counterparties to these financial assets are mainly related parties and other parties with good reputation. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-months ECL. In determining the ECL for other receivables and amounts due from related parties of non-trade nature, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the 12-months ECL allowance is insignificant at the end of each reporting period.

Note 46 details the Group's credit risk management policies.

32. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS

32.1 TRADE AND OTHER RECEIVABLES

	At January 1,	At December 31,			At June 30,
	2015	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables					
- third parties	926,451	1,084,064	1,182,206	1,423,194	1,644,197
Allowance for impairment	(10,781)	(15,917)	(20,910)	(18,890)	(18,342)
	915,670	1,068,147	1,161,296	1,404,304	1,625,855
Other receivables					
- disposal of available-for-sale investment		24,576	26,284	—	—
Allowance for impairment		(1,716)	(7)	—	—
		22,860	26,277	—	—
Note receivables		8,829	5,796	325	—
Prepayments		22,735	39,033	51,923	62,163
Interest receivables		4,133	1,109	—	—
Prepaid expenses		35,083	23,198	22,015	28,224
Value added tax recoverable		70,775	75,119	265,662	293,968
Rental deposits		8,050	5,073	8,578	16,651
		149,605	149,328	348,503	401,006
Total trade and other receivables		1,240,612	1,336,901	1,752,807	2,026,861

The Group allows a credit period ranging from 30 to 90 days to its customers. The following is an aging analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice dates, at the end of each reporting period:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 180 days	1,058,695	1,151,482	1,389,408	1,604,118
181 days to 1 year	6,132	6,129	10,648	18,892
1 year to 2 years	3,320	3,685	4,067	2,845
More than 2 years	—	—	181	—
	1,068,147	1,161,296	1,404,304	1,625,855

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivable from the date on which the credit was initially granted up to the reporting date. The credit quality of the trade receivables that are neither past due nor impaired had not changed during the Track Record Period.

Aging of trade receivables which are past due but not impaired

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
181 to 1 year	6,132	6,129	10,648	18,892
1 year to 2 years	3,320	3,685	4,067	2,845
More than 2 years	—	—	181	—
	9,452	9,814	14,896	21,737

Movement of allowance for doubtful debts on trade receivables before adoption of IFRS 9 on January 1, 2018

	At December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Opening balance	(10,781)	(15,917)	(20,910)
Provided	(7,114)	(7,595)	(14,123)
Reversed	2,235	3,424	5,970
Write off	212	—	9,375
Exchange adjustment	(469)	(822)	798
Closing balance	(15,917)	(20,910)	(18,890)

Included in the allowance for doubtful debts are individually impaired trade receivables.

The Group determines the allowance for impaired debts based on the evaluation of collectability and aging analysis of the receivables and on management's judgment including the assessment of change in credit quality and the past collection history of each customer.

32.2 CONTRACT ASSETS

	At January 1,	At December 31,			At June 30,
	2015	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	88,583	112,171	136,291	185,676	262,447

The contract assets primarily relate to the Group's right to consideration for work completed and not billed. The contract assets are transferred to trade receivables when the rights become unconditional.

32.3 Movement in ECL

Movement in lifetime ECL that has been recognized for trade receivables and contract assets in accordance with the simplified approach set out in IFRS 9 for the 6 months ended June 30, 2018.

	Trade Receivables	Contract Assets	Total
	RMB'000	RMB'000	RMB'000
At December 31, 2017 under IAS 39	(18,890)	—	(18,890)
Adjustment upon application of IFRS 9	(2,503)	(56)	(2,559)
At January 1, 2018- restated	(21,393)	(56)	(21,449)
Provided	(35)	(23)	(58)
Write off	3,238	—	3,238
Exchange adjustment	(152)	—	(152)
At June 30, 2018	(18,342)	(79)	(18,421)

33. FINANCIAL ASSETS AT FVTPL

The Group

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Monetary fund investments	290,843	412,166	14,739	1,444,423
Financial products (Note i)	—	320,416	—	—
Equity securities listed in USA	—	22,021	—	—
Structured deposits (Note ii)	—	—	—	1,426,776
	290,843	754,603	14,739	2,871,199
Non-current assets				
Equity securities listed in USA (Note iii)	—	—	—	354,862
Unlisted equity investments (Note iii)	—	—	—	818,173
Unlisted fund investments (Note iii, iv)	—	—	—	223,090
	—	—	—	1,396,125

The Company

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Structured deposits (Note ii)	—	—	—	873,042

Notes:

(i) The Group entered into contracts in respect of financial products from banks or other financial institutions with an expected but not guaranteed rates of return ranging from 4.05 % to 4.60% per annum for the year ended December 31, 2016. The Group managed and evaluated the performance of the investments on a fair value basis, in accordance with the Group's risk management and investment strategy and thus designated at FVTPL as at December 31, 2016.

(ii) Upon the adoption of IFRS 9 "Financial Instruments" on January 1, 2018, the structured deposits recorded as loans and receivables before January 1, 2018 were subsequently mandatorily measured at FVTPL.

(iii) Upon the adoption of IFRS 9 "Financial Instruments" on January 1, 2018, the equity investments recorded as "available-for-sale financial assets" before January 1, 2018 were subsequently classified to financial assets at FVTPL.

(iv) The fair values of the unlisted investment funds are based on the net asset values of the investment funds reported to the limited partners by the general partners at the end of the reporting period.

34. STRUCTURED DEPOSITS

The Group entered into series of structured contracts with banks and other financial institutions in the PRC. The investments are principal-protected yield enhancement deposits and contain embedded derivatives, which represents the returns varying with the underlying investment portfolio of the structured deposits and comprises primarily of debt instrument products including bonds. The expected rates of return ranged from 2.4 % to 5.6%, 2.6 % to 4.81%, 4.3 % to 4.35%, 1% to 4.95%, and 1% to 4.95%, per annum for the years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2018 respectively which was determined by reference to the returns of the underlying investments. The management considered the amount paid for the structured deposit approximates its fair value at the end of the reporting period and the fair value of the embedded derivative in the structured deposit as of the same date was insignificant.

On January 1, 2018, the Group adopted IFRS 9 "Financial Instruments", thus the structured deposits held by the Group were subsequently measured at FVTPL which are included in Note 33. The fair value of above structured contracts on January 1, 2018 amounted to RMB297,687,000.

35. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

At the end of each reporting period, cash and cash equivalents of the Group and the Company comprised of cash and short term bank deposits with an original maturity of three months or less. The short term bank deposits carry interest at market rates which ranged from 0.05% to 1.76%, 0.05% to 1.76%, 0.05% to 2.19% and 0.05% to 2.81%, per annum as at December 31, 2015, 2016 and 2017 and June 30, 2018, respectively.

Pledged bank deposits represent deposits pledged to banks to issue letter of credit and secure note payable in connection with the purchase of raw materials and plant and equipment by the Group. The pledged bank deposits will be released upon the repayment of relevant note payables.

36. ASSETS CLASSIFIED AS HELD FOR SALE

On December 1, 2014, WXAT Shanghai entered into an agreement with Research Pharmaceutical Service China, Inc. ("RPS China") to purchase 51% equity interests of RPS (Beijing) Inc. ("RPS Beijing"), at a consideration of USD2,040,000 (equivalent to RMB13,247,000). The share transfer was completed on July 21, 2015.

On December 4, 2015, due to the change of strategy of both sides, WXAT Shanghai entered into an agreement with RPS China to sell 51% equity interest of RPS Beijing back to RPS China, with a price of USD2,040,000 (equivalent to RMB13,247,000). The investment on RPS Beijing was classified as held for sales at the year end of 2015 and the share transfer was subsequently completed on June 27, 2016.

37. DERIVATIVE FINANCIAL INSTRUMENTS

	At June 30, 2018 RMB'000
Current liabilities	
Derivatives under hedge accounting	
Cash flow hedges — Foreign currency forward contracts	70,483
Other derivatives (not under hedge accounting)	
Foreign currency forward contracts	51,991
Non-Current liabilities	
Derivatives under hedge accounting	
Cash flow hedges — Foreign currency forward contracts	8,552

Derivatives under hedge accounting

It is the policy of the Group to enter into forward foreign exchange contracts to manage its foreign exchange rate risk arising from anticipated future foreign currency transactions up to 18 months, in particular, the exchange rate between USD and RMB, which are designated into cash flow hedges.

	Average strike rate as at June 30, 2018	Foreign currency as at June 30, 2018	Notional value as at June 30, 2018	Fair value liabilities as at June 30, 2018
		USD'000	RMB'000	RMB'000
Sell USD				
Less than 3 months	6.41	36,000	230,760	8,130
3 to 6 months	6.46	105,000	677,779	21,537
7 to 12 months	6.48	197,500	1,279,290	40,816
13 to 18 months	6.53	47,500	310,350	8,552

As at June 30, 2018, the aggregate amount of losses after tax under foreign exchange forward contracts recognized in other comprehensive income and accumulated in the cash flow hedging reserve relating to the exposure on anticipated future sales transactions denominated in USD is RMB42,642,000. It is anticipated that the sales will take place within next 18 months at which time the amount deferred in equity will be reclassified to profit or loss.

As at June 30, 2018, the aggregate amount of losses after tax under foreign exchange forward contracts recognized in other comprehensive income and accumulated in the cash flow hedging reserve relating to the exposure on anticipated future purchase transactions denominated in RMB of the subsidiary operating in HK is RMB23,242,000. It is anticipated that the purchases will take place in next 12 months at which time the amount deferred in equity will be included in the carrying amount of the raw materials. It is anticipated that the raw materials will be converted into inventories and sold soon after purchase, at which time the amount deferred in equity will be reclassified to profit or loss.

As at June 30, 2018, no ineffectiveness has been recognized in profit or loss.

Other derivatives (not under hedge accounting)

The Group entered into several foreign exchange forward contracts with banks in order to manage the Group's foreign currency exposure in relation to USD against RMB and did not elect to adopt hedge accounting for those contracts. The major terms of these contracts as at June 30, 2018 presented in the Historical Financial Information are as follows:

Outstanding contracts	Average strike rate as at June 30, 2018	Foreign currency as at June 30, 2018	Notional value as at June 30, 2018	Fair value liabilities as at June 30, 2018
		USD' 000	RMB'000	RMB'000
Sell USD				
Less than 3 months	6.46	111,000	718,089	20,739
3 to 6 months	6.46	111,000	718,089	20,739
7 to 12 months	6.43	45,000	289,287	10,513

For six months ended June 30, 2018, losses under forward foreign exchange contracts of RMB51,991,000 was recognized in other gains and losses.

38. TRADE AND OTHER PAYABLES

The Group

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	215,816	307,198	333,238	374,374
Salary and bonus payables	228,359	361,467	442,391	264,802
Payables for acquisition of plant and equipment	237,979	281,633	388,689	551,080
Payables for acquisition of a property (Note 42)	—	—	16,977	229,361
Payable for acquisition of subsidiaries and joint venture	—	20,000	177,129	20,000
Accrued expenses	106,049	151,902	141,209	144,918
Other taxes payable (Note)	111,576	472,011	88,301	25,034
Interest payable	—	—	2,395	4,513
Note payable	3,250	3,453	—	8,967
Others	54,853	55,772	74,104	47,191
	957,882	1,653,436	1,664,433	1,670,240

Payment terms with suppliers are mainly on credit within 90 days from the time when the goods are received from the suppliers. The following is an age analysis of trade payables presented based on invoice date at the end of each reporting period:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	213,473	302,810	328,715	368,535
1 year to 2 years	1,296	2,543	2,082	2,435
2 years to 3 years	500	1,140	1,879	1,994
More than 3 years	547	705	562	1,410
	215,816	307,198	333,238	374,374

The Company

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Other taxes payables (Note)	10	427,085	1,028	1,350
Accrued expenses	3,247	5,776	5,965	12,783
Salary and bonus payables	37	4	8,964	87
	3,294	432,865	15,957	14,220

Note: As of December 31, 2016, the Group accrued withholding taxes of RMB426,622,000 related to the acquisition of equity interest from non- controlling shareholders as detailed at Note 55.3.

39. BORROWINGS

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed as:				
Secured (Note i)	72,000	80,617	300,000	495,000
Unsecured	100,000	408,768	1,318,189	1,261,660
	172,000	489,385	1,618,189	1,756,660

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed as:				
Fixed interest rate	100,000	200,000	900,000	200,000
Variable interest rate	72,000	289,385	718,189	1,556,660
	172,000	489,385	1,618,189	1,756,660

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed as:				
Current	172,000	489,385	1,318,189	1,291,660
Non-current	—	—	300,000	465,000
	172,000	489,385	1,618,189	1,756,660

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed as:				
Borrowings from banks	172,000	489,385	1,618,189	1,741,660
Borrowings from other entities (Note ii)	—	—	—	15,000
	172,000	489,385	1,618,189	1,756,660

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
The carrying amounts of the above borrowings are repayable:				
Within one year	172,000	489,385	1,318,189	1,291,660
Within a period of more than one year, but not exceeding two years	—	—	60,000	60,000
Within a period of more than two years but not exceeding five years	—	—	240,000	345,000
Within a period of more than five years	—	—	—	60,000
	172,000	489,385	1,618,189	1,756,660
Less: Amounts due within one year shown under current liabilities	172,000	489,385	1,318,189	1,291,660
Amounts shown under non-current liabilities	—	—	300,000	465,000

The ranges of effective interest rates on the Group's fixed and variable-rate borrowings are as follows:

	At December 31,			At June 30,
	2015	2016	2017	2018
	%	%	%	%
Effective interest rate:				
Fixed rate borrowings	4.14	4.13	3.70 to 4.35	4.13 to 4.35
Variable rate borrowings	3.78	3.40 to 3.70	4.10 to 4.90	3.58 to 4.90

Notes:

(i) As of December 31, 2015 and 2016, trade receivables of RMB80,229,000 and RMB92,760,000 respectively were pledged to secure certain borrowings of RMB72,000,000 and RMB80,617,000 respectively .

As of December 31, 2017, 100% equity interests held by the Group in WuXi AppTec HDB LLC and Biosciences Co., Ltd were pledged to secure a borrowing of RMB300,000,000.

As of June 30, 2018, 100% equity interests in WuXi AppTec HDB LLC and Biosciences Co., Ltd and 65% equity interests in WuXi Clinical Development Services (Chengdu) Co., Ltd. ("Chengdu Clinical") held by the Group were pledged to secure borrowings of RMB480,000,000 and RMB15,000,000 respectively.

(ii) As of June 30, 2018, the Group entered into an entrusted loan agreement with Chengdu Jiulian Investment Co., Ltd. (a non-controlling shareholder who owned 35% equity interest in Chengdu Clinical). The loan was extended to Chengdu Clinical for a term of three years with an interest rate equivalent to 130% of the bank loan benchmark interest rate per annum.

40. CONTRACT LIABILITIES

	At January 1,	At December 31,			At June 30,
	2015	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts received in advance for delivery of services	163,262	232,687	395,721	604,132	610,309

41. DEFERRED INCOME

The Group

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants related to property, plant and equipment (Note a)	181,760	196,572	364,311	352,541
Other subsidies (Note b)	15,029	14,145	13,245	14,338
	196,789	210,717	377,556	366,879

The Company

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Other subsidies (Note b)	1,200	—	—	—
	1,200	—	—	—

Notes:

(a) The Group received government grants for capital expenditure incurred for the acquisition of plant and machines. The amounts are deferred and amortized over the estimated useful lives of the respective assets.

(b) Other subsidies are generally provided in relation to the research and development activities of the Group.

42. OTHER LONG-TERM LIABILITIES

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Payable for acquisition of a property (Note i)	—	—	234,808	—
Deferred rent	12,332	19,731	11,083	39,577
Deferred lease credit	15,816	21,627	13,788	12,135
Long-term tax payable (Note ii)	—	—	168,487	126,366
Others	4,092	11,573	14,010	15,805
	32,240	**52,931**	**442,176**	**193,883**

Notes:

(i) On June 16, 2017, the Group acquired a property at a consideration of RMB282,654,000 which will be paid in two years after the signing of contract. The payables are measured at amortized cost with imputed interest of 4.75% per annum.

(ii) STA, a subsidiary of the Group, issued ordinary shares to WXAT Shanghai to purchase all assets and liabilities of Pharmaceutical development services division ("PDS") department of WXAT Shanghai in July 2017. The gain of RMB1,404,062,000 from the intra group transaction was taxable and the payment can be made in 5-year installment according to the relevant tax regulations.

43. SHARE CAPITAL

	RMB'000
Ordinary shares of RMB1.00 each	
At January 1, 2015, December 31, 2015 and January 1, 2016	155,029
Capitalization issue	744,971
Issue of ordinary shares	37,787
At December 31, 2016 and 2017	937,787
Issue of ordinary shares upon listing on Shanghai Stock Exchange	104,199
At June 30, 2018	1,041,986

44. RESERVES OF THE COMPANY

	Share Premium	Statutory reserve	Other reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015	—	77,784	—	288,243	366,027
Profit and total comprehensive income for the year	—	—	—	3,189	3,189
At December 31, 2015	—	77,784	—	291,432	369,216
Profit and total comprehensive income for the year	—	—	—	1,222,815	1,222,815
Statutory reserve and retained earnings transferred to share capital and share premium	861,321	(77,784)	—	(1,528,508)	(744,971)
Issue of ordinary shares	1,450,393	—	—	—	1,450,393
Others	—	—	(8)	—	(8)
At December 31, 2016	2,311,714	—	(8)	(14,261)	2,297,445
Profit and total comprehensive income for the year	—	—	—	212,963	212,963
Transferred to statutory reserve (Note)	—	21,296	—	(21,296)	—
Retained earnings transferred to share premium in relation to conversion into a joint stock limited company	282	—	—	(282)	—
At December 31, 2017	2,311,996	21,296	(8)	177,124	2,510,408
Profit and total comprehensive income for the period	—	—	—	425	425
Issue of ordinary shares	2,146,490	—	—	—	2,146,490
Transaction costs attribute to issue of new shares	(120,403)	—	—	—	(120,403)
At June 30, 2018	4,338,083	21,296	(8)	177,549	4,536,920

Note: In accordance with the Articles of Association of the Company, it is required to transfer 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the Company.

45. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of debts, which includes borrowings and non-trade nature amounts due to related parties, net of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends and new shares issues as well as the issue of new debts and redemption of existing debts.

46. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	5,553,434	4,528,925	4,191,270	—
Available-for-sale investments	278,039	614,786	683,405	—
Financial assets at FVTPL	290,843	754,603	14,739	4,267,324
Financial assets at amortized cost	—	—	—	3,039,065
	6,122,316	5,898,314	4,889,414	7,306,389
Financial liabilities				
Financial liabilities measured at amortized cost	2,158,672	2,667,001	3,594,010	3,829,497
Derivative financial instruments	—	—	—	131,026
	2,158,672	2,667,001	3,594,010	3,960,523

The Company

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	111,780	2,230,123	1,256,396	—
Financial assets at amortized cost	—	—	—	2,103,816
Financial liabilities				
Amortized cost	65,408	569,984	592,834	597,663

Financial risk management objectives and policies

The Group's major financial assets and liabilities include financial assets at FVTPL, available-for-sale investments, trade and other receivables, amount due from related parties, structured deposits, pledged bank deposits, bank balances and cash, trade and other payables, amount due to related parties, derivative financial instruments, and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's and the Company's activities expose it primarily to currency risk, interest rate risk and other price risk. There has been no change in the Group's and the Company's exposure to these risks or the manner in which it managed and measured the risks during the Track Record Period.

Currency risk

It is the policy of the Group to enter into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions up to 18 months (see Note 37 for detail).

The carrying amounts of the Group's foreign currency denominated monetary assets (trade and other receivables, bank balances and cash, pledged bank deposits and amount due from related parties) and liabilities (trade and other payables, borrowings and amount due to related parties) at the end of each reporting period are summarized as follows:

The Group

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
USD	1,555,175	372,915	1,026,835	429,802
Liabilities				
USD	329,105	607,841	627,359	588,375
Inter-company balances				
USD	186,130	1,107,746	1,044,344	1,483,673

The Company

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
USD	3,171	3,302	3,109	3,149
Liabilities				
USD	—	555,384	574,030	578,622

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against USD, the foreign currency with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A negative/positive number below indicates a decrease/increase in profit where RMB strengthens 5% against USD. For a 5% weakening of RMB against USD, there would be an equal and opposite impact on profit.

The Group

	Year ended December 31,			Six months ended June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Impact on profit or loss before tax				
USD	70,610	43,641	72,191	66,255

Forward foreign exchange contracts

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year/period end exposure does not reflect the exposure during the year/period.

In addition, the Group has adopted hedge accounting for certain foreign exchange forward contracts and applied hedge accounting for those contracts as set out in Note 37 since January 1, 2018. As at June 30, 2018, the Group has assessed the hedge effectiveness and concluded that all the hedge contracts are highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk and therefore there is no effect on profit or loss as the fair value change of the hedging instruments is recorded in other comprehensive income for the six months ended June 30, 2018. For certain foreign exchange forward contracts that the Group has elected not to adopt hedge accounting. As at June 30, 2018, the fair value of those hedging instruments are amounted to RMB51,991,000. The Group has assessed that the exposure of 5% foreign exchange rate changes on those hedging instruments not under hedge accounting is immaterial.

Interest rate risk

The Group and the Company exposed to cash flow interest rate risk in relation to variable rate bank balances and borrowings. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise. The variable rate borrowings are RMB72,000,000, RMB289,385,000, RMB718,189,000 and RMB1,156,660,000 at the year ended December 31, 2015, 2016, 2017 and six months ended June 30, 2018, respectively.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

If the interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax would decrease/increase by RMB117,000, RMB1,100,000, RMB3,256,000 and

RMB2,661,000 for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, respectively. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

Other price risk

The Group and the Company are also exposed to equity price risk arising from available-for-sale investments and financial assets at FVTPL.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date for available-for-sale investments and financial assets at FVTPL.

If the prices of the respective equity instruments had been changed based on the 5% higher/lower:

- Post-tax profit for the year ended December 31, 2015, 2016, 2017 and six month ended June 30, 2018 would increase/decrease by RMB14,542,000, RMB37,730,000, RMB737,000, and RMB142,027,000, as a result of the changes in fair value of financial assets at FVTPL.

- Post-tax profit for the six month ended June 30, 2018 would increase and decrease by RMB 2,600,000 as a result of the changes in fair value of financial liabilities at FVTPL.

- Other comprehensive income for the year ended December 31, 2015, 2016, 2017 would increase/ decrease by RMB 3,323,000, RMB 5,360,000, RMB9,909,000 as a result of the changes in fair value of available-for-sale shares.

Credit risk

At December 31, 2015, 2016 and 2017 and June 30, 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position.

Note 31 details the Group's maximum exposure to credit risk and the measurement bases used to determine expected credit losses since January 1, 2018.

Credit terms are granted to customers who are in good credit reputation. In order to minimize the credit risk, the Group reviews the recoverable amount of each individual trade debt periodically and the management also has monitoring procedures to ensure the follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At December 31, 2015, 2016 and 2017 and June 30, 2018, the Group had concentration of credit risk as 7.08%, 9.06%, 8.16%, and 6.05%, of the total gross trade receivables (including those contract assets and amounts due from related parties of trade nature) was due from the Group's largest customer at December 31, 2015, 2016 and 2017 and June 30, 2018, respectively, and 23.66%, 26.70%, 25.44%, and 23.00%, of the total gross trade receivables (including those contract assets and amounts due from related parties of trade nature) was due from the five largest customers as at December 31, 2015, 2016 and 2017 and June 30, 2018, respectively.

The Group expects that there is no significant credit risk associated with pledged bank deposits and cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group also expects that there is no significant credit risk associated with amounts due from related parties and other receivables since counterparties are mainly related parties and other parties with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents and unused banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity and interest risk tables

The Group

	Weighted average interest rate	On demand or less than one year	One to five years	Over five years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2015						
Trade and other payables	N/A	457,045	—	—	457,045	457,045
Amounts due to related parties	N/A	1,529,627	—	—	1,529,627	1,529,627
Borrowings						
- Fixed interest rate	4.14	101,236	—	—	101,236	100,000
- Variable interest rate	3.78	72,888	—	—	72,888	72,000
Total		2,160,796	—	—	2,160,796	2,158,672
As at December 31, 2016						
Trade and other payables	N/A	612,284	—	—	612,284	612,284
Amounts due to related parties	N/A	1,565,332	—	—	1,565,332	1,565,332
Borrowings						
- Fixed interest rate	4.13	201,199	—	—	201,199	200,000
- Variable interest rate	3.61	297,466	—	—	297,466	289,385
Total		2,676,281	—	—	2,676,281	2,667,001
As at December 31, 2017						
Trade and other payables	N/A	884,474	—	—	884,474	884,474
Amounts due to related parties	N/A	839,562	—	—	839,562	839,562
Consideration payable on purchase of a property	4.75	17,376	251,735	—	269,111	251,785
Borrowings						
- Fixed interest rate	3.99	916,569	—	—	916,569	900,000
- Variable interest rate	4.45	432,656	348,510	—	781,166	718,189
Total		3,090,637	600,245	—	3,690,882	3,594,010

	Weighted average interest rate	On demand or less than one year	One to five years	Over five years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at June 30, 2018						
Trade and other payables.....	N/A	1,006,125	—	—	1,006,125	1,006,125
Amounts due to related parties ...	N/A	837,351	—	—	837,351	837,351
Consideration payable on purchase of a property	4.75	240,256	—	—	240,256	229,361
Borrowings						
- Fixed interest rate	4.21	200,655	—	—	200,655	200,000
- Variable interest rate	4.36	1,114,695	474,938	76,170	1,665,803	1,556,660
Total		3,399,082	474,938	76,170	3,950,190	3,829,497

The Company

	Weighted average interest rate	On demand or less than one year	One to five years	Over five years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2015						
Amounts due to related parties or subsidiaries	N/A	65,408	—	—	65,408	65,408
As at December 31, 2016						
Amounts due to related parties or subsidiaries	N/A	569,984	—	—	569,984	569,984
As at December 31, 2017						
Amounts due to related parties or subsidiaries	N/A	592,834	—	—	592,834	592,834
As at June 30, 2018						
Amounts due to related parties or subsidiaries	N/A	597,663	—	—	597,663	597,663

The following table details the Group's liquidity analysis for derivative financial instruments. The table has been drawn up based on the undiscounted inflows and outflows on those derivatives that settle on a net basis. When the amount payable or receivable is not fixed, the amount disclosed have been determined by reference to the projected foreign exchange rate.

June 30, 2018	Less than one year	One to two years	Total
Net settled			
- foreign exchange forward contracts	122,474	8,552	131,026

Fair value measurement

This note provides information about how the Group determines fair value of the following financial assets that are measured at fair value on a recurring basis.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Financial assets	Fair value at 12/31/2015	Fair value at 12/31/2016	Fair value at 12/31/2017	Fair value at 6/30/2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	RMB'000	RMB'000	RMB'000	RMB'000				
Money fund investment	290,843	412,166	14,739	1,444,423	Level 1	Open market transaction price	N/A	N/A
Financial products	—	320,416	—	—	Level 2	Discounted cash flow — Future cash flows are estimated based on expected return, discounted at a rate that reflects the risk of underlying assets	N/A	N/A
Structured Deposits	—	—	—	1,426,776	Level 2	Discounted cash flow — Future cash flows are estimated based on expected return, discounted at a rate that reflects the risk of underlying assets	N/A	N/A
Listed investment companies at fair value.....	26,221	97,850	29,080	354,862	Level 1	Open market transaction price	N/A	N/A
Investment on unlisted funds at fair value	66,459	107,206	198,181	223,090	Level 3	Net asset value of underlying investments	Net assets	The higher net asset value, the higher the valuation (Note a)
Unlisted equity investments at fair value	—	—	—	818,173	Level 3	Backsolve from recent transaction price	IPO probability	The higher the probability, the higher the valuation (Note b)

Financial liabilities	Fair value at 12/31/2015	Fair value at 12/31/2016	Fair value at 12/31/2017	Fair value at 6/30/2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	RMB'000	RMB'000	RMB'000	RMB'000				
Foreign currency forward contracts…	—	—	—	(131,026)	Level 2	Discounted cash flow — Future cash flows are estimated based on observable forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A

There were no transfers between level 1 and level 2 during the year/period.

Notes:

(a) A slight increase in the net asset value of underlying investments of unlisted funds used in isolation would result in a slight increase in the fair value of unlisted funds. A 5% increase/decrease in the net assets while holding all other variables constant would increase the fair value of the unlisted funds by RMB3,323,000, RMB5,360,000, RMB9,909,000 and RMB11,155,000 or decrease the fair value of the unlisted funds by RMB3,323,000, RMB5,360,000, RMB9,909,000 and RMB11,155,000 as at December 31, 2015, 2016 and 2017 and June 30, 2018, respectively.

(b) A slight increase in the expected IPO probability used in isolation would result in a slight increase in the fair value of unlisted companies. A 5% increase/decrease in the IPO probability while holding all other variables constant would increase the fair value of the unlisted companies at fair value by RMB2,887,000 or decrease the fair value of the unlisted companies by RMB3,712,000 as at June 30, 2018. With consideration that the fair value are derived from backsolve method with actual transaction prices and the IPO probability for the unlisted companies is relatively low at this stage, the slight increase/decrease in the IPO probability has no significant impacts for the fair value of such investments.

(ii) Reconciliation of level 3 fair value measurements

Details of reconciliation of financial assets at FVTPL measured at Level 3 fair value measurement are set out as below:

The Group

	Unlisted fund investments at fair value
	RMB'000
At January 1, 2015	22,717
Acquisitions	32,681
Dividend received	(419)
Disposal	(1,197)
Changes in fair value	11,343
Effect of exchange rate change	1,334
At December 31, 2015	66,459
Acquisitions	30,844
Changes in fair value	6,505
Effect of exchange rate change	3,398
At December 31, 2016	107,206
Acquisitions	73,951
Changes in fair value	26,659
Effect of exchange rate change	(9,635)
At December 31, 2017	198,181
Acquisitions	11,952
Changes in fair value	11,575
Effect of exchange rate change	1,382
At June 30, 2018	223,090

	Unlisted equity investment
	RMB'000
At January 1, 2018 at cost	456,144
IFRS 9 adoption adjustment	191,180
At January 1, 2018 at fair value	647,324
Transferred to level 1 (Note)	(137,644)
Changes in fair value	239,182
Acquisition	131,774
Disposal	(79,909)
Effect of exchange rate change	17,446
At June 30, 2018	818,173

Note: Unity Biotechnology, Inc. was listed on May 3, 2018, and its open market transaction price can be obtained from the active market. Therefore, the Group changed its fair value hierarchy from the level 3 to the level 1.

Of the total gains or losses for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, included in profit or loss, RMB Nil, RMB Nil, RMB Nil and RMB255,834,000 was unrealized

fair value gains related to financial assets at FVTPL on Level 3 fair value measurement held at December 31, 2015, 2016, 2017 and June 30, 2018, respectively. Fair value gains or losses on financial assets at FVTPL are included in "other gains and losses". Included in other comprehensive income are amounts of RMB9,373,000, RMB13,701,000, RMB39,127,000 relating to unlisted fund investments or equity securities held at December 31, 2015, 2016 and 2017, respectively and are reported as changes of "revaluation reserve".

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's and the Company's financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

47. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the Track Record Period, the Group continued to actively seek for investment opportunities through acquisitions and has completed several acquisitions of subsidiaries. Meanwhile, the Group also disposed several subsidiaries to concentrate on its core businesses. The following tables summarized these transactions:

a. Acquisitions

For the year ended December 31, 2015

Name of subsidiary acquired	Vendor	Percentage of interest acquired	Principal activity	Fair value of purchase consideration	Date of completion	Nature of acquisition
				RMB'000		
XenoBiotic Laboratories, Inc. and its subsidiaries ("XBL")	WuXi PharmaTech (Note i)	100%	Render of CRO Testing service	258,638	February 05, 2015	Business combination

Note:

(i) On February 5, 2015, the Group acquired 100% voting equity interest of XBL from WuXi PharmaTech at a consideration of USD41,378,000 (equivalent to RMB258,638,000). WuXi PharmaTech acquired such interest from independent third parties at the same consideration. As this subsidiary was acquired by Wuxi PharmaTech shortly before this acquisition, the Directors of the Company applied acquisition method to account for this acquisition.

Assets acquired and liabilities assumed at the date of acquisition

	Amount
	RMB'000
Bank balances and cash	22,889
Trade and other receivables	21,786
Inventories	2,436
Property, plant and equipment	44,509
Other intangible assets	110,431
Other non-current assets	2,577
Deferred tax assets	4,765
Trade and other payables	(33,600)
Deferred tax liabilities	(44,149)
Net assets acquired	131,644

The trade and other receivables acquired in the acquisition above of RMB21,786,000 carried a fair value of RMB21,786,000. The gross contractual amounts of those receivables acquired amounted to RMB21,786,000 at the date of acquisition. None of the contractual cash flows are not expected to be collected at acquisition date.

Goodwill arising from acquisition of subsidiary

	Amount RMB'000
Fair value of consideration transferred, satisfied by cash	258,638
Net assets acquired	(131,644)
	126,994

Goodwill arose in the acquisition of XBL because the acquisition will bolster the Group's laboratory testing division in bioanalytical and DMPK/ADME services, particularly in studies of radio-labeled compounds, and to gain access to new agricultural and animal health customers. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash inflow on acquisitions of subsidiaries for the year ended December 31, 2015

	Amount RMB'000
Consideration transferred	258,638
Less: those included in amount due to related parties	258,638
Cash consideration paid	—
Less: Bank balances and cash acquired	(22,889)
	(22,889)

XBL contributed a revenue of RMB124,433,000 and a profit of RMB8,777,000 for the period from the date of acquisition to December 31, 2015. If the acquisition had been completed on January 1, 2015, total revenue of the Group for the year ended December 31, 2015 would have been RMB4,891,401,000 and profit for the year ended December 31, 2015 would have been RMB335,717,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on January 1, 2015, nor is it intended to be a projection of future results.

For the year ended December 31, 2016

Name of subsidiary acquired	Vendor	Percentage of interest acquired	Principal activity	Fair value of purchase consideration	Date of completion	Nature of acquisition
				RMB'000		
WuXi Clinical Development Services (Shanghai) Co., Ltd. (上海康德弘翼醫學臨床研究有限公司) ("PRA")	A joint venture partner	49%	Render of CDS Services	25,815	February 19, 2016	Business combination
Crelux GmbH ("Crelux")	An independent third party	100%	Render of drug discovery Services	45,861	April 8, 2016	Business combination
WuXi STA Pharmaceutical Co., Ltd (無錫合全藥業有限公司) formerly known as Jiangsu Xinfu Pharmaceutical Co., Ltd. (江蘇信孚藥業有限公司) and WuXi AppTec Pharmaceutical Co., Ltd. (無錫藥明康德藥業有限公司) ("Xin Fu")	Independent third parties	100%	Render of PDS Services	63,000	November 8, 2016	Acquisition of assets through acquisition of subsidiaries

Assets acquired and liabilities assumed at the date of acquisition

	PRA	Crelux	Xin Fu	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Bank balances and cash	6,846	7,511	220	14,577
Trade and other receivables	21,161	2,126	1	23,288
Inventories	—	63	—	63
Property, plant and equipment	8,006	2,530	42,423	52,959
Prepaid lease payments	—	—	50,494	50,494
Other intangible assets	884	11,596	—	12,480
Other non-current assets	2,731	—	—	2,731
Trade and other payables	(23,968)	(4,453)	(138)	(28,559)
Short-term loans	—	—	(30,000)	(30,000)
Deferred tax liabilities	—	(3,015)	—	(3,015)
Net assets acquired	15,660	16,358	63,000	95,018

The trade and other receivables acquired in the acquisitions above of RMB23,288,000 carried a fair value of RMB23,288,000. The gross contractual amounts of those receivables acquired amounted to RMB23,288,000 at the date of acquisition. None of the contractual cash flows are not expected to be collected at acquisition date.

Fair value of consideration transferred

	PRA	Crelux	Xin Fu	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cash	25,815	45,861	63,000	134,676

Goodwill arising from acquisition of subsidiaries

	PRA	Crelux	Total
	RMB'000	RMB'000	RMB'000
Fair value of consideration transferred	25,815	45,861	71,676
Previously held interest in a joint venture before the acquisition	7,987	—	7,987
Net assets acquired	(15,660)	(16,358)	(32,018)
Loss (Note i)	(18,142)	—	(18,142)
Goodwill arising from acquisition (Note ii)	—	29,503	29,503

Notes:

(i) The Group entered into a share purchase agreement with Pharm Research Associates (UK) Ltd. to acquire the remaining 49% equity interests in PRA at a consideration of RMB25,815,000. After reassessment by the Group, the difference of total fair value of consideration transferred exceed the fair value of the net assets to be acquired was recognized a loss of RMB18,142,000.

(ii) Goodwill arose in the acquisition of Creulx because the acquisition will further provide a solid foundation for the Group to expand its integrated drug discovery services within Europe. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisitions of subsidiaries for the year ended December 31, 2016

	PRA	Crelux	Xin Fu	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Consideration transferred	25,815	45,861	63,000	134,676
Less: those included in other payables	—	—	(20,000)	(20,000)
Cash consideration paid	25,815	45,861	43,000	114,676
Less: Bank balances and cash acquired	(6,846)	(7,511)	(220)	(14,577)
	18,969	38,350	42,780	100,099

No material acquisition related costs were incurred.

These acquisitions contributed revenue of RMB114,682,000 and losses of RMB1,452,000 for the period from the date of acquisition to December 31, 2016. If these acquisitions had been completed on January 1, 2016, total revenue of the Group for the year ended December 31, 2016 would have been RMB6,161,760,000 and profit for the year ended December 31, 2016 would have been RMB1,095,852,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on January 1, 2016, nor is it intended to be a projection of future results.

For the year ended December 31, 2017

Name of subsidiary acquired	Vendor	Percentage of interest acquired	Principal activity	Fair value of purchase consideration	Date of completion	Nature of acquisition
				RMB'000		
HD Biosciences Co., Ltd. and its subsidiary (輝源生物科技(上海)有限公司) ("HDB")	Independent third parties	100%	Render of CRO Services	1,027,875	May 15, 2017	Business combination

Assets acquired and liabilities assumed at the date of acquisition

	Amount RMB'000
Bank balances and cash	67,942
Trade and other receivables	62,413
Inventories	5,823
Property, plant and equipment	55,953
Other intangible assets	237,000
Deferred tax assets	3,033
Trade and other payables	(57,399)
Other non-current liabilities	(62)
Deferred tax liabilities	(35,550)
Net assets acquired	339,153

The trade and other receivables acquired in the acquisition of RMB62,413,000 carried a fair value of RMB62,413,000. The gross contractual amounts of those receivables acquired amounted to RMB62,413,000 at the date of acquisition. None of the contractual cash flows are not expected to be collected at acquisition date.

Fair value of consideration transferred

	Amount RMB'000
Cash	1,027,875

Goodwill arising from acquisition of subsidiaries

	Amount RMB'000
Fair value of consideration transferred, satisfied by cash	1,027,875
Net assets acquired	(339,153)
Goodwill arising on acquisition	688,722

Goodwill arose in the acquisition of HDB and its subsidiary because the acquisition will further strengthen the Group's R&D capability from target validation to lead discovery and optimization, improving and expanding open-access enabling service platform of the Group. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Goodwill arising on this acquisition is not expected to be deductible for tax purposes.

Net cash outflow on acquisitions of subsidiaries for the year ended December 31, 2017

	Amount RMB'000
Consideration transferred	1,027,875
Less: those included in other payables	(108,722)
Cash consideration paid	919,153
Less: Bank balances and cash acquired	(67,942)
	851,211

No material acquisition related costs were incurred.

HDB contributed a revenue of RMB173,536,000 and a profit of RMB37,646,000 for the period from the date of acquisition to December 31, 2017. If the acquisition had been completed on January 1, 2017, total revenue of the Group for the year ended December 31, 2017 would have been RMB7,822,571,000 and profit for the year ended December 31, 2017 would have been RMB1,228,139,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on January 1, 2017, nor is it intended to be a projection of future results.

b. Acquisitions under common control

On January 21, 2016, WXAT Shanghai and WXAT Tianjin, the subsidiaries of the Company, entered into equity transfer agreements with AppTec BVI, the former parent company of the Company, pursuant to which 80% of the total share capital of WuXi AppTec (Hong Kong) Holding Limited (former "STA Investment Limited") were transferred to WXAT Shanghai for a purchase price of HK$8,000 (equivalent to RMB7,500) and 20% of the total share capital of WuXi AppTec (Hong Kong) Holding Limited were transferred to WXAT Tianjin at a consideration of HK$2,000 (equivalent to RMB1,500), respectively.

On February 29, 2016, the Company entered into an equity transfer agreement with AppTec BVI, the former parent company of the Company, pursuant to which 100% of the total share capital of WuXi AppTec (HongKong) Limited ("WXAT HK") were transferred to the Company at a consideration of HK$10,000 (equivalent to RMB9,000).

On February 6, 2016, WXAT International, a subsidiary of the Company, entered into equity transfer agreements with WuXi PharmaTech, the former holding company, pursuant to which 100% of the total share capital of WuXi AppTec Holding Co., Inc. and WuXi AppTec UK Ltd. were transferred to WXAT International at a consideration of USD73,000,000 (equivalent to RMB476,792,000), and USD1, respectively.

On February 6, 2016, WuXi AppTec (Hong Kong) Holding Limited, a subsidiary of the Company, entered into equity transfer agreements with AppTec BVI, the former parent company of the Company, pursuant to which 99.9% of the total share capital of WuXi PharmaTech Healthcare Fund I L.P. were transferred to WuXi AppTec (Hong Kong) Holding Limited at a consideration of USD37,000,000 (equivalent to RMB241,662,000).

On February 18, 2016, WXAT International, a subsidiary of the Company, entered into equity transfer agreements with WuXi PharmaTech, the former holding company, pursuant to which 100% of the total share capital of WuXi AppTec LN (Cayman) Inc. and WuXi PharmaTech Investment Holdings (Cayman) Inc. were transferred to WXAT International at consideration of USD7,000,000 (equivalent to RMB45,606,000) and USD1, respectively.

The total consideration for acquisition of these combining parties was RMB764,078,000, of which RMB593,815,000 was paid in cash during the year ended December 31, 2016 and the remaining RMB170,263,000 included in amounts due to related parties.

Both the Group and those combining businesses were under the common control of ultimate Controlling Shareholders at the date of merger and the Group resulting from the Reorganization is regarded as a continuing entity. Accordingly, the Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been consolidated throughout the Track Record Period.

*c. **Disposals***

For the year ended December 31, 2015

Name of subsidiary disposed of	Buyer	Percentage of interest disposed of	Principal activity	Fair value of disposal proceeds	Date of completion
WuXi Biologics Holdings Co., Ltd(無錫藥明康德企業管理有限公司)	WuXi Biologics Investments Limited (former "Global Bond Investments Limited")	100%	Holding Company	RMB90,809,000	April 16, 2015
WuXi AppTec (Suzhou) Testing Technology Co., Ltd. (蘇州藥明康德檢測檢驗有限責任公司)	WuXi AppTec Biopharmaceuticals Co., Ltd.(無錫藥明康德生物技術股份有限公司)	70%	Testing and development of testing technologies	RMB24,952,000	July 17, 2015
Chemdepo, Inc.	An independent third party	100%	Radioactive chemistry compound synthesis service	USD1 (equivalent to RMB6.49)	December 31, 2015

Analysis of assets and liabilities over which control was lost

	Wuxi Biologics Holdings Co., Ltd	WuXi AppTec (Suzhou) Testing Technology Co., Ltd.	Chemdepo, Inc.	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Bank balances and cash	32,275	1,124	182	33,581
Trade and other receivables	114,230	8,165	404	122,799
Inventories	62,146	6,733	—	68,879
Property, plant and equipment	234,256	30,895	—	265,151
Other intangible assets	1,884	—	—	1,884
Deferred tax assets	491	2,174	—	2,665
Trade and other payables	(295,488)	(26,281)	(726)	(322,495)
Deferred revenue	(3,946)	—	—	(3,946)
	145,848	**22,810**	**(140)**	**168,518**

Gain on disposal of subsidiaries

	Wuxi Biologics Holdings Co., Ltd	WuXi AppTec (Suzhou) Testing Technology Co. Ltd.	Chemdepo, Inc.	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Consideration received	90,809	24,952	—	115,761
Net assets disposed of	(145,848)	(22,810)	140	(168,518)
Non-controlling interests	64,794	109	—	64,903
Less: Goodwill	—	—	(4,420)	(4,420)
Gain (loss) on disposal	**9,755**	**2,251**	**(4,280)**	**7,726**

Cash outflow on disposal of subsidiaries

	Wuxi Biologics Holdings Co., Ltd	WuXi AppTec (Suzhou) Testing Technology Co. Ltd.	Chemdepo, Inc.	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cash consideration received	90,809	24,952	—	115,761
Included in amounts due from related parties	90,809	24,952	—	115,761
Cash consideration received	—	—	—	—
Less: bank balances and cash disposal of	(32,275)	(1,124)	(182)	(33,581)
	(32,275)	**(1,124)**	**(182)**	**(33,581)**

For the year ended December 31, 2016

Name of subsidiary disposed of	Buyer	Percentage of interest disposed of	Principal activity	Fair value of disposal proceeds	Date of completion
WuXi AppTec Medical Testing Institute (Shanghai) Co., Ltd (上海藥明康德醫學檢驗所有限公司) ("Shanghai Testing")	WuXi HealthNet (Shanghai) Co., Ltd(上海醫明康德醫療健康科技有限公司)	100%	Testing Service	RMB28,913,000	June 15, 2016

Analysis of assets and liabilities over which control was lost

	Amount
	RMB'000
Bank balances and cash	54
Trade receivables	27,408
Other assets, prepayments and other receivables	1,784
Trade and other payables	(634)
	28,612

Gain on disposal of a subsidiary

	Amount RMB'000
Cash consideration received	28,913
Net assets disposed of	(28,612)
Gain on disposal	301

Cash inflow on disposal of a subsidiary

	Amount RMB'000
Cash consideration received	28,913
Less: bank balances and cash disposal of	(54)
	28,859

48. SHARE OPTION SCHEME

WuXi PharmaTech Stock Units and Options Plan

Prior to the Reorganization, the Company was wholly owned by WuXi PharmaTech, which once listed on the New York Stock Exchange and had an employee stock incentive plan ("WuXi PharmaTech Stock Units and Options Plan"). Pursuant to the WuXi PharmaTech Stock Units and Options Plan, certain employees of the Group were granted the restricted stock units and options of the shares of WuXi PharmaTech as the Group was a part of WuXi PharmaTech.

Subsequently, on December 10, 2015, WuXi PharmaTech was privatized and delisted from the New York Stock Exchange, and was taken control by New WuXi Life Science Holdings Limited ("Life Science Holdings") which is a company set up by consortium. As part of the privatization process, the terms and conditions of WuXi PharmaTech Stock Units and Options Plan were modified.

Under the modified WuXi PharmaTech Stock Units and Options Plan, the total number of the outstanding WuXi PharmaTech stock units remained unchanged, but all outstanding WuXi PharmaTech stock units as at December 10, 2015 would be settled by a cash consideration by Life Science Holdings based on the closing stock price of WuXi PharmaTech on December 10, 2015 (USD5.75 per share). Part of the cash consideration was paid out by Life Science Holdings immediately to some of the designated employees ("Designated Employees") of the Group holding outstanding WuXi PharmaTech stock units as their WuXi PharmaTech stock units were deemed to be immediately vested. For the other remaining employees of the Group ("Non-designated Employees") holding outstanding WuXi PharmaTech stock units, an escrow arrangement was made by Life Science Holdings to put aside the cash consideration in an escrow account and the cash consideration would be paid out to the Non-designated Employees when the original vesting conditions of the WuXi PharmaTech stock units and options are met. Since the Company has no obligation to reimburse Life Science Holdings for such share-based payment expense, the grant was treated as deemed capital contribution and accounted for as equity-settled share-based compensation.

Because the fair values of the outstanding WuXi PharmaTech stock units under both the original and modified WuXi PharmaTech Stock Units and Options Plan as measured at the date of modification are determined to be the same, therefore, the outstanding WuXi PharmaTech stock units would continue to be

measured at the original grant-date fair value. For the Designated Employees, because their outstanding WuXi PharmaTech stock units were deemed to be immediately vested, the Group recognized the share-based compensation expense related to this acceleration of vesting immediately in the profit and loss of the year ended December 31, 2015. For the Non-designated Employees, the Group continued to recognize the corresponding share-based compensation expense of their outstanding WuXi PharmaTech stock units in the profit and loss of the Group over the original vesting periods.

For the years ended December 31, 2015, 2016 and 2017 and for six months ended June 30, 2017 (unaudited) and June 30, 2018, the Group recognized share-based compensation expense of RMB122,386,000, RMB27,440,000, RMB16,583,000, RMB10,481,000 (unaudited) and RMB369,000, respectively, in relation to WuXi PharmaTech Stock Units and Options Plan.

New Wuxi Incentive Plan

Upon delisting on December 10, 2015, to recognize the contributions of certain employees of WuXi PharmaTech in the completion of the privatization, Life Science Holdings issued new shares of Life Science Holdings to New WuXi ESOP L.P., an exempted limited partnership established in Cayman, and entered into subscription agreements with qualified employees of WuXi PharmaTech to subscribe 10,467,000 shares of Life Science Holdings held by New WuXi ESOP L.P. without any considerations payable by those qualified employees.

As the subscription of the shares of New WuXi ESOP L.P. did not contain any service conditions, the Group recognized share-based compensation expense of RMB187,092,000 in its entirety in the year ended December 31, 2015.

The fair value of the shares of New WuXi ESOP L.P. on the grant date is determined by the fair value of the shares of WuXi PharmaTech on the last trading date in the New York Stock Exchange, discounted by factors related to privatization, including lack of marketability of the shares and the net assets adjustment of WuXi PharmaTech. The market price and price earnings ratio of comparable listed companies was also considered when determining the fair value of the shares of New WuXi ESOP L.P. on the grant date.

STA Share Units and Options Incentive Scheme

STA, as a listed company on NEEQ, has also adopted different employee incentive schemes to provide incentives for its eligible employees since 2015. STA Group has established equity-settled share units and options incentive schemes including the (i) STA Share Option Incentive Scheme (2015); (ii) STA Overseas Employees Incentive Scheme and (iii) STA Share Option Incentive Scheme (2016). None of the eligible STA employees are the Chief Executive or directors of the Company.

On September 13, 2017, the STA shareholders' meeting approved to capitalize 20 STA Shares for every 10 STA Shares standing to the credit of the share premium account of STA ("Conversion of Capital Reserve"). In May 2017 and April 2018, the STA Shareholders' meeting approved to distribute RMB10.0 and RMB3.5 for every 10 STA Shares. As a result, the number of STA Shares and exercise price per share granted under the STA Share Option Incentive Scheme (2015), STA Oversea Employees Incentive Scheme, and STA Share Option Incentive Scheme (2016) presented herein have been adjusted to reflect the Conversion of Capital Reserve and dividend adjustment.

(1) Details of specific categories of options are as follows:

STA Share Units and Options Incentive Scheme	Date of grant	Number of shares	Exercise price
STA Share Option Incentive Scheme (2015)	May 13, 2015	16,200,000	RMB8.00
STA Overseas Employees Incentive Scheme	June 2, 2015	6,330,000	RMB1.79
STA Share Option Incentive Scheme (2016)			
– 1st batch	May 23, 2016	889,200	RMB8.00
– 2nd batch	July 17, 2017	635,940	RMB8.00

(2) Options granted under the STA Share Option Incentive Scheme (2015) and STA Share Option Incentive Scheme (2016) shall have a contractual term of 10 years and vest over a four-year period, with 20%, 20%, 20% and 40% of total options vesting on the first, second, third and fourth anniversary date two years after the vesting commencement date.

Set out below are details of the movements of the outstanding units and options granted under the STA Share Units and Options Incentive Scheme throughout the Track Record Period:

STA Share Units and Options Incentive Scheme	Outstanding at 1/1/2015	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12/31/2015
STA Share Option Incentive Scheme (2015)	—	16,200,000	—	315,000	15,885,000
STA Overseas Employees Incentive Scheme	—	6,330,000	—	—	6,330,000
Total	—	22,530,000	—	315,000	22,215,000
Exercisable at the end of the period	—				—
Weighted average exercise price	N/A	RMB6.25	N/A	RMB8.00	RMB6.23

The restricted shares units granted under the STA Overseas Employees Incentive Scheme have two-year lock-up period and three-year vesting period, with 20%, 20%, 20% and 40% of total units unlocking on the first date of vesting period and first, second and third anniversary date after the vesting commencement date.

STA Share Units and Options Incentive Scheme	Outstanding at 1/1/2016	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12/31/2016
STA Share Option Incentive Scheme (2015)	15,885,000	—	—	210,000	15,675,000
STA Overseas Employees Incentive Scheme	6,330,000	—	—	344,010	5,985,990
STA Share Option Incentive Scheme (2016) — 1st batch	—	889,200	—	150,300	738,900
Total	22,215,000	889,200	—	704,310	22,399,890
Exercisable at the end of the period	—				—
Weighted average exercise price	RMB6.23	RMB8.00	N/A	RMB4.97	RMB6.34

STA Share Unites and Options Incentive Scheme	Outstanding at 1/1/2017	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12/31/2017
STA Share Option Incentive Scheme (2015)	15,675,000	—	3,135,000	24,000	12,516,000
STA Overseas Employees Incentive Scheme	5,985,990	240,000	1,197,198	—	5,028,792
STA Share Option Incentive Scheme (2016) — 1st batch	738,900	—	—	68,400	670,500
STA Share Option Incentive Scheme (2016) — 2nd batch	—	635,940	—	38,640	597,300
Total	22,399,890	875,940	4,332,198	131,040	18,812,592
Exercisable at the end of the period	—				4,332,198
Weighted average exercise price	RMB6.34	RMB6.30	RMB6.28	RMB8.00	RMB6.34

STA Share Units and Options Incentive Scheme	Outstanding at 1/1/2017	Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Outstanding at 6/30/2017 (unaudited)
STA Share Option Incentive Scheme (2015)	15,675,000	—	—	—	15,675,000
STA Overseas Employees Incentive Scheme	5,985,990	—	1,197,198	—	4,788,792
STA Share Option Incentive Scheme (2016) — 1st batch	738,900	—	—	27,000	711,900
Total	22,399,890	—	1,197,198	27,000	21,175,692
Exercisable at the end of the period	—				1,197,198
Weighted average exercise price	RMB6.34	N/A	RMB1.79	RMB8.00	RMB6.59

STA Share Units and Options Incentive Scheme	Outstanding at 1/1/2018	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 6/30/2018
STA Share Option Incentive Scheme (2015)	12,516,000	—	—	306,000	12,210,000
STA Overseas Employees Incentive Scheme	5,028,792	—	—	—	5,028,792
STA Share Option Incentive Scheme (2016) — 1st batch	670,500	—	—	72,960	597,540
STA Share Option Incentive Scheme (2016) — 2nd batch	597,300	—	—	49,500	547,800
Total	18,812,592	—	—	428,460	18,384,132
Exercisable at the end of the period	4,332,198				4,332,198
Weighted average exercise price	RMB6.34	N/A	N/A	RMB8.00	RMB6.30

The fair value of the incentive scheme granted was determined using the Binomial model. These fair values and corresponding inputs into the model were as follows:

	STA Share Option Incentive Scheme (2015)	STA Overseas Employees Incentive Scheme	STA Share Option Incentive Scheme (2016) – 1st batch	STA Share Option Incentive Scheme (2016) – 2nd batch
Grant date option fair value per share(RMB)	2.11-3.35	6.98	15.74-16.03	36.39-43.30
Grant date STA Share price(RMB)	7.74	7.74	22.53	43.48
Exercise price (RMB)	8.00	1.79	8.00	8.00
Expected volatility	33.48%-36.77%	42.07%	32.53%-35.30%	29.90%-34.40%
Expected life (years)	3-6	10	3-6	3-6
Risk-free interest rate	3.08-3.67%	3.67%	2.61-2.91%	3.50-3.55%

Expected volatility was determined by using the historical volatility of the comparable companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. The Group recognized RMB15,332,000, RMB25,952,000, RMB26,916,000, RMB13,206,000 (unaudited) and RMB11,632,000 of share-based expenses for the years ended December 31, 2015, 2016 and 2017 and for six months ended June 30, 2017 and June 30, 2018, respectively, in relation to STA Share Option Incentive Scheme.

STA Share Appreciation Incentive Scheme

On May 16, 2016 and July 7, 2017, the STA shareholders' meeting approved STA Share Appreciation Incentive Scheme (2016) and STA Share Appreciation Incentive Scheme (2017) of 1,350,000 shares and 123,000 shares to eligible STA foreign employees, respectively. Stock appreciation rights have been awarded in units, with each unit representing the value of one STA Shares. Upon the exercise of stock appreciation rights, exercising recipients will receive payments in RMB from STA, subject to any withholding tax, equal to the number of stock appreciation rights exercised times the difference between the exercise price and market price of the STA Shares on the exercise day. The number of STA Shares and exercise price per share granted under the STA Share Appreciation Incentive Scheme presented herein has been adjusted to reflect the Conversion of Capital Reserve.

(1) Details of specific categories of STA Share Appreciation Incentive Scheme are as follows:

STA Share Appreciation Incentive Scheme	Date of grant	Number of shares	Exercise price per share
STA Share Appreciation Incentive Scheme (2016)			
- 1st batch	May 23, 2016	1,071,000	RMB8.00
- 2nd batch	July 7, 2017	279,000	RMB8.00
STA Share Appreciation Incentive Scheme (2017)	July 7, 2017	123,000	RMB8.00

(2) Units granted under the STA Share Appreciation Incentive Scheme shall have a contractual term of 10 years and generally vest over a four year period, with 20%, 20%, 20% and 40% of total options vesting on the first, second, third and fourth anniversary date two years after the vesting commencement date.

Set out below are details of the movements of the outstanding units granted under the STA Share Appreciation Incentive Scheme throughout the Track Record Period:

STA Share Appreciation Incentive Scheme	Outstanding at 1/1/2016	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12/31/2016
STA Share Appreciation Incentive Scheme (2016) – 1st batch	—	1,071,000	—	135,000	936,000
Exercisable at the end of the period	—				—
Weighted average exercise price	N/A	RMB8.00	N/A	RMB8.00	RMB8.00

STA Share Appreciation Incentive Scheme	Outstanding at 1/1/2017	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12/31/2017
STA Share Appreciation Incentive Scheme (2016)					
- 1st batch	936,000	—	—	216,000	720,000
- 2nd batch	—	279,000	—	—	279,000
STA Share Appreciation Incentive Scheme (2017)	—	123,000	—	24,000	99,000
Total	936,000	402,000	—	240,000	1,098,000
Exercisable at the end of the period	—				—
Weighted average exercise price	RMB8.00	RMB8.00	N/A	RMB8.00	RMB8.00

STA Share Appreciation Incentive Scheme	Outstanding at 1/1/2017	Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Outstanding at 6/30/2017 (unaudited)
STA Share Appreciation Incentive Scheme (2016) – 1st batch	936,000	—	—	216,000	720,000
Exercisable at the end of the period	—				—
Weighted average exercise price	RMB8.00	N/A	N/A	RMB8.00	RMB8.00

STA Share Appreciation Incentive Scheme	Outstanding at 1/1/2018	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 6/30/2018
STA Share Appreciation Incentive Scheme (2016)					
- 1st batch	720,000	—	—	—	720,000
- 2nd batch	279,000	—	—	—	279,000
STA Share Appreciation Incentive Scheme (2017)	99,000	—	—	—	99,000
Total	1,098,000	—	—	—	1,098,000
Exercisable at the end of the period	—				—
Weighted average exercise price	RMB8.00	N/A	N/A	N/A	RMB8.00

The fair value of the units granted under STA Share Appreciation Incentive Scheme at each reporting date was determined using the Binomial model. These fair values and corresponding inputs into the model were as follows:

STA Share Appreciation Incentive Scheme (2016) — 1st batch	December 31, 2016	December 31, 2017	June 30, 2017 (Unaudited)	June 30, 2018
Grant date STA shares price (RMB)	38.74	45.50	45.50	45.50
Exercise price(RMB)	8.00	8.00	8.00	8.00
Expected volatility	31.60%-34.30%	23.30%-31.10%	27.89%-30.72%	27.00%-31.60%
Expected life (years)	1.64~4.64	1.39~4.39	1.15~4.15	0.90~3.90
Risk-free interest rate	2.89-3.08%	3.72-3.82%	3.50-3.55%	3.50-3.53%

STA Share Appreciation Incentive Scheme (2016) — 2nd batch and STA Share Appreciation Incentive Scheme (2017)	December 31, 2017	June 30, 2018
Grant date STA Share price (RMB)	45.50	45.50
Exercise price (RMB)	8.00	8.00
Expected volatility	23.30%-31.10%	27.00%-31.60%
Expected life (years)	1.39~4.39	0.90~3.90
Risk-free interest rate	3.72-3.82%	3.50-3.53%

For the years ended December 31, 2016 and 2017 and for six months ended June 30, 2017 and 2018, the Group has recorded share-based expenses of RMB5,353,000, RMB8,827,000, RMB3,709,000 (unaudited) and RMB6,220,000 respectively.

49. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Dividends payable	Payable for A share issue cost	Amounts due to related parties — Loans from related parties	Amounts due to related parties — non-trade related	Withholding tax payable related to acquisition of partial interest of subsidiaries from non- controlling shareholders (Note 38)	Interest payables	Payables for acquisition of a property	Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015	36,295	—	376,552	13,325	—	—	—	1,139,986	1,566,158
Financing cash flows	(14,775)	—	803,645	—	—	(28,125)	—	(967,986)	(207,241)
Non-cash changes									
- Accrued interest expense	—	—	—	—	—	28,125	—	—	28,125
- Dividends declared	326,578	—	—	—	—	—	—	—	326,578
- net off with amounts due from related parties	(318,451)	—	—	—	—	—	—	—	(318,451)
- Payables for acquisition of subsidiaries	—	—	—	258,638	—	—	—	—	258,638
At December 31, 2015	29,647	—	1,180,197	271,963	—	—	—	172,000	1,653,807
Financing cash flows	(1,167,379)	—	(1,050,841)	(851,980)	—	(16,360)	—	287,385	(2,799,175)
Investing cash flows	—	—	—	(283,290)	—	—	—	—	(283,290)
Non-cash changes									
- Accrued interest expense	—	—	—	—	—	16,360	—	—	16,360
- Dividends declared	1,137,732	—	—	—	—	—	—	—	1,137,732
- Increased associated with the acquisition of a subsidiary	—	—	—	—	—	—	—	30,000	30,000
- Payables for acquisition of partial interest of subsidiaries from non-controlling shareholders	—	—	—	1,382,250	426,622	—	—	—	1,808,872
- Payables for acquisition of AFS investments	—	—	—	138,900	—	—	—	—	138,900
- Payables for acquisition of subsidiaries	—	—	—	764,078	—	—	—	—	764,078
- Foreign exchange effects	—	—	—	11,913	—	—	—	—	11,913
At December 31, 2016	—	—	129,356	1,433,834	426,622	—	—	489,385	2,479,197

	Dividends payable	Payable for A share issue cost	Amounts due to related parties — Loans from related parties	Amounts due to related parties — non-trade related	Withholding tax payable related to acquisition of partial interest of subsidiaries from non- controlling shareholders (Note 38)	Interest payables	Payables for acquisition of a property	Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017	—	—	129,356	1,433,834	426,622	—	—	489,385	2,479,197
Financing cash flows	(18,834)	(10,926)	(129,356)	(1,200,564)	(426,622)	(40,311)	(14,133)	1,141,152	(699,594)
Investing cash flows	—	—	—	(25,336)	—	—	—	—	(25,336)
Non-cash changes									
- Accrued interest expense	—	—	—	—	—	42,706	5,841	—	48,547
- Dividends declared	18,834	—	—	—	—	—	—	—	18,834
- Payables for acquisition of a property	—	—	—	—	—	—	260,077	—	260,077
- Payables for acquisition of partial interest of subsidiaries from non-controlling shareholders	—	—	—	650,500	—	—	—	—	650,500
- Foreign exchange effects	—	—	—	(18,872)	—	—	—	(12,348)	(31,220)
- Deferred issue costs	—	10,926	—	—	—	—	—	—	10,926
At December 31, 2017	—	—	—	839,562	—	2,395	251,785	1,618,189	2,711,931
Financing cash flows	(19,205)	(7,426)	—	—	—	(37,562)	(28,265)	133,198	40,740
Non-cash changes									
- Accrued interest expense	—	—	—	—	—	39,680	5,841	—	45,521
- Dividends declared	19,205	—	—	—	—	—	—	—	19,205
- Foreign exchange effects	—	—	—	(2,211)	—	—	—	5,273	3,062
- Deferred issue costs	—	19,450	—	—	—	—	—	—	19,450
At June 30, 2018	—	12,024	—	837,351	—	4,513	229,361	1,756,660	2,839,909
At January 1, 2017	—	—	129,356	1,433,834	426,622	—	—	489,385	2,479,197
Financing cash flows (unaudited)	(18,834)	—	(38,039)	(1,004,203)	(426,622)	(12,716)	—	266,628	(1,233,786)
Non-cash changes									
- Accrued interest expense (unaudited)	—	—	—	—	—	12,716	—	—	12,716
- Dividends declared (unaudited)	18,834	—	—	—	—	—	—	—	18,834
- Payables for acquisition of partial interest of subsidiaries from non-controlling shareholders (unaudited)	—	—	—	650,500	—	—	—	—	650,500
- Foreign exchange effects (unaudited)	—	—	—	(9,436)	—	—	—	(1,602)	(11,038)
At June 30, 2017 (unaudited)	—	—	91,317	1,070,695	—	—	—	754,411	1,916,423

50. OPERATING LEASES

The Group as leasee

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	68,503	128,627	121,013	136,079
In the second to fifth years inclusive	157,647	395,711	371,657	311,569
Over five years	8,931	266,631	158,904	319,891
	235,081	790,969	651,574	767,539

Operating lease payments represent rental payables by the Group for certain of its office premises, factories and laboratories.

51. CAPITAL COMMITMENTS

The Group had capital commitments under non-cancellable contracts as follows:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Commitments for the acquisition of property, plant and equipment	169,346	176,625	221,281	467,534
Commitments for the investments in the funds or companies	12,913	76,934	157,500	111,599
Commitments for the investments in associate and joint venture	103,899	119,801	243,399	160,452
	286,158	373,360	622,180	739,585

52. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to profit or loss in respect of the above-mentioned schemes amounted to approximately RMB151,895,000, RMB182,594,000, RMB217,684,000, RMB97,616,000 (unaudited) and RMB131,680,000 for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2017 and 2018 respectively.

The Group has a defined contribution plan in the USA where participating employees may contribute to the plan 1% to 99% of their eligible annual compensation as defined in the Plan, up to the Internal Revenue Service contribution (the "IRS contribution") limit of USD18,000 for the years ended December 31, 2015, 2016, 2017 and six months ended June 30, 2017 and the IRS contribution limit of USD18,500 for the six months ended 2018.

The Group makes a matching contribution of participants' elective deferral contribution of 100% of the first 1% and 50% for the next 5% of eligible participant contributions, with a maximum matching contribution of 3.5% of eligible participant compensation.

The total cost charged to expense in respect to the above mentioned defined contribution plan amounted to approximately USD1,432,000, USD 1,888,000, USD2,360,000, USD 1,225,000 and USD1,521,000 (equivalent to RMB9,008,000, RMB12,582,000, RMB15,943,000, RMB8,109,000 (unaudited) and RMB9,685,000) for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2017 and 2018 respectively.

53. CONTINGENT LIABILITIES

At the end of each reporting period, the Group had no significant contingent liability.

54. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(1) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the Track Record Period.

Company	Relationship
WuXi PharmaTech (Note a)	Investor
WuXi AppTec (BVI) Inc. ("WXAT BVI") (Note b)	Investor
WX (BVI) Limited ("BVI Limited")	Fellow subsidiary
Fund II	Associate
PhageLux Inc.	Associate
PRA (Note c)	Joint venture
Pharmaceutical Research Associates (HK) Limited (Note d)	Joint venture
Shanghai Testing (Note e)	Fellow subsidiary
WuXi HealthNet (Shanghai) Co., Ltd	Fellow subsidiary
WuXi MedImmune Biopharmaceutical Co. Limited	Joint venture
WuXi MedImmune Biopharmaceutical Co. Ltd.	Joint venture
JW Shanghai (Note f)	Joint venture /associate
Shanghai Mingju Biologics Technology Co., Ltd.	Associate
Shanghai Waigaoqiao WuXi AppTec Incubator Management Co., Ltd.	Joint venture
WuXi Biologics Holdings Co., Ltd. (Note g)	Fellow subsidiary
WuXi AppTec Biopharmaceuticals Co., Ltd. (Note g)	Fellow subsidiary
WuXi Biologics (Cayman) Inc.	Fellow subsidiary
WuXi Biologics (Shanghai) Co., Ltd. (Note g)	Fellow subsidiary
WuXi Biologics (Hong Kong) Limited (Note g)	Fellow subsidiary
WuXi AppTec (Suzhou) Testing Technology Co., Ltd. (Note h)	Fellow subsidiary
WuXi Biologics USA, LLC	Fellow subsidiary
WuXi Biologics Investment Limited	Fellow subsidiary
WuXi NextCode Genomics (Shanghai) Co., Ltd.	Fellow subsidiary
WuXi NextCode Genomics (Hong Kong) Limited	Fellow subsidiary
WuXi NextCode Genomics Corporation Sarl	Fellow subsidiary
Shanghai Lecheng Technology Co., Ltd. (Note i)	Entities controlled by close family members of Controlling Shareholder
Shanghai Lechen International Trade Co., Ltd. (Note i)	Entities controlled by close family members of Controlling Shareholder
Hua Medicine and its subsidiaries (Note j)	Entities significantly influenced by a Controlling Shareholder
CStone Pharmaceuticals Limited ("CStone") (Note k)	Associate

Notes:

(a) WuXi PharmaTech was the ultimate holding company of the Company before the completion of Reorganization as explained on the section "History and Corporate Development" of the Prospectus. After the completion of Reorganization, WuXi PharmaTech remained to be an intermediate investor of the Group since it was the sole shareholder of WXAT BVI.

(b) WXAT BVI was the intermediate holding company of the Company before the completion of Reorganization as explained on the section "History and Corporate Development" of the Prospectus. After the completion of Reorganization, WXAT BVI remained to be a direct investor of the Group.

(c) PRA was a joint venture of the Group before the Group accomplished its acquisition of the remaining 49% equity interest of PRA as detailed in Note 47 in February 2016. After the acquisition, PRA became a subsidiary of the Group.

(d) Pharmaceutical Research Associates (HK) Limited was the subsidiary of the PRA before PRA disposed it to Pharm Research Associates (UK) Ltd. in December 2015. Upon completion of the transaction, Pharmaceutical Research Associates (HK) Limited was no longer a related party of the Group.

(e) Shanghai Testing was disposed to a fellow subsidiary on June 15, 2016 as detailed in Note 47 and since then the transactions and balances between the Group and Shanghai Testing are disclosed as related parties transactions and balances.

(f) JW Shanghai was a joint venture of the Group before April 2018. After then, JW Shanghai became an associate as detailed in Note 23 and Note 24.

(g) In April 2015, these subsidiaries of the Company were disposed to a fellow subsidiary as detailed in Note 47 and since then the transactions and balances between the Group and these companies are disclosed as related parties transactions and balances.

(h) In July 2015, WuXi AppTec (Suzhou) Testing Technology Co., Ltd. was disposed to a fellow subsidiary as detailed in Note 47 and since then the transactions and balances between the Group and WuXi AppTec (Suzhou) Testing Technology Co., Ltd are disclosed as related parties transactions and balances.

(i) These companies are controlled by close family members of Dr. Ning Zhao, one of the ultimate Controlling Shareholders of the Group.

(j) Hua Medicine and its subsidiaries are significant influenced by Dr. Ge Li since Dr. Ge Li served as a director of Hua Medicine from August 2010 to December 2017 and is also an investor of it. Moreover, Fund I, a subsidiary of the Group is also an investor of them. Moreover, WuXi PharmaTech Healthcare Fund I L.P., a subsidiary of the Group is also an investor of it.

(k) CStone is considered as a related party from December, 2015 to March, 2016 as Fund II, an associate of the Group, held 100% interests in CStone during that period.

(2) Related party transactions:

(a) Provision of research and development service

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Associates	—	29,076	30	11	2,874
Joint ventures	10,172	6,273	7,152	4,321	134
Entities significantly influenced by a Controlling Shareholder	11,511	18,339	25,402	4,483	22,163
Fellow subsidiaries	106,963	16,440	18,256	10,846	—
Entities controlled by close family members of a Controlling Shareholder	1,198	3,698	2,057	2,057	—
	129,844	73,826	52,897	21,718	25,171

(b) Sales of products

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
A fellow subsidiary	2,560	—	—	—	—
Entities significantly influenced by a Controlling Shareholder	2,549	435	9,911	6,775	—
	5,109	435	9,911	6,775	—

(c) Provision of labor secondment services

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fellow subsidiaries	—	14,395	1,334	1,330	—

(d) Provision of administrative service

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Joint ventures	4,926	7,305	4,837	2,313	—
Fellow subsidiaries	475	28,666	6,271	3,160	259
An associate	—	—	—	—	2,412
	5,401	35,971	11,108	5,473	2,671

(e) Sales of raw materials

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
A joint venture	—	2,279	349	286	—
Fellow subsidiaries	—	10,562	16,037	7,209	—
An associate	—	—	—	—	88
	—	12,841	16,386	7,495	88

(f) Provision of premises sub-leasing services

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
A fellow subsidiary	—	1,588	1,431	715	715

(g) Provision of purchase agency service

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fellow subsidiaries	—	6,658	3,670	3,399	—

(h) Labor secondment service received

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
A joint venture	800	—	—	—	—
Fellow Subsidiaries	1,667	21,989	4,932	3,231	—
	2,467	21,989	4,932	3,231	—

(i) Genic testing services received

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fellow subsidiaries	—	—	3,962	—	—

(j) Provision of sales agency service

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fellow subsidiaries	9,891	4,156	—	—	—

(k) Sales agency service received

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Entities controlled by close family members of a Controlling Shareholder	450	492	340	62	—

(l) Interest income

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
A joint venture	513	—	—	—	—
A fellow subsidiary	2,657	3,153	—	—	—
An investor	352	1,296	—	—	—
	3,522	4,449	—	—	—

(m) Interest expense

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
A fellow subsidiary	714	586	744	723	—
An investor	—	—	1,375	943	—
	714	586	2,119	1,666	—

(n) Sales of property and equipment

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fellow subsidiaries	210,283	8,866	1,333	1,330	—
A joint venture	—	289	—	—	—
	210,283	9,155	1,333	1,330	—

(o) Sales of other intangible assets

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fellow subsidiaries	2,673	—	—	—	80

(p) Sales of other long-term assets

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
A fellow subsidiary	—	278	—	—	—

(q) Finance lease income

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
A fellow subsidiary	—	748	530	307	—

On January 1, 2016, the Group entered into a finance lease arrangement with Biologics Shanghai in respect of machinery, equipment and leasehold improvement with lease term of four years. The finance lease charges under the arrangement were 5% of the depreciation of the assets.

On December 26, 2017, the Group terminated the finance lease agreement and entered into an agreement with Biologics Shanghai to sell above-mentioned machinery, equipment and leasehold improvement. And the total consideration has been received before December 31, 2017.

(r) Rental expenses

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
A fellow subsidiary	—	874	830	437	—
A joint venture	—	—	—	—	250
	—	874	830	437	250

(s) Purchase of property and equipment

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fellow subsidiaries	—	3	10	10	—

(3) Related party balances:

AMOUNTS DUE FROM RELATED PARTIES

The Group

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade related				
Trade receivables	282,324	76,579	6,852	10,863
Non-trade related				
Other receivables	277,527	18,530	15,418	2,551
Allowance for doubtful debts of other receivables	—	—	(5,707)	—
Loans to related parties	2,106,153	369	—	—
	2,383,680	18,899	9,711	2,551
Finance lease receivables	—	45,079	—	—
Total amounts due from related parties	2,666,004	140,557	16,563	13,414

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed as:				
- Current	2,666,004	107,361	16,563	13,414
- Non-current	—	33,196	—	—
	2,666,004	140,557	16,563	13,414

The Group allows a credit period ranging from 60 to 90 days to its customers. The following is an aging analysis of trade related amounts due from related parties (net of allowance for doubtful debts) presented based on the invoice dates, at the end of each year in the Track Record Period:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	282,324	76,579	6,852	10,863

In determining the recoverability of the trade related amounts due from related parties, the Group considers any change in the credit quality of the trade related amount due from related parties from the date on which the credit was initially granted up to the reporting date. The credit quality of the trade related amounts due from related parties that are neither past due nor impaired had not changed during the Track Record Period.

Details of amounts due from related parties are set out in below:

The Group

	At December 31,			At June 30,
Trade related	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
Associates	—	—	25	1,119
Joint ventures	1,579	2,989	3,127	2,278
Fellow subsidiaries	275,719	62,489	—	—
Entities significantly influenced by a Controlling Shareholder	3,828	11,101	3,700	7,466
Entities controlled by close family members of a Controlling Shareholder	1,198	—	—	—
	282,324	76,579	6,852	10,863

	At December 31,			At June 30,
Non-trade related	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivable				
A joint venture	—	9,597	15,418	—
An associate	—	—	—	2,551
Fellow subsidiaries	277,176	8,933	—	—
An investor	351	—	—	—
Allowance for doubtful debts	—	—	(5,707)	—
	277,527	18,530	9,711	2,551

Other receivable from related parties are all unsecured, repayable on demand and interest free.

	Interest Rate	At December 31, 2015 RMB'000	At December 31, 2016 RMB'000	At December 31, 2017 RMB'000	At June 30, 2018 RMB'000
Loans to related parties					
Fellow subsidiaries	0%-4.28%	402,235	59	—	—
An investor	1%	70,000	—	—	—
Investors	interest free	1,628,704	310	—	—
Joint ventures	interest free	3,349	—	—	—
Fellow subsidiaries	interest free	1,865	—	—	—
		2,106,153	369	—	—
		2,383,680	18,899	9,711	2,551

The loans to WuXi AppTec Biopharmaceuticals Co., Ltd were unsecured, repayable on demand and carried at the floating rate from 0% to 4.28% as at December 31, 2015 and the loans to WuXi PharmaTech were unsecured, repayable on demand and carried at the rate 1% as at December 31, 2015. Excepted otherwise stated, all the non-trade balances due to related parties were unsecured, interest free and repayable on demand.

The Group

	At December 31, 2015 RMB'000	At December 31, 2016 RMB'000	At December 31, 2017 RMB'000	At June 30, 2018 RMB'000
Finance lease receivables				
Fellow subsidiaries	—	45,079	—	—

The Group leases to WuXi Biologics (Shanghai) Co., Ltd certain of its machinery, equipment and leasehold improvement on January 1, 2016 under a finance lease with lease term of four years, which is renewable indefinitely at the discretion of the WuXi Biologics (Shanghai) Co., Ltd. Interest imputed in the finance lease at the lease inception date is at the rate of 1.44% per annum. On December 26, 2017, the Group terminated the finance lease agreement and entered into a purchase agreement with Wuxi Bio to purchase the above-mentioned machinery, equipment and leasehold improvement. The carrying amount of RMB39,976,000 has been fully settled in December 2017.

The Company

	At December 31, 2015 RMB'000	At December 31, 2016 RMB'000	At December 31, 2017 RMB'000	At June 30, 2018 RMB'000
Other receivables	90,810	—	—	—
Loans to related parties	1,999	301	—	—
Total amounts due from related parties	92,809	301	—	—

Details of amount due from related parties are set out in below:

Non-trade related		At December 31, 2015 RMB'000	2016 RMB'000	2017 RMB'000	At June 30, 2018 RMB'000
Other receivables					
A fellow subsidiary		90,810	—	—	—
Loans to related parties	Interest Rate				
Investors	interest-free	1,999	301	—	—
		92,809	301	—	—

AMOUNTS DUE TO RELATED PARTIES

The Group

	At December 31, 2015 RMB'000	2016 RMB'000	2017 RMB'000	At June 30, 2018 RMB'000
Trade payables, all aged within 1 year	47,820	2,142	—	—
Other payables	271,963	1,433,834	839,562	837,351
Loans from related parties	1,180,197	129,356	—	—
Dividend payable	29,647	—	—	—
	1,529,627	1,565,332	839,562	837,351

Details of amounts due to related parties are set out in below:

Trade related	At December 31, 2015 RMB'000	2016 RMB'000	2017 RMB'000	At June 30, 2018 RMB'000
Trade payables				
A joint venture	661	—	—	—
Fellow subsidiaries	47,159	2,142	—	—
	47,820	2,142	—	—

Non-trade related		At December 31, 2015 RMB'000	2016 RMB'000	2017 RMB'000	At June 30, 2018 RMB'000
Other payables					
A joint venture		—	—	—	275
A fellow subsidiary		—	586	—	—
Investors		271,963	1,433,248	839,562	837,076
		271,963	1,433,834	839,562	837,351
Loans from related parties	Interest Rate				
Investors	interest-free	1,110,719	97,464	—	—
Fellow subsidiaries	interest-free	43,658	4,252	—	—
A fellow subsidiary (Note)	2.5%+6 months LIBOR	25,820	27,640	—	—
		1,180,197	129,356	—	—

Note: The loans from BVI Limited were unsecured, repayable on demand and carried at the rate of 2.5% plus six months' LIBOR per annum as at December 31, 2015 and 2016. Except otherwise stated, all the non-trade balances due from related parties were unsecured, interest free and repayable on demand.

	At December 31,			At June 30,
Non-trade related	**2015**	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Dividends payable				
An investor	29,647	—	—	—

The Company

	At December 31,			At June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Other payables to an investor	—	549,904	574,030	578,622
Interest-free loans from related parties	42	—	—	—
	42	549,904	574,030	578,622

Except otherwise stated, all the non-trade balances due from/to related parties were unsecured, interest free and repayable on demand are expected to be settled before the date of the listing of the Company's shares on the Hong Kong Stock Exchange("Listing Date").

Included in the contract liabilities of the Group are amounts of RMB2,589,000, RMB10,959,000 RMB29,361,000 and RMB25,512,000 received from related parties in advance of delivery of services as of December 31, 2015, 2016, 2017 and June 30, 2018.

(4) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the Track Record Period were as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Salaries and other benefits	12,571	27,680	22,386	10,006	12,956
Performance-based bonus	16,785	17,710	17,176	8,552	8,708
	29,356	45,390	39,562	18,558	21,664

The remuneration of key management is determined with reference to the performance of the individuals and market trends.

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES

55.1 General information of subsidiaries

At the date of this report, the Company has direct and indirect shareholders' interests in the following principal subsidiaries:

Full Name of subsidiaries	Place and date of incorporation /establishment	Authorized share capital/ Registered capital	Attributable equity interest held by the Company as at										Principal activities
			December 31, 2015		December 31, 2016		December 31, 2017		June 30, 2018		The report date		
			Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	
WXAT Shanghai (上海藥明康德新藥開發有限公司)	PRC / April 2, 2002	RMB1,000,000,000	51.68%	—	100.00%	—	100.00%	—	100.00%	—	100.00%	—	Discovery, research and development of small molecule drugs
STA (上海合全藥業股份有限公司)	PRC /January 23, 2003	RMB438,827,000	—	34.16% (note i)	—	79.72%	—	87.50%	—	87.22%	—	87.22%	Process development, improvement and production services for small molecule drugs
STARD (上海合全藥物研發有限公司)	PRC / April 15, 2011	RMB30,000,000	—	34.16% (note i)	—	79.72%	—	87.50%	—	87.22%	—	87.22%	Process development services for small molecule drugs
STACZ (常州合全藥業有限公司)("STACZ")	PRC / September 29, 2013	RMB945,000,000	—	34.16% (note i)	—	79.72%	—	87.50%	—	87.22%	—	87.22%	Process development, improvement and production services for small molecule drugs
STA Pharmaceutical Hong Kong Limited (合全藥業香港有限公司) ("STAHK")	Hong Kong (the "HK") / April 12, 2011	HK$10,000	—	34.16% (note i)	—	79.72%	—	87.50%	—	87.22%	—	87.22%	Business development and trade services
WXAT Wuhan (武漢藥明康德新藥開發有限公司)	PRC / November 12, 2010	RMB196,239,000	60.00%	—	60.00%	40.00%	60.00%	40.00%	60.00%	40.00%	60.00%	40.00%	Discovery, research and development of small molecule drugs

Full Name of subsidiaries	Place and date of incorporation /establishment	Authorized share capital/ Registered capital	Attributable equity interest held by the Company as at										Principal activities
			December 31, 2015		December 31, 2016		December 31, 2017		June 30, 2018		The report date		
			Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	
WXAT Suzhou (蘇州藥明康德新藥開發股份有限公司)	PRC / October 8, 2006	RMB600,000,000	54.29%	—	54.29%	45.71%	54.29%	45.71%	80.06%	19.94%	80.06%	19.94%	Pharmacology, Toxicology and Safety Evaluation Research Services
WXAT Tianjin (天津藥明康德新藥開發有限公司)	HK / March 26, 2012	RMB600,000,000	55.00%	—	55.00%	45.00%	100.00%	—	100.00%	—	100.00%	—	Discovery, research and development of small molecule drugs
WXAT HK (藥明康德(香港)有限公司)	HK / March 26, 2012	HK$10,000	100.00%	—	100.00%	—	100.00%	—	100.00%	—	100.00%	—	Business development and trade services
WXAT International	BVI / December 17, 2015	2,000,000 authorized shares, no par value	—	—	100.00%	—	100.00%	—	100.00%	—	100.00%	—	Holding Company
WuXi AppTec, Inc.	USA / November 26, 2002	USD10	—	100.00%	—	100.00%	—	100.00%	—	100.00%	—	100.00%	Medical device testing services, overseas precision medical research and development services
WuXi AppTec (Chengdu) Co., Ltd. (成都藥明康德新藥開發有限公司)	PRC / September 20, 2017	RMB550,000,000	—	—	—	—	100.00%	—	100.00%	—	100.00%	—	Discovery, research and development of small molecule drugs

Note:

(i) The shares of STA are listed on the NEEQ (Stock code: 832159). At December 31, 2015, 64.47% and 1.63% of equity interests in STA was held by WXAT Shanghai, a non-wholly owned subsidiary of the Company, and Shanghai STA Investment Center, a wholly owned subsidiary of the Company, respectively, thus the Company was able to exercise the control on STA.

All of the subsidiaries adopted December 31 as financial year end.

The statutory financial statements of WXAT Shanghai, STA, STARD, STACZ, WXAT Wuhan, WXAT Suzhou and WXAT Tianjin for each of the three years ended December 31, 2015, 2016 and 2017 were prepared in accordance with relevant accounting principles and financial regulations applicable in the PRC and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP except for the statutory financial statements of STARD for the year ended December 31, 2017 which were audited by Shanghai Certified Public Accountants.

The statutory financial statements of STAHK and WXAT HK, for the years ended December 31, 2015, 2016 and 2017 were prepared in accordance with in accordance with Hong Kong Financial Reporting Standards and were audited by us.

No audited statutory financial statements were prepared by WuXi AppTec, Inc. or WXAT International since its date of incorporation as they are incorporated in a jurisdiction where there is no statutory audit requirements.

55.2 Details of non-wholly subsidiaries that have material non-controlling interests

Name of subsidiary	Principal place of business and place of incorporation	Proportion of ownership interests as at				Profit (loss) allocated to non-controlling Interests as at				Accumulated non-controlling interests as at			
		December 31, 2015	December 31, 2016	December 31, 2017	June 30, 2018	December 31, 2015	December 31, 2016	December 31, 2017	June 30, 2018	December 31, 2015	December 31, 2016	December 31, 2017	June 30, 2018
WXAT Wuhan	PRC	60.00%	100.00%	100.00%	100.00%	24,510	3,680	—	—	192,836	—	—	—
WXAT Shanghai	PRC	51.68%	100.00%	100.00%	100.00%	71,166	24,045	—	—	1,417,544	—	—	—
STA Group	PRC	34.16%	79.72%	87.50%	87.22%	218,241	127,899	70,555	34,435	1,057,207	493,232	391,308	410,575
WXAT Tianjin	PRC	55.00%	100.00%	100.00%	100.00%	43,823	2,022	—	—	337,384	—	—	—
WXAT Suzhou	PRC	54.29%	100.00%	100.00%	100.00%	7,953	653	—	—	142,705	—	—	—
Individually immaterial subsidiaries with non-controlling interests						(30,882)	(12,306)	(928)	(2,263)	89,897	—	4,323	2,060
Intragroup Elimination						—	—	—	—	(175,117)	—	—	—
Total						334,811	145,993	69,627	32,172	3,062,456	493,232	395,631	412,635

The table below show details of a non-wholly-owned subsidiary of the Group that has material non-controlling interests.

STA Group

	December 31, 2015	December 31, 2016	December 31, 2017	June 30, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	1,098,039	1,949,709	2,254,800	1,922,687
Non-current assets	1,102,339	1,321,015	1,865,171	2,360,836
Current liabilities	540,898	771,886	918,760	998,368
Non-current liabilities	53,759	66,682	71,846	76,586
Equity attributable to owners of the Company	548,514	1,938,924	2,738,057	2,797,994
Non-controlling interests	1,057,207	493,232	391,308	410,575

Other subsidiaries with material non-controlling interests

	WXAT Shanghai	WXAT Tianjin	WXAT Wuhan	WXAT Suzhou
	December 31, 2015	December 31, 2015	December 31, 2015	December 31, 2015
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	3,231,297	604,814	514,291	199,631
Non-current assets	907,216	214,253	36,796	516,387
Current liabilities	1,100,405	43,169	60,585	382,134
Non-current liabilities	104,450	26,155	8,411	21,687
Equity attributable to owners of the Company	1,516,114	412,359	289,255	169,492
Non-controlling interests	1,417,544	337,384	192,836	142,705

STA Group

	Year ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2017	Six months ended June 30, 2017	Six months ended June 30, 2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	1,269,330	1,638,348	2,125,062	1,016,128	1,212,130
Expenses	(939,162)	(1,202,501)	(1,648,845)	(786,671)	(942,729)
Profit attributable to owners of the Company	111,927	307,948	405,662	190,221	234,966
Profit attributable to the non-controlling interests	218,241	127,899	70,555	39,236	34,435
Profit for the year	330,168	435,847	476,217	229,457	269,401
Other comprehensive (expense) income attributable to owners of the Company	(11,643)	(4,459)	9,824	2,157	(33,825)
Other comprehensive income attributable to the non-controlling interests	2,545	286	1,733	589	4,489
Other comprehensive income for the year	(9,098)	(4,173)	11,557	2,746	(29,336)
Total comprehensive income attributable to owners of the Company	100,284	303,489	415,486	192,378	201,141
Total comprehensive income attributable to the non-controlling interests	220,786	128,185	72,288	39,825	38,924
Total comprehensive income for the year	321,070	431,674	487,774	232,203	240,065
Dividends paid to non-controlling interests	—	—	(18,834)	(18,834)	(19,205)
Net cash inflow from operating activities	404,125	470,525	552,052	93,179	274,816
Net cash (outflow) inflow from investing activities	(531,699)	(894,330)	132,900	227,235	(536,879)
Net cash inflow (outflow) from financing activities	386,027	368,792	(106,131)	(44,855)	(398,440)

Other subsidiaries with material non-controlling interests

	WXAT Shanghai	WXAT Tianjin	WXAT Wuhan	WXAT Suzhou
	Year ended December 31, 2015	Year ended December 31, 2015	Year ended December 31, 2015	Year ended December 31, 2015
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	1,803,329	370,815	241,751	241,832
Expenses	(1,656,048)	(273,430)	(180,477)	(224,468)
Profit attributable to owners of the Company	76,115	53,562	36,764	9,411
Profit attributable to the non-controlling interests	71,166	43,823	24,510	7,953
Profit for the year	147,281	97,385	61,274	17,364
Other comprehensive income attributable to owners of the Company	6,773	—	—	—
Other comprehensive income attributable to the non-controlling interests	6,333	—	—	—
Other comprehensive income for the year	13,106	—	—	—
Total comprehensive income attributable to owners of the Company	82,888	53,562	36,764	9,411
Total comprehensive income attributable to the non-controlling interests	77,499	43,823	24,510	7,953
Total comprehensive income for the year	160,387	97,385	61,274	17,364
Dividends paid to non-controlling interests	—	—	—	—
Net cash inflow (outflow) from operating activities	575,649	40,107	(108,635)	103,912
Net cash (outflow) inflow from investing activities	(644,944)	(126,660)	145,061	(45,711)
Net cash inflow from financing activities	79,666	—	—	—

	WXAT Shanghai	WXAT Tianjin	WXAT Wuhan	WXAT Suzhou
	Year ended December 31, 2016	Year ended December 31, 2016	Year ended December 31, 2016	Year ended December 31, 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	2,016,963	440,446	241,751	301,163
Expenses	(1,585,908)	(324,641)	(180,477)	(262,020)
Profit attributable to owners of the Company	407,010	113,783	57,594	38,490
Profit attributable to the non-controlling interests	24,045	2,022	3,680	653
Profit for the year	431,055	115,805	61,274	39,143
Other comprehensive income attributable to owners of the Company	4,586	24,209	—	—
Other comprehensive income attributable to the non-controlling interests	—	—	—	—
Other comprehensive income for the year	4,586	24,209	—	—
Total comprehensive income attributable to owners of the Company	411,596	137,992	57,594	38,490
Total comprehensive income attributable to the non-controlling interests	24,045	2,022	3,680	653
Total comprehensive income for the year	435,641	140,014	61,274	39,143
Dividends paid to non-controlling interests	—	—	—	—
Net cash inflow (outflow) from operating activities	503,893	(11,598)	(30,080)	22,568
Net cash (outflow) inflow from investing activities	1,213,782	249,502	25,543	(348,057)
Net cash outflow from financing activities	(1,593,926)	(266,467)	—	—

55.3 Change in ownership interest in subsidiaries

For the year ended December 31, 2015

In March 2015, a non-wholly subsidiary, WXAT Shanghai, disposed 5.55% of its equity interest in STA to 75 individual shareholders at a consideration of RMB173,527,000, reducing the group effective interest in STA from 38.76% to 35.89%. The proceeds on disposal after tax was RMB149,511,000. The proportionate share of the carrying amount of the net assets of STA transferred to non-controlling interests is RMB24,571,000.

In June 2015, the Group acquired additional 1.73% of equity interest in STA through placement at a consideration of RMB11,352,000, increasing its continuing interest from 35.89% to 36.16%. The proportionate share of the carrying amount of the net assets of STA attributable to non-controlling interests increased by RMB4,500,000.

In July 2015, STA issued additional 7,160,000 shares to 33 new shareholders at a consideration RMB498,694,000 and the net proceed was RMB486,242,000. The proportionate share of the carrying amount of the net assets of STA attributable to non-controlling interests increased by RMB340,528,000. The Group's equity interest in STA reduced from 36.16% to 34.16%.

The difference of RMB266,151,000 between the aggregate increase in the non-controlling interests of RMB369,600,000 and the total net proceed of RMB635,751,000 received by the Group has been credited to capital reserve.

For the year ended December 31, 2016

In January 2016, the Group acquired additional 45% of equity interest in WXAT Tianjin from WuXi AppTec (BVI) Inc.("WXAT BVI") at a consideration of RMB185,725,000, increasing its continuing interest from 55% to 100%. The proportionate share of the carrying amount of the net assets of WXAT Tianjin attributable to non-controlling interests of RMB172,853,000 was derecognized accordingly.

In January 2016, the Group acquired additional 45.71% of equity interest in WXAT Suzhou from WXAT BVI at a consideration of RMB165,576,000, increasing its continuing interest from 54.29% to 100%. The proportionate share of the carrying amount of the net assets of WXAT Suzhou attributable to non-controlling interests of RMB144,253,000 was derecognized accordingly.

In February 2016, the Group acquired additional 48.32% of equity interest in WXAT Shanghai from WXAT BVI at a consideration of RMB991,093,000, increasing its continuing interest from 51.68% to 100%. The proportionate share of the carrying amount of the net assets of WXAT Shanghai attributable to non-controlling interests of RMB924,298,000 was derecognized accordingly.

In February 2016, the Group acquired additional 40% of equity interest in WXAT Wuhan from WXAT BVI at a consideration of RMB200,478,000, increasing its continuing interest from 60% to 100%. The proportionate share of the carrying amount of the net assets of WXAT Wuhan attributable to non-controlling interests of RMB195,995,000 was derecognized accordingly.

For the year ended December 31, 2016, the Group acquired additional 48.32% of equity interest in STA from WXAT BVI at a consideration of RMB266,000,000, In addition, STA issued additional 3,000,000 shares to 11 investors at a consideration RMB369,000,000. After these transactions, the Group's continuing interest in STA increased from 34.16% to 79.72%. The proportionate share of the carrying amount of the net assets of STA attributable to non-controlling interests reduced by of RMB152,559,000.

The difference of RMB149,880,000 between the aggregate decrease in the non-controlling interests of RMB1,589,960,000 and the total net proceed of RMB1,440,080,000 paid by the Group(net off RMB368,792,000 received from investors) has been credited to equity, of which RMB146,322,000 and RMB3,558,000 were credited to capital reserve and investment revaluation reserve, respectively.

For the year ended December 31, 2017

In May 2017, the Group acquired additional equity interest of 7.56% of STA at a total consideration of RMB650,500,000, increasing its equity interest in STA from 79.7% to 87.3%. The difference of RMB454,335,000 between the aggregate decrease in the non-controlling interests of RMB196,165,000 and the total consideration of RMB650,500,000 paid by the Group has been credited to capital reserve.

In June 2017, totalling 1,197,000 ordinary STA Shares are vested under the STA Share Option Scheme (details set out in Note 48), which diluted the Company's indirect equity interest in STA from 87.3% to 87.0%. This transaction adjusted down the Group's equity interest in STA by RMB10,037,000 and increased corresponding non-controlling interests by RMB10,037,000 to reflect the changes in their relative interests in STA.

In July 2017, STA issued 12,960,000 ordinary shares to WXAT Shanghai to acquire the entire business of Pharmaceutical development services division ("PDS") of WXAT Shanghai, increasing the Group's equity interest in STA from 87% to 88.1%.

In November 2017, totalling 3,135,000 ordinary STA Shares are vested under the STA Share Option Scheme (details set out in Note 48), which diluted the Company's indirect equity interest in STA from 88.3% to 87.5%. This transaction adjusted down the Group's equity interest in STA by RMB21,125,000 and increased corresponding non-controlling interests by RMB21,125,000 to reflect the changes in their relative interests in STA.

For the six months ended June 30, 2018

In February 2018, STA acquired 100% equity interests in Xin Fu from WXAT Shanghai, parent company of STA, for a cash consideration of RMB58,649,000 to integrate resources for the CMO/CDMO services. This reorganization adjusted down the Group's equity interest in STA by RMB2,353,000 and increased corresponding non-controlling interests by RMB2,353,000 to reflect the changes in their relative interests in STA.

In June 2018, totalling 1,218,000 ordinary STA Shares are vested under the STA Share Option Incentive Scheme (details set out in Note 48), which diluted the Company's indirect equity interest in STA from 87.5% to 87.2%.

56. AMOUNTS DUE FROM SUBSIDIARIES

The Company

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Loans to subsidiaries	14,262	126,122	872,484	908,933
Dividend receivable	—	661,599	263,652	263,652
	14,262	787,721	1,136,136	1,172,585

All the loans to subsidiaries were unsecured, interest free and repayable on demand and are all in 1 year.

57. AMOUNTS DUE TO SUBSIDIARIES

The Company

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables	65,366	20,080	—	19,041
Loans from subsidiary	—	—	18,804	—
	65,366	20,080	18,804	19,041

All the loans from subsidiaries were unsecured, interest free and repayable on demand.

58. SUBSEQUENT EVENTS

The Group has the following events taken place subsequent to June 30, 2018.

On July 31, 2018, WuXi AppTec UK Ltd., a subsidiary of the Company entered into an agreement to acquire the remaining 50% equity interest of a joint venture, WuXi Clinical Development, Inc. (formerly known as Cycle Solutions, Inc.) for a cash consideration of USD17,227,000 (equivalent to RMB113,990,000). The acquisition is to enhance clinical development capabilities of the Group in the USA and Europe market. Details of the acquisition are set out in Note 26 of the condensed consolidated financial statements for the nine months ended September 30, 2018 set out in Appendix IA to the Prospectus.

On August 22, 2018, the shareholders' meeting of the Company passed a resolution to issue up to 8,856,900 A Shares of the Company under the 2018 WuXi AppTec A Share Incentive Scheme. On August 28, 2018, 7,085,500 restricted shares were approved for eligible employees to subscribe at the price of RMB45.53 per A Share (the "Initial Grant") and the remaining 1,771,400 A shares will be reserved for future distribution. In October, 2018, 6,281,330 number of A Shares were subscribed by eligible employees and RMB285,991,000 consideration were received by the Company. The Initial Grant of these granted restricted shares has a contractual term of no more than four years and vest over a three year period, with 40%, 30% and 30% of the awards vesting on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions.

59. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any companies now comprising of the Group have been prepared in respect of any period subsequent to June 30, 2018.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

TO THE BOARD OF DIRECTORS OF 無錫藥明康德新藥開發股份有限公司
WUXI APPTEC CO., LTD. *
(incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of 無錫藥明康德新藥開發股份有限公司 WuXi AppTec Co., Ltd.* (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages IA-1 to IA-44, which comprise the condensed consolidated statement of financial position as at September 30, 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the nine months period then ended, and certain explanatory notes. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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 Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
December 3, 2018

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	NOTES	Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue	4	2,511,928	2,012,504	6,921,135	5,677,879
Cost of services		(1,464,737)	(1,176,175)	(4,117,835)	(3,257,355)
Gross profit		1,047,191	836,329	2,803,300	2,420,524
Other income	6	33,139	91,272	87,868	198,839
Other gains and losses	7	270,732	(26,694)	660,364	(33,331)
Impairment losses, net of reversal		(5,806)	(1,587)	(158)	(4,049)
Selling and marketing expenses		(80,337)	(77,053)	(233,017)	(209,960)
Administrative expenses		(349,297)	(260,230)	(784,558)	(695,134)
Research and development expenses		(119,480)	(111,505)	(297,005)	(226,967)
Operating profit		796,142	450,532	2,236,794	1,449,922
Share of (losses) profits of associates		(19,095)	(9,882)	19,557	(15,718)
Share of profits (losses) of joint ventures		83	(5,134)	(8,669)	(24,811)
Finance costs		(23,431)	(12,501)	(68,952)	(25,217)
Profit before tax		753,699	423,015	2,178,730	1,384,176
Income tax expense	8	(78,601)	(89,796)	(199,562)	(269,277)
Profit for the period	9	675,098	333,219	1,979,168	1,114,899
Other comprehensive income (expense) for the period					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of foreign operations		53,021	21,643	96,276	(16,147)
Fair value gain (losses) on:					
- available-for-sale ("AFS") investments		—	20,651	—	54,703
- hedging instruments designated in cash flow hedges		(75,982)	—	(141,866)	—
Reclassification adjustment relating to:					
- AFS investments disposed of		—	(12,996)	—	(32,223)
Share of other comprehensive (expense) income of an associate		—	(10,957)	—	16,561
Other comprehensive (expense) income for the period, net of income tax		(22,961)	18,341	(45,590)	22,894
Total comprehensive income for the period		652,137	351,560	1,933,578	1,137,793
Profit for the period attributable to:					
Owners of the Company		656,478	320,595	1,928,376	1,063,039
Non-controlling interests		18,620	12,624	50,792	51,860
		675,098	333,219	1,979,168	1,114,899

	NOTES	Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Total comprehensive income for the period attributable to:					
Owners of the Company		647,275	338,695	1,892,055	1,085,103
Non-controlling interests		4,862	12,865	41,523	52,690
		652,137	351,560	1,933,578	1,137,793
		RMB	RMB	RMB	RMB
Earnings per share					
- Basic	10	0.63	0.34	1.94	1.13
- Diluted	10	0.63	0.33	1.93	1.11

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT SEPTEMBER 30, 2018

	NOTES	At September 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment	12	5,401,791	4,255,468
Goodwill	13	1,144,945	958,038
Other intangible assets		350,959	296,514
Prepaid lease payments		184,480	126,138
Interests in associates	14	795,189	251,084
Interests in joint ventures	15	18,108	131,997
Deferred tax assets	16	287,389	244,158
AFS investments		—	683,405
Financial assets at fair value through profit or loss ("FVTPL")	17	1,782,486	—
Other non-current assets		50,917	50,874
Deposits for acquisition		—	112,570
		10,016,264	7,110,246
Current Assets			
Inventories	18	826,269	649,815
Contract costs		65,956	77,123
Amounts due from related parties	31	20,672	16,563
Trade and other receivables	19	2,324,582	1,752,807
Contract assets	19	312,253	185,676
Prepaid lease payments		4,650	3,400
Financial assets at FVTPL	17	2,646,405	14,739
Structured deposits		—	297,687
Pledged bank deposits		10,309	6,247
Bank balances and cash		923,639	2,466,144
		7,134,735	5,470,201
Current Liabilities			
Trade and other payables	20	2,118,636	1,664,433
Amounts due to related parties	31	374,128	839,562
Derivative financial instruments	21	235,705	—
Contract liabilities		610,014	604,132
Borrowings	22	1,549,128	1,318,189
Income tax payables		167,449	193,107
		5,055,060	4,619,423
Net Current Assets		2,079,675	850,778
Total Assets Less Current Liabilities		12,095,939	7,961,024
Non-current Liabilities			
Borrowings	22	365,000	300,000
Deferred tax liabilities	16	101,905	103,281
Deferred income		366,558	377,556
Other long-term liabilities	23	194,185	442,176
Derivative financial instruments	21	47,472	—
		1,075,120	1,223,013
Net Assets		11,020,819	6,738,011
Capital and Reserves			
Share capital	24	1,041,986	937,787
Reserves		9,528,001	5,404,593
Equity attributable to owners of the Company		10,569,987	6,342,380
Non-controlling interests		450,832	395,631
Total Equity		11,020,819	6,738,011

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	Attributable to owners of the Company												
	Share capital	Share premium	Capital reserve	Share-based payment reserve	Cash flow hedging reserve	Foreign currency translation reserve	Statutory reserve	Investments revaluation reserve	Other reserve	Retained earnings	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at December 31, 2017 (audited)	937,787	2,311,996	(52,963)	371,844	—	49,089	21,296	89,196	398,216	2,215,919	6,342,380	395,631	6,738,011
Adoption of IFRS 9	—	—	—	—	—	—	—	(89,196)	—	277,817	188,621	—	188,621
Adjusted balance at January 1, 2018	937,787	2,311,996	(52,963)	371,844	—	49,089	21,296	—	398,216	2,493,736	6,531,001	395,631	6,926,632
Profit for the period	—	—	—	—	—	—	—	—	—	1,928,376	1,928,376	50,792	1,979,168
Other comprehensive (expense) income for the period, net of income tax	—	—	—	—	(141,866)	105,545	—	—	—	—	(36,321)	(9,269)	(45,590)
Total comprehensive (expense) income for the period	—	—	—	—	(141,866)	105,545	—	—	—	1,928,376	1,892,055	41,523	1,933,578
Issue of ordinary shares upon listing on Shanghai Stock Exchange	104,199	2,146,490	—	—	—	—	—	—	—	—	2,250,689	—	2,250,689
Transaction costs attributable to issue of new shares	—	(120,403)	—	—	—	—	—	—	—	—	(120,403)	—	(120,403)
Recognition of share-based payments	—	—	—	15,786	—	—	—	—	—	—	15,786	2,212	17,998
Issue of ordinary shares of a subsidiary under employee share option plan	—	—	10,284	(8,735)	—	—	—	—	—	—	1,549	24,315	25,864
Change in ownership interests in subsidiaries without change of control	—	—	(690)	—	—	—	—	—	—	—	(690)	6,356	5,666
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(19,205)	(19,205)
Balance at September 30, 2018 (unaudited)	1,041,986	4,338,083	(43,369)	378,895	(141,866)	154,634	21,296	—	398,216	4,422,112	10,569,987	450,832	11,020,819

	Attributable to owners of the Company												
	Share capital	Share premium	Capital reserve	Share-based payment reserve	Cash flow hedging reserve	Foreign currency translation reserve	Statutory reserve	Investments revaluation reserve	Other reserve	Retained earnings	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2017 (audited)	937,787	2,311,714	435,595	346,671	—	58,142	—	70,644	398,216	1,010,404	5,569,173	493,232	6,062,405
Profit for the period	—	—	—	—	—	—	—	—	—	1,063,039	1,063,039	51,860	1,114,899
Other comprehensive (expense) income for the period	—	—	—	—	—	(16,977)	—	39,041	—	—	22,064	830	22,894
Total comprehensive (expense) income for the period	—	—	—	—	—	(16,977)	—	39,041	—	1,063,039	1,085,103	52,690	1,137,793
Retained earnings transferred to share premium due to conversion into a joint stock company	—	282	—	—	—	—	—	—	—	(282)	—	—	—
Contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	5,250	5,250
Recognition of share-based payments	—	—	—	29,214	—	—	—	—	—	—	29,214	2,972	32,186
Change in ownership interests in subsidiaries without change of control	—	—	(500,055)	—	—	—	—	—	—	—	(500,055)	(180,782)	(680,837)
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(18,834)	(18,834)
Balance at September 30, 2017 (unaudited)	937,787	2,311,996	(64,460)	375,885	—	41,165	—	109,685	398,216	2,073,161	6,183,435	354,528	6,537,963

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	Nine months ended September 30,	
	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES:	833,583	1,147,798
NET CASH USED IN INVESTING ACTIVITIES:		
Interests received	9,133	24,828
Proceeds from disposal of		
- financial assets at FVTPL	138,138	—
- AFS investments	—	57,966
Purchase of		
- financial assets at FVTPL	(2,638,496)	(317,616)
- AFS investments	—	(81,676)
Proceeds from disposal of other intangible assets	131	186
Proceeds from disposal of property, plant and equipment	3,829	8,977
Withdraw of structured deposits	—	506,184
Acquisition of interests in associates	(650,497)	(45,585)
Acquisition of interests in joint ventures	(55,408)	(33,980)
Purchase of property, plant and equipment	(1,153,998)	(974,020)
Purchase of other intangible assets	(8,083)	(6,525)
Repayment of obligation under a finance lease from a related party	—	9,263
Payments for prepaid lease payments	(62,508)	—
Placement of pledged bank deposits	(4,062)	(12,978)
Net cash outflow on acquisition of subsidiaries	(84,933)	(851,211)
Repayment from related parties	—	369
Dividends received from financial assets at FVTPL	16,093	—
Government grants and subsidies received related to assets	33,000	46,513
Payment for forward contracts	(48,822)	—
	(4,506,483)	(1,669,305)

	Nine months ended September 30,	
	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
NET CASH FROM (USED IN) FINANCING ACTIVITIES:		
Payment of dividends	(19,205)	(18,834)
New borrowings raised	1,333,198	1,166,896
Repayment of borrowings	(1,068,165)	(280,617)
Proceeds from contribution from non-controlling shareholders	—	5,250
Contribution from share-based compensation ("SBC") exercise of a subsidiary	25,864	—
Acquisition of partial interest of subsidiaries from non-controlling shareholders	(200,000)	(1,430,825)
Net proceeds from issue of ordinary shares	2,160,662	—
Advance from related parties	—	14,783
Repayment to related parties	—	(56,042)
Interests paid	(59,928)	(22,296)
Repayments of consideration payable on purchase of a property under installment payment plan	(28,265)	(14,133)
Issue cost paid	(20,255)	(10,626)
	2,123,906	(646,444)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,548,994)	(1,167,951)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	2,466,144	2,507,299
Effects of exchange rate changes	6,489	(34,208)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	923,639	1,305,140

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

1. GENERAL INFORMATION

無錫藥明康德新藥開發股份有限公司 WuXi AppTec Co., Ltd. (the "Company") was incorporated in the People's Republic of China ("PRC") on March 1, 2017 as a joint stock limited liability company under the PRC laws upon the conversion of 無錫藥明康德新藥開發有限公司 WuXi AppTec Ltd. (formerly known as 無錫藥明康德組合化學有限公司 WuXi PharmaTechs Co., Ltd.), a company with limited liability incorporated in the PRC in December 2000. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and was listed on the Shanghai Stock Exchange (stock code: 603259.SH) on May 8, 2018. The address of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" of the Prospectus of the Company (the "Prospectus"). The Company is ultimately controlled by Dr. Ge Li, Dr. Zhao Ning (the spouse of Dr. Ge Li), Mr. Liu Xiaozhong and Mr. Zhang Zhaohui who are all acting in concert (collectively known as "ultimate Controlling Shareholders").

The Company is an investment holding company. The principal activity of the Group is to provide a portfolio of research and manufacturing services throughout the discovery, development and manufacturing spectrum for small molecule drugs, cell therapies and gene therapies as well as providing testing services for medical devices.

The functional currency of the Company is Renminbi ("RMB"), which is the same as the presentation currency of the condensed consolidated financial statements.

Significant transactions in the current interim period

During current interim period, the Group completed the acquisition of the remaining 50% equity interest in a joint venture, WuXi Clinical Development, Inc. ("WuXi Clinical", formerly known as Cycle Solutions, Inc.) at the consideration of USD17,227,000 (equivalent to RMB117,434,000). The acquisition is to enhance clinical development capabilities of the Group in the United States of America ("USA") and Europe market. For details, please refer to Note 26.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements should be read in conjunction with the Group's historical financial information for the three years ended December 31, 2017 and the six months ended June 30, 2018 included in the accountants' report as set out in Appendix I to the Prospectus.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

The accounting policies and methods of computation used in the condensed consolidation financial statements for the nine months ended September 30, 2018 are the same as those followed in the preparation of the Group's historical financial information for the six months ended June 30, 2018 included in the accountants' report as set out in Appendix I to the Prospectus.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, IFRS 9 Financial Instruments issued by IASB which are mandatory effective for the annual period beginning on or after January 1, 2018 for the preparation of the Group's condensed consolidated financial statements.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized on January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized on January 1, 2018. The difference between carrying amounts on December 31, 2017 and the carrying amounts on January 1, 2018 are recognized in the opening retained earnings, without restating comparative information. In addition, the Group has applied the hedge accounting prospectively.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under International Accounting Standards 39 "Financial Instruments: Recognition and Measurement" ("IAS 39").

The table below illustrates the classification and measurement of financial assets, financial liabilities and other assets under IFRS 9 and IAS 39 at the date of initial application on January 1, 2018.

Financial assets and financial liabilities

Items	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39	Fair value remeasurement under IFRS 9	Additional loss allowance recognized under IFRS 9	New carrying amount under IFRS 9
			RMB'000	RMB'000	RMB'000	RMB'000
Investments in listed equity securities	AFS investments	Financial assets at FVTPL	29,080	—	—	29,080
Investments in unlisted equity securities	AFS investments	Financial assets at FVTPL	456,144	191,180	—	647,324
Investment in unlisted funds	AFS investments	Financial assets at FVTPL	198,181	—	—	198,181
Monetary fund investments (Note 17)	Financial assets at FVTPL	Financial assets at FVTPL	14,739	—	—	14,739
Trade and other receivables (Note 19)	Loans and receivables	Financial assets at amortized cost	1,404,629	—	(2,503)	1,402,126
Amounts due from related parties (Note 31)	Loans and receivables	Financial assets at amortized cost	16,563	—	—	16,563
Structured deposits	Loans and receivables	Financial assets at FVTPL	297,687	—	—	297,687
Bank balances and cash and pledged bank deposits	Loans and receivables	Financial assets at amortized cost	2,472,391	—	—	2,472,391
Trade and other payables (Note 20)	Financial liabilities at amortized cost	Financial liabilities at amortized cost	901,451	—	—	901,451
Amounts due to related parties (Note 31)	Financial liabilities at amortized cost	Financial liabilities at amortized cost	839,562	—	—	839,562
Borrowings (Note 22)	Financial liabilities at amortized cost	Financial liabilities at amortized cost	1,618,189	—	—	1,618,189
Payable for acquisition of a property (Note 23)	Financial liabilities at amortized cost	Financial liabilities at amortized cost	251,785	—	—	251,785

Other assets

Items	Original carrying amount under IAS 39	Fair value remeasurement under IFRS 9	Additional loss allowance recognized under IFRS 9	New carrying amount under IFRS 9
	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	185,676	—	(56)	185,620

The additional impairment loss allowance upon the initial application of IFRS 9 as disclosed above resulted entirely from a change in the measurement attribute of the loss allowance relating to each financial asset.

There were no financial liabilities which the Group had previously designated as at FVTPL or measured at amortized cost under IAS 39 that were subject to reclassification, or which the Group has elected to reclassify upon the application of IFRS 9.

AFS investments which the Group had previously measured at cost or fair value with changes accounted for in other comprehensive income under IAS 39 has been classified as FVTPL at the date of initial application of IFRS 9.

The tables below show information relating to financial assets and other items that are measured differently (including change in impairment calculation) as a result of transition to IFRS 9:

Items	IAS 39 carrying amount December 31, 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount January 1, 2018	Retained earnings effect January 1, 2018	Investment revaluation reserve effect January 1, 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
AFS investments	683,405	(683,405)	—	—	49,466	(49,466)
Financial assets at FVTPL	14,739	981,092	191,180	1,187,011	191,180	—
Loans and receivables	4,191,270	(297,687)	(2,503)	3,891,080	(2,503)	—
Contract assets	185,676	—	(56)	185,620	(56)	—
Interests in associates	—	—	—	—	39,730	(39,730)

From AFS investments to FVTPL

At the date of initial application of IFRS 9, the Group's equity and fund investments of RMB698,144,000 were reclassified from AFS investments to financial assets at FVTPL. The fair value gains of RMB191,180,000 relating to those equity investments previously carried at cost less impairment were adjusted to financial assets at FVTPL and retained earnings as at January 1, 2018. The fair value gains of RMB49,466,000 relating to those investments previously carried at fair value were transferred from investment revaluation reserve to retained earnings.

From loans and receivables to FVTPL

At the date of initial application of IFRS 9, the Group's structured deposits of RMB297,687,000 were reclassified from loans and receivables to financial assets at FVTPL.

The adoption of IFRS 9 has no impact on the interests on joint ventures and associates except that the investment revaluation reserve of RMB39,730,000 attributable by associates was reclassified to retained earnings following the reclassification from AFS investments at fair value to financial assets at FVTPL as at January 1, 2018.

Impact on assets and equity as at January 1, 2018:

	As previously reported	IFRS 9 adjustment	After adjustment
	RMB'000	RMB'000	RMB'000
Trade and other receivables	1,404,629	(2,503)	1,402,126
Contract assets	185,676	(56)	185,620
AFS investments	683,405	(683,405)	—
Structured deposits	297,687	(297,687)	—
Financial assets at FVTPL	14,739	1,172,272	1,187,011
Total effect on net assets		188,621	
Reserves	5,404,593	188,621	5,593,214
Total effect on equity		188,621	

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

The preparation of the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the preparation of the Group's historical financial information for the three years ended December 31, 2017 and the six months ended June 30, 2018 included in the accountants' report as set out in Appendix I to the Prospectus.

4. REVENUE

The Group's revenue streams are categorized as follows:

China-based laboratory services	Services include small molecules discovery, such as synthetic chemistry, medicinal chemistry, analytical chemistry, biology, drug metabolism and pharmacokinetics, absorption, distribution, metabolism and excretion, toxicology and bioanalytical services.
U.S.-based laboratory services	Services include expert solution for medical devices safety testing services and comprehensive manufacturing and testing for cell and gene therapies.
Clinical research and other CRO services	Clinical research services includes clinical development services and site management organization (SMO) services. Clinical development services include project planning, clinical operation and monitoring and managements of phase I-IV clinical trials, outcomes research and medical device trials; embedded outsourcing; and clinical informatics, respectively. SMO services include project management and clinical site management services.

Manufacturing services ("CMO/CDMO services")	CMO/CDMO services stands as an integrated platform to support the development of manufacturing processes and the production of advanced intermediates and active pharmaceutical ingredients, and formulation development and dosage drug product manufacturing, for preclinical, clinical trials, new drug application, and commercial supply of chemical drugs as well as wide spectrum development from early to late stage.
Others	Others mainly include the administrative service income, sales of raw material and sales of scrap materials.

Disaggregation of revenue

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major service lines. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segment in Note 5.

An analysis of the Group's revenue is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue				
- China-based laboratory services	1,308,508	1,034,426	3,724,800	3,020,622
- U.S.-based laboratory services	314,369	292,524	860,450	849,336
- Clinical research and other CRO services	168,040	100,361	399,194	245,923
- CMO/CDMO services	717,490	570,288	1,926,875	1,524,068
- Others	3,521	14,905	9,816	37,930
	2,511,928	2,012,504	6,921,135	5,677,879

Timing of revenue recognition

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Over time				
- China-based laboratory services	1,117,709	918,716	3,170,862	2,583,575
- U.S.-based laboratory services	314,369	292,524	860,450	849,336
- Clinical research and other CRO services	168,040	100,361	399,194	245,923
- CMO/CDMO services	57,334	52,323	143,973	142,339
- Others	3,476	6,293	9,683	15,048
At a point in time				
- China-based laboratory services	190,799	115,710	553,938	437,047
- CMO/CDMO services	660,156	517,965	1,782,902	1,381,729
- Others	45	8,612	133	22,882

5. SEGMENT INFORMATION

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

	Nine months ended September 30, 2018 (unaudited)					
	China-based laboratory services	U.S.-based laboratory services	Clinical research and other CRO services	CMO/CDMO services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	3,724,800	860,450	399,194	1,926,875	9,816	6,921,135
Segment results	1,674,313	207,773	113,487	804,984	2,743	2,803,300
Unallocated amount:						
Other income						87,868
Other gains and losses						660,364
Impairment loss, net of reversal						(158)
Selling and marketing expenses						(233,017)
Administrative expenses						(784,558)
Research and development expenses						(297,005)
Share of profits of associates						19,557
Share of losses of joint ventures						(8,669)
Finance costs						(68,952)
Group's profit before tax						2,178,730

	Nine months ended September 30, 2017 (unaudited)					
	China-based laboratory services	U.S.-based laboratory services	Clinical research and other CRO services	CMO/CDMO services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	3,020,622	849,336	245,923	1,524,068	37,930	5,677,879
Segment results	1,394,310	272,134	72,542	664,848	16,690	2,420,524
Unallocated amount:						
Other income						198,839
Other gains and losses						(33,331)
Impairment loss, net of reversal						(4,049)
Selling and marketing expenses						(209,960)
Administrative expenses						(695,134)
Research and development expenses						(226,967)
Share of losses of associates						(15,718)
Share of losses of joint ventures						(24,811)
Finance costs						(25,217)
Group's profit before tax						1,384,176

Entity-wide disclosure

Geographical information

An analysis of the Group's revenue from external customers, analyzed by their respective country/region of domicile, is detailed below:

	Nine months ended September 30,	
	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue		
- PRC	1,806,758	1,146,341
- Asia-others	198,369	156,854
- USA	3,700,106	3,273,042
- Europe	1,122,192	1,023,016
- Rest of the world	93,710	78,626
	6,921,135	5,677,879

Information about the Group's non-current assets by geographical locations is presented below:

	At September 30,	At December 31,
	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
- PRC	5,947,868	4,638,148
- Rest of the world	1,998,521	1,431,965
	7,946,389	6,070,113

Non-current assets excluding deferred tax assets, AFS investments, financial assets at FVTPL and deposits for acquisition.

6. OTHER INCOME

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Interest income from financial institutions	3,436	892	9,133	23,720
Government grants and subsidies related to				
- asset (i)	7,040	8,539	25,322	22,850
- income (ii)	9,875	81,841	37,320	152,269
Dividend income arising from financial assets at FVTPL	12,788	—	16,093	—
	33,139	91,272	87,868	198,839

Notes:

(i) The Group has received certain government grants and subsidies to invest in laboratory equipment. The grants and subsidies were recognized in profit or loss over the useful lives of the relevant assets.

(ii) The government grants and subsidies related to income have been received to compensate for the Group's research and development expenditures. Some of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income are recognized in profit or loss when related costs are subsequently incurred and the Group receives government acknowledge of compliance. Other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

7. OTHER GAINS AND LOSSES

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Fair value gain on financial assets at FVTPL	265,690	8,926	727,113	31,191
Net foreign exchange gain (loss)	81,533	(47,714)	62,471	(91,564)
Loss on disposal of plant and equipment	(1,041)	(1,332)	(3,634)	(5,927)
Loss on derivative financial instruments (unrealized)	(26,598)	—	(78,589)	—
Loss on derivative financial instruments (realized)	(48,822)	—	(48,822)	—
Gain on disposal of AFS investments	—	12,996	—	32,223
Others	(30)	430	1,825	746
	270,732	(26,694)	660,364	(33,331)

8. INCOME TAX EXPENSE

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Current tax:				
- PRC	59,555	42,353	216,740	201,668
- Hong Kong	24,692	5,664	28,033	15,279
- USA	(141)	650	1,496	7,633
- Rest of world	(67)	518	1,160	9,822
	84,039	49,185	247,429	234,402
(Over) under provision in respect of prior years				
- PRC	(82)	2	(18,853)	650
- Hong Kong	275	1,797	275	2,058
- USA	—	(841)	—	(841)
	193	958	(18,578)	1,867
Deferred tax:				
- Current period	(5,631)	39,653	(29,289)	33,008
	78,601	89,796	199,562	269,277

9. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Depreciation for plant and equipment	158,029	127,123	433,949	336,672
Amortization of other intangible assets	10,599	11,089	31,981	29,079
Amortization of prepaid lease payments	1,251	314	2,916	2,595
Staff cost (including directors' emoluments):				
- Salaries and other benefits	591,765	540,573	1,694,952	1,398,378
- Retirement benefit scheme contributions	83,444	78,580	224,808	184,305
- Equity-settled share-based payments	5,997	8,499	17,998	32,186
- Cash-settled share-based payments	447	3,420	6,667	7,129
Less: capitalized in inventories and contract costs	(44,129)	(8,046)	(324,964)	(203,592)
	807,403	761,552	2,088,307	1,786,752
Auditor's remuneration	1,748	169	4,818	1,519
Minimum operating lease payment in respect of rented premises	85,375	46,224	191,465	132,223

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Earnings:				
Earnings for the purpose of calculating basic earnings per share	656,478	320,595	1,928,376	1,063,039
Effect of dilutive potential ordinary shares:				
Effect of share options issued by a subsidiary	(3,123)	(7,021)	(8,886)	(21,428)
Earnings for the purpose of calculating diluted earnings per share	653,355	313,574	1,919,490	1,041,611
Number of Shares (000):				
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	1,041,986	937,787	995,802	937,787

The computation of diluted earnings per share for the nine months ended September 30, 2017 does not assume the exercise of STA Share Option Incentive Scheme (2016)—2nd batch (Note 27) because the exercise prices of those options were higher than the average market prices for the nine months ended September 30, 2017.

11. DIVIDENDS

For the periods presented in the condensed consolidated financial statements, a subsidiary of the Company, declared and paid cash dividends to non-controlling shareholders as follows:

	Nine months ended September 30,	
	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Dividends declared and paid by the Company's subsidiary to non-controlling shareholders	19,205	18,834

No dividend was paid or declared by the Company during the periods presented in the condensed consolidated financial statements.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the nine months ended September 30, 2018, the Group acquired property, plant and equipment of approximately RMB1,561,107,000 (unaudited) (December 31, 2017: RMB1,719,600,000 (audited)) for the expansion of production facilities and research capacity.

13. GOODWILL

	At September 30, 2018	At December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
COST		
At the beginning of period/year	1,055,071	381,338
Effect of foreign currency exchange difference	14,203	(14,989)
Acquisition of subsidiaries (Note 26)	175,439	688,722
At the end of period/year	1,244,713	1,055,071
IMPAIRMENT		
At the beginning of period/year	97,033	55,052
Effect of foreign currency exchange difference	2,735	(3,256)
Impairment loss recognized in the period/year	—	45,237
At the end of period/year	99,768	97,033
CARRYING VALUES		
At the end of period/year	1,144,945	958,038

14. INTERESTS IN ASSOCIATES

	At September 30, 2018	At December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
At the beginning of the period/year	251,084	218,072
Addition (Note)	490,313	53,922
Share of post-acquisition gains (losses)	19,557	(21,589)
Share of post-acquisition other comprehensive income	—	13,634
Exchange effect	34,235	(12,955)
At the end of the period/year	795,189	251,084

Notes: WuXi Healthcare Ventures II L.P. ("Fund II") is a Cayman Islands Exempted Limited Partnership. The primary purpose of Fund II is to make capital investments, primarily in privately-owned life sciences companies. According to the limited partnership agreement, the capital contribution by the Group was made in installments. The Group injected USD10,010,000 (equivalent to RMB64,130,000) and USD4,904,000 (equivalent to RMB32,048,000) to Fund II during the nine months ended September 30, 2018 and the year ended December 31, 2017, respectively.

In January 2018, the Group acquired 20% equity interest in Clarity Medical Group Limited at a cash consideration of USD10,000,000 (equivalent to RMB63,294,000). Clarity Medical Group Limited is a limited liability company incorporated under the laws of the Cayman Islands.

In August 2018, the Group acquired 36.62% equity interest in 鷹潭市信銀英利投資有限合夥企業 Yingtan Xinyin Yingli Venture at a cash consideration of RMB260,000,000. Yingtan Xinyin Yingli Venture is a limited liability partnership incorporated under the laws of the PRC.

Details of each of the Group's associates at the end of the reporting period are as follow:

Name of entity	Country of incorporation /registration	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	
Jing Medicine Technology (Shanghai), Ltd.	PRC	33.33%	33.33%	33.33%	33.33%	Consulting services in pharmaceutical science and technology
PhageLux Inc	Cayman	35.72%	32.20%	35.72%	32.20%	Research on new antibacterial technology
Fund II (Note i)	Cayman	17.31%	17.31%	17.31%	17.31%	Investment platform
PICA Health Technologies Limited	Cayman	29.69%	35.80%	29.69%	35.80%	Investment holding
JW (Cayman) Therapeutics Co Ltd ("JW Cayman")	Cayman	50%	29.42%	50%	29.42%	CAR-T cell therapy R&D
Clarity Medical Group Limited	Cayman	—	20.00%	—	20.00%	Professional ophthalmic services
Yingtan Xinyin Yingli Venture	PRC	—	36.62%	—	36.62%	Investment platform

Note:

(i) The Group is able to exercise significant influence over Fund II through its sole general partner, WuXi Healthcare Management LLC, where two executive directors of the Company each held 20% voting rights.

15. INTERESTS IN JOINT VENTURES

	At September 30, 2018	At December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
At the beginning of the year/period	131,997	13,558
Addition	7,000	150,190
Transferred to subsidiary (Note i)	(117,572)	—
Share of post-acquisition losses	(8,669)	(27,051)
Exchange effect	5,352	(4,700)
At the end of the year/period	18,108	131,997

Note:

(i) In October 2017, the Group acquired 50% equity interest in WuXi Clinical from a third party at a cash consideration of USD17,227,000 (equivalent to RMB117,434,000). WuXi Clinical is a Texas corporation incorporated under the laws of the USA. In July 2018, the Group acquired the remaining 50% equity interest which had been detailed in Note 26.

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Country of incorporation /registration	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	
JW Therapeutics (Shanghai) Co, Ltd. (Note ii)	PRC	50%	N/A	50%	N/A	CAR-T cell therapy R&D
WuXi Clinical (Note 26)	USA	50%	100%	50%	100%	Medical consulting and monitor service, clinical operation
WuXi MedImmune Biopharmaceutical Co. Limited	Hong Kong	50%	50%	50%	50%	Investment holding company
Shanghai Waigaoqiao WuXi AppTec Incubator Management Co., Ltd	PRC	70%	70%	50%	50%	Property leasing

Note:

(ii) After a series of restructuring accomplished in April 2018, JW Therapeutics (Shanghai) Co, Ltd ("JW Shanghai") became the subsidiary of JW Cayman and no longer a joint venture of the Group. JW Cayman is an associate of the Group set out in Note 14 as at September 30, 2018.

16. DEFERRED TAXATION

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At September 30, 2018	At December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Deferred tax assets	287,389	244,158
Deferred tax liabilities	(101,905)	(103,281)
	185,484	140,877

The following are the deferred tax liabilities and assets recognized and movements thereon during the current interim period and the year ended December 31, 2017.

	Deferred tax assets									Deferred tax liabilities			Total
	Tax losses	Provisions	Share-based payment	Accrual expense	Deferred revenue	Deferred rent	Depreciation difference	Financial liability	Others	Intangible assets arising from acquisition of subsidiaries	Depreciation difference	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017	11,117	6,598	25,324	12,958	23,129	6,877	—	—	17,533	(33,822)	(87,180)	(247)	(17,713)
Credit (charge) to profit or loss	17,217	(1,037)	(16,292)	4,703	961	750	—	—	(6,027)	30,914	(15,925)	(44)	15,220
Effect of intragroup transaction	—	—	—	—	—	—	173,531	—	—	—	—	—	173,531
Acquisitions of subsidiaries	—	440	1,912	681	—	—	—	—	—	(35,550)	—	—	(32,517)
Exchange differences	(1,071)	(144)	(868)	(642)	—	(389)	—	—	(705)	1,434	4,726	15	2,356
At December 31, 2017	27,263	5,857	10,076	17,700	24,090	7,238	173,531	—	10,801	(37,024)	(98,379)	(276)	140,877
Credit (charge) to profit or loss	27,030	(744)	(795)	(3,651)	93	2,366	(5,809)	13,084	(2,119)	2,485	(2,406)	(245)	29,289
Credit to other comprehensive income	—	—	—	—	—	—	—	25,967	—	—	—	—	25,967
Acquisitions of a subsidiary	—	—	—	—	—	—	—	—	—	(16,748)	—	—	(16,748)
Effect of intragroup transaction	—	—	—	—	—	—	6,343	—	—	—	—	—	6,343
Exchange differences	2,024	95	487	526	—	443	—	1,229	311	(132)	(5,199)	(28)	(244)
At September 30, 2018	56,317	5,208	9,768	14,575	24,183	10,047	174,065	40,280	8,993	(51,419)	(105,984)	(549)	185,484

17. FINANCIAL ASSETS AT FVTPL

	At September 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Current assets		
Monetary fund investments	1,502,823	14,739
Structured deposits (Note i)	1,115,035	—
Derivative financial instruments (Note 21)	28,547	—
	2,646,405	14,739
Non-current assets		
Listed equity securities (Note ii)	940,534	—
Unlisted equity investments (Note ii)	573,433	—
Unlisted fund investments (Note ii, iii)	268,519	—
	1,782,486	—

Notes:

(i) Upon the adoption of IFRS 9 "Financial Instruments" on January 1, 2018, the structured deposits recorded as loans and receivables before January 1, 2018 were subsequently mandatorily measured at FVTPL.

(ii) Upon the adoption of IFRS 9 "Financial Instruments" on January 1, 2018, the equity investments recorded as "available-for-sale financial assets" before January 1, 2018 were subsequently classified to financial assets at FVTPL.

(iii) The fair values of the unlisted investment funds are based on the net asset values of the investment funds reported to the limited partners by the general partners at the end of the reporting period.

18. INVENTORIES

	At September 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Raw material and consumables	215,857	194,103
Work in progress	288,380	234,250
Finished goods	322,032	221,462
	826,269	649,815

The inventories are net of a write-down of approximately RMB11,858,000 (unaudited) as at September 30, 2018 (December 31, 2017: RMB11,002,000 (audited)).

19. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS

19.1 TRADE AND OTHER RECEIVABLES

	At September 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Trade receivables		
- third parties	1,881,829	1,423,194
Allowance for impairment	(26,308)	(18,890)
	1,855,521	1,404,304
Note receivables	771	325
Prepayments	85,769	51,923
Prepaid expenses	33,343	22,015
Value added tax recoverable	305,588	265,662
Rental deposits	13,894	8,578
Deferred issue cost	29,696	—
	469,061	348,503
Total trade and other receivables	2,324,582	1,752,807

The Group allows a credit period ranging from 30 to 90 days to its customers. The following is an aging analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice dates, at the end of each reporting period:

	At September 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Within 180 days	1,768,062	1,389,408
181 days to 1 year	77,035	10,648
1 year to 2 years	10,424	4,067
More than 2 years	—	181
	1,855,521	1,404,304

19.2 CONTRACT ASSETS

	At September 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Contract assets	312,253	185,676

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones of the contracts at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional.

19.3 Movement in Expected Credit Losses ("ECL")

Movement in lifetime ECL that has been recognized for trade receivables and contract assets in accordance with the simplified approach set out in IFRS 9 for the nine months ended September 30, 2018.

	Trade Receivables	Contract Assets	Total
	RMB'000	RMB'000	RMB'000
At December 31, 2017 under IAS 39	(18,890)	—	(18,890)
Adjustment upon application of IFRS 9	(2,503)	(56)	(2,559)
At January 1, 2018- restated	(21,393)	(56)	(21,449)
Provided	(5,674)	(190)	(5,864)
Write off	1,402	—	1,402
Exchange adjustment	(643)	—	(643)
At September 30, 2018	(26,308)	(246)	(26,554)

20. TRADE AND OTHER PAYABLES

	At September 30, 2018	At December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Trade payables	414,294	333,238
Salary and bonus payables	377,880	442,391
Payables for acquisition of plant and equipment	795,798	388,689
Payables for acquisition of a property (Note 23)	232,084	16,977
Payable for acquisition of subsidiaries and a joint venture	20,000	177,129
Accrued expenses	176,206	141,209
Other taxes payable	23,491	88,301
Interest payable	2,856	2,395
Note payable	12,924	—
Others	63,103	74,104
	2,118,636	1,664,433

Payment terms with suppliers are mainly on credit within 90 days from the time when the goods are received from the suppliers. The following is an age analysis of trade payables presented based on invoice dates at the end of each reporting period:

	At September 30, 2018	At December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Within one year	407,342	328,715
1 year to 2 years	3,542	2,082
2 years to 3 years	1,181	1,879
More than 3 years	2,229	562
	414,294	333,238

21. DERIVATIVE FINANCIAL INSTRUMENTS

	At September 30, 2018 RMB'000 (Unaudited)
Current assets	
Other derivatives (not under hedge accounting)	
Foreign currency forward contracts	28,547
Current liabilities	
Derivatives under hedge accounting	
Cash flow hedges — Foreign currency forward contracts	144,673
Other derivatives (not under hedge accounting)	
Foreign currency forward contracts and collars	91,032
Non-Current liabilities	
Derivatives under hedge accounting	
Cash flow hedges — Foreign currency forward contracts	31,296
Other derivatives (not under hedge accounting)	
Collars	16,176

Derivatives under hedge accounting

It is the policy of the Group to enter into forward foreign exchange contracts to manage its foreign exchange rate risk arising from anticipated future foreign currency transactions up to 18 months, in particular, the exchange rate between USD and RMB, which are designated into cash flow hedges.

	Average strike rate as at September 30, 2018	Foreign currency as at September 30, 2018 USD'000	Notional value as at September 30, 2018 RMB'000	Fair value liabilities as at September 30, 2018 RMB'000
Sell USD				
Less than 3 months	6.46	105,000	677,779	46,096
3 to 6 months	6.68	171,500	1,145,098	40,810
7 to 12 months	6.70	242,000	1,620,699	57,767
13 to 18 months	6.83	51,000	348,204	31,296

As at September 30, 2018, the aggregate amount of losses after tax under foreign exchange forward contracts recognized in other comprehensive income and accumulated in the cash flow hedging reserve relating to the exposure on anticipated future sales transactions denominated in USD is RMB95,598,000.

As at September 30, 2018, the aggregate amount of losses after tax under foreign exchange forward contracts recognized in other comprehensive income and accumulated in the cash flow hedging reserve relating to the exposure on anticipated future purchase transactions denominated in RMB of a subsidiary operating in Hong Kong is RMB46,268,000. It is anticipated that the purchases will take place in next 12 months at which time the amount deferred in equity will be included in the carrying amount of the raw materials. It is anticipated that the raw materials will be converted into inventories and sold soon after purchase, at which time the amount deferred in equity will be reclassified to profit or loss.

As at September 30, 2018, no ineffectiveness has been recognized in profit or loss.

Other derivatives (not under hedge accounting)

The Group entered into several derivative instruments with counter banks in order to manage the Group's foreign currency exposure in relation to USD against RMB and did not elect to adopt hedge accounting for those contracts.

The major terms of foreign currency forward contracts as at September 30, 2018 presented in the condensed consolidated financial statements are as follows:

Outstanding foreign currency forward contracts	Average strike rate as at September 30, 2018	Foreign currency as at September 30, 2018	Notional value as at September 30, 2018	Fair value assets as at September 30, 2018
		USD'000	RMB'000	RMB'000
Buy USD				
3 to 6 months.....	6.46	63,000	406,890	28,547

For nine months ended September 30, 2018, gains under foreign exchange forward contracts above (Buy USD) of RMB28,573,000 were recognized in other gains and losses.

Outstanding foreign currency forward contracts	Average strike rate as at September 30, 2018	Foreign currency as at September 30, 2018	Notional value as at September 30, 2018	Fair value liabilities as at September 30, 2018
		USD'000	RMB'000	RMB'000
Sell USD				
Less than 3 months.....	6.47	111,000	718,089	47,562
3 to 6 months	6.56	69,000	452,453	24,440
7 to 12 months.....	6.89	113,000	778,679	5,791

For nine months ended September 30, 2018, losses under foreign exchange forward contracts (Sell USD) of RMB126,686,000 were recognized in other gains and losses.

The major terms of collar contracts as at September 30, 2018 presented in the condensed consolidated financial statements are as follows:

Outstanding Collar contracts	Average strike rate 1* as at September 30, 2018	Average strike rate 2* as at September 30, 2018	Foreign currency as at September 30, 2018	Notional value 1* as at September 30, 2018	Notional value 2* as at September 30, 2018	Fair value liabilities as at September 30, 2018
			USD'000	RMB'000	RMB'000	RMB'000
Sell USD						
7 to 12 months	5.80	6.54	33,000	191,400	215,820	13,239
13 to 18 months ...	5.93	6.52	90,000	534,000	586,560	16,176

* the Group will sell USD and buy RMB at strike rate 1 if the spot rate on the settlement date is at or below the strike rate 1 or no transaction if the spot rate on the settlement date is between the strike rate 1 and the strike rate 2 or the Group will sell USD and buy RMB at strike rate 2 if the spot rate on the settlement date is at or above the strike rate 2.

On August 31, 2018, the Group entered into a restructuring agreement with a counter bank to replace several forward contracts with new collar contracts. The hedge accounting has been ceased for those forward contracts. As the hedged future sales are still expected to occur, the accumulated hedging reserve amounted to RMB24,696,000 arising from those replaced forward contracts remains in the hedging reserve until the future cash flows occur. It is anticipated that the sales will take place within next 18 months at which time the amount deferred in equity will be reclassified to profit or loss. The new collar contracts do not qualify for hedge accounting as those collar contracts are assessed as net written options.

For nine months ended September 30, 2018, losses under collar contracts above (Sell USD) of RMB29,298,000 were recognized in other gains and losses.

22. BORROWINGS

	At September 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Analyzed as:		
Secured (Note i)	395,000	300,000
Unsecured	1,519,128	1,318,189
	1,914,128	1,618,189

	At September 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Analyzed as:		
Fixed interest rate	400,000	900,000
Variable interest rate	1,514,128	718,189
	1,914,128	1,618,189

	At September 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Analyzed as:		
Current	1,549,128	1,318,189
Non-current	365,000	300,000
	1,914,128	1,618,189

	At September 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Analyzed as:		
Borrowings from banks	1,899,128	1,618,189
Borrowings from other entities (Note ii)	15,000	—
	1,914,128	1,618,189

	At September 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
The carrying amounts of the above borrowings are repayable:		
Within one year	1,549,128	1,318,189
Within a period of more than one year, but not exceeding two years	60,000	60,000
Within a period of more than two years but not exceeding five years	305,000	240,000
	1,914,128	1,618,189
Less: Amounts due within one year shown under current liabilities	1,549,128	1,318,189
Amounts shown under non-current liabilities	365,000	300,000

The ranges of effective interest rates on the Group's fixed and variable-rate borrowings are as follows:

	At September 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Effective interest rate:		
Fixed rate borrowings	4.14% to 4.35%	3.70% to 4.35%
Variable rate borrowings	3.58% to 4.90%	4.10% to 4.90%

Notes:

(i) As at September 30, 2018, 100% equity interests in WuXi AppTec HDB LLC and Biosciences Co., Ltd and 65% equity interests in WuXi Clinical Development Services (Chengdu) Co., Ltd. ("Chengdu Clinical") held by the Group were pledged to secure borrowings of RMB380,000,000 and RMB15,000,000 respectively.

As at December 31, 2017, 100% equity interests held by the Group in WuXi AppTec HDB LLC and Biosciences Co., Ltd were pledged to secure a borrowing of RMB300,000,000.

(ii) As at September 30, 2018, the Group entered into an entrusted loan agreement with Chengdu Jiulian Investment Co., Ltd. (a non-controlling shareholder who owned 35% equity interest in Chengdu Clinical). The loan was extended to Chengdu Clinical for a term of three years with an interest rate equivalent to 130% of the bank loan benchmark interest rate per annum.

23. OTHER LONG-TERM LIABILITIES

	At September 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Payable for acquisition of a property (Note i)	—	234,808
Deferred rent	40,520	11,083
Deferred lease credit	11,848	13,788
Long-term tax payable (Note ii)	126,366	168,487
Others	15,451	14,010
	194,185	442,176

Notes:

(i) On June 16, 2017, the Group acquired a property at a consideration of RMB282,654,000 which will be paid in two years after the signing of contract. The payables are measured at amortized cost with imputed interest of 4.75% per annum.

(ii) 上海合全藥業股份有限公司 Shanghai SynTheAll Pharmaceutical Co., Ltd. ("STA"), a subsidiary of the Group, issued ordinary shares to WuXi AppTec (Shanghai) Co., Ltd. ("WXAT Shanghai ") to purchase all assets and liabilities of Pharmaceutical development services division ("PDS") department of WXAT Shanghai in July 2017. The gain of RMB1,404,062,000 from the intra group transaction was taxable and the payment can be made in five-year installment according to the relevant tax regulations.

24. SHARE CAPITAL

	RMB'000
Ordinary shares of RMB1.00 each	
At January 1, 2017 and December 31, 2017	937,787
Issue of ordinary shares upon listing on Shanghai Stock Exchange	104,199
At September 30, 2018	1,041,986

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurement

This note provides information about how the Group determines fair value of the following financial assets and financial liabilities that are measured at fair value on a recurring basis.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly(i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at 09/30/2018 RMB'000	Fair value as at 12/31/2017 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Money fund investment	1,502,823	14,739	Level 1	Open market transaction price	N/A	N/A
Structured Deposits	1,115,035	—	Level 2	Discounted cash flow — Future cash flows are estimated based on expected return, discounted at a rate that reflects the risk of underlying assets	N/A	N/A

Financial assets	Fair value as at 09/30/2018 RMB'000	Fair value as at 12/31/2017 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Listed equity securities at fair value	940,534	29,080	Level 1	Open market transaction price	N/A	N/A
Investment on unlisted funds at fair value	268,519	198,181	Level 3	Net asset value of underlying investments	Net assets value	The higher net asset value, the higher the valuation
Unlisted equity investments at fair value	573,433	—	Level 3	Backsolve from recent transaction price	IPO probability	The higher the probability, the higher the valuation
Foreign currency forward contracts	28,547	—	Level 2	Discounted cash flow — Future cash flows are estimated based on observable forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A

Financial liabilities	Fair value as at 09/30/2018 RMB'000	Fair value as at 12/31/2017 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Derivative Instruments	(283,177)	—	Level 2	Discounted cash flow — Future cash flows are estimated based on observable forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A

There were no transfers between level 1 and level 2 during the nine months ended September 30, 2018 and year ended December 31, 2017.

(ii) Reconciliation of level 3 fair value measurements

Details of reconciliation of financial assets at FVTPL measured at Level 3 fair value measurement are set out as below:

	Unlisted fund investments at fair value
	RMB'000
At January 1, 2018	198,181
Acquisitions	62,378
Changes in fair value	2,827
Effect of exchange rate change	5,133
At September 30, 2018(unaudited)	268,519

	Unlisted equity investment
	RMB'000
At January 1, 2018 at cost	456,144
IFRS 9 adoption adjustment	191,180
At January 1, 2018 at fair value	647,324
Changes in fair value	66,400
Acquisition	162,595
Disposal	(79,846)
Transferred to level 1 (Note)	(246,415)
Effect of exchange rate change	23,375
At September 30, 2018(unaudited)	573,433

Note: Unity Biotechnology, Inc. and Hua Medicine, two investments made by the Group, were listed on May 3, 2018 and September 14, 2018, respectively. Since then, their open market transaction price can be obtained from the active market. Therefore, the Group changed its fair value hierarchy from the level 3 to the level 1.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

26. ACQUISITION OF A SUBSIDIARY

During the current interim period, the Group continued to actively seek for investment opportunities through acquisition. The following tables summarized the transaction:

Name of subsidiary acquired	Vendor	Percentage of interest acquired	Principal activity	Fair value of purchase consideration	Date of completion	Nature of acquisition
				RMB'000		
WuXi Clinical	A joint venture partner	50%	Render of clinical development services	117,434	July 31, 2018	Business combination

Assets acquired and liabilities assumed at the date of acquisition

	RMB'000
Bank balances and cash	23,789
Trade and other receivables	12,022
Property, plant and equipment	2,234
Other intangible assets	62,038
Trade and other payables	(15,242)
Contract liabilities	(8,137)
Income tax payables	(389)
Deferred tax liabilities	(16,748)
Net assets acquired	59,567

The fair value of trade and other receivables at the date of acquisition amounted to RMB12,022,000. The gross contractual amounts of those receivables acquired amounted to RMB12,022,000 at the date of acquisition. None of the contractual cash flows are not expected to be collected at acquisition date.

Fair value of consideration transferred

	RMB'000
Cash	117,434

Goodwill arising on acquisition

	RMB'000
Fair value of consideration transferred, satisfied by cash	117,434
Previously held interest in a joint venture before the acquisition	117,572
Less: Net assets acquired	(59,567)
Goodwill arising on acquisition	175,439

The acquisition will enhance clinical development capabilities of the Group in the USA and Europe market. These assets are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Goodwill arising on this acquisition is not expected to be deductible for tax purposes.

Net cash inflow on acquisitions of subsidiaries for the current interim period

	RMB'000
Consideration transferred	117,434
Less: those included in deposits for acquisition	(117,434)
Cash consideration paid	—
Less: Bank balances and cash acquired	(23,789)
	(23,789)

No material acquisition related costs were incurred.

WuXi Clinical contributed a revenue of RMB26,368,000 and a profit of RMB3,465,000 for the period from the date of acquisition to September 30, 2018. If the acquisition had been completed on January 1, 2018, total revenue of the Group for the nine months ended September 30, 2018 would have been RMB6,993,353,000 and profit for the period ended September 30, 2018 would have been RMB1,977,732,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

27. SHARE OPTION SCHEME

WuXi PharmaTech Stock Units and Options Plan

Prior to the reorganization as explained on the section "History and Corporate Development" of the Prospectus (the "Reorganization"), the Company was wholly owned by WuXi PharmaTech (Cayman) Inc. ("WuXi PharmaTech"), which once listed on the New York Stock Exchange and had an employee stock incentive plan ("WuXi PharmaTech Stock Units and Options Plan"). Pursuant to the WuXi PharmaTech Stock Units and Options Plan, certain employees of the Group were granted the restricted stock units and options of the shares of WuXi PharmaTech as the Group was a part of WuXi PharmaTech.

For the nine months ended September 30, 2018, the Group recognized share-based compensation expense of RMB1,337,000 (nine months ended September 30, 2017: RMB14,174,000) in relation to WuXi PharmaTech Stock Units and Options Plan.

STA Share Units and Options Incentive Scheme

STA, as a listed company on NEEQ, has also adopted different employee incentive schemes to provide incentives for its eligible employees since 2015. STA Group has established equity-settled share units and options incentive schemes including the (i) STA Share Option Incentive Scheme (2015); (ii) STA Overseas Employees Incentive Scheme and (iii) STA Share Option Incentive Scheme (2016). None of the eligible STA employees are the Chief Executive or directors of the Company.

On September 13, 2017, the STA shareholders' meeting approved to capitalize 20 STA Shares for every 10 STA Shares standing to the credit of the share premium account of STA ("Conversion of Capital Reserve"). In May 2017 and April 2018, the STA shareholders' meeting approved to distribute RMB10.0 and RMB3.5 for every 10 STA Shares, respectively.

Set out below are details of the movements of the outstanding units and options granted under the STA Share Units and Options Incentive Scheme for the nine months ended September 30, 2017 and 2018:

STA Share Units and Options Incentive Scheme	Outstanding at 1/1/2017	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 09/30/2017
(Unaudited)					
STA Share Option Incentive Scheme (2015)	15,675,000	—	—	—	15,675,000
STA Overseas Employees Incentive Scheme	5,985,990	240,000	1,197,198	—	5,028,792
STA Share Option Incentive Scheme (2016) — 1st batch	738,900	—	—	68,400	670,500
STA Share Option Incentive Scheme (2016) — 2nd batch	—	635,940	—	4,200	631,740
Total	22,399,890	875,940	1,197,198	72,600	22,006,032
Exercisable at the end of the period	—				1,197,198
Weighted average exercise price	RMB6.34	RMB6.30	RMB1.79	RMB8.00	RMB6.58

STA Share Units and Options Incentive Scheme	Outstanding at 1/1/2018	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 09/30/2018
(Unaudited)					
STA Share Option Incentive Scheme	12,516,000	—	3,129,000	180,000	9,207,000
STA Overseas Employees Incentive Scheme	5,028,792	—	1,197,198	—	3,831,594
STA Share Option Incentive Scheme (2016)—1st batch	670,500	—	105,300	174,240	390,960
STA Share Option Incentive Scheme (2016)—2nd batch	597,300	—	—	83,640	513,660
Total	18,812,592	—	4,431,498	437,880	13,943,214
Exercisable at the end of the period	4,326,198				8,763,696
Weighted average exercise price	RMB6.34	N/A	RMB6.32	RMB8.00	RMB6.29

The Group recognized RMB17,164,000 of share-based expenses for the nine months ended September 30, 2018 (nine months ended September 30, 2017: RMB19,428,000) in relation to STA Share Option Incentive Scheme.

STA Share Appreciation Incentive Scheme

On May 16, 2016 and July 7, 2017, the STA shareholders' meeting approved STA Share Appreciation Incentive Scheme (2016) and STA Share Appreciation Incentive Scheme (2017) of 1,350,000 shares and

123,000 shares to eligible STA foreign employees, respectively. Stock appreciation rights have been awarded in units, with each unit representing the value of one STA Shares. Upon the exercise of stock appreciation rights, exercising recipients will receive payments in RMB from STA, subject to any withholding tax, equal to the number of stock appreciation rights exercised times the difference between the exercise price and market price of the STA Shares on the exercise day.

Set out below are details of the movements of the outstanding units granted under the STA Share Appreciation Incentive Scheme for the nine months ended September 30, 2017 and 2018:

STA Share Appreciation Incentive Scheme	**Outstanding at 1/1/2017**	**Granted during the period**	**Exercised during the period**	**Forfeited during the period**	**Outstanding at 09/30/2017**
(Unaudited)					
STA Share Appreciation Incentive Scheme (2016)					
- 1st batch	936,000	—	—	216,000	720,000
- 2nd batch	—	279,000	—	—	279,000
STA Share Appreciation Incentive Scheme (2017)	—	123,000	—	—	123,000
Total	936,000	402,000	—	216,000	1,122,000
Exercisable at the end of the period	—				—
Weighted average exercise price	RMB8.00	RMB8.00	N/A	RMB8.00	RMB8.00

STA Share Appreciation Incentive Scheme	**Outstanding at 1/1/2018**	**Granted during the period**	**Exercised during the period**	**Forfeited during the period**	**Outstanding at 09/30/2018**
(Unaudited)					
STA Share Appreciation Incentive Scheme (2016)					
- 1st batch	720,000	—	144,000	—	576,000
- 2nd batch	279,000	—	—	30,000	249,000
STA Share Appreciation Incentive Scheme (2017)	99,000	—	—	—	99,000
Total	1,098,000	—	144,000	30,000	924,000
Exercisable at the end of the period	—				144,000
Weighted average exercise price	RMB8.00	N/A	RMB8.00	RMB8.00	RMB8.00

For the nine months ended September 30, 2018, the Group has recorded share-based expenses of RMB6,164,000 (nine months ended September 30, 2017: RMB5,713,000) in relation to STA Share Appreciation Incentive Scheme.

28. OPERATING LEASES

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	At September 30, 2018	At December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Within one year	152,553	121,013
In the second to fifth years inclusive	362,933	371,657
Over five years	296,663	158,904
	812,149	651,574

Operating lease payments represent rental payables by the Group for certain of its office premises, factories and laboratories.

29. CAPITAL COMMITMENTS

The Group had capital commitments under non-cancellable contracts as follows:

	At September 30, 2018	At December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Commitments for the acquisition of property, plant and equipment	479,854	221,281
Commitments for the investments in the funds or companies	627,007	157,500
Commitments for the investments in associate and joint venture	166,821	243,399
	1,273,682	622,180

30. CONTINGENT LIABILITIES

At the end of each reporting period presented in the condensed consolidated financial statements, the Group had no significant contingent liabilities.

31. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(1) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the periods presented in the condensed consolidated financial statements.

Company	Relationship
WuXi PharmaTech (Note a)	Investor
WuXi AppTec (BVI) Inc. ("WXAT BVI") (Note b)	Investor
WX (BVI) Limited	Fellow subsidiary
PhageLux Inc.	Associate
WuXi AppTec Medical Testing Institute (Shanghai)Co., Ltd. (Note c)	Fellow subsidiary
WuXi HealthNet (Shanghai) Co., Ltd	Fellow subsidiary
WuXi MedImmune Biopharmaceutical Co. Limited	Joint venture
WuXi MedImmune Biopharmaceutical Co. Ltd.	Joint venture
JW Shanghai (Note d)	Joint venture /associate
Shanghai Mingju Biologics Technology Co., Ltd.	Associate
Shanghai Waigaoqiao WuXi AppTec Incubator Management Co., Ltd.	Joint venture
WuXi AppTec Biopharmaceuticals Co., Ltd.	Fellow subsidiary
WuXi Biologics (Shanghai) Co., Ltd.	Fellow subsidiary
WuXi Biologics (Hong Kong) Limited	Fellow subsidiary
WuXi AppTec (Suzhou) Testing Technology Co., Ltd.	Fellow subsidiary
WuXi NextCode Genomics (Shanghai) Co., Ltd.	Fellow subsidiary
Shanghai Lecheng Technology Co., Ltd. (Note e)	Entities controlled by close family members of Controlling Shareholder
Shanghai Lechen International Trade Co., Ltd. (Note e)	Entities controlled by close family members of Controlling Shareholder
Hua Medicine and its subsidiaries (Note f)	Entities significantly influenced by a Controlling Shareholder

Notes:

(a) WuXi PharmaTech was the ultimate holding company of the Company before the completion of Reorganization. After the completion of Reorganization, WuXi PharmaTech remained to be an intermediate investor of the Group since it was the sole shareholder of WXAT BVI.

(b) WXAT BVI was the intermediate holding company of the Company before the completion of Reorganization. After the completion of Reorganization, WXAT BVI remained to be a direct investor of the Group.

(c) WuXi AppTec Medical Testing Institute (Shanghai)Co., Ltd. was disposed to a fellow subsidiary on June 15, 2016 and since then the transactions and balances between the Group and WuXi AppTec Medical Testing Institute (Shanghai)Co., Ltd. are disclosed as related parties transactions and balances.

(d) JW Shanghai was a joint venture of the Group before April 2018. After then, JW Shanghai became an associate as detailed in Note 14 and Note 15.

(e) These companies are controlled by close family members of Dr. Zhao Ning, one of the ultimate Controlling Shareholders of the Group.

(f) WuXi PharmaTech Healthcare Fund I L.P., a subsidiary of the Group is an investor of Hua Medicine. In addition, Dr. Ge Li served as a director of Hua Medicine from August 2010 to December 2017 and is also an investor of Hua Medicine.

(2) Related party transactions:

(a) Provision of research and development service

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Entities significantly influenced by a Controlling Shareholder	16,979	5,612	39,142	10,095
Joint ventures	4,578	1,797	4,712	6,118
Associates	211	—	3,085	11
Fellow subsidiaries	—	6,891	—	17,737
Entities controlled by close family members of a Controlling Shareholder	—	—	—	2,057
	21,768	14,300	46,939	36,018

(b) Sales of products

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Entities significantly influenced by a Controlling Shareholder	—	3,136	—	9,911

(c) Provision of labor secondment services

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Fellow subsidiaries	—	—	—	1,330

(d) Provision of administrative service

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
An associate	1,053	—	3,465	—
A fellow subsidiary	—	2,231	259	5,391
A joint venture	—	1,331	—	3,644
	1,053	3,562	3,724	9,035

(e) Sales of raw materials

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
An associate	45	—	133	—
A joint venture	—	36	—	322
Fellow subsidiaries	—	5,440	—	12,649
	45	5,476	133	12,971

(f) Provision of premises sub-leasing services

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
A fellow subsidiary	358	358	1,073	1,073

(g) Provision of purchase agency service

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Fellow subsidiaries	—	182	—	3,581

(h) Labor secondment service received

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
A fellow subsidiary	—	945	—	4,176

(i) Sales agency service received

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Entities controlled by close family members of a Controlling Shareholder	—	278	—	340

(j) Interest expense

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Investors	—	423	—	1,366
A fellow subsidiary	—	—	—	723
	—	423	—	2,089

(k) Sales of property and equipment

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Fellow subsidiaries	—	3	—	1,333

(l) Sales of other intangible assets

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
A fellow subsidiary	—	—	80	—

(m) Finance lease income

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
A fellow subsidiary	—	137	—	444

On January 1, 2016, the Group entered into a finance lease arrangement with Biologics Shanghai in respect of machinery, equipment and leasehold improvement with lease term of four years. The finance lease charges under the arrangements is 5% of the depreciation of the assets.

On December 26, 2017, the Group terminated the finance lease agreement and entered into an agreement with Biologics Shanghai to sell above-mentioned machinery, equipment and leasehold improvement. And the total consideration has been received before December 31, 2017.

(n) Rental expenses

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
A fellow subsidiary	—	186	—	623
A joint venture	98	—	348	—
	98	186	348	623

(o) Purchase of property and equipment

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Fellow subsidiaries	—	—	—	10

(3) Related party balances:

AMOUNTS DUE FROM RELATED PARTIES

	As at September 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Trade related		
Trade receivables	16,999	6,852
Non-trade related		
Other receivables	3,673	15,418
Allowance for doubtful debts of other receivables	—	(5,707)
	3,673	9,711
Total amounts due from related parties	20,672	16,563

	As at September 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Analyzed as:		
- Current	20,672	16,563

The Group allows a credit period ranging from 60 to 90 days to its customers. The following is an aging analysis of trade related amounts due from related parties (net of allowance for doubtful debts) presented based on the invoice dates, at the end of the period/year presented in the condensed consolidated financial statements:

	As at September 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Within 90 days	16,999	6,852

In determining the recoverability of the trade related amounts due from related parties, the Group considers any change in the credit quality of the trade related amount due from related parties from the date on which the credit was initially granted up to the reporting date. The credit quality of the trade related amounts due from related parties that are neither past due nor impaired had not changed during the period/year presented in the condensed consolidated financial statements

Details of amounts due from related parties are set out in below:

Trade related	As at September 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Trade receivables		
Associates	1,324	25
Joint ventures	7,679	3,127
Entities significantly influenced by a Controlling Shareholder	7,996	3,700
	16,999	6,852

Non-trade related	As at September 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Other receivable		
A joint venture	—	15,418
An associate	3,673	—
Allowance for doubtful debts	—	(5,707)
	3,673	9,711

Other receivable from related parties are all unsecured, repayable on demand and interest free.

AMOUNTS DUE TO RELATED PARTIES

Non-trade related	As at September 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Other payables		
Investors	374,030	839,562
A joint venture	98	—
	374,128	839,562

Except otherwise stated, all the non-trade balances due from/to related parties were unsecured, interest free and repayable on demand are expected to be settled before the date of the listing of the Company's shares on the Stock Exchange of Hong Kong Limited.

Included in the contract liabilities of the Group are amounts of RMB19,477,000 received from related parties in advance of delivery of services as at September 30, 2018 (unaudited) (December 31, 2017: RMB29,361,000 (audited)).

(4) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group for the periods presented in the condensed consolidated financial statements are as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Salaries and other benefits	6,433	6,188	19,389	16,194
Performance-based bonus	4,436	4,277	13,144	12,829
	10,869	10,465	32,533	29,023

The remuneration of key management is determined with reference to the performance of the individuals and market trends.

32. SUBSEQUENT EVENTS

The Group has the following events taken place subsequent to September 30, 2018.

On August 22, 2018, the shareholders' meeting of the Company passed a resolution to issue up to 8,856,900 A Shares of the Company under the 2018 WuXi AppTec A Share Incentive Scheme. On August 28, 2018, 7,085,500 restricted shares were approved for eligible employees to subscribe at the price of RMB45.53 per A Share (the "Initial Grant") and the remaining 1,771,400 A shares will be reserved for future distribution. In October, 2018, 6,281,330 number of A Shares were subscribed by eligible employees and RMB285,991,000 consideration were received by the Company. The Initial Grant of these granted restricted shares has a contractual term of no more than four years and vest over a three year period, with 40%, 30% and 30% of the awards vesting on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions.

*The information set forth in this Appendix does not form part of the accountants' report on the historical financial information of the Group for the Track Record Period (the "**Accountants' Report**") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, and condensed consolidated financial statements for the nine months ended September 30, 2018 (the "Condensed Consolidated Financial Statements"), as set out in Appendix I and IA to this prospectus, respectively, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report and Condensed Consolidated Financial Statements set out in Appendix I and IA to this prospectus.*

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company at September 30, 2018 as if the Global Offering had taken place on such date.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company at September 30, 2018 following the Global Offering or at any subsequent dates. It is prepared based on the consolidated net tangible assets of the Group attributable to owners of the Company at September 30, 2018 as derived from the Condensed Consolidated Financial Statements set out in Appendix IA to this prospectus and adjusted as described below.

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company at September 30, 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company at September 30, 2018	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share at September 30, 2018	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK$ (Note 4)
Based on an Offer Price of HK$64.10 per Offer Share	9,075,488	6,299,041	15,374,529	13.27	14.99
Based on an Offer Price of HK$71.50 per Offer Share	9,075,488	7,035,323	16,110,811	13.91	15.71

Notes:

(1) The unaudited consolidated net tangible assets of the Group attributable to owners of the Company at September 30, 2018 have been calculated based on the unaudited consolidated net assets of the Group attributable to owners of the Company of RMB10,569,987,000 at September 30, 2018 as set out in Appendix IA to this prospectus with an adjustment for intangible assets attributable to owners of the Company at September 30, 2018.

(2) The estimated net proceeds from the Global Offering are based on 116,474,200 Offer Shares at the indicative Offer Price of HK$64.10 (equivalent to RMB56.75) and HK$71.50 (equivalent to RMB63.30) per Offer Share, respectively, after deduction of underwriting fees and commissions and other listing related expenses paid/payable by the Company not yet recognized in profit or loss up to September 30, 2018, and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under 2018 WuXi AppTec A Share Incentive Scheme. For the purpose of the estimated net proceeds from the Global Offering, the amounts denominated in Hong Kong dollar have been converted into RMB at the rate of HK$1 to RMB0.8853, which was the exchange rate prevailing on November 23, 2018 with reference to the rate published by the People's Bank of China. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that 1,158,459,756 Shares were in issue assuming that the Global Offering had been completed on September 30, 2018 and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under 2018 WuXi AppTec A Share Incentive Scheme.

(4) For the purpose of unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share, the amounts stated in RMB are converted into Hong Kong dollar at the rate of RMB0.8853 to HK$1, which was the exchange rate prevailing on November 23, 2018 with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollar, or vice versa, at that rate or any other rates or at all.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at September 30, 2018 to reflect any trading result or other transactions of the Group entered into subsequent to September 30, 2018.

B. ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PROFORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of 無錫藥明康德新藥開發股份有限公司 WuXi AppTec Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of 無錫藥明康德新藥開發股份有限公司 WuXi AppTec 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 unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at September 30, 2018 and related notes as set out on page II-1 to II-2 of Appendix II to the prospectus issued by the Company dated December 3, 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Global Offering (as defined in the Prospectus) on the Group's financial position as at September 30, 2018 as if the proposed Global Offering had taken place at September 30, 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the nine months ended September 30, 2018, on which a review report set out in Appendix IA to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (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" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For 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 unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at September 30, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
December 3, 2018

TAXATION OF SECURITY HOLDERS

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 based on current laws and practices is subject to change and does not constitute legal or tax advice. The discussion has no intention to cover 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 advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change and may have retrospective effect.

No issues on PRC or Hong Kong taxation other than income tax, capital gain and profit tax, business tax, value-added tax, stamp duty and estate duty was referred in the discussion. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

THE PRC TAXATION

Taxation on Dividends

Individual Investor

Pursuant to the *Individual Income Tax Law of the PRC* (《中華人民共和國個人所得税法》) (the "IIT Law"), which was last amended and came into effect on September 1, 2011 (a newly amendment of which was approved by the Standing Committee of NPC on August 31, 2018 and will take effect on January 1, 2019) and *the Implementation Provisions of the Individual Income Tax Law of the PRC* (《中華人民共和國個人所得税法實施條例》), which was last amended on July 19, 2011 and came into effect on September 1, 2011, 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 a reduction is approved by the MOF or exempted by an international convention or agreement to which the PRC government is a party. Pursuant to the *Circular on Certain Policy Questions Concerning Individual Income Tax*(《關於個人所得税若干政策問題的通知》) (Cai Shui [1994] No.20) ,which was issued by MOF and SAT on May 13,1994 and came into effect on the same date, the incomes gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempt 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税法》) (the "EIT Law"), which was amended and came into effect on February 24, 2017, and the *Implementation Provisions of the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得税法實施條例》), which came into effect on January 1, 2008, a non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The *Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-Resident Enterprise Shareholders of H Shares*(《關於中國居民企業向境

外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》 (Guo Shui Han [2008] No.897), which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the *Response to Questions on Levying Corporate Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares* (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批復》) (Guo Shui Han [2009] No.394), which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit corporate income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

Pursuant to the *Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The *Fourth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation*(《國家稅務總局關於<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第四議定書》), which came into effect on December 29, 2015, states that such provisions shall not apply to arrangement made for the primary purpose of gaining such tax benefit. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law documents, such as the *Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements* (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax agreements or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

Individual 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 individual income tax at a rate of 20%.

Pursuant to the *Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares* (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the State Administration of Taxation on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. On December 31, 2009, the MOF, the State Administration of Taxation and CSRC jointly issued the *Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals*

from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167), which states that individuals' income from the transfer of listed shares on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the *Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies* (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) jointly issued by the above three departments on November 10, 2010).

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

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the *Provisional Regulations of the PRC on Stamp Duty* (《中華人民共和國印花稅暫行條例》), which came into effect on October 1, 1988 and amended on January 8, 2011, and the *Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty* (《中華人民共和國印花稅暫行條例施行細則》), which came into effect on October 1, 1988, PRC stamp duty only applies to specific proof executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

The PRC currently does not impose any estate duty.

Shanghai-Hong Kong Stock Connect Taxation Policy

On October 31, 2014, the MOF, SAT and CSRC jointly issued the *Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market* (財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Cai Shui [2014] No. 81) (hereinafter as "SH-HK Stock Connect Taxation Policy") which clarified the relevant taxation policy under Shanghai-Hong Kong Stock Connection. The SH-HK Stock Connect Taxation Policy has come into effect on November 17, 2014.

Pursuant to the SH-HK Stock Connect Taxation Policy, individual income tax will be temporarily exempted for transfer spread income derived from investment by mainland individual investors in stocks listed

on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect from November 17, 2014 to November 16, 2017. Pursuant to the *Notice on Continuing the Application of Relevant Individual Income Tax Policies regarding the Inter-connected Mechanism of Trading on the Shanghai Stock Market and the Hong Kong Stock Market* (《關於繼續執行滬港股票市場交易互聯互通機制有關個人所得税政策的通知》) (Cai Shui [2017] No. 78), which was issued by MOF, SAT and CSRC on November 1, 2017, the aforesaid individual income tax shall continue to be temporarily exempted from November 17, 2017 to December 4, 2019. Business tax will be temporarily exempted in accordance with the current policy for the spread income derived from dealing in stocks listed on Hong Kong Stock Exchange by mainland individual investors through Shanghai-Hong Kong Stock Connection; for avoidance of doubt, the aforesaid business tax shall mean VAT due to business tax was replaced with VAT. For dividends obtained by mainland individual investors or mainland securities investment funds from investing in H shares listed on Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connection, individual income tax shall be withheld by H-share companies at the tax rate of 20%. For dividends obtained by mainland individual investors or mainland securities investment funds from investing in non-H shares listed on Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connection, individual income tax shall be withheld by China Securities Depository and Clearing Co., Ltd ("CSDC") at the tax rate of 20%. Individual investors may, by producing the tax payments document, apply for tax credit relating to the withholding tax already paid abroad to the competent tax authority of CSDC.

Pursuant to the SH-HK Stock Connect Taxation Policy, enterprise income tax will be levied according to law on transfer spread income (included in total income) derived from investment by mainland corporate investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connection. Business tax will be levied or exempted in accordance with the current policy for spread income derived from dealing in stocks listed on the Stock Exchange by investors of mainland entities through Shanghai-Hong Kong Stock Connection; for avoidance of doubt, the aforesaid business tax shall mean VAT due to business tax was replaced with VAT. Enterprise income tax will be levied according to law on dividend income (included in total income) obtained by mainland corporate investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend income obtained by mainland corporate investors, H-share companies will not withhold dividend income tax for mainland corporate investors. The tax payable shall be declared and paid by the enterprises themselves. Mainland corporate investors, when declaring and paying enterprise income tax themselves, may apply for tax credit according to law in respect of dividend income tax which has been withheld and paid by non-H share companies listed on the Hong Kong Stock Exchange.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, mainland investors who trade or inherit shares listed on the Hong Kong Stock Exchange, or give such shares as gifts, through Shanghai-Hong Kong Stock Connection shall pay stamp duty in accordance with the current tax laws of Hong Kong. CSDC and HKSCC may collect the abovementioned stamp duty on each other's behalf.

PRINCIPAL TAXATION OF OUR COMPANY BY 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税法》), which was promulgated on March 16, 2007, amended on February 24, 2017 and became effective on January 1, 2008 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税法實施條例》) (Order No. 512 of the State Council), which was promulgated on December 6, 2007 and became effective on January 1, 2008, the applicable enterprise income tax rate of both domestic and foreign-funded enterprises shall be 25%. Enterprises are classified into resident and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its incomes derived from both inside and outside China. The enterprise income tax rate shall be 25%. For a non-resident enterprise having offices or establishments inside China, it shall pay enterprise income tax on its incomes derived from China as well as on incomes that it earns outside China but which has real connection with the said offices or

establishments. The enterprise income tax rate shall be 25%. For a non-resident enterprise having no office or establishment inside China, or for a non-resident enterprise whose incomes have no actual connection to its office or establishment inside China, it shall pay enterprise income tax on the incomes derived from China. The enterprise income tax rate shall be 10%.

According to the *Administrative Measures for Determination of High and New Tech Enterprises* 《高新技術企業認定管理辦法》(Guo Ke Fa Huo [2016] No. 32), 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* (《關於將技術先進型服務企業所得税政策推廣至全國實施的通知》)(Cai Shui [2017]No.79) promulgated by the MOF, the State Administration of Taxation, MOFCOM, MOST and NDRC on November 2, 2017, with effect from January 1, 2017 and across the country, the enterprise income tax shall be levied on certified advanced technology service enterprises at a reduced tax rate of 15%. 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.

Business Tax/ Value-added Tax ("VAT")

Before May 1, 2016, pursuant to the *Provisional Regulations of the PRC on Business Tax* (《中華人民共和國營業税暫行條例》), which came into effect on January 1, 1994, amended and implemented on January 1, 2009, and repealed on November 19, 2017, the Company was subject to business tax at a business tax rate of 5% for its service within the PRC.

Pursuant to the *Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax* (《關於全面推開營業税改徵增值税試點的通知》) (Cai Shui [2016] No.36), which was issued by the MOF and the SAT on March 23, 2016 and came in effect on May 1, 2016, and the *Pilot Implementation Measures for the Transition from Business Tax to VAT* (《營業税改徵增值税試點實施辦法》) issued and came into effect at the same time with the aforesaid Notice, the pilot reform for the transition from business tax to VAT is implemented nationwide, and the Company has started to calculate and pay VAT instead of business tax since May 1, 2016.

Pursuant to the *Interim Regulations of the People's Republic of China on Value-added Tax* (《中華人民共和國增值税暫行條例》), which came into effect on January 1, 1994, amended on November 10, 2008, January 8, 2011, February 6, 2016 and November 9, 2017, respectively, the Company is subject to VAT at the rates of 0%，6%, 11% and 17% for the different goods it sells and different services it provides.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates* (《財政部、國家税務總局關於調整增值税税率的通知》)(Cai Shui [2018] No. 32) 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.

TAXATION IN HONG KONG

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares).

In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the *Regulations of the PRC on Foreign Exchange Control* (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations") and it came into effect on April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to such approval. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 1, 2008, and came into effect on August 5, 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that PRC will not impose any restriction on international current payments and transfers.

On June 20, 1996, 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 Renminbi Exchange Rate Forming Mechanism* (《完善人民幣匯率形成機制改革的公告》) (PBOC Announcement [2005] No. 16), which was issued by the PBOC and came into effect on July 21, 2005, 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 Renminbi exchange rate was no longer pegged to the U.S. dollar. 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, as the central parity of the currency against Renminbi transactions on the following working day.

Starting from January 4, 2006, 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 of Renminbi exchange rates, and the practice of matching was kept at the same time. In addition to the above, PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. On July 1, 2014, PBOC further improved the formation mechanism of the RMB exchange rate by authorizing the China Foreign Exchange Trade System 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 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 of the RMB against currencies such as the USD at 9:15 a.m. on each working day. On August 11, 2015, PBOC announced to improve the central parity quotations of RMB against the USD by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading System 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 significant changes to the foreign exchange supervision system of 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 controlled RMB floating exchange rate system based on market supply and demand. Thirdly, in the event that international revenues and expenditure occur or may occur a material misbalance, 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. 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 investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at financial institutions that carries foreign exchange business or operating institutions that carries settlement and sale business, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (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 opened at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business, or effect exchange and payment at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business.

On October 23, 2014, the State Council promulgated the *Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items* (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No.50), which canceled the 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 of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing* (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No.54), pursuant to 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.

On February 13, 2015, the SAFE issued the *Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015]No.13). The notice came into effect on June 1, 2015. The notice has canceled two of the administrative examination and approval items, being the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the *Notice of the State Administration of Foreign Exchange of the PRC on Revolutionize and Regulate Capital Account Settlement Management Policies* (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No.16) issued by the SAFE and came into effect on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

On January 26, 2017, *Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance* (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (Hui Fa [2017] No. 3) was issued by SAFE to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management , where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

This Appendix sets out summaries of certain aspects of PRC laws and regulations which are relevant to the Company's 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 PRC Company Law and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, certain requirements of the 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 regulatory provisions applicable to the Company. This summary is not intended to include all the data which may be important to the potential investors. For discussion of laws and regulations which are relevant to our business, see "Regulatory Overview" in this prospectus.

PRC LAWS AND REGULATIONS

The PRC Legal System

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》, the "Constitution"), which was adopted on December 4, 1982 and amended five times on April 12, 1988, March 29, 1993, March 15, 1999, March 14, 2004 and March 11, 2018. The PRC legal system is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People's Congress (the "NPC") and its Standing Committee are empowered to exercise the legislative power of the State in accordance with the Constitution and the PRC Legislation Law (《中華人民共和國立法法》, the "Legislation Law"), which was adopted on July 1, 2000 and amended on March 15, 2015. The NPC has the power to formulate and amend basic laws governing state organs, civil, criminal and other matters. The Standing Committee of the NPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the matters concerning formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of

local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, People's Bank of China, National Audit Office and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) implemented on June 10,1981, 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 above-mentioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

The PRC Judicial System

Under the Constitution and the Law of Organization of the People's Courts of the PRC (《中華人民共和國人民法院組織法》), which is adopted on January 1, 1980 and amended four times on September 2, 1983, December 2, 1986, October 31, 2006 and October 26, 2018, the PRC judicial system is made up of the Supreme People's Court, the local people's courts, the military courts and other special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up civil, criminal and economic divisions, and certain people's courts based on the facts of the region, population and cases. The intermediate people's courts have divisions similar to those of the basic people's courts and may set up other special divisions, such as the intellectual property division, if needed. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels and special people's courts. The Supreme People's Procuratorate is authorized to supervise the judgment and ruling of the people's courts at all levels which have been legally effective, and the people's procuratorate at a higher level is authorized to supervise the judgment and ruling of a people's court at lower levels which have been legally effective.

A people's court takes the rule of the second instance as the final rule, that is, the 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 judgments or rulings of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court finds some definite errors in a legally effective judgment, ruling or conciliation statement of the people's court at any level, or if the people's court at a higher level finds such errors in a legally effective judgment, ruling or conciliation statement of the people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial. If the chief judge of all levels of people's courts finds some definite errors in a legally effective judgment, ruling or conciliation statement, and considers a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》, the "PRC Civil Procedure Law") adopted on April 9, 1991 and amended three times on October 28, 2007, August 31, 2012 and June 27, 2017 prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. 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 substantially connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. However, such choice shall not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a PRC court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. 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 on the party.

Where a party applies for enforcement of a legally effective judgment or ruling made by a people's court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgement or ruling may also be recognized and enforced by the people's court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, international treaties with the relevant foreign country, which provided for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or against the social and public interests.

The PRC Company Law, Special Regulations and the Mandatory Provisions

The PRC Company Law was adopted by the 5th meeting of the Standing Committee of the 8th National People's Congress Session on December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. The latest revised PRC Company Law was implemented on October 26, 2018.

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.

The Mandatory Provisions jointly promulgated by the former Securities Commission of the State Council and the former State Commission for Restructuring the Economic System and implemented on August 27, 1994 prescribe that the provisions should be incorporated in the articles of association of joint stock limited companies to be listed in overseas stock exchanges. Accordingly, the contents required by the Mandatory Provisions have been incorporated in the Articles of Association. References to a "company" made in this Appendix are to a joint stock limited company established under the PRC Company Law with overseas-listed foreign invested shares to be issued.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions.

General

A "joint stock limited company" ("company") refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties and with its registered capital divided into shares of equal par value. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of two but no more than 200 people as its promoters, and over half of the promoters must be resident within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up. For companies established by subscription, the registered capital is the total paid-up share capital as registered with the company's registration authorities. If laws, administrative regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreement. After the promoters have subscribed for the capital contribution under the articles of association, a board of directors and a supervisory board shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association with relevant administration for industry and commerce, and other documents as required by the law or administrative regulations.

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 by the laws or administrative regulations. A promoter who offers shares to the public must announce a share offering prospectus 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 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 PRC law must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall preside over and convene an inauguration meeting within 30 days from the date of the full payment of subscription monies. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days of the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the capacity of a legal person after approval of registration has been given by the relevant administration for industry and commerce and a business license has been issued.

A company's promoter shall be liable for the followings:

- the debts and expenses incurred in the establishment process jointly and severally if the company cannot be incorporated;

- the refund of subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and

- the compensation of any damages suffered by the company as a result of the promoters' fault in the course of its establishment.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out pursuant to the provisions of the laws or administrative regulations on valuation without any over-valuation or under-valuation.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same. The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value.

A company must obtain the approval of CSRC to offer its shares to the overseas public. According to the Special Regulations and the Mandatory Provisions, the shares issued to foreign investors and listed overseas by a

company shall be in registered form, denominated in Renminbi and subscribed for in foreign currency. Shares issued to foreign investors and listed overseas are classified as overseas- listed foreign shares, and those shares issued to investors within the PRC, are known as domestic shares. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas-listed foreign shares, to retain not more than 15% of the aggregate number of such overseas-listed foreign invested shares proposed to be issued in addition to the number of underwritten shares. The issuance of the retained shares is deemed to be a part of this issuance.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder registry which sets forth the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase in Share Capital

Under the PRC Company Law, where a company is issuing new shares, resolutions shall be passed at shareholder's general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders.

When a company launches a public issue of new shares upon the approval by CSRC, a new share offering prospectus and financial accounting report must be published and a subscription form must be prepared. After the issue of new share the company has been paid up, the change must be registered with the relevant company registration authorities and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the establishment of a company.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- the company shall prepare a balance sheet and an inventory of assets;
- the reduction of registered capital must be approved by shareholders at general meeting;
- the company shall notify its creditors of the reduction in share capital within 10 days and publish the relevant announcement in newspapers within 30 days of the resolution approving the reduction being passed;
- the creditors of the company may require the company to repay its debts or provide guarantees for covering the debts within 30 days of receipt of the notification or within 45 days of the date of the announcement if he/she/it has not received any notification; and

- the company must apply to the relevant administration bureau for industry and commerce for registration of the change on the reduction of registered capital.

Repurchase of Shares

Under the PRC Company Law, a company may not repurchase its own shares other than for one of the following purposes:

(1) reducing its registered capital;

(2) merging with other company which holds its shares;

(3) using shares for employees stock ownership plan or equity incentives;

(4) acquiring its own shares at the request of its shareholders who vote in a shareholders' general meeting against a resolution regarding a merger or division;

(5) using shares for converting convertible corporate bonds issued by the listed company; and

(6) for the purpose of protecting the corporate value and the rights and interests of shareholders of a listed company when necessary.

A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) may, pursuant to its articles of association or the authorization of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing its own shares in accordance with these requirements, a company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (2) or (4), transfer or cancel them within six months; and while under the circumstance set forth in item (3), (5) or (6), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

A listed company purchasing its own shares shall perform the obligation of information disclosure and under any of the circumstances set forth in items (3), (5) and (6) shall carry out trading in a public and centralized manner.

Transfer of Shares

Shares held by shareholders may be transferred legally. Under the PRC Company Law, a shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and domiciles of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder. The Mandatory Provision provides that changes due to share transfer should not be made to shareholder registry within 30 days before a shareholders' general meeting or within 5 days before the record date for the purpose of determining entitlements to dividend distributions.

Under the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issuance of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of

shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the PRC Company Law, the rights of holders of ordinary shares of a company include:

- to receive a return on assets, participate in significant decision-making and select management personnel;
- to petition the people's court to revoke any resolution passed at a shareholders' general meeting or a meeting of board of directors that has not been convened in compliance with the laws, administrative regulations or the articles of association or whose voting has been conducted in an invalid manner, or any resolution the contents of which are in violation of the articles of association, provided that such petition shall be submitted within 60 days of the passing of such resolution;
- to transfer the shares of the shareholders in accordance with laws, administrative regulations and provisions of the articles of associations;
- to attend or appoint a proxy to attend shareholders' general meetings and vote at the meetings;
- to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the supervisory board and financial and accounting reports and to make suggestions or inquiries in respect of the company's operations;
- to receive dividends in respect of the number of shares held;
- to participate in residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and
- any other shareholders' rights provided for in laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

- to decide on the company's operational objectives and investment plans;
- to elect and dismiss the directors and supervisors (not being representative(s) of employees) and to decide on the matters relating to the remuneration of directors and supervisors;

- to review and approve the reports of the board of directors;
- to review and approve the reports of the supervisory board;
- to review and approve the company's annual financial budgets and final accounts;
- to review and approve the company's profit distribution proposals and loss recovery proposals;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of corporate bonds;
- to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;
- to amend the company's articles of association; and
- to exercise any other authority stipulated in the articles of association.

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following:

- the number of directors is less than the number stipulated by the PRC Company Law or less than two- thirds of the number specified in the articles of association;
- the outstanding losses of the company amounted to one-third of the company's total paid-in share capital;
- shareholders individually or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- the board deems necessary;
- the supervisory board proposes to hold; or
- any other circumstances as provided for in the articles of association.

A shareholders' general meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board shall convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the

meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. A single shareholder who holds, or several shareholders who jointly hold, three percent or more of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the general meeting is held. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made. The general meeting shall not make any resolution in respect of any matter not set out in the above-mentioned two types of notices. Holders of bearer share certificates who wish to attend a general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

In accordance with the Mandatory Provisions, a written notice of the general meeting stating, among other things, matters to be considered at the meeting and the time and venue of the meeting shall be given to all shareholders 45 days before the meeting. A shareholder who intends to attend the meeting shall deliver his written reply regarding his attendance of the meeting to the company 20 days before the date of the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' general meeting. Pursuant to the Special Regulations and the Mandatory Provisions, a company's general meeting may be convened when written replies to the notice of that meeting from shareholders holding shares representing no less than 50% of the voting rights in the company have been received 20 days before the proposed date. If that 50% level is not achieved, the company shall within five days notify shareholders again by announcement of the matters to be considered at the meeting and the date and venue of the meeting, and the general meeting may be held by the company thereafter.

Under the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Under the PRC Company Law, resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company and the other matters must be approved by way of resolution of the general meeting, the directors shall convene a shareholders' general meeting promptly to vote on such matters by shareholders' general meeting.

Minutes shall be prepared in respect of matters considered at the general meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

According to the Mandatory Provisions, the increase or reduction of share capital, the issuance of shares of any class, warrants or other similar securities and bonds, the division, merger, dissolution and liquidation of the company, the amendments to the articles of association and any other matters, which, as resolved by way of an

ordinary resolution of the general meeting, may have a material impact on the company and require adoption by way of a special resolution, must be approved through special resolutions by no less than two-thirds of the voting rights held by shareholders (including proxies thereof) present at the meeting.

The Mandatory Provisions require a special resolution to be passed at the general meeting and a class meeting to be held in the event of a variation or derogation of the class rights of a shareholder class. For this purpose, holders of domestic shares and H shares are deemed to be shareholders of different classes.

Board

A company shall have a board, which shall consist of 5 to 19 members. Members of the board may include staff representatives, 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 reelected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors may exercise its powers:

- to convene shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed by the shareholders at the shareholders' general meetings;
- to decide on the company's operational plans and investment proposals;
- to formulate proposal for the company's annual financial budgets and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to formulate proposals for the merger, division or dissolution of the company or change of corporate form;
- to decide on the setup of the company's internal management organs;
- 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;
- to formulate the company's basic management system; and
- to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist market economic order, or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; and
- a person who is liable for a relatively large amount of debts that are overdue.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions.

Under the PRC Company Law, the board shall appoint a chairman and may appoint a vice chairman.

The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board

resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

Supervisory Board

A company shall have a supervisory board composed of not less than three members. The supervisory board shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the supervisory board shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. Directors and senior management shall not act concurrently as supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory board may exercise its powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or resolutions of the shareholders' general meetings;
- when the acts of a director or senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;
- to submit proposals to the shareholders' general meetings;
- to bring actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law; and
- to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory board may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

The supervisory board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board shall be elected by more than half of the supervisors. According to the

Reply of the Overseas Listing Department of CSRC and the Production System Department of the State Commission for Restructuring the Economic System on Opinions Concerning the Supplement and Amendment to Articles of Association by Companies to Be Listed in Hong Kong(《中國證監會海外上市部、國家體改委生產體制司關於到香港上市公司對公司章程作補充修改的意見的函》), which is promulgated and implemented on April 3, 1995, the chairman of the supervisory board shall be selected by more than two-thirds of the supervisors.

The chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the chairman of the supervisory board is incapable of performing or is not performing his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the vice chairman of the supervisory board is incapable of performing or is not performing his/her duties, a supervisor recommended by more than half of the supervisors shall convene and preside over supervisory board meetings.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager, who reports to the board of directors, may exercise his/her powers:

- to manage the production and operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;
- to arrange for the implementation of the company's annual operation plans and investment proposals;
- to formulate proposals for the establishment of the company's internal management organs;
- to formulate the fundamental management system of the company;
- to formulate the company's specific rules and regulations;
- to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;
- to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and
- to exercise any other authority granted by the board of directors.

Other provisions in the articles of association on the manager's powers shall also be complied with. The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the articles of association, and carry out their duties of loyalty and diligence.

Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

Directors and senior management are prohibited from:

- misappropriating company funds;
- depositing company funds into accounts under their own names or the names of other individuals to deposit;
- 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;
- entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting;
- using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;
- accepting commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential information of the company; and
- other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory board, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least 180 days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisory violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation

directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, manager and other senior management shall have duty of loyalty to the company. They are required to faithfully perform their duties, to protect the interests of the company and not to use their positions in the company for their own benefits. The Mandatory Provisions contain detailed stipulations on these duties.

Finance and Accounting

A company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% or more of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium over the nominal value of the shares of the company earned from the issue of share and other income as required by CSRC to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. The capital reserve fund, however, shall not be used to make good the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

Appointment and Retirement of Auditors

Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

The Special Regulations require a company to engage an independent qualified accounting firm to audit the company's annual reports and to review and check other financial reports of the company. The accounting firm's term of office shall commence from the end of the shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Profit Distribution

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided. The Special Regulations require that any dividend and other distribution to shareholders of overseas-listed foreign shares shall be declared and calculated in RMB and paid in foreign currency.

Under the Mandatory Provisions, a company shall make foreign currency payments to shareholders through receiving agents.

Amendments to the Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. Pursuant to the Mandatory Provisions, the company may amend its articles of association according to the laws, administrative regulations and the articles of association. The amendment to articles of association involving content of the Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory department of the State Council authorized by the State Council, while the amendment to articles of association involving matters of company registration must be registered with the relevant authority in accordance with applicable laws.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved for any of the following reasons:

- 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;
- the shareholders have resolved at a shareholders' general meeting to dissolve the company;
- the company is dissolved by reason of its merger or division;
- 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

- the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders.

In the event of paragraph 1 above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph 1, 2, 4 or 5 above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors or any other person determined by a shareholders' general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court to appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

- to sort out the company's assets and to prepare a balance sheet and an inventory of assets;
- to notify the company's creditors or publish announcements;
- to deal with any outstanding business related to the liquidation;
- to pay any overdue tax together with any tax arising during the liquidation process;
- to settle the company's claims and liabilities;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall report all matters relevant to his claimed creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required 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 part of the company's assets, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company

shall continue to exist during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required 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 prepare a liquidation report and submit it to the shareholders' general meeting or a people's court for confirmation of its completion. Following such confirmation, the report shall be submitted to the company registration authority to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to discharge their duties in good faith and perform their obligation in compliance with laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their willful or material default.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

Pursuant to the Special Regulations, the shares of a company shall only be listed overseas after obtaining approval from CSRC.

According to Rule 2(6) of the Regulatory Guidelines for the Application Documents and Examination Procedures for the Overseas Share Issuance and Listing by Joint Stock Companies (《關於股份公司境外發行股票和上市申報文件及審核程序的監管指引》) promulgated by CSRC (effective from January 1, 2013), the approval documents for overseas stock issuance and listing by the company granted by CSRC shall be valid for a period of 12 months.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

The Mandatory Provisions provide for a separate procedure regarding the loss of share certificates of overseas-listed foreign shares or of H share certificates, details of which are set out in our Articles of Association.

Merger and Division

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective 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 in newspapers within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

In accordance with the laws, cancelation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

The PRC Securities Laws, Regulations and Regulatory Regimes

The PRC has promulgated a number of regulations that relate to the issue and trading of the Shares and disclosure of information of companies. 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 Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) governing the application and approval procedures for public offerings of shares, issuance of and trading in shares, the acquisition of listed companies, deposit, clearing and transfer of shares, 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 Securities Law of the PRC (《中華人民共和國證券法》, the "PRC Securities Law") took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013 and August 31, 2014, respectively. It was the first national securities law in the PRC, and is divided into 12 chapters and 240 articles comprehensively regulating activities in the PRC securities market, including the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. Article 238 of the PRC Securities Law provides that

domestic enterprises must obtain prior approval from the State Council Securities regulatory authorities for its issuance of securities abroad or listing and trading of securities abroad. 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 CSRC.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "PRC Arbitration Law") was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017, respectively. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement is invalid.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of a company listed in Hong Kong and, in the case of the Listing Rules, also in contracts between the company and each director or supervisor. Pursuant to such clause, whenever a dispute or claim arises from any right or obligation provided in the articles of association, the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the company between (i) a holder of overseas listed foreign shares and the company; (ii) a holder of overseas listed foreign shares and a holder of domestic shares; or (iii) a holder of overseas listed foreign shares and the company's directors, supervisors or other management personnel, such parties shall be required to refer such dispute or claim to arbitration at either the China International Economic and Trade Arbitration Commission ("CIETAC") or the Hong Kong International Arbitration Center ("HKIAC"). Disputes in respect of the definition of shareholder and disputes in relation to the company's shareholder registry need not be resolved by arbitration. If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. The people's court can issue a ruling prohibiting the enforcement of an arbitral award made by an arbitration commission after verification by collegial bench formed by the people's court if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal or arbitration proceedings, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》, the "New York Convention") adopted on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where

the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of China was reached. The Supreme People's Court of China adopted the Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) on June 18, 1999, which went into effect on February 1, 2000. The arrangements reflects the spirit of the New York Convention. Under the arrangements, the awards by the Mainland arbitral bodies recognized by Hong Kong may be enforced in Hong Kong and the awards by the Hong Kong arbitral bodies according to the Arbitration Ordinance of Hong Kong SAR may also be enforced in the Mainland China. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against public interests of the Mainland, or the court of Hong Kong SAR decides that the enforcement of the arbitral awards in Hong Kong SAR will be against public policies of Hong Kong SAR, the awards may not be enforced.

MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF CORPORATION LAW IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law does not provide for authorized share capital. The Company's registered capital is the amount of its issued share capital. Any increase in the Company's registered capital must be approved by our Shareholders' general meeting and shall be approved by/filed with the relevant PRC governmental and regulatory authorities (if applicable).

Under the Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total registered capital of not less than RMB30 million. 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 of the Company, which are denominated and subscribed for in Renminbi, can be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors, while also being eligible securities under the Northbound Trading Link, A Shares of the Company can be subscribed for and traded by Hong Kong and other overseas investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in a company, and the shares they held in a company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management. There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from (i) the restriction on the Company to issue additional Shares within six months, and (ii) 12-month lockup on controlling shareholders' disposal of Shares, after the Global Offering.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Whereas notice of an extraordinary general meeting must be given not less than 15 days before the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least 30 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders in advance, and any shareholder who wishes to attend the meeting must reply in writing at least 20 days before the date of 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, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter. Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at Shareholders' Meetings

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes casted by shareholders present in person, or by proxy, at a general meeting.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in the section headed "Appendix V—Summary of 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 issued A shares and H shares, respectively; (ii) where the plan for the issue of A shares and H shares upon our establishment is implemented within 15 months following the date of approval or within the valid period of the approval by the securities regulatory authorities under the State Council or within the stated period as stipulated by applicable requirements.

Derivative Action by Minority Shareholders

Under Hong Kong company law, 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 limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the supervisors violates as such, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

In addition, the Mandatory Provisions provide us with certain remedies against the Directors, Supervisors and senior management who breach their duties to the Company. In addition, as a condition to the listing of overseas listed foreign Shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking to observe the articles of association in favor of the company. This allows minority Shareholders to take action against our Directors and Supervisors in default.

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company 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 company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders, may not relieve a director or supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a director or supervisor of our assets or the individual rights of other shareholders.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of

directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the Special Regulations, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the company.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report.

The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. According to the PRC laws, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the Chinese accounting standards and regulations, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the China accounting standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Receiving Agent

Under both the PRC and Hong Kong law, dividends once declared 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 two years. The Mandatory Provisions require that the relevant company shall appoint a receiving agent for shareholders who hold overseas listed foreign shares, and the receiving agent shall receive on behalf of such holders of shares dividends declared and other monies owed by the company in respect of its overseas listed foreign shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance. Under PRC law, merger, division, dissolution of the company or the conversion of the corporate form has to be approved by shareholders in general meeting.

Mandatory Transfers

Under the PRC Company Law, a company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the HKIAC or the China International Economic and Trade Arbitration Commission, at the claimant's choice. Such arbitration is final and conclusive.

Remedies of a Company

Under the PRC Company Law, if a director, supervisor or senior management person in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, in compliance with the Hong Kong Listing Rules and the Mandatory Provisions, remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management) have been set out in the Articles of Association.

Dividends

Pursuant to relevant PRC laws and regulations, the company in certain circumstances shall withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty days (extendable to sixty days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers shall not be registered within thirty days before the date of convening a general meeting or within five 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 Shanghai 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.

Set out below is a summary of the principal provisions of the Company's Articles, the objective of which is to provide investors with an overview of the Company's Articles.

The Articles of Association and relevant amendments thereto were adopted by the Shareholders in Shareholders' general meetings in accordance with applicable laws and regulations, including the PRC Company Law, the Securities Law, the Special Regulations, the Mandatory Provisions, the Guidance on Articles of Association of Listed Company and the Hong Kong Listing Rules, and will become effective on the date that the Company's H Shares are listed on the Hong Kong Stock Exchange. As the information contained below is in summary form, it may not contain all the information that may be important to potential investors.

SHARES

Issuance of Shares

The Company shall set up ordinary Shares at any time. According to its needs, the Company may create other classes of Shares upon approval from the authorized department of the State Council.

The Shares of a company take the form of stocks.

The Shares of the Company shall be issued by the Company 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.

The Company may issue Shares to domestic and overseas investors upon approval by competent securities department of the State Council.

Transfer of Shares

Unless otherwise specified by laws, administrative regulations, regulations of ministries and commissions, and listing rules for stock exchanges where the Company's Shares are listed, the Shares of the Company may be transferred freely without any lien attached. Registration shall be made in the Hong Kong share registrar authorized by the Company for the transfer of H Shares.

All fully paid H Shares may be freely transferred in accordance with the Company's Articles. However, the Board 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, with registration fees paid to the Company based on the standards prescribed by the Hong Kong Listing Rules and 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) 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 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.

Any changes or corrections of any part of the register of Shareholders shall be effected in accordance with the laws of the locality in which that part of the register of Shareholders is kept.

The Directors, Supervisors and senior management personnel of the Company shall notify the Company of their holding of Shares in the Company and changes of their holdings. The Shares transferrable by them during each year of their tenures shall not exceed twenty-five percent 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 one 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 six months of their departure from the Company.

Shares issued prior to the Company's initial public offering are not transferable within one year from the date on which the Company's Shares are listed on the stock exchange.

No changes shall be made to the register of Shareholders as a result of a transfer of Shares either within thirty days prior to the date of a general meeting, or within five days before the benchmark date set by the Company for the purpose of distribution of dividends.

Pledge of Shares

The Company does not accept Shares of the Company as the subject of pledges.

Repurchase of Shares

The Company may repurchase its issued Shares in the following circumstance, after passing the procedures stipulated in laws, administrative regulations, regulations of ministries and commissions, listing rules for stock exchanges where the Company's Shares are listed and the Articles of Association.

(a) reduction of the Company's registered capital;

(b) merging with another company holding Shares in the Company;

(c) granting of Shares to employees of the Company as reward;

(d) requests to 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) other circumstances permitted by laws and administrative regulations.

Except for the circumstances set out above, the Company shall not be engaged in any activities of buying and selling its Shares.

Approval shall be obtained from general meeting when the Company is to repurchase its own Shares under the circumstances (a) to (c) set out above. 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) above shall not exceed five percent of the total issued Shares of the Company. The funds for repurchase of such Shares shall be paid out of the Company's profits after tax, and the acquired Shares shall be transferred to the Company's employees within one year.

With the approval of the relevant competent authorities of the State Council, the Company may repurchase its Shares by the following ways:

(a) repurchasing the Shares by public trading on a stock exchange;

(b) making a repurchase offer to all Shareholders in proportion to their shareholdings;

(c) repurchasing the Shares by agreement without involving a stock exchange;

(d) by other means stipulated by laws or regulations or permitted by competent securities department of the State Council or other competent authorities.

A prior approval shall be obtained from a 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 our Articles. After the 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 is not limited to, an agreement to become obliged to repurchase or to acquire the right to repurchase Shares.

Company shall not assign a contract for repurchasing its 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 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 canceled Shares is deducted from the Company's registered capital in accordance with the relevant provisions, the amount deducted from the distributable profits used for the repurchase of the Shares at par value shall be credited to the Company's capital reserve fund account.

Financial Assistance for the Acquisition of Shares in Our Company

The Company or its branches and sub-branches and its subsidiaries shall not offer any financial assistance at any time by any means to purchasers or prospective purchasers 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 two paragraphs, subject to any prohibitions by laws and administrative regulations:

(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 our Articles;

(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); or

(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 our Articles 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 neglect or default) 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 shall include the obligations of an obligor which have arisen from entering into an agreement or making an arrangement (regardless of whether such agreement or arrangement is enforceable, or whether such obligations are assumed by the obligor individually or jointly with any other person) or any obligations that arise out of changes made in any other way to the obligor's financial condition.

SHAREHOLDERS

Register of Shareholders

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:

(a) the name, address (domicile), occupation or nature of each Shareholder;

(b) the class and number of Shares held by each Shareholder;

(c) the amount paid or payable for the Shares held by each Shareholder;

(d) the serial number(s) of the share certificate(s) held by each Shareholder;

(e) the date on which each Shareholder is registered as a Shareholder;

(f) the date on which each Shareholder ceases 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 Shareholders' register as the holder of the said Shares.

Transfer of Shares shall be registered at domestic and overseas-listed share transfer register agencies assigned by the Company and recorded in the Shareholders' register.

Rights of Shareholders

The Shareholders holding ordinary Shares shall enjoy the following rights:

(a) to receive dividends and other kinds of distributions as determined by the number of Shares held by them;

(b) to request, convene, host, attend or appoint a proxy to general meetings according to laws, and to exercise voting rights based on the number of the Shares held by them;

(c) to supervise the operations of the Company, and to make suggestions and enquiries accordingly;

(d) to transfer, bestow or pledge of the Shares held by them in accordance with the laws, administrative regulations, regulations of ministries and commissions, listing rules for stock exchanges where the Company's Shares are listed and the provisions of the Company's Articles;

(e) to obtain relevant information in accordance with our Articles, including:

  (i) to obtain the Company's Articles after paying the production costs thereof;

  (ii) to acquire the right to inspect and duplicate after paying a reasonable charge:

    (1) all parts of the register of Shareholders;

    (2) personal information of the Directors, Supervisors, President (Chief Executive Officer) and other senior management personnel of our Company, etc;

    (3) information on the share capital of the Company;

    (4) reports on the aggregate par value, number of Shares, and highest and lowest prices of each class of Shares in relation to any repurchase by the Company of its own Shares since the last financial year, as well as all the expenses paid by the Company in relation to such repurchases (classified as domestic Shares and foreign-invested Shares);

    (5) bond stub of the Company;

    (6) minutes of the Shareholders' general meetings (only for Shareholders to inspect) and special resolutions of the Company, resolutions of the Board and resolutions of the Supervisory Committee;

    (7) financial and accounting reports; or

    (8) the latest issue of annual report already submitted to the Administration for Industry and Commerce of PRC or other competent authorities for filing.

The Company shall keep documents and any other applicable documents related to Item (1), (3), (4), (6) and (8) at the Company's Hong Kong domicile for public and Shareholders to inspect free of charge (except for the minutes of the Shareholders' general meetings are only for Shareholders to inspect) and Shareholders have the right to duplicate such documents after paying a reasonable charge according to provisions of Hong Kong Listing Rules;

(f) to participate in the distribution of the remaining assets of the Company based on the number of Shares held in the event of the Company's dissolution or liquidation;

(g) to demand the Company to acquire their Shares (for Shareholders who disagree with the resolutions adopted at a Shareholders' general meeting in relation to the merger or division of the Company); and

(h) to have other rights conferred in accordance with the law, administrative regulations, regulations of ministries and commissions or listing rules for stock exchanges where the Company's Shares are listed and our Articles.

Voting Rights

A Shareholder (including his/her proxy) shall exercise his/her voting rights based on the number of Shares with voting rights represented by him/her. Each share shall have one vote. However, the Company's Shares held by the Company have no voting rights, and will not be counted into the total voting Shares present in the Shareholders' general meeting.

Votes of the general meeting shall be taken by show of hands except as otherwise required by listing rules for stock exchanges where the Company's Shares are listed or relevant laws or administrative regulations or rules, or the following persons require voting by poll before or after voting by show of hands:

(a) host of the meeting;

(b) at least two Shareholders or proxies thereof having the right to vote; or

(c) one or several Shareholders (including proxies) holding, separately or collectively, 10% or more of the Shares carrying the voting right at the meeting.

On a poll taken at a meeting, a Shareholder (including his/her proxies) who is entitled to two or more votes needs not to use all of his/her votes for, against or abstention in the same way.

Proxies

Any Shareholder entitled to attend and having voting rights at a Shareholders' general meeting shall be entitled to attend the meeting in person or appoint one or more persons (these persons need not be Shareholders) as proxies to attend and vote on their behalf. A proxy so appointed may exercise the following powers at a Shareholders' general meeting:

(a) the Shareholder's right to speak at a Shareholders' general meeting;

(b) to severally or jointly request to vote by ballot; and

(c) to exercise voting rights, but only by ballot when there is more than one proxy.

The power of attorney shall be placed at the Company's domicile or at any other place designated in the notice of Shareholders' general meeting at least twenty-four hours prior to either the convening of the relevant meeting in which the resolutions are to be voted on or the designated voting time. If the attorney is signed by a person authorized by the appointing Shareholder instead of the appointing Shareholder himself/herself, the power

of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall, together with the attorney, be placed at the Company's domicile or any other place designated in the notice of Shareholders' general meeting.

Where the proxy is a legal person, its legal representative or proxies authorized by the resolutions of the Board and other decision-making bodies shall be represented to attend the general meeting of the Company.

If the proxy has passed away or lost his/her ability to act or withdrawn the authorization or withdrawn the authorization of the signed proxy form or has transferred all of his/her Shares prior to voting at the Shareholders' general meeting, as long as the Company has not received any written notice regarding these matters prior to the commencement of the relevant meeting, the vote casted by the proxy in accordance with the proxy form shall remain valid.

SHAREHOLDERS' GENERAL MEETING

Notice of the Meeting

The Shareholders' general meetings shall be divided into annual general meetings and extraordinary general meetings.

The annual general meeting shall be convened once a year, and be held within six (6) months after the end of each accounting year.

An extraordinary general meeting shall be convened when necessary. An extraordinary general meeting shall be convened within two months from the date of occurrence of any of the following events:

(a) the number of Directors is less than the minimum number required by the PRC Company Law or less than two-thirds of the number stipulated in our Articles;

(b) the outstanding loss of the Company is at least one-third of the Company's total paid-up share capital;

(c) when Shareholders who individually or jointly holding more than ten percent of the Company's Shares with voting rights request in writing to convene an extraordinary general meeting; the number of Shares held by the Shareholders shall be calculated as at the date of request in writing made by him/her;

(d) the Board deems it necessary to convene the meeting;

(e) the Supervisory Committee proposes to convene the meeting; or

(f) any other circumstances as stipulated by laws, administrative regulations, regulations of ministries and commissions and the listing rules for stock exchanges where the Company's Shares are listed or our Articles.

When the Company is to convene a general meeting, the conveners shall issue a written notice prior to forty-five days from the date of the meeting, to all Shareholders whose names appear on the Shareholders register, stating the matters to be considered at the meeting and the date and venue of the meeting. Shareholders who intend to attend the general meeting shall provide a written reply of attendance to the Company twenty days prior to the general meeting.

The Company shall calculate the number of voting Shares represented by Shareholders intending to attend the meeting based on the written replies received twenty days prior to the general meeting. Where the number of voting Shares represented by Shareholders intending to attend the meeting reaches above half of the total voting Shares of the Company, the Company may convene the general meeting. If this threshold is not met, the Company shall make another announcement informing the Shareholders within five days of the matters to be deliberated at the meeting and the date and venue of the meeting. Once this announcement is made, the Company may then proceed to convene the general meeting.

The notice of a Shareholders' general meeting shall:

(a) be issued in writing;

(b) specify the time, venue and duration of the meeting;

(c) state the matters and proposals to be deliberated at the meeting;

(d) provide to Shareholders with all necessary information and explanation to enable Shareholders to make informed decisions on the matters to be discussed. This means that when (including but not limited to) any merger, share repurchase, share capital reorganization or any proposals relating to change in the structure of the Company are involved, the detailed terms of the proposed transaction, copies of the proposed agreement (if any) and detailed explanation as to the cause and effect of such a proposal transaction shall be provided;

(e) if any of the Directors, Supervisors, President (Chief Executive Officer) and other senior management personnel have material interest in the matters to be discussed, they shall disclose the nature and extent of such interest; and if the effects of the matters to be discussed have a different effect on a Director, Supervisor, President (Chief Executive Officer) and other senior management personnel as Shareholders compared to other Shareholders of that same class, they shall explain this difference;

(f) the full text of any proposed special resolution to be voted on at the meeting;

(g) a prominent statement stating that all Shareholders entitled to attend the meeting and appoint proxy by written to attend and vote on his/her behalf, and such proxy need not be a Shareholder of the Company;

(h) the time and venue for delivering the proxy form authorizing the proxy to vote of the relevant meeting;

(i) specify the date of registration of shareholdings of Shareholders who are entitled to attend the Shareholders' general meeting. The interval between date of registration and the meeting shall not be more than 7 business days. The date of registration cannot be changed once determined; and

(j) the name and phone number of the contact person of the meeting.

Unless otherwise stipulated by laws, administrative regulations, listing rules for stock exchanges where the Company's Shares are listed or the Articles, the notice of a Shareholders' general meeting shall be delivered by hand or prepaid mail to all Shareholders (regardless of whether they have voting rights at the Shareholders' general meeting). The address of the recipients shall be the address registered in the register of Shareholders. For holders of domestic Shares, the notice of a Shareholders' general meeting may be in the form of an announcement.

The aforesaid announcement shall be published in one or more newspapers, specified by competent securities department of the State Council between the forty-five to fifty day interval prior to the date on which the meeting is to be convened. All holders of domestic Shares shall be deemed as having been notified of the forthcoming Shareholders' general meeting once the announcement is published.

Provided that such action is complied with relevant laws and regulations and the listing rules for stock exchanges where the Company's Shares are listed and fulfills relevant procedures, the Company may also send or dispatch the aforesaid notices of general meeting to the holders of H Shares through the websites of the Company and website specified by the Hong Kong Stock Exchange or by other methods approved by Hong Kong Listing Rules and our Articles to replace the approach of delivery by hand or pre-paid post.

Power of the Meeting and Matters to be Determined

The Shareholders' general meeting shall be the governing organ of the Company. It may exercise the following powers in accordance with the law:

(a) to decide on the business policies and investment plans of the Company;

(b) to elect and replace Directors and Supervisors which are not appointed as representatives of the employees and to decide on the remuneration of the relevant Directors and Supervisors;

(c) to review and approve reports made by the Board;

(d) to review and approve reports made by the Supervisory Committee;

(e) to review and approve the Company's proposed annual financial budget, final accounts and annual report;

(f) to review and approve the Company's plans for profit distribution and loss recovery plans;

(g) to adopt resolutions concerning the increase or reduction of the Company's share capital;

(h) to adopt resolutions on the issuance of bond or other securities and listing;

(i) to adopt resolutions on the merger, division, dissolution, liquidation or change in corporate form of the Company;

(j) amendment of the Articles of Association;

(k) to adopt resolutions on the engagement, dismissal or discontinuation of the appointment of accounting firms;

(l) to review the proposals raised by the Shareholders severally or jointly representing above three percent of the Company's Shares with voting rights;

(m) to consider and approve the major transactions stated in the Article 68 of the Articles;

(n) to review and approve the guarantees stated in the Article 69 of the Articles;

(o) to review and approve the connected transactions that the amount of transactions between the Company and connected parties (except for guarantees provided by the Company, gifted cash assets, debts purely supposed to lessen obligations of the Company) is above RMB 30 million and it takes up more than 5% of absolute value of the audited net assets of the latest period;

(p) to review and approve the issues that the Company purchases or sells any major assets of which the amount exceeds 30% of its latest audited total assets;

(q) to review and approve matters relating to the modification of raised fund purpose;

(r) to review and approve the share incentive schemes; and

(s) to review and approve other issues which should be decided by the Shareholders' general meeting as stipulated by laws, administrative regulations, regulations of ministries and commissions and listing rules for stock exchanges where the Company's Shares are listed or our Articles.

Resolutions at the general meeting shall be divided into ordinary resolutions and special resolutions.

Ordinary resolutions of the general meeting shall be passed by more than half of the voting rights represented by Shareholders (including proxies) present at the meeting.

Special resolutions of the general meeting shall be passed by more than two thirds of the voting rights represented by Shareholders (including proxies) present at the meeting.

The following matters shall be approved by general meeting by special resolutions:

(a) increasing or reducing the share capital of the Company and issuing Shares of any class, equity warrants and other similar securities;

(b) the issuance of corporate bonds;

(c) division, merger or change of corporate form of the Company;

(d) termination, dissolution, liquidation and operation term extension of the company;

(e) amendment to the Articles of Association;

(f) purchase, disposal of major assets within one year with value of more than 30% of the total audited assets of the Company for the latest period;

(g) share incentive schemes;

(h) guarantees for an amount exceeding 30% of total audited assets of the latest period according to the cumulative calculation principle in continuous 12 months; or

(i) other matters stipulated by laws, administrative regulations, listing rules for stock exchanges where the Company's Shares are listed or the Articles of Association, or matters which are determined by an ordinary resolution of the general meeting to be of material significance to the Company and are required to be approved by way of special resolutions.

Special Procedures for Voting by Class Shareholders

Shareholders who hold different classes of Shares shall be class Shareholders.

Class Shareholders shall have rights and obligations in accordance with the laws, administrative regulations 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.

If the Company proposes to change or nullify certain rights of a certain class of Shareholders, this proposal should be passed by a special resolution at the Shareholders' general meeting and passed at the meeting convened according to Article 133 to 137 of the Articles by the related class of Shareholders.

The rights of a certain class of Shareholders shall be deemed to be changed or nullified in the following circumstances:

(a) to increase or reduce in the number of the Shares of such class, or increase or reduce the number of the Shares of other class which enjoy the same or more voting rights, distribution rights or other privileges;

(b) to convert part or whole of the Shares of such class into other class(es), convert part or whole of the Shares of other class(es) into such class, or grant such conversion rights;

(c) to nullify or reduce the rights of such class of Shares to receive payable dividends or cumulative dividends;

(d) to reduce or nullify the privileged rights of such class of Shares to acquire dividends or obtain distribution of assets during liquidation of the Company;

(e) to increase, nullify or reduce the conversion, option, voting, transfer or privileged allotment rights of such class of Shares or the rights of such class of Shares to obtain securities issued by the Company;

(f) to nullify or reduce the rights of such class of Shares to receive amounts payable by the Company in a particular currency;

(g) to establish new class(es) of Shares with the same or more voting rights, distribution rights or other privileges as compared with those enjoyed by such class of Shares;

(h) to impose restriction or additional restrictions on the transfer or ownership of such class of Shares;

(i) to grant the share subscription options or share conversion options of such class or another class of Shares;

(j) to increase the rights or privileges of other class(es) of Shares;

(k) any restructuring scheme of the Company that may result in the assumption of disproportionate responsibilities by different classes of Shareholders during the restructuring; or

(l) to revise or nullify the provisions under the chapter with title of "Special Procedures for Voting by Class Shareholders" in our Articles.

Where issues specified in (b) to (h), (k) to (l) of the preceding provisions are involved, the affected class Shareholders, whether or not they are entitled to vote at Shareholders' general meetings originally, shall have the right to vote at class general meetings. However, the Shareholders with conflicts of interests shall have no voting rights at the meeting for such class of Shareholders.

A resolution of the meeting for a certain class of Shareholders shall be adopted by above two-thirds of the voting Shares represented by Shareholders of such class present at the meeting.

The special voting procedure at a Shareholders' general meeting for class Shareholders shall not apply for the following cases:

(a) upon the approval by way of a special resolution passed by a Shareholders' general meeting, the Company independently or simultaneously issues domestic Shares and overseas listed foreign Shares every twelve months, provided that the amount of each class of Shares intended to be issued is not more than twenty percent of the issued and outstanding Shares of the respective class; or

(b) the Company's plan on issuing domestic Shares and overseas listed foreign Shares at the time of establishment, which is completed within fifteen months from the date of approval from competent securities department under the State Council or within validity period of the approval documents.

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. The Company shall appoint for Shareholders of overseas listed Shares a recipient agent. The recipient agent shall collect on behalf of the Shareholders concerned the dividends distributed and other funds payable by the Company in respect of the overseas listed Shares. The recipient agent appointed by the Company shall comply with the laws of the locality in which the Company's Shares are listed or the relevant requirements of the stock exchange where the Company's Shares are listed. The recipient agent appointed by the Company for Shareholders of H Shares shall be a company which is registered as a trust company under the Trustee Ordinance of Hong Kong.

Forfeiture of Shares

The Company shall have the right to cease delivering dividend notice to the Shareholders of H Shares by mail, but such right can only be exercised after the dividend notice has not been drawn twice consecutively. If a dividend notice fails to reach the expected recipient in the initial mail delivery and is returned, the Company may exercise the right promptly.

Under the circumstance that complying with relevant laws, administrative regulations, regulations of ministries and commissions and listing rules for stock exchanges where the Company's Shares are listed, the Company shall have the right to sell the Shares of the Shareholders of H Shares through the methods the Board deems appropriate and subject to the following conditions:

(a) the Company has distributed dividends on such Shares at least three times in a period of twelve years and the dividends are not claimed by anyone during that period;

(b) after the expiration of the twelve-year period, the Company makes a public announcement in one or more newspapers in the place of listing, stating its intention to sell such Shares and notifies the stock exchange of the locality in which the Company's Shares are listed.

DIRECTORS AND SENIOR MANAGEMENT PERSONNEL

Power to Dispose of the Assets of Our Company or Any Subsidiary

For the disposal of fixed assets by the Board, if the aggregate of the expected value of the fixed assets proposed to be disposed of and the value of the fixed assets which had been disposed of within four months preceding such proposal for disposal exceeds thirty-three percent of the fixed assets value shown in the most recent balance sheet reviewed at a Shareholders' general meeting, the Board shall not dispose of or approve of the disposal of such fixed assets without the approval of the Shareholders' general meeting. The disposal of fixed assets referred to in this paragraph includes the transfer of interests of certain assets, but excludes the provision of fixed assets as pledges to any guarantees.

A breach of the above paragraph shall not affect the validity of transactions entered into by the Company in disposing of fixed assets.

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 the Company; and (b) require the issuance of corporate bonds to be approved by the Shareholders in general meeting by way of a special resolution.

Remunerations and Compensation for Loss of Office

The Company shall enter into written contracts with the Directors and the Supervisors regarding remuneration which are subject to the prior approval from the Shareholders' general meeting. The aforesaid "remunerations" include:

(a) remuneration for the Directors, Supervisors or senior management personnel of the Company;

(b) remuneration for the Directors, Supervisors or senior management personnel of the subsidiaries of the Company;

(c) remuneration for those providing other services for managing the Company and its subsidiaries; and

(d) compensation to Directors or Supervisors for loss of office or upon retirement.

Except for the contracts mentioned above, the Directors and Supervisors shall not initiate litigation against the Company and claim benefits due to them for the foregoing matters.

The remuneration contracts between the Company and its Directors or Supervisors shall stipulate that if the Company is to be acquired, the Directors and Supervisors of the Company shall, subject to prior approval from the Shareholders' general meeting, be entitled to compensation or other funds for loss of their positions or upon retirement. The "acquisition of the Company" mentioned in this paragraph refers to one of the following circumstances:

(a) a takeover offer made by any person to all Shareholders; and

(b) a takeover offer made by any person with the intent of becoming a "Controlling Shareholder". See the definition of "Controlling Shareholder" in Article 296 of our Articles.

If Directors and Supervisors do not comply with the preceding provisions, any funds received by them shall go to the persons who have accepted the offer mentioned above and sell their Shares. The Directors and Supervisors shall bear the expenses arising from the proportional distribution of such amounts, and such expenses shall not be deducted from the amounts.

Loans to Directors, Supervisors and Senior Management

The Company shall not, directly or indirectly, provide loans or loan guarantees to the Directors, Supervisors, President (Chief Executive Officer/Managers) and other senior management personnel of the Company and its parent company, nor shall the Company provide the same to their connected persons.

The preceding provision shall not apply to the following circumstances:

(a) loans or loan guarantees provided by the Company to its subsidiaries;

(b) loans, loan guarantees or other funds provided by the Company to the Directors, Supervisors, President (Chief Executive Officer) and other senior management personnel of the Company pursuant to their employment contracts which were adopted by the Shareholders' general meeting, with which the foregoing persons can make payments in the interests of the Company or for the expenses incurred in performing their duties and responsibilities for the Company;

(c) where the normal scope of business of the Company includes the provisions of loans and loan guarantees, loans and loan guarantees can be provided by the Company to the relevant Directors, Supervisors, President(Chief Executive Officer) and other senior management personnel of the Company and their connected persons, provided that the loans and loan guarantees are provided on normal commercial terms and conditions.

If the Company provides a loan in breach of the provisions above, the person who has received the loan shall repay it immediately regardless of the terms of the loan.

Disclosure of Interests in Contracts with Our Company

The Directors, Supervisors, President (Chief Executive Officer) and other senior management personnel of the Company having any direct or indirect material conflict of interests in any executed or proposed contracts, transactions or arrangements (except the employment contracts between the Company and its Directors, Supervisors, President(Chief Executive Officer) and other senior management personnel), regardless of whether such interests are usually subject to the approval and consent of the Board, such persons shall disclose the nature and extent of the interests to the Board as soon as possible.

That, subject to such exceptions specified in the Note 1, Appendix 3 of Hong Kong Listing Rules or exceptions otherwise approved by the Hong Kong Stock Exchange, a Director shall not vote on any Board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates (the definitions are stipulated in the Hong Kong Listing Rules) has a material interest nor shall he be counted in the quorum present at the meeting.

Unless the Directors, Supervisors, President (Chief Executive Officer) and other senior management personnel of the Company with conflicts of interest have disclosed their interests to the Board in accordance with the requirements of the preceding paragraph, and the Board has approved the matter without counting the interested persons into the quorum and without their participation in the vote, the Company shall have the right to rescind such contracts, transactions or arrangements, except in circumstances where the counterparty is acting in good faith and unaware of that the Directors, Supervisors, President (Chief Executive Officer) and other senior management personnel are in breach of their obligations.

If a connected person of a Director, Supervisor, President (Chief Executive Officer) or other senior management personnel of the Company has any conflict of interests with any contract, transaction or arrangement, the Director, Supervisor, President (Chief Executive Officer) or other senior management personnel shall be deemed to have a conflict of interests as well.

Appointment, Removal and Retirement

Directors shall be elected or removed from office by Shareholders at a Shareholders' general meeting. Each term of office of a Director shall be three years, and a Director may be re-elected and re-appointed upon expiry of his/her term of office. The Board of the Company consists of 12 Directors, including 5 independent Directors.

The Board shall have one chairman, which shall be elected or removed from office by more than half of all Directors.

Candidates for Directors, excluding the candidates for independent Directors, shall be nominated by the Board or Shareholders individually or jointly holding above three percent of the Company's total Shares with voting rights and be selected by the Shareholders' general meeting.

Candidates for Shareholders' representative Supervisor shall be nominated by the Supervisory Committee or Shareholders individually or jointly holding above three percent of the Company's Shares with voting rights and be selected by the Shareholders' general meeting.

A person may not serve as a Director, Supervisor, President or other senior management of the Company if such person:

(i) has no civil capacity or has limited civil capacity;

(ii) was sentenced for the offense of corruption, bribery, expropriation, misappropriation of property or for disrupting the social and economic order, and less than five years has elapsed since the sentence was served, or has been deprived of political rights due to such crimes, and less than five years has elapsed since the deprivation was completed;

(iii) has served as a director, factory manager or general manager of a company or enterprise that was bankrupted and liquidated, and was personally liable for the bankruptcy of such company or enterprise, and less than three years has elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;

(iv) was a former legal representative of a company or an enterprise which has had its business license revoked and been ordered to close down its business for violating the laws, and was personally liable for that revocation, and less than three years has elapsed since the date of revocation;

(v) has comparatively large amount of individual debts that have become overdue and have not been settled;

(vi) has been currently under investigation for criminal offense and which investigation is not yet concluded;

(vii) has been prohibited to enter the capital market by competent securities department of the State Council and the period has not expired;

(viii) is prohibited from acting as leader of an enterprise by virtue of any laws and administrative regulations;

(ix) is not a natural person;

(x) has been convicted by relevant competent authorities for violation of securities related laws and regulations, where such violation involved fraudulent or dishonest acts, and less than five years has elapsed since the date of such conviction; or

(xi) other contents stipulated by laws, administrative regulations, regulations of ministries and commissions or listing rules for stock exchanges where the Company's Shares are listed.

The validity of any act by a Director, President (Chief Executive Officer) or other senior management personnel of the Company made on behalf of the Company towards a third party acting in good faith shall not be affected by any non-compliance in regulations of that person's position, election procedure or qualifications.

FINANCIAL AND ACCOUNTING SYSTEM

The Company shall establish its financial and accounting system in accordance with laws, administrative regulations and the provisions of competent departments.

The Board of our Company has an Audit Committee.

The Company shall prepare its financial statements in accordance with PRC accounting standards and regulations, as well as in accordance with international accounting standards or the accounting standards of the overseas locality in which the Company's Shares are listed. If there are any material differences between the financial statements prepared in accordance with the two accounting standards, such differences shall be stated in the notes to the financial statements. When distributing the after-tax profits of a given fiscal year, the Company shall take as final the smaller amount of after-tax profits out of the aforesaid two kinds of financial statements.

The interim results or financial information published or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations, as well as the international accounting standards or the accounting standards of the overseas locality where the Company's Shares are listed.

Except as otherwise provided in the Company's Articles, the Company shall send the aforesaid report or report of the Board along with the balance sheet(including all documents attached to the balance sheet required by law and regulations) and income statement or income and expenditure statement or financial report summary to each Shareholder of H Share by hand or pre-paid post or other means approved by Hong Kong Stock Exchange at least twenty-one days prior to the convening of the Shareholders' general meeting. The address of the recipients shall be the address registered in the register of Shareholders.

AMENDMENTS TO THE ARTICLES

In any of the following circumstances, the Company shall amend the Articles:

(a) if upon amendments to the PRC Company Law or relevant laws and administrative regulations, any terms contained in the Articles become inconsistent with the provisions of the amended laws and administrative regulations;

(b) a change in the Company causes inconsistence with those contained in the Articles; or

(c) a resolution being passed by the Shareholders' general meeting to amend our Articles.

If the amendments to our Articles are subject to approval by relevant competent authorities, the amendments to our Articles adopted at the Shareholders' general meeting shall be reported to the competent authority for approval; if registration matters are involved, the Company shall apply for registration of the changes in accordance with the law.

PROCEDURES ON LIQUIDATION

The Company shall be dissolved in any of the following circumstances:

(a) other dissolved matters stipulated in our Articles;

(b) if the Shareholders' general meeting resolves to do so;

(c) if a dissolution is necessary as a result of a merger or division of the Company;

(d) the Company is declared bankrupt pursuant to the law as a result of its inability to pay due debts;

(e) if the business license of the Company is revoked or if it is ordered to close down its business; or

(f) where the operation and management of the Company falls into serious difficulties and its continued existence would cause material losses to Shareholders, the Shareholders holding above ten percent of the total voting rights of the Company may apply to the people's court to dissolve the Company if there are no other solutions.

If the Board decides that the Company shall be liquidated (except for liquidation resulting from the Company's declaration of bankruptcy), it shall state in the notice of Shareholders' general meeting convened for such purpose that the Board have conducted a comprehensive investigation into the situation of the Company and believes that the Company is able to pay off all its debts within twelve months following the commencement of the liquidation.

After the Shareholders' general meeting adopts a resolution in favor of the liquidation, the functions and powers of the Board of the Company shall be terminated immediately. The liquidation committee shall follow the instructions of the Shareholders' general meetings and shall report to the Shareholders' general meeting at least once a year on the income and expenditure of the liquidation committee, the business of the Company and the progress of the liquidation, and shall make a final report to the Shareholders' general meeting at the end of the liquidation.

OTHER PROVISIONS MATERIAL TO OUR COMPANY AND OUR SHAREHOLDERS

General Provisions

The Company is a joint stock company with limited liability and permanently surviving. From the date on which the Articles come into effect, the Articles shall constitute a legally binding document to the Company, Shareholders, Directors, Supervisors and senior management personnel, regulating the Company's organization and activities, and the rights and obligations between the Company and each Shareholder and among the Shareholders inter se.

The Company may, based on its operating and development needs, increase its share capital pursuant to laws, subject to the resolution on general meeting. The Company may increase its capital by the following ways:

(a) public offering of Shares;

(b) non-public offering of Shares;

(c) placing Shares to existing Shareholders;

(d) distributing bonus Shares to existing Shareholders;

(e) transferring reserve funds to increase share capital; or

(f) other methods permitted by laws, administrative regulations, competent securities department and other relevant competent authorities of the State Council.

Board of Directors

The Board of Directors shall exercise the following functions and powers:

(a) convening Shareholders' general meetings and reporting its performance at the Shareholders' general meetings;

(b) implementing resolutions of the Shareholders' general meetings;

(c) determining or making significant amendment to the Company's business plans and investment plans;

(d) formulating annual financial budget plans and final account plans;

(e) formulating profit distribution plans and plans for recovery of losses of the Company;

(f) formulating proposals for the increase or reduction of the Company's registered capital, and for the issuance of the Company's debentures or other securities and the listing;

(g) drafting proposals for the Company's major acquisition, purchase of the Company's Shares or merger, division, dissolving and change in corporate form of the Company;

(h) determining investments, acquisition and disposal of assets, pledge of assets, external guarantees, entrusted investments, connected transactions and other matters within the authorization scope of Shareholders' general meeting;

(i) deciding on the Company's internal management structure;

(j) appointing or dismissing the President(Chief Executive Officer) and the secretary to the Board of the Company; appointing or dismissing Vice President and Chief Financial Officer of the Company based on the nominations of the President(Chief Executive Officer), and determining their emoluments, rewards and penalties;

(k) establishing the basic management system of the Company;

(l) drafting proposals for the amendment to the Articles;

(m) managing the information disclosures of the Company;

(n) proposing the engagement or change of the appointment of accounting firms to the Shareholders' general meeting;

(o) reviewing work reports of the President(Chief Executive Officer) of the Company and examine his or her work;

(p) drafting the share incentive schemes; and

(q) other duties and powers stipulated by laws, administrative regulations, regulations of ministries and commissions, listing rules for stock exchanges where the Company's Shares are listed and the Company's Articles.

The Board meeting includes regular meetings and extraordinary meetings. The Board of Directors shall hold a regular meeting at least four times a year, and the Board meeting shall be convened by the chairman of the Board. Notices of the regular Board meeting shall be sent to all Directors and Supervisors at least fourteen days prior to the date of the meeting.

A meeting of the Board of Directors shall only be held if it has a quorum of more than one half of the directors. Resolutions adopted at the Board meeting must be approved by more than one half of all members of the Directors, unless otherwise required in the Articles of the Company. Resolutions of the Board shall be passed on a "one person one vote" basis.

Supervisory Committee

The Company shall have a Supervisory Committee. The Directors, President (Chief Executive Officer)and other senior managements shall not act concurrently as Supervisors. The proportion of employee representative Supervisors shall not be less than one-third of Supervisors. Employee representative Supervisors shall be elected by employee representative meeting, employee meeting or other democratic procedures of the Company. The representatives of the Shareholders shall be elected by Shareholder's general meeting.

The Supervisory Committee shall have one chairman. The appointment and removal of the chairman shall be made with a resolution passed by over two-thirds of all members of the Supervisory Committee.

Each Supervisor shall serve for a term of three years, which may be reelected upon the expiration of his/her term.

The Supervisory Committee shall exercise the following powers:

(a) to review and give written comments to regular reports of the Company formulated by the Board;

(b) to monitor financial situations of the Company;

(c) to supervise the related acts of any of the Directors and senior management personnel and propose the removal of who violates any laws, administrative regulations, the Articles of Association or resolutions passed by the Shareholders' meeting;

(d) to demand any Director or senior management personnel who acts in a manner which is detrimental to the Company's interest to rectify such behavior;

(e) to propose the convening of extraordinary general meeting and to convene and preside over extraordinary general meeting when the Board fails to perform the duty of convening and presiding Shareholders' general meetings;

(f) to make proposal to the Shareholders' general meeting;

(g) to represent the Company to negotiate with the Directors and senior management members or bringing actions against Directors and senior management members according to Article 151 of the Company Law;

(h) to verify the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the Board to the Shareholders' general meetings and to authorize, in the Company's name, publicly certified and practicing accountants to assist in the reexamination of such information should any doubt arise in respect thereof and the fees shall be borne by the Company;

(i) to investigate the Company should any abnormal operation situation arise; to authorize accounting firms, law firms and other professional institutions to assist the investigation and the fees shall be borne by the Company; and

(j) other powers stipulated by our Articles.

Meetings of the Supervisory Committee shall be convened at least once each six months and be convened and presided by its chairman. A Supervisor shall be elected by more than half of all Supervisors to convene and host the meetings of Supervisory Committee when the chairman fails or refuses to perform the duty.

President (Chief Executive Officer)

The Company shall have one President (Chief Executive Officer), who shall be accountable to the Board and shall exercise the following powers:

(i) to be in charge of the Company's operation and management and to implement there solutions of the Board, and report work to the Board;

(ii) to formulate and implement the Company's annual business plan and investment plan;

(iii) to formulate the Company's internal management structure;

(iv) to draft the basic management scheme of the Company;

(v) to formulate the Company's concrete bylaws;

(vi) to propose the appointment or dismissal of other senior management personnel except for secretary to the Board of Directors;

(vii) to determine the appointment or dismissal of responsible management personnel except for whom should be appointed or dismissed by the Board of Directors; and

(viii) to exercise other powers conferred by the Articles of Association and the Board.

The President (Chief Executive Officer) shall be present at meetings of the Board, but shall have no voting rights at the meetings if he/she is not a Director.

Secretary of the Board

There shall be a secretary of the Board. The secretary of the Board is a member of the senior management personnel. The secretary is in charge of preparations for the Board meetings and Shareholders' general meetings, maintaining documents, keeping and managing Shareholders' information, information disclosure and other matters to ensure:

(a) complete organizational documents and records are available for the Company;

(b) the Company prepares and submits documents and reports required by relevant authorities pursuant to the law; and

(c) the register of Shareholders of the Company is properly established, and that persons entitled to receive relevant records and documents of the Company are given timely access to such records and documents.

Resolution of Disputes

The Company shall abide by the following rules for dispute resolution:

(a) If any disputes or claims in relation to the Company's business, with respect to any rights or obligations under our Articles, the PRC Company Law or any other relevant laws and administrative regulations, arise between Shareholders of overseas listed foreign Shares and the Company, between Shareholders of overseas listed foreign Shares and the Company's Directors, Supervisors, President (Chief Executive Officer) or other senior management personnel of the Company, or between Shareholders of overseas listed foreign Shares and Shareholders of domestic Shares, the parties concerned shall submit such disputes or claims to arbitration.

When the aforementioned disputes or claims are submitted to arbitration, such disputes or claims shall be submitted in their entirety, and all persons (being the Company, the Company's Shareholders, Directors, Supervisors, President (Chief Executive Officer)or other senior management personnel of the Company) that have a cause of action based on the same grounds or the persons whose participation is necessary for the resolution of such disputes or claims, shall comply with the arbitration.

Disputes with respect to the definition of Shareholders and disputes concerning the register of Shareholders need not be resolved by arbitration.

(b) An applicant may choose for the arbitration to be arbitrated either by the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Center in accordance with its securities arbitration rules. Once a claimant submits a dispute or claim to arbitration, the other party must carry out the arbitration at the arbitration institution selected by the claimant.

If an applicant opts for arbitration by the Hong Kong International Arbitration Center, either party may request for the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Center.

(c) Unless otherwise provided by laws and administrative regulations, the laws of the PRC shall apply to the settlement of any disputes or claims that are resolved by arbitration described in item (a) above.

(d) The award of the arbitration institution shall be final and binding upon all parties.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

The predecessor of our Company, WuXi AppTec Ltd. (無錫藥明康德新藥開發有限公司), was established in the PRC in December 2000. Our registered address is at Mashan No.5 Bridge, Binhu District, Wuxi, Jiangsu Province, PRC and our principal place of business is at 288 Fute Zhong Road, Waigaoqiao Free Trade Zone, Shanghai, PRC.

We have established a place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on November 13, 2018 under the English corporate name of "WuXi AppTec Co., Ltd." and Chinese corporate name of "無錫藥明康德新藥開發股份有限公司". Mr. Chi Yao (姚馳) and Ms. Yuen Wing Yan Winnie (袁潁欣), our joint company secretaries, are the authorized representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, we 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 our Articles of Association is set out in Appendices IV and V to this prospectus.

B. Changes in the Share Capital of our Company

Upon the establishment of our Company on December 1, 2000, our registered capital was US$5.6 million. The major changes to our registered capital are as follows:

(1) On July 13, 2005, Taihushui, ChinaTechs and Mr. John J. Baldwin transferred all their equity interests to WXAT BVI, our shareholder changed to WXAT BVI as the sole shareholder;

(2) On August 2, 2006, the registered capital of the Company was increased from USD 5.6 million to USD 9 million;

(3) On March 5, 2008, the registered capital of the Company was increased from USD 9 million to USD 20 million;

(4) On March 7, 2016, the registered capital of the Company was increased from USD 20 million to RMB 900,000,000;

(5) On March 23, 2016, WXAT BVI transferred its 91% equity interest in our predecessor to 32 entities. See "History and Corporate Development — Reorganization — Push-Down — Step 1" for details;

(6) On November 28, 2016, G&C VII Limited transferred 2% equity interest in our predecessor to Shanghai Houshen Investment Center (Limited Partnership) (上海厚燊投資中心 (有限合夥)) for a nominal consideration of RMB1;

(7) On January 24, 2017, G&C V Limited, G&C VII Limited, the ESOP Platforms transferred their equity interests in our Company to Fertile Harvest, Brilliant Rich Global Limited, Eastern Star, LCH Investment Limited, Ningbo Meishan Baoshuigangqu Yunlong Investment Management Co., Ltd. (寧波梅山保稅港區澐瀧投資管理有限公司) and Ningbo Hongqi Equity Investment Partnership (Limited

Partnership) (寧波弘祺股權投資合夥企業(有限合夥)), and six investors including China Life Chengda (Shanghai) Healthcare Industry Equity Investment Center (Limited Partnership) (國壽成達(上海)健康產業股權投資中心(有限合夥)), Taikang Insurance Group Inc. (泰康保險集團股份有限公司), Shenzhen Pingan Property Investment Co., Ltd. (深圳市平安置業投資有限公司), Tangshan Jingji Health Industry Fund Partnership (Limited Partnership) (唐山京冀協同健康業基金合夥企業(有限合夥)), Shanghai Yunfeng Hengyuan Investment Center (Limited Partnership) (上海雲鋒衡遠投資中心(有限合夥)) and Ningbo Meishan Baoshuigangqu Yunlong Investment Management Co., Ltd. (寧波梅山保稅港區澐瀧投資管理有限公司), together contributed an aggregate of RMB1,511,480,000 to our Company, among which RMB37,787,000 was contributed to our registered capital, and the remaining RMB1,473,693,000 was kept as our capital reserve. Upon the completion of this capital increase, the total registered capital of our Company amounted to RMB 937,787,000 from RMB900,000,000;

(8) On May 8, 2018, the registered capital of the Company was increased from RMB937,787,000 to RMB1,041,985,556 after our Shares listing on SSE; and

(9) On November 12, 2018, the registered capital of the Company was increased from RMB1,041,985,556 to RMB1,048,266,886 after the registration of the Restricted A Shares.

Immediately following the completion of the Global Offering but without taking into account any H Shares which may be issued upon the exercise of the Over-allotment Option, our registered capital will increase to RMB 1,164,741,086, comprising 1,048,266,886 A Shares and 116,474,200 H Shares fully paid up or credited as fully paid up, representing approximately 90.00% and 10.00% of our registered capital, respectively.

Save as disclosed in this prospectus, there has been no other alteration in the share capital of our Company during the two years preceding the date of this prospectus.

C. Resolutions Passed by Our Shareholders' General Meeting in Relation to the Global Offering

At the extraordinary general meeting of the Shareholders held on August 22, 2018, the following resolutions, among others, were duly passed:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;

(b) the proposed number of H Shares to be offered initially shall be 10% to 15% (inclusive) of the total issued number of shares as enlarged by the H Shares to be issued pursuant to the Global Offering and before the exercise of the Over-allotment Option. The number of H Shares to be issued pursuant to the exercise of the Over-allotment Option shall not exceed 15% of the total number of H Shares to be offered initially pursuant to the Global Offering;

(c) the issue price of the H Shares will be determined after due consideration of the interests of existing Shareholders, the acceptance of investors and issuance risks and in accordance with international practices through the demands for orders and book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets;

(d) the H Shares shall be issued to overseas investors, and other eligible domestic investors;

(e) the method of offering shall be by way of a public offer for subscription in Hong Kong and an international offering to institutional and professional investors;

(f) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares; and

(g) 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.

D. Changes in Share Capital of our Material Subsidiaries

We have identified certain of our subsidiaries which are material to our operations and/or contributed significantly to our financial performance during the Track Record Period, namely WXAT Shanghai, WXAT Wuhan, WXAT Tianjin, WXAT Suzhou, WXAT HK, WXAT International, WXAT Chengdu, STA, STA Pharmaceutical Hong Kong Limited (合全藥業香港有限公司) and WuXi AppTec, Inc. Save as disclosed below, there has been no alteration in the share capital of any of our material subsidiaries within the two years immediately preceding the date of this prospectus.

WXAT Shanghai

On August 23, 2017, the registered capital of WXAT Shanghai was increased from RMB210 million to RMB800 million and subsequently increased to RMB1,000 million on June 4, 2018.

WXAT Suzhou

On June 15, 2018, the registered capital of WXAT Suzhou was increased to RMB600 million from RMB261.77 million.

WXAT Tianjin

On May 31, 2018, the registered capital of WXAT Tianjin was increased from RMB215.88 million to RMB600 million.

WXAT Chengdu

On September 20, 2017, WXAT Chengdu was established in the PRC as a limited liability company with an initial registered capital of RMB550 million.

STA

On December 23, 2016, the registered capital of STA was increased from RMB129.27 million to RMB132.27 million and subsequently increased to RMB145.23 million on November 13, 2017 RMB438.83 million on December 26, 2017 and RMB442.06 million in November 2018 respectively.

E. Further Information about Our Subsidiaries

Below sets forth the list of our subsidiaries in the PRC as at June 30, 2018:

No.	Name of company	Shareholder(s)	Shareholding	Authorized share capital / Registered capital	Date of establishment
1.	WXAT Shanghai	Our Company	100%	RMB1,000,000,000	April 2, 2002
2.	WXAT Wuhan	Our Company	60%	RMB196,238,960	November 12, 2010
		WXAT Shanghai	40%		
3.	WXAT Suzhou	Our Company	80.06%	RMB600,000,000	October 8, 2006
		WXAT Shanghai	19.94%		
4.	WXAT Tianjin	Our Company	100%	RMB600,000,000	June 5, 2006
5.	WXAT Chengdu	Our Company	100%	RMB550,000,000	September 20, 2017

No.	Name of company	Shareholder(s)	Shareholding	Authorized share capital / Registered capital	Date of establishment
6.	STA	WXAT Shanghai	86.34%	RMB 438,826,600	January 23, 2003
		Shanghai STA Investment Management Partnership (Limited Partnership) (上海合全投資管理合夥企業(有限合夥))	1.19%		
		Other shareholders	12.47%		
7.	Shanghai STA Pharmaceutical R&D Co., Ltd. (上海合全藥物研發有限公司)	STA	100%	RMB 30,000,000	April 15, 2011
8.	Changzhou SynTheAll Pharmaceutical Co., Ltd. (常州合全藥業有限公司)	STA	90%	RMB 945,000,000	September 29, 2013
		Shanghai STA Pharmaceutical R&D Co., Ltd. (上海合全藥物研發有限公司)	10%		
9.	Changzhou STA Pharmaceutical R&D Co., Ltd (常州合全新藥研發有限公司)	Changzhou SynTheAll Pharmaceutical Co., Ltd. (常州合全藥業有限公司)	100%	RMB 8,000,000	December 15, 2011
10.	Shanghai STA Pharmaceutical Product Co., Ltd. (上海合全醫藥有限公司)	STA	97.50%	RMB 64,000,000	February 21, 2017
		Shanghai STA Pharmaceutical R&D Co., Ltd. (上海合全藥物研發有限公司)	2.50%		
11.	Changzhou SynTheAll Trading Co., Ltd (常州合全貿易有限公司) (Note 1)	STA Pharmaceutical Hong Kong Limited (合全藥業香港有限公司)	100%	US$36,000,000	December 9, 2016
12.	WuXi Clinical Development Services (Shanghai) Co., Ltd. (上海康德弘翼醫學臨床研究有限公司)	WXAT Shanghai	100%	RMB 96,323,529	September 23, 2011
13.	WuXi AppTec (Haimen) Co., Ltd. (海門藥明康德新藥開發有限公司) (Note 2)	WXAT Shanghai	100%	RMB 8,000,000	July 2, 2012
14.	Jiecheng Med-Tech Development Co., Ltd. (上海傑誠醫藥科技有限公司) (Note 3)	WuXi Clinical Development Services (Shanghai) Co., Ltd. (上海康德弘翼醫學臨床研究有限公司)	100%	RMB 900,000	December 26, 2006
15.	MedKey	WXAT Shanghai	100%	RMB 5,000,000	February 24, 2009
16.	Shanghai WXAT Investment Management Co., Ltd. (上海藥明康德投資管理有限公司)	WXAT Shanghai	100%	RMB 8,000,000	September 19, 2014
17.	Shanghai STA Investment Management Partnership (Limited Partnership) (上海合全投資管理合夥企業(有限合夥))	Shanghai WXAT Investment Management Co., Ltd. (上海藥明康德投資管理有限公司)	Sole general partner	RMB 9,393,969.58	January 29, 2015
18.	WXAT Investment Development Co., Ltd. (無錫藥明康德投資發展有限公司)	WXAT Shanghai	100%	RMB 38,000,000	June 29, 2011

No.	Name of company	Shareholder(s)	Shareholding	Authorized share capital / Registered capital	Date of establishment
19.	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	WXAT Investment Development Co., Ltd. (無錫藥明康德投資發展有限公司)	90%	RMB 30,000,000	December 16, 2011
		Our Company	10%		
20.	WuXi PharmaTech Equity Investment Management Co., Ltd. (無錫藥明康德股權投資管理有限公司)	WXAT Investment Development Co., Ltd. (無錫藥明康德投資發展有限公司)	100%	RMB 2,000,000	August 11, 2011
21.	WuXi PharmaTech Biomedical Investment Management Enterprise (Limited Partnership) (無錫藥明康德生物醫藥投資管理企業(有限合夥))	WXAT Investment Development Co., Ltd. (無錫藥明康德投資發展有限公司)	Sole general partner	RMB 2,500,000	July 21, 2011
		Our Company	Sole limited partner		
22.	WuXi PharmaTech Phase I Investment Enterprise (Limited Partnership) (無錫藥明康德一期投資企業(有限合夥))	WuXi PharmaTech Biomedical Investment Management Enterprise (Limited Partnership) (無錫藥明康德生物醫藥投資管理企業(有限合夥))	Sole general partner	RMB 200,000,000	August 16, 2011
		WXAT Tianjin WXAT Shanghai	Limited partners		
23.	Beijing WXAT New Drug Research Co., Ltd. (北京藥明康德新藥技術開發有限公司)	WXAT Shanghai	100%	RMB 20,000,000	March 25, 2016
24.	WuXi STA Pharmaceutical Technology Co., Ltd.	STA	75%	US$60,000,000	August 16, 2016
		STA Pharmaceutical Hong Kong Limited (合全藥業香港有限公司)	25%		
25.	WuXi STA Pharmaceutical Co., Ltd. (無錫合全藥業有限公司) (formerly known as Jiangsu Xinfu Pharmaceutical Co., Ltd. (江蘇信孚藥業有限公司) and WuXi AppTec Pharmaceutical Co., Ltd. (無錫藥明康德藥業有限公司))	WuXi STA Pharmaceutical Technology Co., Ltd. (無錫合全醫藥科技有限公司)	100%	RMB28,000,000	September 5, 2002
26.	Shanghai WXAT Pharmaceutical Technology Co., Ltd. (上海藥明康德醫藥科技有限公司)	WXAT Shanghai	100%	RMB 100,000,000	October 10, 2016
27.	Shanghai WXAT Pharmaceutical Co., Ltd. (上海藥明康德藥業有限公司)	WXAT Shanghai	100%	RMB 100,000,000	October 10, 2016
28.	Abgent Biotechnology (Suzhou) Co., Ltd. (百奇生物科技(蘇州) 有限公司)	WXAT Suzhou	100%	RMB 10,000,000	January 7, 2009
29.	XBL-China, Inc. (南京美新諾醫藥科技有限公司)	WXAT Suzhou	100%	RMB 40,982,640	June 2, 2008

No.	Name of company	Shareholder(s)	Shareholding	Authorized share capital / Registered capital	Date of establishment
30.	LabNetwork (Tianjin) Chemical Technology Co., Ltd. (覽博(天津) 化學科技有限公司)	LabNetwork B.V.	100%	US$1,000,000	August 27, 2015
31.	AppTec LabNetwork (Wuhan) Chemical Technology Co., Ltd. (藥明覽博(武漢) 化學科技有限公司)	LabNetwork (Tianjin) Chemical Technology Co., Ltd. (覽博(天津) 化學科技有限公司)	100%	RMB 10,000,000	July 27, 2016
32.	Shanghai HD Biosciences	WXAT Shanghai	100%	RMB 30,766,700	July 22, 2008
33.	WuXi Clinical Development Services (Chengdu) Co., Ltd. (成都康德弘翼醫學臨床研究有限公司)	Chengdu Jiulian Investment Co., Ltd. (成都九聯投資有限公司)	35%	RMB 15,000,000	April 28, 2017
		WuXi Clinical Development Services (Shanghai) Co., Ltd. (上海康德弘翼醫學臨床研究有限公司)	65%		
34.	Shanghai STA Logistics Co., Ltd. (上海合全物流有限公司)	STA	100%	RMB 2,000,000	August 17, 2017
35.	WuXi ATU (Note 4)	WXAT Shanghai	100%	RMB 100,000,000	September 29, 2017
36.	Changzhou STA Pharmaceutical Technology Co., Ltd. (常州合全醫藥科技有限公司)	STA Pharmaceutical Hong Kong Limited (合全藥業香港有限公司)	100%	US$120,000,000	November 15, 2017
37.	Nantong WXAT Pharmaceutical Technology Co., Ltd. (南通藥明康德醫藥科技有限公司)	WXAT Shanghai	75%	RMB 150,000,000	April 26, 2018
		WuXi AppTec (HongKong) Limited	25%		

Notes:

(1) As at the Latest Practicable Date, the deregistration of Changzhou SynTheAll Trading Co., Ltd was in progress.

(2) The deregistration of WuXi AppTec (Haimen) Co., Ltd. was completed on July 20, 2018.

(3) The deregistration of Jiecheng Med-Tech Development Co., Ltd. (上海傑誠醫藥科技有限公司) was completed on August 17, 2018.

(4) WuXi ATU was renamed from 無錫藥明生基醫藥科技有限公司 to 無錫生基醫藥科技有限公司 on August 21, 2018.

Below sets forth the list of our subsidiaries in Hong Kong and overseas as at June 30, 2018:

No.	Name of company	Shareholder / partner	Shareholding / partnership	Registered capital / Issued share capital / capital contribution	Place of Establishment	Date of Establishment
1.	WXAT International	Our Company	100%	50,000 shares	BVI	December 17, 2015
2.	WXAT HK	Our Company	100%	HK$10,000	Hong Kong	March 26, 2012
3.	STA Pharmaceutical Hong Kong Limited (合全藥業香港有限公司)	STA	100%	HK$10,000	Hong Kong	April 12, 2011
4.	STA Pharmaceutical U.S. LLC (formerly known as STA Sales LLC)	STA Pharmaceutical Hong Kong Limited (合全藥業香港有限公司)	100%	US$100	United States	May 20, 2015
5.	WuXi AppTec (Hong Kong) Holding Limited	WXAT Shanghai WXAT Tianjin (天津藥明)	80% 20%	HK$10,000	Hong Kong	January 6, 2015
6.	XBL	WXAT Suzhou	100%	Issued capital: 1,000 ordinary shares with par value of US$0.1 each	United States	September 22, 2014
7.	WuXi AppTec Lab Testing and Diagnosis (Hong Kong) Limited (香港測全有限公司) (formerly known as Shanghai AppTec (HK) Limited (上海藥明康德(香港)有限公司))	WXAT Suzhou	100%	HK$10,000	Hong Kong	December 10, 2010
8.	WuXi AppTec Korea Co., Ltd.	WXAT HK	100%	Authorized capital: 2,000,000 shares with par value of ₩5000 each	Korea	December 21, 2015
9.	HD Bioscience Co., Limited	WXAT HK	100%	HK$10,000	Hong Kong	December 6, 2017
10.	Sino Path Holdings Limited	WXAT International	100%	US$50,000	BVI	February 6, 2008
11.	XBL (BVI) Limited	Sino Path Holdings Limited	100%	US$50,000	BVI	January 30, 2008
12.	XBL (HK) Limited (新澳投資有限公司)	XBL (BVI) Limited	100%	HK$1	Hong Kong	January 18, 2008
13.	WuXi AppTec LN (Cayman) Inc. (藥明康德覽博(開曼)有限公司)	WXAT International	100%	US$50,000	Cayman Islands	July 23, 2014
14.	LabNetwork B.V.	WuXi AppTec LN (Cayman) Inc. (藥明康德覽博(開曼)有限公司)	100%	US$2	Netherlands	December 11, 2014
15.	LabNetwork Inc.	LabNetwork B.V.	100%	Authorized capital:1,000 ordinary shares no par value; Issued capital: 1 ordinary share with no par value	United States	November 14, 2014
16.	LabNetwork GmbH	LabNetwork B.V.	100%	€25,000	Germany	May 22, 2015
17.	WuXi AppTec UK Ltd.	WXAT International	100%	£1,000	United Kingdom	January 17, 2011

No.	Name of company	Shareholder / partner	Shareholding / partnership	Registered capital / Issued share capital / capital contribution	Place of Establishment	Date of Establishment
18.	WuXi AppTec Holding Company, Inc.	WXAT International	100%	US$10	United States	December 31, 2007
19.	WuXi AppTec Sales, LLC.	WuXi AppTec Holding Company, Inc.	100%	US$100	United States	January 19, 2011
20.	WuXi AppTec, Inc.	WuXi AppTec Holding Company, Inc.	100%	US$10	United States	November 26, 2002
21.	Abgent	WuXi AppTec Holding Company, Inc	100%	US$1,800	United States	June 5, 2001
22.	WuXi AppTec HDB LLC	WuXi AppTec Holding Company, Inc.	100%	US$100	United States	March 15, 2017
23.	HD Biosciences Inc.	WuXi AppTec HDB LLC	100%	100 shares	United States	February 10, 2014
24.	Crelux	WuXi AppTec Holding Company, Inc.	100%	€25,200	Germany	February 24, 2005
25.	WuXi PharmaTech Investment Holdings (Cayman) Inc.	WXAT International	100%	US$50,000	Cayman Islands	May 24, 2011
26.	WuXi PharmaTech Investment Management (Cayman) Inc.	WuXi PharmaTech Investment Holdings (Cayman) Inc.	100%	US$50,000	Cayman Islands	May 24, 2011
27.	WuXi PharmaTech Fund I General Partner L.P.	WuXi PharmaTech Investments (Cayman) Inc.	General Partner	US$2	Cayman Islands	May 24, 2011
		WXAT International	Limited Partner			
28.	WuXi PharmaTech Healthcare Fund I L.P.	WuXi PharmaTech Fund I General Partner L.P.	General Partner	US$2	Cayman Islands	May 24, 2011
		WuXi AppTec (Hong Kong) Holding Limited	Limited Partner			
29.	WuXi PharmaTech Investments (Cayman) Inc.	WuXi PharmaTech Investment, Holdings (Cayman) Inc.	100%	US$50,000	Cayman Islands	May 24, 2011
30.	WuXi AppTec (HK) Healthcare Limited	WXAT HK	75%	HK$10,000,000	Hong Kong	January 15, 2018
		Healthy China Medical Group Limited (Note 1)	25%			

Notes:

(1) Healthy China Medical Group Limited is an Independent Third Party.

(2) As of the Latest Practicable Date, certain of our subsidiaries mentioned above with minimal business activities were deregistered or under deregistration for the purpose of streamlining our business operation.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(a) the capital increase agreement dated December 9, 2016 between 國壽成達(上海)健康產業股權投資中心(有限合夥) and our Company, pursuant to which 國壽成達(上海)健康產業股權投資中心(有限合夥) contributed RMB500,000,000 to our Company, among which RMB12,500,000 was contributed to our registered capital and the remaining RMB487,500,000 was kept as our capital reserve;

(b) the capital increase agreement dated December 9, 2016 between 唐山京冀協同健康產業基金合夥企業(有限合夥) and our Company, pursuant to which 唐山京冀協同健康產業基金合夥企業(有限合夥) contributed RMB150,000,000 to our Company, among which RMB3,750,000 was contributed to our registered capital and the remaining RMB146,250,000 was kept as our capital reserve;

(c) the capital increase agreement dated December 9, 2016 between 上海雲鋒衡遠投資中心(有限合夥) and our Company, pursuant to which 上海雲鋒衡遠投資中心(有限合夥) contributed RMB150,000,000 to our Company, among which RMB3,750,000 was contributed to our registered capital and the remaining RMB146,250,000 was kept as our capital reserve;

(d) the capital increase agreement dated December 9, 2016 between 寧波梅山保稅港區澐瀧投資管理有限公司 and our Company, pursuant to which 寧波梅山保稅港區澐瀧投資管理有限公司 contributed RMB11,480,000 to our Company, among which RMB287,000 was contributed to our registered capital and the remaining RMB11,193,000 was kept as our capital reserve;

(e) the capital increase agreement dated December 13, 2016 between 泰康保險集團股份有限公司 and our Company, pursuant to which 泰康保險集團股份有限公司 contributed RMB500,000,000 to our Company, among which RMB12,500,000 was contributed to our registered capital and the remaining RMB487,500,000 was kept as our capital reserve;

(f) the capital increase agreement dated December 14, 2016 between 深圳市平安置業投資有限公司 and our Company, pursuant to which 深圳市平安置業投資有限公司 contributed RMB200,000,000 to our Company, among which RMB5,000,000 was contributed to our registered capital and the remaining RMB195,000,000 was kept as our capital reserve;

(g) the asset purchase agreement dated December 29, 2016 between STA and WXAT Shanghai, pursuant to which STA acquired the assets and liabilities relating to Pharmaceutical Development Service Department of WXAT Shanghai by issuing an additional 12,850,862 shares to WXAT Shanghai;

(h) the equity transfer agreement dated January 18, 2017 among (i) WXAT Shanghai, as the transferee; (ii) 輝源生物科技(上海)有限公司; (iii) HD Biosciences HKG Limited, 中金投資（集團）有限公司, Wealthvalue HK Limited, 瑞源投資控股有限公司, 五源投資控股有限公司, 上海轅樺商務諮詢中心（有限合夥）, 上海佰轅商務諮詢中心（有限合夥）, 汪建, Lin Peiyuan, Duan Maosheng, Wang Baiqiu, 陳景才, 陳琪, 楊曉潔 and 易林暉 (collectively as the transferors); and (iv) Tan Xuehai and Huang Shaoming (collectively as the founders), pursuant to which WXAT Shanghai acquired 100% equity interests in 輝源生物科技(上海)有限公司 from the transferors at a consideration of RMB1,027,875,000;

(i) the agreement and plan of merger dated October 17, 2017 among (i) WuXi AppTec UK Ltd; (ii) Cycle Solutions Acquisition Corporation; (iii) Cycle Solutions, Inc.; (iv) John Farinacci; and (v) Patricia Charlton, pursuant to which Cycle Solutions Acquisition Corporation was merged with and into Cycle Solutions, Inc. at a consideration determined by a pre-agreed formula;

(j) the stock transfer agreement dated October 17, 2017 among (i) WuXi AppTec UK Ltd.; (ii) John Farinacci; and (iii) WXAT International (the "**2017 Cycle Solutions STA**"), pursuant to which WuXi AppTec UK Ltd. agreed to transfer 50% of the equity interests of Cycle Solutions, Inc. to John Farinacci at the consideration of US$17,227,847 and WuXi AppTec UK Ltd. would re-acquire such interest on the satisfaction of certain conditions;

(k) the promissory note dated October 17, 2017 between John Farinacci and WuXi AppTec UK Ltd., pursuant to which John Farinacci promised to pay to WuXi AppTec UK Ltd. the sum of US$17,227,847;

(l) the promissory note dated October 17, 2017 between WuXi AppTec UK Ltd. and First Shanghai Company, LLC (the "**2017 Promissory Note**"), pursuant to which First Shanghai Company, LLC promised to pay to WuXi AppTec UK Ltd. the sum of US$17,227,847;

(m) the assignment and assumption of contract dated January 31, 2018 among (i) John Farinacci; (ii) First Shanghai Company, LLC; (iii) WuXi AppTec UK Ltd.; and (iv) WXAT International, pursuant to which John Farinacci transferred to First Shanghai Company, LLC all his rights, title and interests in, to and under the 50% equity interests of Cycle Solutions, Inc., the 2017 Cycle Solutions STA and the 2017 Promissory Note;

(n) the non-competition undertakings dated March 13, 2018, between our Company and WuXi Biologics Holdings Limited;

(o) the non-competition undertakings dated March 13, 2018, between our Company and NextCode Holdings;

(p) the non-competition undertakings dated March 13, 2018, among our Company, Shanghai HealthNet and WuXi HealthNet;

(q) the stock transfer agreement dated July 31, 2018 among WuXi AppTec UK Ltd., WXAT International and First Shanghai Company, LLC, pursuant to which WuXi AppTec UK Ltd. agreed to purchase 50% of the equity interests of WuXi Clinical Development, Inc. held by First Shanghai Company, LLC, at the consideration of the cancellation of the 2017 Promissory Note; and

(r) the Hong Kong Underwriting Agreement.

B. Share Incentive Schemes

We have adopted the Share Incentive Schemes to provide incentives to our employees. Our Company has established the 2018 WuXi AppTec A Share Incentive Scheme and our subsidiary STA has established (i) STA Share Option Incentive Scheme (2015); (ii) STA Overseas Employees Incentive Scheme; (iii) STA Share Option Incentive Scheme (2016); (iv) STA Share Appreciation Incentive Scheme (2016); (v) STA Share Appreciation Incentive Scheme (2017); and (vi) STA Employees Share Subscription Scheme. The purpose of the Share Incentive Schemes is to establish and improve long-term corporate incentive systems of our Group, attract and retain talent, fully mobilize the motivation of management members and technicians and effectively tying the interests of our Shareholders, our Group and the management of our Group and enabling the respective parties to become aware of our Group's long-term development, and to promote the realization of the development strategies of our Group. To the extent that any of the Share Incentive Schemes fall under Chapter 17 of the Hong Kong Listing Rules, we will comply with the relevant requirements thereunder.

The below are summaries of the principal terms of the Share Incentive Schemes:

(A) 2018 WuXi AppTec A Share Incentive Scheme

Scope of Participants

The total number of participants under the 2018 WuXi AppTec A Share Incentive Scheme (the "**Participants**") is 1,528, including:

1. the Directors;

2. members of the senior-level management (including senior management) of our Company;

3. mid-level managers and backbone members of our technicians; and

4. basic-level managers and other technicians.

The Participants shall not include independent Directors, Supervisors or Shareholder(s) holding solely or jointly 5% of our Shares or above, or the de facto controllers (as defined under the relevant PRC laws and regulations), as well as their spouses, parents and children.

The Directors who are Participants must be approved by the independent Directors and approved by the Shareholders at a Shareholders' meeting and all senior management who are Participants must be nominated by the Board. All Participants must be employees of our Company or subsidiaries.

Validity Period of the 2018 WuXi AppTec A Share Incentive Scheme

The 2018 WuXi AppTec A Share Incentive Scheme was approved by Shareholders' meeting and became effective on August 22, 2018. The Shares to be granted under the 2018 WuXi AppTec A Share Incentive Scheme consist of Restricted A Shares and share options. The date of the initial grant of the Restricted A Shares (the "**Initial Grant of the Restricted A Shares**" or the "**Initial Grant**") was August 28, 2018. The 2018 WuXi AppTec A Share Incentive Scheme shall remain effective from the date of the Initial Grant of the Restricted A Shares through the date on which all the Restricted A Shares have been unlocked or canceled, or all of the share options granted have been exercised or canceled, but in any event shall not be more than 60 months.

Source of Shares under the 2018 WuXi AppTec A Share Incentive Scheme and Allocations of Restricted A Shares granted under the Initial Grant

The interests under the 2018 WuXi AppTec A Share Incentive Scheme shall be ordinary A Shares. The number of Shares that may be granted under the 2018 WuXi AppTec A Share Incentive Scheme shall be 8,856,900 Shares, representing 0.84% of the Company's total share capital of 1,048,266,886 Shares as of the Latest Practicable Date.

On August 28, 2018, the Board resolved to grant 7,085,500 Restricted A Shares, representing approximately 80% of the Shares available under the 2018 WuXi AppTec A Share Incentive Scheme. As of the Latest Practicable Date, 6,281,330 Restricted A Shares had been granted, representing 0.60% of the share capital of our Company as of the Latest Practicable Date, while the other Restricted A Shares granted were not taken up. The remaining 20%, being 1,771,400 Shares shall be reserved for further distribution as Restricted A Shares ("**Reserved Restricted A Shares**") or share options ("**Reserved Share Options**", together with Reserved

Restricted A Shares, "**Reserved Interests**"), The following table sets forth the allocations of the Restricted A Shares granted as of the Latest Practicable Date:

Name	Position	Number of Restricted A Shares granted up to the Latest Practicable Date	Percentage to the total number of Restricted A Shares issued under the 2018 WuXi AppTec A Share Incentive Scheme	Percentage to the total number of Shares in issue as of the Latest Practicable Date	Percentage to the total number of Shares in issue after the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no options or additional Restricted A Shares are granted under the 2018 WuXi AppTec A Share Incentive Scheme)
Mr. Edward Hu	co-chief executive officer, executive Director, chief financial officer	91,000	1.03%	0.009%	0.008%
Dr. Steve Qing Yang	vice president	64,800	0.73%	0.006%	0.006%
Dr. Shuhui Chen	vice president	94,700	1.07%	0.009%	0.008%
Mr. Chi Yao	secretary to the Board, joint company secretary	13,400	0.15%	0.001%	0.001%
Ms. Hu Wendy Junwen[(1)]	Senior director of human resource department	13,500	0.15%	0.001%	0.001%
Members of senior-level management (excluding senior management), mid-level managers and backbone members of our technicians and basic-level managers and other technicians (total of 1,348 employees)		6,003,930	67.79%	0.573%	0.516%
Total		**6,281,330**	**70.92%**	**0.599%**	**0.539%**

Notes:

1. Ms. Hu Wendy Junwen is also the spouse of Mr. Edward Hu.

2. None of the above Participants will be issued with more than 1% Shares of our Company under the 2018 WuXi AppTec A Share Incentive Scheme.

3. None of the Participants is a substantial shareholder which holds 5% or above of the Shares or above or de-facto controllers (as defined under the relevant PRC laws and regulations) (or their spouses or parents or children) of our Company.

Validity Period of the Initial Grant of the Restricted A Shares

The Initial Grant of the Restricted A Shares is valid from the date on which the registration of the Restricted A Shares granted under the Initial Grant is completed (the "**Registration Date**") to the date on which all the Restricted A Shares granted under the Initial Grant have been unlocked or canceled, but in any event shall not be more than 48 months.

Lock-Up Period and Unlocking Period of the Restricted A Shares granted under the Initial Grant

The Restricted A Shares granted under to the Initial Grant will be locked up for 12, 24 and 36 months (each, a "**Lock-Up Period**") from the Registration Date. During the Lock-up Period, the Restricted A Shares

held by the Participants pursuant to the Initial Grant of the Restricted A Shares shall not be transferred, pledged for guarantees or used for repayment of debt.

The unlocking periods (each, an "**Unlocking Period**") in relation to the Restricted A Shares granted under the Initial Grant are as follows:

	Unlocking Period	Proportion of unlocking
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%

If (i) the Participants did not apply for the unlocking, or (ii) the unlocking conditions are not fulfilled during the respective Unlocking Period, our Company shall repurchase at the grant price ("**Grant Price**") and cancel the Restricted A Shares held by the Participants.

Black-out Period of the Restricted A Shares granted under the Initial Grant

The black-out period of the Restricted A Shares granted under the Initial Grant shall follow applicable PRC laws and regulations and the Articles of Association. The key provisions are set out as follows:

1. Any Participant shall not transfer the Restricted A Shares which fulfill the Unlocking Conditions to any third party in any form within the six months from the expiration of each Unlocking Period.

2. Where the Participant is a Director or member of the senior management, the number of Shares which may be transferred by the Participant per year during his/her tenure of office shall not exceed 25% of the total number of the Shares held by him/her. He/she shall not transfer any of his/her Shares within six months after his/her departure from our Group.

3. Where the Participant is a Director or a member of senior management, all gains from the sale of Shares within six months of purchase or from the purchase of Shares within six months of sale by the Participant shall belong to the Company and to be collected by the Board.

Grant Price of the Restricted A Shares and the Basis of Determination

The Grant Price of the Restricted A Shares under the Initial Grant of the Restricted A Shares is RMB45.53 per Share. Upon fulfillment of Grant conditions, each Participant is entitled to purchase newly issued Restricted A Shares at the price of RMB45.53 per Share.

The Grant Price of the Restricted A Shares under the Initial Grant of the Restricted A Shares is not lower than the higher of the following: (i) 50% of the average trading price of the A Shares on the trading day preceding August 7, 2018, the date of announcement of the 2018 WuXi AppTec A Share Incentive Scheme, and (ii) 50% of any one of the average trading prices of the A Shares for the last 20 trading days preceding the date of announcement of the 2018 WuXi AppTec A Share Incentive Scheme.

Conditions of the Initial Grant of the Restricted A Shares and Unlocking of the Restricted A Shares

The following conditions must be fulfilled before the Company can grant the Restricted A Shares under the Initial Grant, or the Restricted A Shares granted under the Initial Grant of the Restricted A Shares can be unlocked:

(I) None of the following circumstances has occurred to the Company (or in the case of unlocking the granted Restricted A Shares, before each Unlocking Period):

1. issue of the Company's financial and accounting report for the most recent accounting year in which a certified public accountant gives a negative opinion or indicates the inability to give an opinion;

2. issue of the Company's financial internal control report for the most recent accounting year in which a certified public accountant gives a negative opinion or indicates the inability to give an opinion;

3. the Company has distributed profit in violation of the laws and regulations, Articles of Associations or public undertakings within the most recent 36 months;

4. the implementation of the share incentive scheme is forbidden by the laws and regulations; and

5. other circumstances as determined by the CSRC.

(II) None of the following circumstances has occurred to the Participant (or in the case of unlocking, the granted Restricted A Shares, before each Unlocking Period):

1. such Participant is deemed as an inappropriate candidate by the relevant stock exchange in the most recent 12 months;

2. such Participant is deemed as an inappropriate candidate by the CSRC or its agency authorities in the most recent 12 months;

3. such Participant has been imposed administrative penalties or is banned from the securities market by the CSRC or its agency authorities due to material non-compliance of laws and regulations in the most recent 12 months;

4. occurrence of circumstances under which such Participant is prohibited from acting as a director or member of the senior management of a company, as stipulated in the PRC Company Law;

5. such Participant is prohibited by the law from participating in equity incentive scheme of listed companies; and

6. other circumstances as determined by the CSRC.

In addition, the following performance requirements must be fulfilled for unlocking of the Restricted A Shares pursuant to the Initial Grant of the Restricted A Shares:

Unlocking Period	Performance indicators
First Unlocking Period	The growth rate of operation income for 2018 is not less than 15% of that of 2017
Second Unlocking Period	The growth rate of operation income for 2019 is not less than 30% of that of 2017
Third Unlocking Period	The growth rate of operation income for 2020 is not less than 45% of that of 2017

The annual appraisal results of the Participant will be used as the basis of unlocking of the Restricted A Shares granted. The Restricted A Shares could only be unlocked if the Participant passed certain level in the appraisal for the previous year.

Mechanism of Adjusting the Number of Restricted A Shares granted under the Initial Grant of the Restricted A Shares

During the period from the date of the announcement of the 2018 WuXi AppTec A Share Incentive Scheme on the Shanghai Stock Exchange to Registration Date, in the event of any conversion of capital reserve, bonus shares issue, sub-division, consolidation or rights issue in relation to the Shares of the Company, adjustment to the number of Restricted A Shares to be granted and the number of Restricted A Shares to be repurchased shall be made by the Company accordingly. The mechanism of adjustment is set out below:

1. Conversion of capital reserve, bonus shares issue and sub-division of Shares

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of Restricted A Shares before the adjustment; n represents the ratio of increase per Share resulting from the issue of Shares by conversion of capital reserve, bonus shares issue or sub-division of Shares (i.e. the number of Shares increased per Share upon issue of Shares by conversion of capital reserve, bonus shares issue or sub-division of Shares); Q represents the adjusted number of Restricted A Shares.

2. Rights issue

$$Q = Q_0 \times P_1 \times (1 + n)/(P_1 + P_2 \times n)$$

Where: Q_0 represents the number of Restricted A Shares before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of Shares to be issued under the rights issue to the total share capital of the Company before the rights issue); Q represents the adjusted amount of Restricted A Shares.

3. Consolidation of Shares

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of Restricted A Shares before the adjustment; n represents the ratio of consolidation of Shares (i.e. one Share of the Company shall be consolidated into n Shares); Q represents the adjusted number of Restricted A Shares.

Mechanism of Adjusting the Grant Price of the Restricted A Shares granted under the Initial Grant of the Restricted A Shares

During the period from the date of the announcement of the 2018 WuXi AppTec A Share Incentive Scheme on the Shanghai Stock Exchange to the Registration Date, in the event of any dividend distribution, conversion of capital reserve, bonus shares issue, sub-division, consolidation or rights issue in relation to the Shares of the Company, adjustment to the Grant Price or the repurchase price of the Restricted A Shares shall be made by the Company accordingly. The mechanism of adjustment is set out below:

1. Conversion of capital reserve, bonus shares issue and sub-division of Shares

$P = P_0/(1+n)$

Where: P_0 represents the Grant Price or repurchase price before the adjustment; n represents the ratio of increase per Share resulting from the issue of Shares by conversion of capital reserve, bonus shares issue and sub-division of Shares to each Share; P represents the adjusted Grant Price or repurchase price.

2. Rights issue

$P = P_0 \times (P_1 + P_2 \times n)/[P_1 \times (1+n)]$

Where: P_0 represents the Grant Price or repurchase price before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue; P represents the adjusted Grant Price or repurchase price.

3. Consolidation of Shares

$P = P_0/n$

Where: P_0 represents the Grant Price or repurchase price before the adjustment; n represents the ratio of consolidation of Shares; P represents the adjusted Grant Price or repurchase price.

4. Dividend distribution

$P = P_0 - V$

Where: P_0 represents the Grant Price or repurchase price before the adjustment; V represents the dividend per Share; P represents the adjusted Grant Price or repurchase price. After adjustment, P shall be more than 1.

The Board shall adjust the Grant Price, repurchase price and the number of the Restricted A Shares under the authorization from the Shareholders' meeting of the Company, based on the actual circumstances at the time when the above situation occurs. The Board shall make timely announcement after making adjustment to the number of the Restricted A Shares and the Grant Price in accordance with the abovementioned provisions. The Company shall engage a legal adviser and independent financial adviser to provide professional advice to the Board whether such adjustment is fair and reasonable and in compliance with the relevant laws and regulations, the Articles of Association and the 2018 WuXi AppTec A Share Incentive Scheme.

Grant Price of the Reserved Interests

The grant price of the Reserved Restricted A Shares shall not be lower than the nominal value of the Shares, and not lower than the higher of the following:

1. 50% of the average trading price of the A Shares on the trading day preceding the date of announcement of the grant of the Reserved Restricted A Shares; or

2. 50% of any one of the average trading prices of the A Shares for the last 20, 60 and 120 trading days preceding the date of announcement of the grant of the Reserved Restricted A Shares.

The grant price of the Reserved Share Options shall not be lower than the nominal value of the Shares, and not lower than the higher of the following:

1. the average trading price of the A Shares on the trading day preceding the date of announcement of the grant of the Reserved Share Options; or

2. any one of the average trading prices of the A Shares for the last 20, 60 and 120 trading days preceding the date of announcement of the grant of the Reserved Share Options.

Arrangements in relation to the Reserved Interests

As of the Latest Practicable Date, 20% of Shares under the 2018 WuXi AppTec A Share Incentive Scheme, being 1,771,400 Shares are reserved as Reserved Interests for further distribution as Reserved Restricted A Shares or Reserved Share Options, representing 0.17% of the total share capital of our Company.

The Reserved Restricted A Shares and the Reserved Share Options are valid from (i) the date of registration of the Reserved Restricted A Shares or (ii) the date on which the Reserved Share Options are granted, to the date on which they have been unlocked, exercised or canceled, but in any event shall not be more than 48 months.

The conditions for the grant of the Reserved Interests, the unlocking and exercise of the Reserved Restricted A Shares and Reserved Share Options follow that of the Restricted A Shares granted under the Initial Grant in addition to certain performance indicators as set out below. For details, please see the paragraph headed "— Conditions of the Initial Grant of the Restricted A Shares and Unlocking of the Restricted A Shares". The performance indicators in relation to the Reserved Interests include:

If the Reserved Interests are granted in 2018, the following performance indicators have to be fulfilled:

Unlocking period	Performance indicators
First Unlocking Period/ exercise period	The growth rate of operation income for 2018 is not less than 15% of that of 2017
Second Unlocking Period/ exercise period	The growth rate of operation income for 2019 is not less than 30% of that of 2017
Third Unlocking Period/ exercise period	The growth rate of operation income for 2020 is not less than 45% of that of 2017

If the Reserved Interests are granted in 2019, the following performance indicators have to be fulfilled:

Unlocking period	Performance indicators
First Unlocking Period/ exercise period	The growth rate of operation income for 2019 is not less than 30% of that of 2017
Second Unlocking Period/ exercise period	The growth rate of operation income for 2020 is not less than 45% of that of 2017
Third Unlocking Period/ exercise period	The growth rate of operation income for 2021 is not less than 60% of that of 2017

The lock-up period, unlocking period, black-out period arrangements and the mechanisms for adjusting the number of Reserved Shares and Reserved Share Options are the same as that of the Initial Grant. For details, please see the paragraphs headed "— (A) 2018 WuXi AppTec A Share Incentive Scheme — Lock-Up Period and Unlocking Period of the Restricted A Shares granted under the Initial Grant", "— (A) 2018 WuXi AppTec A Share Incentive Scheme — Black-out Period of the Restricted A Shares granted under the Initial Grant" and "— (A) 2018 WuXi AppTec A Share Incentive Scheme — Mechanism of Adjusting the Number of Restricted A Shares granted under the Initial Grant of the Restricted A Shares".

Procedures of Grant of the Restricted A Shares

The 2018 WuXi AppTec A Share Incentive Scheme was approved at the Shareholders' meeting on August 22, 2018. On August 28, 2018, a board meeting was convened to consider whether the Participants have fulfilled the conditions for the grant of the rights pursuant to the 2018 WuXi AppTec A Share Incentive Scheme and determine the Grant Date for the Initial Grant of the Restricted A Shares. Any subsequent grant will be determined at a board meeting and fulfill any announcement obligations. The registration and announcement in relation to the Grant shall be completed within 60 days of the approval of the 2018 WuXi AppTec A Share Incentive Scheme by the Shareholders' meeting.

Our Company shall apply to the relevant stock exchange for the grant of the Restricted A Shares to Participants, and apply to the relevant registration and settlement agent for the registration and settlement matters.

Procedures of Unlocking of the Restricted A Shares

Before the expiration of each Lock-up Period of the Restricted A Shares, the Board shall consider whether the Unlocking Conditions have been fulfilled and the independent Directors and Supervisory Committee shall express their relevant views. Our Company's legal adviser shall issue legal opinions on whether the Unlocking Conditions for the Restricted A Shares have been fulfilled.

Our Company shall apply to the relevant stock exchange for the unlocking of the Restricted A Shares to Participants, and apply to the relevant registration and settlement agent for the registration and settlement matters.

Procedures of Exercising of the Reserved Shares Options

Before the commencement of each of the exercise periods of the Reserved Shares Options, the Board shall determine the procedures for the exercise and shall inform the grantees of the arrangements. The Board shall also consider whether the Unlocking Conditions have been fulfilled and the independent Directors and Supervisory Committee shall express their relevant views. Our Company's legal adviser shall issue legal opinions on whether the Unlocking Conditions for the Reserved Shares Options have been fulfilled.

Our Company shall apply to the relevant registration and settlement agent for the registration and settlement matters.

Amendment or termination of the 2018 WuXi AppTec A Share Incentive Scheme

Any amendment or termination of the 2018 WuXi AppTec A Share Incentive Scheme shall be approved by the Board as authorized by the Shareholders' meeting held on August 22, 2018, unless otherwise stipulated under the relevant PRC laws and regulations.

(B) STA Share Option Incentive Scheme (2015)

Scope of Participants

The participants under the STA Share Option Incentive Scheme (2015) may include the following personnel of STA (including its subsidiaries):

1. the directors (excluding independent directors), supervisors and members of the senior management;

2. members of the mid-level management; and

3. core technicians (operation staff).

All participants must be natural persons of Chinese nationality. Except the directors and supervisors, all the participants must have entered into an employment contract with STA or its subsidiaries within the term of the STA Share Option Incentive Scheme (2015).

Validity Period of the STA Share Option Incentive Scheme (2015)

The STA Share Option Incentive Scheme (2015) shall be effective for 10 years from the date of grant, which was on May 13, 2015.

Source of Shares under the STA Share Option Incentive Scheme (2015)

The total number of share options under the STA Share Option Incentive Scheme (2015) ("**2015 Share Options**") was initially 5,400,000 options, corresponding to 5,400,000 shares of STA. In November 2017, STA issued 20 bonus shares for every 10 shares of its existing shares by conversion of capital reserve ("**Conversion of Capital Reserve**"). As a result, the total number of 2015 Share Options was increased to 16,200,000 options, corresponding to 16,200,000 shares of STA, representing approximately 3.6647% of the STA's total share capital of 442,060,881 shares as of the Latest Practicable Date if they are fully exercised. STA has also established a separate share subscription mechanism for the vesting of the 2015 Share Options.

Withholding and vesting period

The withholding period before the 2015 Share Options can be vested shall be 24 months from the date of grant. The entire vesting period shall be 72 months from the commencement of the withholding period for each participant and the 2015 Share Options can be vested in four portions, and such options shall only be exercised by the grantees within the vesting period. Any such options that are not vested or partly vested within the vesting period shall be deemed to be given up by the grantees and shall be cancelled or will be subject to further

arrangements pursuant to a shareholders' meeting or a board meeting. The vesting period arrangements are as follows:

	Vesting period	Maximum percentage of 2015 Share Options that can be vested
First vesting period	From the first trading day after the end of the withholding period to the last trading day within 12 months from the end of the withholding period	20%
Second vesting period	From the first trading day after 12 months from the end of the withholding period to the last trading day within 24 months from the end of the withholding period	20%
Third vesting period	From the first trading day after 24 months from the end of the withholding period to the last trading day within 36 months from the end of the withholding period	20%
Fourth vesting period	From the first trading day after 36 months from the end of the withholding period to the last trading day within 48 months from the end of the withholding period	40%

Black-out Period

The black-out period of STA Share Option Incentive Scheme (2015) shall follow applicable PRC laws and regulations and the articles of association of STA. The relevant regulations are set out as follows:

1. Where the grantee is a director, supervisor or member of the senior management, the number of shares which may be transferred by the grantee per year during his/her tenure of office shall not exceed 25% of the total number of the shares held by him/her. He/she shall not transfer any of his/her shares within six months after his/her departure.

2. Where the grantee is a director, supervisor or member of the senior management, all gains from the sale of shares within six months of purchase or from the purchase of shares within six months of sale by the grantee shall belong to STA and to be collected by its board of directors.

Exercise Price of the 2015 Share Options and the Basis of Determination

The exercise price of the 2015 Share Options was initially RMB26.04 per share, which was determined based on STA's operations, value of assets, contribution of its employees and the intended level of employee incentive to be provided. As a result of the subsequent declaration of dividends and the Conversion of Capital Reserve, the excise price was further adjusted to approximately RMB7.9967 per share as of the Latest Practicable Date.

Conditions of the Vesting

For the five financial years from 2015 to 2019, the following conditions must be fulfilled before the vesting of the 2015 Share Options can be carried out:

Vesting period	Performance indicators
First vesting period	The revenue for 2015 is not less than RMB1,250 million and the revenue for 2016 is not less than RMB1,437.5 million
Second vesting period	The revenue for 2017 is not less than RMB1,656.25 million
Third vesting period	The revenue for 2018 is not less than RMB1,875 million
Fourth vesting period	The revenue for 2019 is not less than RMB2,062.5 million

The annual appraisal results of the grantee will be used as the basis of the vesting of the 2015 Share Options. The 2015 Share Options could only be vested if the grantee passed the appraisal for the previous year.

Mechanism of Adjusting the Number of the 2015 Share Options

During the term of the STA Share Option Incentive Scheme (2015), in the event of any conversion of capital reserve, bonus shares issue, sub-division, consolidation or rights issue in relation to the shares of STA, adjustment to the number of 2015 Share Options shall be made by STA accordingly. The mechanism of adjustment is set out below:

1. Conversion of capital reserve, bonus shares issue and sub-division of shares

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of 2015 Share Options before the adjustment; n represents the ratio of increase per share resulting from the issue of shares by conversion of capital reserve, bonus shares issue or sub-division of shares (i.e. the number of shares increased per share upon issue of shares by conversion of capital reserve, bonus shares issue or sub-division of Shares); Q represents the adjusted number of 2015 Share Options.

2. Rights issue

$$Q = Q_0 \times P_1 \times (1 + n)/(P_1 + P_2 \times n)$$

Where: Q_0 represents the number of 2015 Share Options before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of STA before the rights issue); Q represents the adjusted number of 2015 Share Options.

3. Consolidation of shares

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of 2015 Share Options before the adjustment; n represents the ratio of consolidation of Shares (i.e. one share of STA shall be consolidated into n Shares); Q represents the adjusted number of 2015 Share Options.

4. Issue of new shares

No adjustment will be made.

Mechanism of Adjusting the Exercise Price of the 2015 Share Options

During the term of the STA Share Option Incentive Scheme (2015), in the event of any conversion of capital reserve, bonus shares issue, sub-division, consolidation or rights issue in relation to the shares of STA, adjustment to the exercise price of the 2015 Share Options shall be made by STA accordingly. The mechanism of adjustment is set out below:

1. Conversion of capital reserve, issue of bonus shares and sub-division of shares

$P = P_0/(1+n)$

Where: P_0 represents the exercise price before the adjustment; n represents the ratio of increase per share resulting from the issue of shares by conversion of capital reserve, bonus shares issue and sub-division of shares to each share; P represents the adjusted exercise price.

2. Rights issue

$P = P_0 \times (P_1 + P_2 \times n)/[P_1 \times (1+n)]$

Where: P_0 represents the exercise price before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue; P represents the adjusted exercise price.

3. Consolidation of Shares

$P = P_0/n$

Where: P_0 represents the exercise price before the adjustment; n represents the ratio of consolidation of shares; P represents the adjusted exercise price.

4. Dividend distribution

$P = P_0\text{-}V$

Where: P_0 represents the exercise price before the adjustment; V represents the dividend per share; P represents the adjusted exercise price.

5. Issue of new shares

No adjustment of the exercise price will be made.

The general meeting of STA shall authorize the board to adjust the exercise price and the number of the 2015 Share Options based on the actual circumstances at the time when the above situation occurs. The board of directors shall make timely announcement after making adjustment to the number of the 2015 Share Options and the exercise price in accordance with the abovementioned provisions. Any other amendment to STA Share Option Incentive Scheme (2015) shall be approved by the shareholders at a general meeting.

The 2015 Share Options Grantees

As of the Latest Practicable Date, all of the 2015 Share Options had been fully granted to 165 grantees.

(C) STA Overseas Employees Incentive Scheme

Scope of Participants

The participants under the initial grant of the STA Overseas Employees Incentive Scheme may include the following personnel of STA (including its subsidiaries):

1. the directors (excluding independent directors), supervisors and members of the senior management;

2. members of the mid-level management; and

3. core technicians (operation staff).

All participants of the initial grant must be natural persons of overseas nationality. Except the directors and supervisors, all the participants must have entered into an employment contract with STA or its subsidiaries within the term of the STA Overseas Employees Incentive Scheme.

The participants for the reserved part of the STA Overseas Employees Incentive Scheme (being the persons that are not ascertained at the time of approval of the STA Overseas Employees Incentive Scheme at the shareholders' meeting, but are included as participants within the term of the scheme, including those employees of overseas nationality who are employed in the future, promoted, have special contribution to STA or in the opinion of the board of STA should be incentivized) will be nominated by the STA's board and subject to the approval by STA's shareholders' meeting.

Validity Period of the STA Overseas Employees Incentive Scheme

The STA Overseas Employees Incentive Scheme shall be effective for 10 years from the date of the initial subscription, which was on June 2, 2015.

Source of Shares under the STA Overseas Employees Incentive Scheme

Shares of STA available under the STA Overseas Employees Incentive Scheme shall be issued to Shanghai STA Investment Management Partnership (Limited Partnership) (上海合全投資管理合夥企業(有限合夥)) (previously known as Shanghai STA Investment Center (Limited Partnership) (上海合全投資中心(有限合夥))) (the "**Shareholding Platform**"), the general partner of which is WuXi AppTec (Shanghai) Investment Management Co., Ltd. (上海藥明康德投資管理有限公司) and each of the overseas employee grantees shall be its limited partners. The total number of shares available under the STA Overseas Employees Incentive Scheme was initially 2,110,091 shares ("**Overseas Incentive Shares**"). As a result of the Conversion of Capital Reserve, the total number of Overseas Incentive Shares was increased to 6,330,273 shares, representing approximately 1.4320% of the STA's total share capital of 442,060,881 shares as of the Latest Practicable Date if they are fully subscribed.

Subscription Price of the Overseas Incentive Shares, the Basis of Determination and the Initial Subscription

The subscription price of the Overseas Incentive Shares was initially RMB5.38 per share. The total capital contribution from the Shareholding Platform to STA was RMB11,352,289.58 for 2,110,091 shares. The

subscription price was determined based on the value of net audited asset per share as at July 31, 2014. As a result of the subsequent declaration of dividends and the Conversion of Capital Reserve, the subscription price was adjusted to RMB1.11 per share as of the Latest Practicable Date.

Lock-Up Period and Unlocking Period of the Overseas Incentive Shares

The Overseas Incentive Shares shall be locked up for 24 months from the date of subscription. The Overseas Incentive Shares shall be unlocked in the course of 36 months after the expiration of the lock-up period in four portions:

	Unlocking period	Proportion of unlocking
First unlocking period	The first trading day after the end of the lock-up period	20%
Second unlocking period	The first trading day 12 months after the end of the lock-up period	20%
Third unlocking period	The first trading day 24 months after the end of the lock-up period	20%
Fourth unlocking period	The first trading day 36 months after the end of the lock-up period	40%

Conditions of Unlocking the Overseas Incentive Shares

For the five financial years from 2015 to 2019, certain performance indicators must be fulfilled before the initial grant of the Overseas Incentive Shares can be unlocked. For details, please see the paragraph headed "— (B) STA Share Option Incentive Scheme (2015) — Conditions of the Vesting". For the second grant of the Overseas Incentive Shares, the performance indicators are as follows:

Unlocking period	Performance indicators
First unlocking period	The revenue for 2018 is not less than RMB1,875 million
Second unlocking period	The revenue for 2019 is not less than RMB2,062.5 million
Third unlocking period	No performance indicators shall be required
Fourth unlocking period	No performance indicators shall be required

Mechanism of Adjusting the Number and Subscription Price of the Overseas Incentive Shares

The adjustments of the number and subscription price of the Overseas Incentive Shares follow the similar mechanisms as that of the STA Share Option Incentive Scheme (2015). For details, please see the paragraphs headed "— (B) STA Share Option Incentive Scheme (2015) — Mechanism of Adjusting the Number of the 2015 Share Options" and "— (B) STA Share Option Incentive Scheme (2015) — Mechanism of Adjusting the Exercise Price of the 2015 Share Options".

The Overseas Incentive Shares Grantees

As of the Latest Practicable Date, 6,225,990 Overseas Incentive Shares had been granted to seven grantees.

(D) STA Share Option Incentive Scheme (2016)

Scope of Participants

The participants under the STA Share Option Incentive Scheme (2016) may include the following personnel of STA (including its subsidiaries):

1. the directors (excluding independent directors), supervisors and members of the senior management; and

2. core technicians (operation staff).

All participants must be natural persons of Chinese nationality. Except the directors and supervisors, all the participants must have entered into employment contract with STA or its subsidiaries within the term of the STA Share Option Incentive Scheme (2016).

Validity Period of the STA Share Option Incentive Scheme (2016)

The STA Share Option Incentive Scheme (2016) shall be effective for 10 years from the date of the initial grant, which was on May 23, 2016.

Source of Shares under the STA Share Option Incentive Scheme (2016)

The total number of share options under the STA Share Option Incentive Scheme (2016) ("**2016 Share Options**") was initially 550,000 options, corresponding to 550,000 shares of STA. As a result of the Conversion of Capital Reserve, as of the Latest Practicable Date, the total number of granted 2016 Share Options was increased to 1,650,000 options, corresponding to 1,650,000 shares of STA, representing approximately 0.3733% of the STA's total share capital of 442,060,881 shares if they are fully exercised. STA has also established a separate share subscription mechanism for the vesting of the 2016 Share Options.

Withholding and vesting period

The withholding period before the 2016 Share Options can be vested shall be 24 months from the respective date of the grant. The entire vesting period shall be 72 months from the commencement of the withholding period for each participant and the 2016 Share Options can be vested in four portions, and such options shall only be exercised by the grantees within the vesting period. Any such options that are not vested or partly vested within the vesting period shall be deemed to be given up by the grantees and shall be cancelled or will be subject to further arrangements pursuant to a shareholders' meeting or a board meeting. Such arrangements of which are the same as that stipulated under the STA Share Option Incentive Scheme (2015). For details, please see the paragraph headed "— (B) STA Share Option Incentive Scheme (2015) — Withholding and Vesting Period".

Black-out Period

The provisions on black-out period of the STA Share Option Incentive Scheme (2016) are the same as that stipulated under the STA Share Option Incentive Scheme (2015). For details, please see the paragraph headed "— (B) STA Share Option Incentive Scheme (2015) — Black-out Period".

Exercise Price of the 2016 Share Options and the Basis of Determination

The exercise price of the 2016 Share Options was initially RMB26.04 per share, which was determined based on STA's operations, value of assets, contribution of its employees and the intended level of employee incentive to be provided. As a result of the subsequent declaration of dividends and the Conversion of Capital Reserve, the exercise price was further adjusted to approximately RMB7.9967 per share as of the Latest Practicable Date.

Conditions of the Vesting

For the five financial years from 2016 to 2020, the following conditions must be fulfilled before the vesting of the 2016 Share Options can be carried out:

Vesting period	Performance indicators
First vesting period	If the previous financial year before the vesting period is: — 2017, then the revenue shall not be less than RMB1,656.25 million — 2018, then the revenue shall not be less than RMB1,875 million — 2019, then the revenue shall not be less than RMB2,062.5 million
Second vesting period	If the previous financial year before the vesting period is: — 2018, then the revenue shall not be less than RMB1,875 million — 2019, then the revenue shall not be less than RMB2,062.5 million — 2020, then no performance indicator shall be required
Third vesting period	If the previous financial year before the vesting period is: — 2018, then the revenue shall not be less than RMB1,875 million — 2019, then the revenue shall not be less than RMB2,062.5 million — 2020, then no performance indicator shall be required
Fourth vesting period	If the previous financial year before the vesting period is: — 2019, then the revenue shall not be less than RMB2,062.5 million — 2020, then no performance indicator shall be required

The annual appraisal results of the grantee will be used as the basis of the vesting of the 2016 Share Options. The 2016 Share Options could only be vested if the grantee passed the appraisal for the previous year.

Mechanism of Adjusting the Number of the 2016 Share Options and the Exercise Price

The adjustments of the number and exercise price of the 2016 Share Options follow the same mechanisms as that of the STA Share Option Incentive Scheme (2015). For details, please see the paragraphs headed "— (B) STA Share Option Incentive Scheme (2015) — Mechanism of Adjusting the Number of the 2015 Share Options" and "— (B) STA Share Option Incentive Scheme (2015) — Mechanism of Adjusting the Exercise Price of the 2015 Share Options".

The 2016 Share Options Grantees

As of the Latest Practicable Date, 1,525,140 2016 Share Options had been granted to 228 grantees.

(E) STA Share Appreciation Incentive Scheme (2016)

Scope of Participants

The participants under the STA Share Appreciation Incentive Scheme (2016) may include the following personnel of STA (including its subsidiaries):

1. the directors (excluding independent directors), supervisors and members of the senior management; and

2. core technicians (operation staff).

Except the directors and supervisors, all the participants must have entered into an employment contract with STA or its subsidiaries or full time work staff designated to STA or its subsidiaries within the term of the STA share Appreciation Incentive Scheme (2016).

Validity Period of the STA Share Appreciation Incentive Scheme (2016)

The STA Share Appreciation Incentive Scheme (2016) shall be effective for 10 years from the date of the initial grant, which was on May 23,2016.

Source of Shares under the STA Share Appreciation Incentive Scheme (2016)

The total number of share appreciation options under the STA Share Appreciation Incentive Scheme (2016) ("**Share Appreciation Options 2016**") was initially 450,000 options, corresponding to 450,000 shares of STA. As a result of the Conversion of Capital Reserve, the total number of Share Appreciation Options 2016 was increased to 1,350,000 options, corresponding to 1,350,000 shares of STA, representing 0.3054% of the STA's total share capital of 442,060,881 shares as of the Latest Practicable Date.

Withholding and vesting period

The withholding period before the Share Appreciation Options 2016 can be vested shall be 24 months from the date of grant. The entire vesting period shall be 72 months and the Share Appreciation Options 2016 can be vested in four portions, and such options shall only be exercised by the grantees within the vesting period. Any such options that are not vested or partly vested within the vesting period shall be deemed to be given up by the grantees and shall be cancelled or will be subject to further arrangements pursuant to a shareholders' meeting or a board meeting. Such arrangements of which are the same as that stipulated under the STA Share Option Incentive Scheme (2015). For details, please see the paragraph headed "— (B) STA Share Option Incentive Scheme (2015) — Withholding and Vesting Period".

Exercise Price of the Share Appreciation Options 2016 and the Basis of Determination

The exercise price of the Share Appreciation Options 2016 was initially RMB26.04 per share, which was determined based on STA's operations, value of assets, contribution of its employees and the intended level of employee incentive to be provided. As a result of the subsequent declaration of dividends and the Conversion of Capital Reserve, the exercise price was further adjusted to approximately RMB7.9967 per share as of the Latest Practicable Date.

Conditions of the Vesting

The conditions of the vesting of STA Share Appreciation Incentive Scheme (2016) follow the same performance indicators as stipulated under the STA Share Option Incentive Scheme (2016). For details, please see the paragraph headed "— (D) STA Share Option Incentive Scheme (2016) — Conditions of the Vesting".

Mechanism of Adjusting the Number of the Share Appreciation Options 2016 and the Exercise Price

The adjustments of the number and exercise price of the Share Appreciation Options 2016 follow the similar mechanisms as that of the STA Share Option Incentive Scheme (2015). For details, please see the paragraphs headed "— (B) STA Share Option Incentive Scheme (2015) — Mechanism of Adjusting the Number of the 2015 Share Options" and "— (B) STA Share Option Incentive Scheme (2015) — Mechanism of Adjusting the Exercise Price of the 2015 Share Options".

The Share Appreciation Options 2016 Grantees

As of the Latest Practicable Date, all of the Share Appreciation Options 2016 had been fully granted to 19 grantees.

(F) STA Share Appreciation Incentive Scheme (2017)

Scope of Participants

The participants under the STA Share Appreciation Incentive Scheme (2017) may include the following personnel of STA (including its subsidiaries):

1. the directors (excluding independent directors), supervisors and members of the senior management; and

2. core technicians (operation staff).

Except the directors and supervisors, all the participants must have entered into an employment contract with STA or its subsidiaries, or full-time staff who are assigned from other corporations to work at STA or its subsidiaries, within the term of the STA Share Appreciation Incentive Scheme (2017).

Validity Period of the STA Share Appreciation Incentive Scheme (2017)

The STA Share Appreciation Incentive Scheme (2017) shall be effective for 10 years from the date of the initial grant, which was on July 17, 2017.

Source of Shares under the STA Share Appreciation Incentive Scheme (2017)

The total number of share appreciation options under the STA Share Appreciation Incentive Scheme (2017) ("**Share Appreciation Options 2017**") was initially 41,000 options, corresponding to 41,000 shares of STA. As a result of the Conversion of Capital Reserve, the total number of Share Appreciation Options 2017 was increased to 123,000 options, corresponding to 123,000 shares of STA, representing approximately 0.0278% of the STA's total share capital of 442,060,881 shares as of the Latest Practicable Date.

Withholding and vesting period

The withholding period before the Share Appreciation Options 2017 can be vested shall be 24 months from the date of grant. The entire vesting period shall be 72 months and the Share Appreciation Options 2017 can be vested in four portions, and such options shall only be exercised by the grantees within the vesting period. Any such options that are not vested or partly vested within the vesting period shall be deemed to be given up by the grantees and shall be cancelled or will be subject to further arrangements pursuant to a shareholders' meeting or a board meeting. Such arrangements of which are the same as that stipulated under the STA Share Option Incentive Scheme (2015). For details, please see the paragraph headed "— (B) STA Share Option Incentive Scheme (2015) — Withholding and Vesting Period".

Exercise Price of the Share Appreciation Options 2017 and the Basis of Determination

The exercise price of the Share Appreciation Options 2017 was initially RMB26.04 per share, which was determined based on STA's operations, value of assets, contribution of its employees and the intended level of employee incentive to be provided. As a result of the subsequent declaration of dividends and the Conversion of Capital Reserve, the exercise price was further adjusted to RMB8.33 per share as of the Latest Practicable Date.

Conditions of the Vesting

For the five financial years from 2017 to 2021, the following conditions must be fulfilled before the vesting of the Share Appreciation Options 2017 can be carried out:

Vesting period	Performance indicators
First vesting period	If the previous financial year before the vesting period is: — 2018, then the revenue shall not be less than RMB1,875 million — 2019, then the revenue shall not be less than RMB2,062.5 million — 2020, then no performance indicator shall be required
Second vesting period	If the previous financial year before the vesting period is: — 2019, then the revenue shall not be less than RMB2,062.5 million — 2020, then no performance indicator shall be required
Third vesting period	No performance indicator shall be required
Fourth vesting period	No performance indicator shall be required

The annual appraisal results of the grantee will be used as the basis of the vesting of the Share Appreciation Options 2017. The Share Appreciation Options 2017 could only be vested if the grantee passed the appraisal for the previous year.

Mechanism of Adjusting the Number of the Share Appreciation Options 2017 and the Exercise Price

The adjustments of the number and exercise price of the Share Appreciation Options 2017 follow similar mechanisms as that of the STA Share Option Incentive Scheme (2015). For details, please see the paragraphs headed "— (B) STA Share Option Incentive Scheme (2015) — Mechanism of Adjusting the Number of the 2015 Share Options" and "— (B) STA Share Option Incentive Scheme (2015) — Mechanism of Adjusting the Exercise Price of the 2015 Share Options".

The Share Appreciation Options 2017 Grantees

As of the Latest Practicable Date, all of the Share Appreciation Options 2017 had been fully granted to five grantees.

(G) STA Employees Share Subscription Scheme

In September 2018, STA adopted the STA Employees Share Subscription Scheme. The principal terms are summarized as follows:

Scope of Participants	
Total number of participants	Not more than 256 participants
Eligible participants	1. Senior management; and 2. Core technicians (operation staff). All the participants must have entered into an employment contract with STA or its subsidiaries within the term of STA Employees Share Subscription Scheme
Validity Period	
Length of validity period	72 months from the date of registration of the subscription

Source of Shares under the STA Employees Share Subscription Scheme

Total number of units under the STA Employees Share Subscription Scheme ("**Subscription Shares**")	Not more than 4,898,400 units
Number of relevant shares of STA	Not more than 612,300 shares
Approximately Percentage of total share capital of STA as of the Latest Practicable Date	0.1385%

Lock-up and unlocking period

Withholding period	18 months from the date of registration
Unlocking period	The Subscription Shares can be vested in four portions at the 18th, 30th, 42nd and 54th months from the date of registration in the proportion of 20%, 20%, 20% and 40%, respectively.

Subscription Price and Issue Price of the Subscription Shares

Subscription price	RMB1 per unit
Issue price	RMB8.00 per share

Conditions of the Unlocking

Performance indicators

For the four financial years from 2019 to 2022, the following conditions must be fulfilled before the unlocking of the Subscription Shares can be carried out:

- First unlocking period
  The revenue growth 2019 is not less than 30% of that of 2017
- Second unlocking period
  The revenue growth 2020 is not less than 45% of that of 2017
- Third unlocking period
  The revenue growth 2021 is not less than 60% of that of 2017
- Fourth unlocking period
  The revenue growth 2022 is not less than 75% of that of 2017

The annual appraisal results of the participant will be used as the basis of the unlocking of the Subscription Shares. The Subscription Shares could only be vested if the grantee passed the appraisal for the previous year.

Mechanism of Adjusting the Number of the Subscription Shares and the Issue Price

Adjustment mechanism

The adjustments of the number and issue price of the Subscription Shares follow similar mechanisms as that of the STA Share Option Incentive Scheme (2015). For details, please see the paragraphs headed "— (B) STA Share Option Incentive Scheme (2015) — Mechanism of Adjusting the Number of the 2015 Share Options" and "— (B) STA Share Option Incentive Scheme (2015) — Mechanism of Adjusting the Exercise Price of the 2015 Share Options".

Subscription Shares Subscribers

Number of Subscription Shares subscribed and number of subscribers as of the Latest Practicable Date	Nil

C. Our Intellectual Property Rights

As of the Latest Practicable Date, our Company has registered, or has applied for the registration of the following intellectual property rights which were material to our Group's business.

Trademarks

As of the Latest Practicable Date, we have registered the following trademarks in the PRC which we considered to be material to our business:

No.	Trade Mark	Class	Owner	Registration No.	Validity Period
1.		42	Our Company	1794833	June 21, 2012- June 20, 2022
2.		1	Our Company	1805113	July 14, 2012- July 13, 2022
3.		40	Our Company	1948180	January 14, 2013- January 13, 2023
4.		35	Our Company	1950842	November 21, 2012- November 20, 2022
5.		40	Our Company	3858816	April 7, 2016- April 6, 2026
6.	药明康德	5	Our Company	3858817	April 28, 2016- April 27, 2026
7.		5	Our Company	3858818	April 28, 2016- April 27, 2026
8.	PHARMATECH	40	Our Company	3858820	August 28, 2016- August 27, 2026
9.	药明康德	40	Our Company	3858821	April 7, 2016- April 6, 2026
10.	STA	1	STA	4506583	July 28, 2008- July 27, 2028
11.	WUXI APPTEC	5	Our Company	6864345	July 14, 2010- July 13, 2020
12.	WUXI APPTEC	1	Our Company	6864346	July 14, 2010- July 13, 2020
13.	APPTEC	42	Our Company	6864347	September 14, 2010- September 13, 2020
14.	APPTEC	40	Our Company	6864348	August 14, 2010- August 13, 2020
15.	APPTEC	1	Our Company	6864361	July 7, 2010- July 6, 2020
16.	SynTheAll	1	STA	10235449	January 28, 2013- January 27, 2023

No.	Trade Mark	Class	Owner	Registration No.	Validity Period
17.	SynTheAll	5	STA	10235466	January 28, 2013-January 27, 2023
18.	SynTheAll	40	STA	10235660	January 28, 2013-January 27, 2023
19.	SynTheAll	42	STA	10235665	January 28, 2013-January 27, 2023
20.	STA	40	STA	10241191	January 28, 2013-January 27, 2023
21.	STA	42	STA	10241224	March 14, 2013-March 13, 2023
22.	STA	1	STA	10241284	August 21, 2014-August 20, 2024
23.	STA	5	STA	10241337	March 7, 2014-March 6, 2024
24.	STA	40	STA	10241359	January 28, 2013-January 27, 2023
25.	STA	42	STA	10241384	March 14, 2013-March 13, 2023
26.	MedKey	1	MedKey	10684720	May 28, 2013-May 27, 2023
27.	MedKey	5	MedKey	10685036	May 28, 2013-May 27, 2023
28.	MedKey	42	MedKey	10685055	May 28, 2013-May 27, 2023
29.	MedKey	44	MedKey	10685113	October 14, 2013-October 13, 2023
30.	ABGENT	1	Abgent Biotechnology (Suzhou) Co., Ltd. (百奇生物科技（蘇州）有限公司)	10685296	October 28, 2013-October 27, 2023
31.	ABGENT	5	Abgent Biotechnology (Suzhou) Co., Ltd. (百奇生物科技（蘇州）有限公司)	10685348	January 7, 2014-January 6, 2024

No.	Trade Mark	Class	Owner	Registration No.	Validity Period
32.		42	Abgent Biotechnology (Suzhou) Co., Ltd. (百奇生物科技（蘇州）有限公司)	10685521	July 14, 2013- July 13, 2023
33.		44	Abgent Biotechnology (Suzhou) Co., Ltd. (百奇生物科技（蘇州）有限公司)	10685583	July 14, 2013- July 13, 2023
34.	全测	5	WXAT Suzhou	15482897	November 21, 2015- November 20, 2025
35.	全测	9	WXAT Suzhou	15482984	November 21, 2015- November 20, 2025
36.	全测	35	WXAT Suzhou	15483042	November 21, 2015- November 20, 2025
37.	全测	42	WXAT Suzhou	15483092	November 21, 2015- November 20, 2025
38.	爱康德	5	WXAT Shanghai	15484615	January 21, 2016- January 20, 2026
39.	爱康德	9	WXAT Shanghai	15484657	November 21, 2015- November 20, 2025
40.	爱康德	35	WXAT Shanghai	15484714	November 21, 2015- November 20, 2025
41.	测全	5	WXAT Suzhou	15700188	January 7, 2016- January 6, 2026
42.	LTD	5	WXAT Suzhou	15700269	March 7, 2016- March 6, 2026
43.	测全	9	WXAT Suzhou	15700596	December 28, 2015- December 27, 2025
44.	测全	35	WXAT Suzhou	15700737	February 28, 2016- February 27, 2026
45.	LTD	35	WXAT Suzhou	15700815	January 7, 2016- January 6, 2026
46.	LTD	42	WXAT Suzhou	15701165	March 21, 2016- March 20, 2026

No.	Trade Mark	Class	Owner	Registration No.	Validity Period
47.	测全	42	WXAT Suzhou	15701387	January 14, 2016-January 13, 2026
48.	掌上化学	1	Our Company	17318730	September 7, 2016-September 6, 2026
49.	掌上化学	5	Our Company	17318926	September 7, 2016-September 6, 2026
50.		1	Our Company	17318774	September 7, 2016-September 6, 2026
51.		5	Our Company	17318998	September 7, 2016-September 6, 2026
52.		9	Our Company	17318986	September 7, 2016-September 6, 2026
53.		35	Our Company	17319124	September 7, 2016-September 6, 2026
54.	都喜康	5	Jiangsu Xinfu Pharmaceutical Co., Ltd. (江蘇信孚藥業有限公司) (Note)	703324	August 28, 2014-August 27, 2024
55.	复尔聪	5	Jiangsu Xinfu Pharmaceutical Co., Ltd. (江蘇信孚藥業有限公司) (Note)	703322	August 28, 2014-August 27, 2024
56.	乘跃牌	5	Jiangsu Xinfu Pharmaceutical Co., Ltd. (江蘇信孚藥業有限公司) (Note)	202617	December 30, 2013-December 29, 2023
57.	升白安	5	Jiangsu Xinfu Pharmaceutical Co., Ltd. (江蘇信孚藥業有限公司) (Note)	685192	April 14, 2014-April 13, 2024
58.	信艾圣	5	Jiangsu Xinfu Pharmaceutical Co., Ltd. (江蘇信孚藥業有限公司) (Note)	7968273	January 28, 2011-January 27, 2021

No.	Trade Mark	Class	Owner	Registration No.	Validity Period
59.	信得明	5	Jiangsu Xinfu Pharmaceutical Co., Ltd. (江蘇信孚藥業有限公司) (Note)	4997676	April 21, 2009-April 20, 2019
60.	信孚圣安	5	Jiangsu Xinfu Pharmaceutical Co., Ltd. (江蘇信孚藥業有限公司) (Note)	7968270	January 28, 2011-January 27, 2021
61.	信孚圣保	5	Jiangsu Xinfu Pharmaceutical Co., Ltd. (江蘇信孚藥業有限公司) (Note)	7968271	January 28, 2011-January 27, 2021
62.	信孚圣维	5	Jiangsu Xinfu Pharmaceutical Co., Ltd. (江蘇信孚藥業有限公司) (Note)	7968269	January 28, 2011-January 27, 2021
63.	信圣孚	5	Jiangsu Xinfu Pharmaceutical Co., Ltd. (江蘇信孚藥業有限公司) (Note)	7968272	January 28, 2011-January 27, 2021
64.	OncoWuXi	5	WXAT Shanghai	18493981	January 14, 2017-January 13, 2027
65.	OncoWuXi	9	WXAT Shanghai	18494081	January 7, 2017-January 6, 2027
66.	OncoWuXi	35	WXAT Shanghai	18494173	January 7, 2017-January 6, 2027
67.	OncoWuXi	42	WXAT Shanghai	18494215	January 14, 2017-January 13, 2027
68.	OncoWuXi	44	WXAT Shanghai	18494361	January 7, 2017-January 6, 2027
69.		9	Our Company	18873730	February 14, 2017-February 13, 2027
70.		9	Our Company	18873947	February 21, 2017-February 20, 2027
71.	LABNETWORK	35	LabNetwork Inc.	15520856	June 21, 2016-June 20, 2026

No.	Trade Mark	Class	Owner	Registration No.	Validity Period
72.	VIALZ	1	LabNetwork Inc.	15520855	December 7, 2015-December 6, 2025
73.		1	LabNetwork Inc.	19536609	May 21, 2017-May 20, 2027
74.	WuXi V-Lab	1	Our Company	17318767	May 21, 2017-May 20, 2027
75.	WuXi V-Lab	5	Our Company	17318863	May 21, 2017-May 20, 2027
76.	WuXi V-Lab	9	Our Company	17319079	May 21, 2017-May 20, 2027
77.	WuXi V-Lab	35	Our Company	17319086	May 14, 2017-May 13, 2027
78.	WuXi V-Lab	42	Our Company	17309727	May 21, 2017-May 20, 2027
79.		42	Our Company	17309764	August 14, 2017-August 13, 2027
80.	掌上化学	9	Our Company	17318929	August 7, 2017-August 6, 2027
81.	掌上化学	35	Our Company	17319085	August 14, 2017-August 13, 2027
82.	览博	42	AppTec LabNetwork (Wuhan) Chemical Technology Co., Ltd. (藥明覽博（武漢）化學科技有限公司)	19682650	June 7, 2017-June 6, 2027
83.	LabNetwork	1	AppTec LabNetwork (Wuhan) Chemical Technology Co., Ltd. (藥明覽博（武漢）化學科技有限公司)	19682840	June 7, 2017-June 6, 2027
84.	览博	1	AppTec LabNetwork (Wuhan) Chemical Technology Co., Ltd. (藥明覽博（武漢）化學科技有限公司)	19682534	June 7, 2017-June 6, 2027

No.	Trade Mark	Class	Owner	Registration No.	Validity Period
85.		1	AppTec LabNetwork (Wuhan) Chemical Technology Co., Ltd. (藥明覽博（武漢）化學科技有限公司)	19683047	June 7, 2017- June 6, 2027
86.		35	WXAT Shanghai	16008126	May 21, 2016- May 20, 2026
87.		42	Shanghai HD Biosciences	18182307	December 7, 2016- December 6, 2026
88.	藥明康德	5	Our Company	21210142	November 7, 2017- November 6, 2027
89.	藥明康德	9	Our Company	21210030	November 7, 2017- November 6, 2027
90.	藥明康德	10	Our Company	21210206	November 7, 2017- November 6, 2027
91.	藥明康德	35	Our Company	21210412	November 7, 2017- November 6, 2027
92.	藥明康德	36	Our Company	21210647	November 7, 2017- November 6, 2027
93.	藥明康德	37	Our Company	21210585	November 7, 2017- November 6, 2027
94.	藥明康德	38	Our Company	21210761	November 7, 2017- November 6, 2027
95.	藥明康德	39	Our Company	21210903	November 7, 2017- November 6, 2027
96.	藥明康德	42	Our Company	21210949	November 7, 2017- November 6, 2027
97.	藥明康德	44	Our Company	21211108	November 7, 2017- November 6, 2027
98.		9	Our Company	21578582	November 28, 2017- November 27, 2027
99.		10	Our Company	21576476	November 28, 2017- November 27, 2027
100.		30	Our Company	21576699	November 28, 2017- November 27, 2027
101.		36	Our Company	21577026	November 28, 2017- November 27, 2027

No.	Trade Mark	Class	Owner	Registration No.	Validity Period
102.		37	Our Company	21577289	November 28, 2017- November 27, 2027
103.		38	Our Company	21577562	November 28, 2017- November 27, 2027
104.		39	Our Company	21577833	November 28, 2017- November 27, 2027
105.		44	Our Company	21578470	November 28, 2017- November 27, 2027
106.	WuXi AppTec	36	Our Company	21577071	November 28, 2017- November 27, 2027
107.		35	Our Company	21576876	November 28, 2017- November 27, 2027
108.		38	Our Company	21577585	November 28, 2017- November 27, 2027
109.	药明康德	1	Our Company	21573384	November 28, 2017- November 27, 2027
110.	药明康德	2	Our Company	21573511	November 28, 2017- November 27, 2027
111.	药明康德	3	Our Company	21573633	November 28, 2017- November 27, 2027
112.	药明康德	4	Our Company	21573725	November 28, 2017- November 27, 2027
113.	药明康德	6	Our Company	21573927	November 28, 2017- November 27, 2027
114.	药明康德	7	Our Company	21574388	November 28, 2017- November 27, 2027
115.	药明康德	8	Our Company	21574551	November 28, 2017- November 27, 2027
116.	药明康德	11	Our Company	21574692	November 28, 2017- November 27, 2027
117.	药明康德	12	Our Company	21574771	November 28, 2017- November 27, 2027
118.	药明康德	13	Our Company	21574836	November 28, 2017- November 27, 2027
119.	药明康德	14	Our Company	21574914	November 28, 2017- November 27, 2027

No.	Trade Mark	Class	Owner	Registration No.	Validity Period
120.		15	Our Company	21574990	November 28, 2017-November 27, 2027
121.		16	Our Company	21575057	November 28, 2017-November 27, 2027
122.		17	Our Company	21575120	November 28, 2017-November 27, 2027
123.		18	Our Company	21575188	November 28, 2017-November 27, 2027
124.		19	Our Company	21575214	November 28, 2017-November 27, 2027
125.		20	Our Company	21575275	November 28, 2017-November 27, 2027
126.		21	Our Company	21575323	November 28, 2017-November 27, 2027
127.		22	Our Company	21575355	November 28, 2017-November 27, 2027
128.		23	Our Company	21575373	November 28, 2017-November 27, 2027
129.		24	Our Company	21575445	November 28, 2017-November 27, 2027
130.		25	Our Company	21575481	November 28, 2017-November 27, 2027
131.		26	Our Company	21575487	November 28, 2017-November 27, 2027
132.		27	Our Company	21575488	November 28, 2017-November 27, 2027
133.		28	Our Company	21575565	November 28, 2017-November 27, 2027
134.		29	Our Company	21575600	November 28, 2017-November 27, 2027
135.		31	Our Company	21575630	November 28, 2017-November 27, 2027
136.		33	Our Company	21575706	November 28, 2017-November 27, 2027
137.		34	Our Company	21575735	November 28, 2017-November 27, 2027

No.	Trade Mark	Class	Owner	Registration No.	Validity Period
138.	药明康德	40	Our Company	21575759	November 28, 2017-November 27, 2027
139.	药明康德	41	Our Company	21575768	November 28, 2017-November 27, 2027
140.	药明康德	43	Our Company	21575844	November 28, 2017-November 27, 2027
141.	药明康德	45	Our Company	21575884	November 28, 2017-November 27, 2027
142.	药明康德	30	Our Company	21210327	January 7, 2018-January 6, 2028
143.	药明康德 WuXi AppTec	1	Our Company	21576123	January 14, 2018-January 13, 2028
144.	药明康德	32	Our Company	21575653	January 28, 2018-January 27, 2028
145.	WuXi AppTec	9	Our Company	21578553	July 21, 2018-July 20, 2028
146.	WuXi AppTec	10	Our Company	21576508	July 21, 2018-July 20, 2028
147.	WuXi AppTec	30	Our Company	21576768	July 21, 2018-July 20, 2028
148.	WuXi AppTec	37	Our Company	21577339	July 21, 2018-July 20, 2028
149.	WuXi AppTec	38	Our Company	21577683	July 21, 2018-July 20, 2028
150.	WuXi AppTec	39	Our Company	21577845	July 21, 2018-July 20, 2028
151.	WuXi AppTec	44	Our Company	21578438	July 21, 2018-July 20, 2028
152.	药明康德 WuXi AppTec	5	Our Company	21576263	July 21, 2018-July 20, 2028
153.	药明康德 WuXi AppTec	10	Our Company	21576421	July 21, 2018-July 20, 2028
154.	药明康德 WuXi AppTec	36	Our Company	21576966	July 21, 2018-July 20, 2028
155.	药明康德 WuXi AppTec	37	Our Company	21577247	July 21, 2018-July 20, 2028

No.	Trade Mark	Class	Owner	Registration No.	Validity Period
156.		39	Our Company	21577778	July 21, 2018- July 20, 2028
157.		40	Our Company	21578091	July 21, 2018- July 20, 2028
158.		42	Our Company	21578248	July 21, 2018- July 20, 2028
159.		44	Our Company	21578425	July 21, 2018- July 20, 2028
160.	小康快策	1	WXAT Shanghai	23409737	April 7, 2018- April 6, 2028
161.	小康快策	5	WXAT Shanghai	23409683	April 7, 2018- April 6, 2028
162.	小康快策	8	WXAT Shanghai	23409812	March 21, 2018- March 20, 2028
163.	小康快策	9	WXAT Shanghai	23410115	March 21, 2018- March 20, 2028
164.	小康快策	10	WXAT Shanghai	23410259	March 28, 2018- March 27, 2028
165.	小康快策	35	WXAT Shanghai	23410382	April 7, 2018- April 6, 2028
166.	小康快策	38	WXAT Shanghai	23410491	April 21, 2018- April 20, 2028
167.	小康快策	42	WXAT Shanghai	23410556	March 21, 2018- March 20, 2028
168.	小康快策	44	WXAT Shanghai	23410668	April 7, 2018- April 6, 2028
169.	小康快测	10	WXAT Shanghai	23410293	March 21, 2018- March 20, 2028
170.	小康快测	38	WXAT Shanghai	23410322	April 7, 2018- April 6, 2028
171.	小康快测	42	WXAT Shanghai	23410574	March 21, 2018- March 20, 2028
172.	小康快测	44	WXAT Shanghai	23410606	June 21, 2018 June 20, 2028
173.	小康快测	8	WXAT Shanghai	23410050	July 21, 2018 July 20, 2028

No.	Trade Mark	Class	Owner	Registration No.	Validity Period
174.	小康快测	1	WXAT Shanghai	23409764	June 21, 2018 June 20, 2028
175.		3	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23015812	February 28, 2018- February 27, 2028
176.		5	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23051674	February 28, 2018- February 27, 2028
177.		9	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23052831	May 14, 2018- May 13, 2028
178.		11	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23054239	May 14, 2018- May 13, 2028
179.		12	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23054634	February 28, 2018- February 27, 2028
180.		14	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23032013	February 28, 2018- February 27, 2028
181.		15	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23096645	March 7, 2018- March 6, 2028
182.		16	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23055512	February 28, 2018- February 27, 2028
183.		18	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23055683	February 28, 2018- February 27, 2028
184.		20	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23033078	February 28, 2018- February 27, 2028

No.	Trade Mark	Class	Owner	Registration No.	Validity Period
185.		21	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23033425	February 28, 2018-February 27, 2028
186.		24	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23033283	February 28, 2018-February 27, 2028
187.		25	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23034079A	April 14, 2018-April 13, 2028
188.		26	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23055807	February 28, 2018-February 27, 2028
189.		27	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23055945	May 14, 2018-May 13, 2028
190.		28	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23078873	March 7, 2018-March 6, 2028
191.		35	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23038445	February 28, 2018-February 27, 2028
192.		37	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23079469	March 7, 2018-March 6, 2028
193.		38	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23079529	March 7, 2018-March 6, 2028
194.		40	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23079003	March 7, 2018-March 6, 2028
195.		41	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23079647	March 7, 2018-March 6, 2028

No.	Trade Mark	Class	Owner	Registration No.	Validity Period
196.		43	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23079757	March 7, 2018-March 6, 2028
197.		44	MedShine Discovery Inc. (南京明德新藥研發股份有限公司)	23080043	March 7, 2018-March 6, 2028
198.		44	Our Company	22793309	September 28, 2018-September 27, 2028
199.		42	Our Company	22793239	September 28, 2018-September 27, 2028
200.		35	Our Company	22793093	September 28, 2018-September 27, 2028
201.		9	Our Company	22792781	September 28, 2018-September 27, 2028

Note:
Jiangsu Xinfu Pharmaceutical Co., Ltd. (江蘇信孚藥業有限公司) is the former name of WuXi STA Pharmaceutical Co., Ltd. (無錫合全藥業有限公司). As of the Latest Practicable Date, the formalities regarding the change of name of the registered owner from Jiangsu Xinfu Pharmaceutical Co., Ltd. (江蘇信孚藥業有限公司) to WuXi STA Pharmaceutical Co., Ltd. (無錫合全藥業有限公司) have not been completed.

As of the Latest Practicable Date, we have registered the following trademarks in Hong Kong and overseas which we considered to be material to our business:

No.	Trade mark	Class	Owner	Place of Registration	Registration No.	Validity Period/ Registration Date
1.		42	Our Company	United States	3444026	June 10, 2008-June 10, 2028
2.		42	Our Company	United States	3372584	January 22, 2008-January 22, 2028
3.		42	Our Company	United States	3444025	June 10, 2008-June 10, 2028
4.	SynTheAll	1/5/40/42	STA	United States, South Korea, Japan, European Union (registered under the Madrid System)	1125009	April 11, 2012-April 11, 2022
5.		1/5/40/42	STA	United States, South Korea, Japan, European Union (registered under the Madrid System)	1138987	July 10, 2012-July 10, 2022
6.		1/5/40/42	STA	United States, South Korea, Japan, European Union (registered under the Madrid System)	1122992	April 11, 2012-April 11, 2022
7.	SynTheAll	1/5/40/42	STA	Hong Kong	302093184	November 22, 2011-November 21, 2021

No.	Trade mark	Class	Owner	Place of Registration	Registration No.	Validity Period/ Registration Date
8.	STA	1/5/40/42	STA	Hong Kong	302093175	November 22, 2011- November 21, 2021
9.	STA	1/5/40/42	STA	Hong Kong	302093166	November 22, 2011- November 21, 2021
10.	SynTheAll	1/5/40/42	STA	India	2243726	December 2, 2011- December 2, 2021
11.	STA	1/5/40/42	STA	India	2243725	December 2, 2011- December 2, 2021
12.	STA	1/5/40/42	STA	India	2243724	December 2, 2011- December 2, 2021
13.	ABGENT	1/5/42/44	Abgent Biotechnology (Suzhou) Co., Ltd. (百奇生物科技（蘇州）有限公司)	United States, South Korea, Japan, European Union (registered under the Madrid System)	1142503	August 2, 2012- August 2, 2022
14.	测全	5/9/35/42	WXAT Suzhou	Hong Kong	303352914	March 27, 2015- March 26, 2025
15.	测全	5/9/35/42	WXAT Suzhou	Taiwan	01756841	February 16, 2016- February 15, 2026
16.	LTD	5/9/35/42	WXAT Suzhou	Hong Kong	303352897	March 27, 2015- March 26, 2025
17.	LTD	5/9/35/42	WXAT Suzhou	Taiwan	01756842	February 16, 2016- February 15, 2026
18.	全测	5/9/35/42	WXAT Suzhou	Hong Kong	303352905	March 27, 2015- March 26, 2025
19.	全测	5/9/35/42	WXAT Suzhou	Taiwan	01743017	December 1, 2015- November 30, 2025
20.	WUXI APPTEC	40/42	Our Company	European Union	009293572	January 17, 2011- August 4, 2020
21.	药明康德 WuXi AppTec	40/42	Our Company	European Union	009293614	January 17, 2011- August 4, 2020
22.	WUXI APPTEC	40/42	Our Company	Switzerland	612855	August 5, 2010- August 5, 2020
23.	药明康德 WuXi AppTec	40/42	Our Company	Switzerland	612888	August 5, 2010- August 5, 2020
24.	药明康德 WuXi AppTec	9	Our Company	Hong Kong	303664387	January 20, 2016- January 19, 2026
25.	药明康德 WuXi AppTec	1/5/10/ 35/40/ 42/44	Our Company	Hong Kong	304472181	March 23, 2018- March 22, 2028

No.	Trade mark	Class	Owner	Place of Registration	Registration No.	Validity Period/ Registration Date
26.		9	Our Company	Hong Kong	303664369	January 20, 2016- January 19, 2026
27.	测全	5/9/35/42	WXAT Suzhou	South Korea, Japan (registered under the Madrid System)	1284995	November 27, 2015- November 27, 2025
28.	全测	5/9/35/42	WXAT Suzhou	South Korea, Japan (registered under the Madrid System)	1283090	November 27, 2015- November 27, 2025
29.		9	Our Company	Taiwan	01797527	October 16, 2016- October 15, 2026
30.		9	Our Company	Taiwan	01797528	October 16, 2016- October 15, 2026
31.		9	Our Company	Japan, European Union, South Korea, United States (registered under the Madrid System)	1322403	September 20, 2016- September 20, 2026
32.	LTD	5/35/42	WXAT Suzhou	Japan, South Korea (registered under the Madrid System)	1331030	September 19, 2016- September 19, 2026
33.		9	Our Company	Japan, European Union, South Korea, United States (registered under the Madrid System)	1332922	September 20, 2016- September 20, 2026
34.		1	LabNetwork, Inc.	Mexico	1687019	October 20, 2016- July 27, 2026
35.		35	LabNetwork, Inc.	Mexico	1547476	June 17, 2015
36.		1	LabNetwork, Inc	Russia	590156	October 10, 2016
37.	LABNETWORK	35	LabNetwork Inc.	Russia	563019	January 27, 2016
38.		35	LabNetwork, Inc.	Russia	572061	April 21, 2016
39.		1	LabNetwork, Inc.	European Union	14749527	March 14, 2016

No.	Trade mark	Class	Owner	Place of Registration	Registration No.	Validity Period/ Registration Date
40.		35	LabNetwork, Inc.	European Union	13849351	July 7, 2015
41.	VIALZ	1	LabNetwork, Inc.	European Union	13365391	February 25, 2015
42.	LABNETWORK	35	LabNetwork, Inc.	European Union	12886313	October 13, 2014
43.		1	LabNetwork, Inc	Hong Kong	303856401	August 1, 2016
44.		35	LabNetwork, Inc.	Hong Kong	303337858	March 19, 2015
45.		1	LabNetwork, Inc.	The Philippines	9483	November 3, 2016
46.		1	LabNetwork, Inc.	Singapore	40201520594X	November 23, 2015
47.		35	LabNetwork, Inc.	Singapore	40201504811X	March 20, 2015
48.	VIALZ	1	WuXi AppTec Sales, LLC	Singapore	T1416779I	October 17, 2014
49.	LABNETWORK	35	WuXi AppTec Sales, LLC	Singapore	T1413974D	August 29, 2014
50.		35	LabNetwork, Inc.	South Korea	4103708700000	September 6, 2016
51.		1	LabNetwork, Inc.	South Korea	4012013880000	October 6, 2016
52.		1	LabNetwork, Inc.	Taiwan	1776625	July 1, 2016
53.		35	LabNetwork, Inc.	Taiwan	01748098	January 1, 2016
54.	VIALZ	1	LabNetwork, Inc.	Taiwan	01701133	April 16, 2015

No.	Trade mark	Class	Owner	Place of Registration	Registration No.	Validity Period/ Registration Date
55.	LABNETWORK	35	LabNetwork, Inc.	Taiwan	01731526	October 1, 2015
56.		35	LabNetwork, Inc.	Australia	1682041	March 19, 2015
57.	VIALZ	1	LabNetwork, Inc.	Australia	1652794	October 16, 2014
58.	LABNETWORK	35	LabNetwork, Inc.	Australia	1643807	August 28, 2014
59.		1	LabNetwork, Inc.	New Zealand	1047805	January 31, 2017
60.		35	LabNetwork, Inc.	New Zealand	1016084	September 22, 2015
61.	VIALZ	1	LabNetwork, Inc.	New Zealand	1006967	April 16, 2015
62.	LABNETWORK	35	LabNetwork, Inc.	New Zealand	1004093	March 3, 2015
63.		35	WuXi AppTec Sales, LLC	United States	4970031	May 31, 2016
64.	LABNETWORK	35	WuXi AppTec Sales, LLC	United States	4791653	August 11, 2015
65.	VIALZ	1	LABNETWORK, INC.	Mexico	1509536	January 27, 2015
66.	LABNETWORK	35	LABNETWORK, INC.	Mexico	1539800	May 22, 2015
67.	LABNETWORK	35	WuXi AppTec Sales, LLC	Columbia	517321	April 15, 2015
68.	VIALZ	1	WuXi AppTec Sales, LLC	Columbia	519277	May 19, 2015
69.	VIALZ	1	LabNetwork, Inc.	Russia	563196	January 28, 2016
70.	VIALZ	1	WuXi AppTec Sales, LLC	Hong Kong	303166641	October 15, 2014
71.	LABNETWORK	35	LabNetwork, Inc.	Hong Kong	303118798	August 28, 2014
72.	VIALZ	1	WuXi AppTec Sales, LLC	The Philippines	13105	January 22, 2015
73.	LABNETWORK	35	WuXi AppTec Sales, LLC	The Philippines	10801	January 22, 2015
74.	VIALZ	1	WuXi AppTec Sales, LLC	South Korea	4011176720000	July 14, 2015

No.	Trade mark	Class	Owner	Place of Registration	Registration No.	Validity Period/ Registration Date
75.	LABNETWORK	35	WuXi AppTec Sales, LLC	South Korea	4103373290000	November 6, 2015
76.	APPTEC	40	AppTec Laboratory Services, Inc.	United States	3344626	November 27, 2007
77.		42	XBL	United States	3292568	September 18, 2007
78.		42	XBL	United States	2364761	July 4, 2000
79.	XBL	42	XBL	United States	2364762	July 4, 2000
80.	CRELUX	1/35/42/ 45	Crelux	Germany	30713563	September 12, 2007
81.		1	LabNetwork, Inc.	Israel	280627	August 2, 2017

Patent

As of the Latest Practicable Date, we have registered the following patents which we considered to be material to our business:

No.	Owner	Description	Patent No.	Types of Patents	Application Date	Authorization announcement Date
1.	Changzhou SynTheAll Pharmaceutical Co., Ltd. (常州合全藥業有限公司)	Synthesis method of cis-3-amino-2-arylpyrrolidine derivative (一種順式-3-氨基-2-芳基吡咯烷衍生物的合成方法)	ZL201210481200.4	Invention	November 23, 2012	June 25, 2014
2.	Xiamen University; WXAT Shanghai	The crystal structure of 2A proteinase from enterovirus 71 and its application in drug (腸道病毒71型2A蛋白酶的晶體結構及其在藥物設計中的應用)	ZL201310033249.8	Invention	January 28, 2013	May 13, 2015
3.	Shanghai STA Pharmaceutical R&D Co., Ltd. (上海合全藥物研發有限公司)	Industrial preparation method of 5-formyl-3-thiophenecarboxylate (一種5-甲醯基-3-噻吩甲酸酯工業化製備方法)	ZL200610027872.2	Invention	June 20, 2006	March 7, 2012
4.	Shanghai STA Pharmaceutical R&D Co., Ltd. (上海合全藥物研發有限公司)	Synthesis method of 5-trifluoromethyl pyrrole-2-formic acid (5-三氟甲基吡咯-2-甲酸的合成方法)	ZL201210008051.X	Invention	January 12, 2012	December 25, 2013
5.	STA	Industrial preparation method of 6-methyl-3-aminopyridazine (6-甲基-3-氨基噠嗪的工業化製備方法)	ZL200810043674.4	Invention	July 29, 2008	December 5, 2012

No.	Owner	Description	Patent No.	Types of Patents	Application Date	Authorization announcement Date
6.	STA	Synthesis method of 4-(3-iodo-2-pyridyl)piperazine compound (4-(3-碘-2-吡啶基)呱嗪類化合物的合成方法)	ZL200810043775.1	Invention	September 11, 2008	May 9, 2012
7.	STA	Industrial synthesis method of 3-(2-bromophenyl)propionic acid (3-(2-溴苯基)丙酸的工業化合成方法)	ZL201010141081.9	Invention	April 6, 2010	September 17, 2014
8.	STA	N,N-disubstituted-N'-phthaloyl-1,3-diamine derivative and its preparation method (N,N-二取代-N'-鄰苯二甲醯基-1,3-二胺衍生物及其製備方法)	ZL201210445348.2	Invention	November 9, 2012	May 21, 2014
9.	WXAT Shanghai	Preparation method of α-spiroazacyclic drug building block (一種α-氮雜螺環類藥物模板的製備方法)	ZL200610027069.9	Invention	May 30, 2006	May 9, 2012
10.	Changzhou STA Pharmaceutical R&D Co., Ltd (常州合全新藥研發有限公司)	Synthesis method of optically active α-aminopimelate or monoester (光學活性 α-氨基庚二酸酯或單酯的合成方法)	ZL200610027873.7	Invention	June 20, 2006	September 21, 2011
11.	WXAT Shanghai	Synthesis method of optically active 2-amino-8-nonenoic acid (光學活性的 -2- 氨基 -8- 壬烯酸的合成方法)	ZL200610027876.0	Invention	June 20, 2006	October 19, 2011
12.	WXAT Shanghai	Synthesis method of optically active α-amino suberate and α-aminooctanedioic acid monoester (光學活性 α- 氨基辛二酸酯和 α- 氨基辛二酸單酯的合成方法)	ZL200610117599.2	Invention	October 26, 2006	December 7, 2011
13.	WXAT Shanghai	Synthesis method of substituted aminocarboxylic acid through Ugi reaction (一種利用烏吉反應合成取代氨基羧酸的方法)	ZL200710094625.9	Invention	December 25, 2007	December 12, 2012
14.	WXAT Shanghai	A tertiary alkylamine hydrolysis method (一種脱叔烷基胺的方法)	ZL200810043222.6	Invention	April 3, 2008	June 5, 2013
15.	WXAT Shanghai	1,3-disubstituted-3-azabicyclo[3.2.1]octane derivative and its preparation method (1,3-二取代 -3- 氮雜雙環 [3.2.1] 辛烷衍生物及製備方法)	ZL201010529583.9	Invention	November 3, 2010	August 19, 2015
16.	WXAT Shanghai	1,5-[(substituted)-methyl bridge]-tetrahydro-1H-pyrrole [1,2-c]-imidazole-3(2H)-one derivative and its preparation method (1,5-[(取代)-甲橋]-四氫-1H-吡咯[1,2-c]-咪唑-3(2H)-酮衍生物及製備方法)	ZL201110193555.9	Invention	July 12, 2011	June 8, 2016
17.	WXAT Shanghai	Trans-3a-fluoropyrrolidine [3,4-C]-cyclo compound and its preparation method (反式-3a- 氟吡咯烷[3,4-C] 并環化合物及其製備方法)	ZL201110252151.2	Invention	August 30, 2011	August 10, 2016

No.	Owner	Description	Patent No.	Types of Patents	Application Date	Authorization announcement Date
18.	WXAT Shanghai WXAT Tianjin	Industrial preparation method of thiazole-2-carboxamide from 2-bromothiazole through one-pot reaction (由2—溴噻唑一鍋法合成噻唑-2-甲醯胺的工業化製備方法)	ZL200810043216.0	Invention	April 3, 2008	June 27, 2012
19.	WXAT Shanghai WXAT Tianjin	Industrial synthesis method of Spiro [benzo[e][1,3]oxazine-2,4'-piperidin]4(3H)-one (一種螺 [苯并[e][1, 3] 噁嗪 -2, 4'- 呱啶]4(3H)- 酮的工業化合成方法)	ZL200810043217.5	Invention	April 3, 2008	July 4, 2012
20.	STA	Synthesis method of 2-methyl-7-(substituted pyrimidin-4-amino)-4-(substituted piperidin-1-yl)isoindolin-1-one and its intermediate (2-甲基-7-(取代嘧啶-4-氨基)-4-(取代呱啶-1-基)異吲哚啉-1-酮及中間體的合成方法)	ZL200910057529.6	Invention	July 1, 2009	August 28, 2013
21.	WXAT Shanghai WXAT Tianjin	Synthesis method of 1,7-diazaspiro[4,5] decane with protecting group (一種帶保護基的1,7-二氮雜螺[4,5]葵烷的合成方法)	ZL200910201862.X	Invention	November 24, 2009	April 10, 2013
22.	WXAT Shanghai WXAT Tianjin STA	Synthesis method of 1,8-diazaspiro[4,5] decane with protecting group (一種帶保護基的1,8-二氮雜螺[4,5]葵烷的合成方法)	ZL200910201861.5	Invention	November 24, 2009	April 10, 2013
23.	WXAT Shanghai WXAT Tianjin WXAT Suzhou STA	Synthesis method of 2-fluoro-4-substituted aminobenzene (2-氟-4-取代氨基苯胺的合成方法)	ZL200910057085.6	Invention	April 16, 2009	July 10, 2013
24.	STA	Synthesis method of a-hydroxycarboxylate from 2-hydroxypropane cyanide (由2-羥基丙二氰合成a-羥基羧酸酯的方法)	ZL201310014029.0	Invention	January 15, 2013	August 17, 2016
25.	WXAT Suzhou	Collection method of monkey semen (猴精液採集的方法)	ZL201210422817.9	Invention	October 30, 2012	May 25, 2016
26.	WXAT Tianjin	Synthesis method of 5-fluoro-3-pyridinesulfonyl chloride (5-氟-3-吡啶磺醯氯的合成方法)	ZL201010528796.X	Invention	November 3, 2010	April 1, 2015
27.	WXAT Tianjin	Preparation method of 5,6,7,8-tetrahydro-imidazo[1,5-a]pyrazine-1-carboxylic acid ethyl ester (一種5,6,7,8-四氫—咪唑并[1,5-a]吡嗪-1-羧酸乙酯的製備方法)	ZL201010545013.9	Invention	November 16, 2010	April 1, 2015
28.	WXAT Tianjin	(4S)-1-substituted-2,5-diazabicyclo[2,2,1] heptane derivative and its preparation method ((4S)-1-取代-2,5-二氮雜雙環[2,2,1]庚烷衍生物及製備方法)	ZL201110193552.5	Invention	July 12, 2011	March 30, 2016
29.	WXAT Wuhan	Preparation method of octahydro-pyridinium-[3,4-c]pyridine-derivative (一種八氫-吡啶-并[3,4-c]吡啶-衍生物的製備方法)	ZL200910201787.7	Invention	November 12, 2009	April 16, 2014

No.	Owner	Description	Patent No.	Types of Patents	Application Date	Authorization announcement Date
30.	WXAT Wuhan	Preparation method of 4-nitro-piperidine derivative (4-硝基-呱啶衍生物的製備方法)	ZL201010544778.0	Invention	November 16, 2010	December 10, 2014
31.	WXAT Wuhan	A diazo heterocycle bridge drug template and its preparation method and application (一種雙氮雜環橋環類藥物模板及其製備方法和應用)	ZL201010568545.4	Invention	December 2, 2010	July 22, 2015
32.	Changzhou SynTheAll Pharmaceutical Co., Ltd. (常州合全藥業有限公司)	Preparation method of 4,7-diazindole (4,7-二氮雜吲哚的製備方法)	ZL200510111854.8	Invention	December 22, 2005	February 10, 2010
33.	Shanghai STA Pharmaceutical R&D Co., Ltd. (上海合全藥物研發有限公司)	1,3,6,9-substituted ß-carboline compound and its preparation method (1,3,6,9-取代ß-啉啉類化合物及其製備方法)	ZL201110397898.7	Invention	December 5, 2011	December 14, 2016
34.	WXAT Suzhou WXAT Shanghai	Moveable operation table for animal diagnosis and treatment and its usage (可移動動物診療操作台及其使用方法)	ZL201310658997.5	Invention	December 9, 2013	January 25, 2017
35.	Abgent Biotechnology (Suzhou) Co., Ltd. (百奇生物科技（蘇州）有限公司)	High-throughput peptide synthesis reaction device (高通量多肽合成反應裝置)	ZL201220087030.7	Utility model	March 9, 2012	October 3, 2012
36.	XBL-China, Inc. (南京美新諾醫藥科技有限公司)	Hand-held fixed scalpel handle device (持握型固定手術刀刀柄裝置)	ZL201420250103.9	Utility model	May 16, 2014	January 28, 2015
37.	XBL-China, Inc. (南京美新諾醫藥科技有限公司)	A kind of medical ice pack (一種醫用冰袋)	ZL201420250110.9	Utility model	May 16, 2014	November 26, 2014
38.	XBL-China, Inc. (南京美新諾醫藥科技有限公司)	A kind of anti-deformation freeze dryer shelf (一種防變形的冷凍乾燥機擱板)	ZL201420250111.3	Utility model	May 16, 2014	January 28, 2015
39.	WXAT Shanghai	Temperature-controlled animal cage (控溫式動物籠具)	ZL201220282550.3	Utility model	June 15, 2012	January 30, 2013
40.	WXAT Shanghai	Temperature-controlled animal board (控溫式動物保溫保定板)	ZL200920073832.0	Utility model	April 23, 2009	July 21, 2010
41.	WXAT Shanghai	Dissection table for small animals (小動物解剖台)	ZL200920074595.X	Utility model	October 13, 2009	July 21, 2010
42.	XBL-China, Inc. (南京美新諾醫藥科技有限公司)	Vacuum freeze dryer for specific testing (一種試驗研究專用的真空冷凍乾燥機)	ZL201420303639.2	Utility model	June 10, 2014	November 12, 2014

No.	Owner	Description	Patent No.	Types of Patents	Application Date	Authorization announcement Date
43.	WuXi AppTec Pharmaceutical Co., Ltd. (無錫藥明康德藥業有限公司) (Note)	Mold for production of ciclosporin soft capsule (一種用於生產環孢素自微乳化軟膠囊的模具)	ZL201220529634.2	Utility model	October 16, 2012	May 1, 2013
44.	WuXi AppTec Pharmaceutical Co., Ltd. (無錫藥明康德藥業有限公司) (Note)	Mold for production of sevelamer hydrochloride tablet (一種生產鹽酸司維拉姆片劑的模具)	ZL201220529672.8	Utility model	October 16, 2012	May 22, 2013
45.	Shanghai HD Biosciences	Production and application of fluorescent peptides (熒光標記多肽及其製備方法和應用)	ZL201210378701.X	Invention	October 8, 2012	July 16, 2014

Note:
WuXi AppTec Pharmaceutical Co., Ltd. (無錫藥明康德藥業有限公司) is the former name of WuXi STA Pharmaceutical Co., Ltd. (無錫合全藥業有限公司). As of the Latest Practicable Date, the formalities regarding the change of name of the registered owner to WuXi STA Pharmaceutical Co., Ltd. (無錫合全藥業有限公司) have not been completed.

Domain Names

As of the Latest Practicable Date, we have registered the following domain names which we considered to be material to our business:

No.	Domain Name	Name of Registered Proprietor	Validity Period
1.	www.wuxipharmatech.com	WXAT Shanghai	June 30, 2006 — June 30, 2021
2.	www.wuxipharmatech.com.cn	WXAT Shanghai	June 30, 2006 — June 30, 2021
3.	www.wuxipra.com	WXAT Shanghai	January 16, 2013 — January 16, 2019
4.	www.wuxiapptecv-lab.com	WXAT Shanghai	October 16, 2015 — October 16, 2020
5.	www.wuxiapptecv-lab.com.cn	WXAT Shanghai	October 16, 2015 — October 16, 2020
6.	www.wuxiapptecv-lab.cn	WXAT Shanghai	October 16, 2015 — October 16, 2020
7.	www.wuxiv-lab.com	WXAT Shanghai	October 16, 2015 — October 16, 2020
8.	www.wuxiv-lab.com.cn	WXAT Shanghai	October 16, 2015 — October 16, 2020
9.	www.wuxiv-lab.cn	WXAT Shanghai	October 16, 2015 — October 16, 2020
10.	www.wuxiapptec.com.cn	WXAT Shanghai	up to September 17, 2020
11.	www.boshi360.com	WXAT Shanghai	October 24, 2014 — October 24, 2018
12.	www.mygeneguard.com	WXAT Shanghai	July 20, 2015 — July 20, 2023
13.	www.labknows.com	WXAT Shanghai	October 20, 2016 — October 20, 2021
14.	www.labnetwork.cn	WXAT Shanghai	October 8, 2014 — October 8, 2019

No.	Domain Name	Name of Registered Proprietor	Validity Period
15.	www.labnetwork.com.cn	WXAT Shanghai	October 8, 2014 — October 8, 2019
16.	www.uploadcatalog.com	WXAT Shanghai	July 8, 2016 — July 8, 2021
17.	www.instrumentshare.com	WXAT Shanghai	April 29, 2018 — April 29, 2023
18.	www.wuxidiagnostic.com	WXAT Shanghai	June 22, 2018 — June 22, 2023
19.	www.yimingkangde.com	WXAT Shanghai	February 10, 2015 — February 10, 2019
20.	wuxigroup.net	WXAT Shanghai	November 21, 2018 — November 21, 2023
21.	wuxigroup.org	WXAT Shanghai	November 21, 2018 — November 21, 2023
22.	www.sta-pharm.com	STA	October 21, 2014 — October 21, 2019
23.	www.sta-pharma.com	STA	October 21, 2014 — October 21, 2019
24.	www.stapharm.com	STA	October 21, 2014 — October 21, 2019
25.	www.stapharma.com	STA	October 21, 2014 — October 21, 2019
26.	www.sta-pharmaceutical.com	STA	October 21, 2014 — October 21, 2019
27.	www.stapharma.com.cn	STA	October 21, 2014 — October 21, 2019
28.	www.wuxiclinical.com	WuXi Clinical Development Services (Shanghai) Co., Ltd. (上海康德弘翼醫學臨床研究有限公司)	April 6, 2016 — April 6, 2021
29.	www.wuxiapptec.com	WuXi AppTec, Inc.	up to February 11, 2023
30.	www.labnetwork.com	Our Company	up to July 28, 2023
31.	www.xbl.com	XBL	up to October 8, 2020
32.	www.xbl-china.com	XBL	up to August 29, 2020

Software copyrights

As of the Latest Practicable Date, we have registered the following software copyrights which we considered to be material to our business:

No.	Software Name	Owner	Registration No.	Registration Date
1.	WuXi AppTec Nuclear Magnetic Resonance Database Management System V1.0（藥明康德核磁共振數據管理系統 V1.0）	WXAT Shanghai	2006SR09825	July 25, 2006
2.	WuXi AppTec Electronic Laboratory Notebook Software [Abbrev.: E-NOTEBOOK (ELN)] V1.0（藥明康德電子實驗筆記本軟件 [簡稱：E-NOTEBOOK (ELN)] V1.0）	WXAT Shanghai	2006SR12047	September 4, 2006

No.	Software Name	Owner	Registration No.	Registration Date
3.	Reaction Application Management System [Abbrev.: DangerousReaction] V2.0 （反應申請管理系統 [簡稱：DangerousReaction] V2.0）	WXAT Shanghai	2011SR049973	July 19, 2011
4.	WuXi AppTec Compound Management System [Abbrev.: CIMS] V2.0 （藥明康德化合物管理系統 [簡稱：CIMS] V2.0）	WXAT Shanghai	2012SR066405	July 23, 2012
5.	WuXi V-Lab Software [Abbrev.: V-Lab Software] 2.0 （WuXi V-Lab軟件 [簡稱：V-Lab軟件] 2.0）	WXAT Shanghai	2016SR005012	January 8, 2016
6.	WuXi AppTec Project Delivery Management System [Abbrev.: PDMS] V1.0（藥明康德項目交付管理軟件 [簡稱：PDMS] V1.0）	WXAT Shanghai	2017SR556766	September 30, 2017
7.	WuXi AppTec R&D Inventory Management Software V1.0 （藥明康德研發庫存管理軟件V1.0）	WXAT Shanghai	2017SR556610	September 30, 2017
8.	LabNetwork Supplier Management Software [Abbrev.: Fullmoon] V1.0 （覽博網供貨商管理軟件 [簡稱：Fullmoon] V1.0）	WXAT Shanghai	2017SR633658	November 17, 2017
9.	LabNetwork Big Data and Intelligence Analysis System [Abbrev.: Bamboo] V1.0 （覽博網大數據和智能分析系統 [簡稱：Bamboo] V1.0）	WXAT Shanghai	2017SR633663	November 17, 2017
10.	LabNetwork E-commerce Big Data Platform System [Abbrev.: LabNetwork] V1.87 (覽博網LabNetwork電商大數據平台系統 [簡稱：LabNetwork] V1.87)	WXAT Shanghai	2017SR634609	November 20, 2017
11.	Abgent BioSapient Peptide Sequence Design Software [Abbrev.: BioSapient] V2.0(百奇BioSapient多肽序列設計軟件 [簡稱：BioSapient] V2.0)	Abgent Biotechnology (Suzhou) Co., Ltd. (百奇生物科技（蘇州）有限公司)	2012SR090685	September 22, 2012
12.	Abgent SUMOplot Ubiquitination Plot Prediction Software [Abbrev.: SUMOplot] V1.0 百奇SUMOplot (類泛素化位點預測軟件 [簡稱:SUMOplot] V1.0)	Abgent Biotechnology (Suzhou) Co., Ltd. (百奇生物科技（蘇州）有限公司)	2012SR088115	September 17, 2012
13.	Abgent Automated Purifier Software [Abbrev.: Automated Purifier] V1.0 (百奇自動純化儀軟件 [簡稱：自動純化儀] V1.0)	Abgent Biotechnology (Suzhou) Co., Ltd. (百奇生物科技（蘇州）有限公司)	2012SR088111	September 17, 2012

No.	Software Name	Owner	Registration No.	Registration Date
14.	Abgent SuperView Custom Antibody Management Software [Abbrev.: SuperView] V1.0 (百奇SuperView定制抗體管理軟件 [簡稱：SuperView] V1.0)	Abgent Biotechnology (Suzhou) Co., Ltd. (百奇生物科技（蘇州）有限公司)	2016SR066620	April 1, 2016
15.	WuXi AppTec WuXiDaaS Software [Abbrev.: WuXiDaaS] V1.0 (藥明康德WuXiDaaS軟件[簡稱：WuXiDaaS] V1.0)	WXAT Shanghai	2018SR708896	September 4, 2018
16.	WuXi AppTec PDMS Software [Abbrev.: PDMS] V1.0 (藥明康德PDMS軟件[簡稱：PDMS] V1.0)	WXAT Shanghai	2018SR708837	September 4, 2018
17.	WuXi AppTec WuXi Coin Software [Abbrev.: WuXi Coin] V1.0 (藥明康德WuXi Coin軟件[簡稱：WuXi Coin] V1.0)	WXAT Shanghai	2018SR708847	September 4, 2018
18.	WXAT Instrument Software [Abbrev.: WXAT Instrument] V1.0 (藥明好儀器軟件[簡稱：藥明好儀器] V1.0)	WXAT Shanghai	2018SR710437	September 4, 2018
19.	WuXi AppTech TIMS Software [Abbrev.: TIMS] V1.0 (藥明康德TIMS軟件 [簡稱：TIMS] V1.0)	WXAT Shanghai	2018SR708908	September 4, 2018
20.	WXAT Application Software [Abbrev.: WXAT Application] V1.0 (藥明好應用軟件[簡稱：藥明好應用] V1.0)	WXAT Shanghai	2018SR708528	September 4, 2018

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things (i) compliance of relevant laws 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 or is proposed to enter into a service contract with any member of our Group, other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

B. Remuneration of Directors and Supervisors

For the three years ended December 31, 2017 and the six months ended June 30, 2018, the total remuneration paid to our Directors amounted to RMB16.8 million, RMB34.9 million, RMB29.3 million and RMB15.8 million, respectively.

For the three years ended December 31, 2017 and the six months ended June 30, 2018, the total remuneration paid to our Supervisors amounted to RMB1.81 million, RMB2.06 million RMB2.79 million and RMB1.60 million, respectively.

Under the arrangement currently in force, we estimate the total fixed remuneration (before tax) payable to Directors and Supervisors for the year ending December 31, 2018 will be RMB3.2 million.

During the Track Record Period, no fees were paid by our Group to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office.

4. DISCLOSURE OF INTERESTS

A. Disclosure of Interests of Directors and Supervisors

Save as disclosed below, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no options or additional Restricted A Shares are granted under the 2018 WuXi AppTec A Share Incentive Scheme) none of our Directors or Supervisors has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules to be notified to our Company, once the H Shares are listed on the Hong Kong Stock Exchange.

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of shares/underlying shares	Approximate percentage of shareholding interest
Dr. Li	the Company	Interests held jointly with another person; interests of spouse; interests of controlled corporation	323,359,483 A Shares[(1)]	27.7623%
	STA	Interests in associated corporation	2,967,000 shares	0.6712%
Dr. Zhao	the Company	Interests held jointly with another person; interests of spouse; interests of controlled corporation	323,359,483 A Shares[(1)]	27.7623%
Mr. Zhaohui Zhang	the Company	Interests held jointly with another person; interests of controlled corporation	323,359,483 A Shares[(1)]	27.7623%
	STA	Interests in associated corporation	912,561 shares	0.2064%
Mr. Xiaozhong Liu	the Company	Interests held jointly with another person; interests of controlled corporation	323,359,483 A Shares[(1)]	27.7623%
	STA	Interests in associated corporation	1,256,028 shares	0.2841%
Mr. Edward Hu	the Company	Beneficial owner; interests of spouse	104,500 Restricted A Shares[(2)]	0.0090%
	STA	Interests in associated corporation	114,453 shares	0.0259%

Notes:

(1) Dr. Li, Dr. Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang entered into an acting-in-concert agreement and a supplemental agreement on March 23, 2016 and March 17, 2017 to acknowledge and confirm their acting-in-concert relationship in our Company. For details, please see the section headed "History and Corporate Development— Acting in Concert".

(2) The Restricted A Shares are granted pursuant to the 2018 WuXi AppTec A Share Incentive Scheme.

Save as disclosed in this prospectus, up to the Latest Practicable Date, none of the Directors or Supervisors or their respective spouses and children under 18 years of age had been granted by our Company or had exercised any rights to subscribe for shares or debentures of our Company or any of its associated corporations.

B. Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, our Directors, Supervisors or chief executive are not aware of any other person, not being a Director, Supervisor or chief executive of our Company, who has an interest or short position in the Shares and underlying Shares of our Company, which following the completion of the Global Offering, would fall to be disclosed to our Company under the provisions of Divisions 2 an 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting Shares of our Company.

Save as disclosed in this prospectus, to the best knowledge of our Directors, immediately following the completion of the Global Offering, no persons 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 any other members of our Company.

C. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or Supervisors has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(c) without taking into account any Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(d) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Hong Kong Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty under the PRC laws is likely to fall on our Company or its subsidiaries.

B. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any outstanding material litigation or arbitration which may have material and adverse effect on the Global Offering and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

C. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Hong Kong Listing Rules.

Each of the Joint Sponsors will be paid by our Company a fee of US$500,000 to act as the sponsor to our Company in connection with the Global Offering.

D. Compliance Advisor

Our Company has appointed Somerley Capital Limited as the compliance advisor upon the Listing in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

E. Preliminary Expenses

We have not incurred any preliminary expenses.

F. Promoters

The information of our promoters is as follows:

	Shareholder	Capital contribution (RMB)	Shareholding at the time of our establishment (%)
1.	G&C VI Limited	81,000,000	8.6375%
2.	G&C IV Hong Kong Limited	59,234,400	6.3164%
3.	G&C V Limited	41,390,100	4.4137%
4.	Jiaxing Yuxiang Investment Partnership (Limited Partnership) (嘉興宇祥投資合夥企業（有限合夥）)	37,021,500	3.9478%
5.	G&C VII Limited	21,435,000	2.2857%
6.	Shanghai Houshen Investment Center (Limited Partnership) (上海厚燊投資中心（有限合夥）)	19,445,250	2.0735%

	Shareholder	Capital contribution (RMB)	Shareholding at the time of our establishment (%)
7.	Jiaxing Yumin Investment Partnership (Limited Partnership) (嘉興宇民投資合夥企業（有限合夥）)	12,339,900	1.3159%
8.	Jiaxing Houyi	4,664,700	0.4974%
9.	Jiaxing Houyu	4,664,700	0.4974%
10.	Jiaxing Houzi	846,000	0.0902%
11.	Jiaxing Houjin	846,000	0.0902%
12.	Shanghai Houyong Investment Center (Limited Partnership) (上海厚雍投資中心(有限合夥))	801,750	0.0855%
13.	Shanghai Houzhen Investment Center (Limited Partnership) (上海厚溱投資中心(有限合夥))	618,750	0.0660%
14.	Shanghai Houyuan Investment Center (Limited Partnership) (上海厚轅投資中心(有限合夥))	603,000	0.0643%
15.	Shanghai Houyue Investment Center (Limited Partnership) (上海厚玥投資中心(有限合夥)	601,500	0.0641%
16.	Shanghai Houyao Investment Center (Limited Partnership) (上海厚堯投資中心(有限合夥))	586,500	0.0625%
17.	Shanghai Housong Investment Center (Limited Partnership) (上海厚嵩投資中心(有限合夥))	531,750	0.0567%
18.	Shanghai Houling Investment Center (Limited Partnership) (上海厚菱投資中心(有限合夥))	376,500	0.0401%
19.	Fertile Harvest	16,464,710	1.7557%
20.	Eastern Star	5,217,473	0.5563%
21.	L&C Investment	4,191,300	0.4469%
22.	Shanghai Yingyi	10,478,700	1.1174%
23.	Glorious Moonlight Limited	88,851,600	9.4746%
24.	Summer Bloom Investment (I) Pte. Ltd.	81,447,300	8.6851%
25.	WXAT BVI	81,000,000	8.6374%
26.	ABG-WX Holding (HK) Limited	74,043,000	7.8955%
27.	Jiashi Kangheng (Tianjian) Investments Partnership (Limited Partnership) (嘉世康恒（天津）投資合夥企業（有限合夥）)	71,892,000	7.6661%

	Shareholder	Capital contribution (RMB)	Shareholding at the time of our establishment (%)
28.	HCFII WX (HK) Holdings Limited	62,725,500	6.6887%
29.	Shanghai Jinyao Investment Management Co., Ltd. (上海金藥投資管理有限公司)	49,362,300	5.2637%
30.	Pearl WX HK Limited	14,808,600	1.5791%
31.	China Life Chengda (Shanghai) Healthcare Industry Equity Investment Center (Limited Partnership) (國壽成達（上海）健康產業股權投資中心（有限合夥）)	12,500,000	1.3329%
32.	Taikang Insurance Group Inc. (泰康保險集團股份有限公司)	12,500,000	1.3329%
33.	Yunfeng II WX Limited	12,340,800	1.3159%
34.	SCC Growth III Holdco B Ltd.	12,340,800	1.3159%
35.	Shanghai Jiehuan Investment Center (Limited Partnership) (上海杰寰投資中心（有限合夥）)	12,340,800	1.3159%
36.	Brilliant Rich Global Limited	5,643,952	0.6018%
37.	LCH Investment Limited	5,130,865	0.5471%
38.	Shenzhen Pingan Property Investment Co., Ltd. (深圳市平安置業投資有限公司)	5,000,000	0.5332%
39.	Tangshan Jingji Health Industry Fund Partnership (Limited Partnership) (唐山京冀協同健康產業基金合夥企業（有限合夥）)	3,750,000	0.3999%
40.	Shanghai Yunfeng Hengyuan Investment Center (Limited Partnership) (上海雲鋒衡遠投資中心（有限合夥）)	3,750,000	0.3999%
41.	Ningbo Meishan Baoshuigangqu Yunlong Investment Management Co., Ltd. (寧波梅山保稅港區澐瀧投資管理有限公司)	2,500,000	0.2666%
42.	Ningbo Hongqi Equity Investment Partnership (Limited Partnership) (寧波弘祺股權投資合夥企業（有限合夥）)	2,500,000	0.2666%
	Total	**937,787,000**	**100.00%**

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

G. Qualification of Experts

The qualifications of the experts, as defined under the Hong Kong Listing Rules, who have given opinions in this prospectus, are as follows:

Name	Qualification
Morgan Stanley Asia Limited	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 as defined under the SFO
Huatai Financial Holdings (Hong Kong) Limited	A corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
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
Deloitte Touche Tohmatsu	Certified public accountants
Fangda Partners	PRC legal advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

H. Consents of Experts

Each of the experts named in paragraph G of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

Save as disclosed in this prospectus, none of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe.

I. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer is effected on the H Share register of members of our Company, including in circumstances where such transaction is effect on the Hong Kong Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is HK$2.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see "Appendix III — Taxation and Foreign Exchange".

J. No Material and Adverse Change

Our Directors confirm that there has been no material and adverse change in the financial or trading position of our Group since June 30, 2018, except as otherwise disclosed in this prospectus.

K. Binding Effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

L. Related Party Transactions

Our Group entered into certain related party transactions within the two years immediately preceding the date of this prospectus as mentioned in Note 54 of the Accountants' Report as set out in Appendix I to this prospectus.

M. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, please refer to "Appendix V — Summary of Articles of Association."

N. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus:

  (i) no share or loan capital of our Group has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

  (ii) no share or loan capital of our Group is under option or is agreed conditionally or unconditionally to be put under option;

  (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Group; and

  (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company;

(b) there are no founder, management or deferred shares or any debentures in our Group;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) save for our A Shares which are listed on the Shanghai Stock Exchange, none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(g) we are a foreign investment joint stock limited company (外商投資股份有限公司) and are not subject to the PRC Sino-Foreign Joint Venture Law (中外合資經營企業法); and

(h) all necessary arrangements have been made to enable the H shares to be admitted into CCASS for clearing and settlement.

O. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) copies of material contracts referred to in "2. Further Information about Our Business—A. Summary of Our Material Contracts" in Appendix VI; and

(c) the written consents referred to in "5. Other information—H. Consents of Experts" in Appendix VI.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Wilson Sonsini Goodrich & Rosati at Suite 1509, 15/F, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association in Chinese;

(b) the Accountants' Report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I;

(c) the Interim Financial Report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix IA;

(d) the audited consolidated financial statements of our Group for the three years ended December 31, 2017 and the six months ended June 30, 2018, and the nine months ended September 30, 2018;

(e) the report from Deloitte Touche Tohmatsu relating to the unaudited pro forma financial information, the text of which is set out in Appendix II;

(f) the material contracts referred to in "2. Further Information About Our Business—A. Summary of Our Material Contracts" in Appendix VI;

(g) the written consents referred to in "5. Other information—H. Consents of Experts" in Appendix VI;

(h) the contracts referred to in "3. Further Information about Our Directors and Supervisors—A. Particulars of Directors' and Supervisors' Contracts" in Appendix VI;

(i) the legal opinion issued by Fangda Partners, our legal advisor as to PRC law, in respect of our general matters and property interests of our Group;

(j) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations; and

(k) the SSE Listing Rules, together with an unofficial English translation.

药明康德
WuXi AppTec